

# **NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION**

**ANNUAL REPORT AND ACCOUNTS**

For the year ended 31 March 2022

---

# Northern Ireland Authority for Utility Regulation

## Annual Report and Accounts

For the year ended 31 March 2022

*Laid before the Northern Ireland Assembly by the  
Department of Finance under section 10(4) of the Government Resources  
and Accounts Act (Northern Ireland) 2001*

*on*

*1 July 2022*



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated.

To view this licence visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3/](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/)

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

Any enquiries regarding this document should be sent to us at [info@uregni.gov.uk](mailto:info@uregni.gov.uk) or 028 90 311575.

You can download this publication from our website at [www.uregni.gov.uk](http://www.uregni.gov.uk).

# Annual Report and Accounts for the year ended 31 March 2022

## CONTENTS

Performance Report:	
Overview	1
Performance Analysis	13
Accountability Report:	
Corporate Governance Report	22
Statement of Accounting Officer's Responsibilities	27
Governance Statement	28
Remuneration and Staff Report	
Remuneration Report	38
Staff Report	47
Assembly Accountability Report	
Statement of Outturn against Assembly Supply	52
Certificate and Report of the Comptroller and Auditor General	58
Statement of Comprehensive Net Expenditure	63
Statement of Financial Position	64
Statement of Cash Flows	65
Statement of Changes in Taxpayers' Equity	66
Notes to the Accounts	67

# 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, John French, and the Chair of the Utility Regulator Board, Bill Emery (non-executive Director's report), also provide an analysis of performance during the year.

### **Chief Executive Review of Performance in the 2021-22 Financial Year**

'I am pleased to provide this review of performance for the 2021-22 year. Overall I can report that, at the end of the 2021-22 year, we continue to make progress against the objectives set out in our Corporate Strategy 2019-24.

A dominant theme over the last year has been rising energy prices. Extreme and volatile wholesale energy prices have been the reason for a series of increases in household and business energy bills. As an organisation, we have publicly and transparently explained the basis for any increases. This has included making more pricing data available in the public domain and increasing the extent of our public commentary and engaging with stakeholders. In addition, we have directly supported consumers, such as by lowering gas network costs to reduce the impact of tariff increases, and worked with the Departments for Communities and for the Economy, along with the Consumer Council for Northern Ireland, to establish and lead a working group on energy prices. This working group helped to pave the way for the introduction of direct government financial support for vulnerable energy consumers in Northern Ireland over this winter.

Another key context for our work was the Northern Ireland Energy Strategy. In December 2021, the Department for the Economy (DfE) launched its Energy Strategy. This strategy sets out a pathway that will achieve net zero carbon and affordable energy by 2050. We worked closely with DfE in the development of the strategy, and the associated action plan for year one (which was published on January 2022). Implementation of the strategy action plan has begun, and working with DfE and others will be a key focus for us this year. Separately, the Northern Ireland Assembly approved a Climate Change Bill in March 2022.

At the heart of DfE's energy strategy is the consumer, with particular focus on meeting the needs of vulnerable consumers. We too place consumers at the centre, and our work is focused on promoting effective competition, informed choice and fair outcomes. Understanding the needs of consumers is central to us doing the best job possible on their behalf. Our research on the impact of the energy transition on consumers was an important contribution to informing DfE's energy strategy. We gained important insights on both the behaviour of domestic and non-domestic consumers through our tracker research.

Taking practical steps to protect consumers is also critical. We updated our Consumer Protection Programme, which is focused on protecting the needs of vulnerable consumers. A consultation was launched on the domestic marketing code of practice. For the first time, we developed proposals to identify and establish best practice principles and measures that utility companies should implement to identify, support and protect consumers in vulnerable circumstances. Finally, when Bright energy exited the market in February 2022, we ensured that their customers' electricity supply was unaffected.

The Single Electricity Market continues to facilitate a series of capacity auctions and facilitating renewable generation, placing downward pressure on wholesale market prices, which in turn translates to lower bills for consumers. Following the UK's departure from the EU, we continued to engage with government and on post Brexit trading arrangements between Great Britain (GB) and the island of Ireland. We launched a call for evidence of our supply licences to facilitate retail market innovation and also advanced our price control review of gas supply companies.

The future needs of the NI energy system is critical to the energy strategy and we have a key role in enabling utility networks to meet the needs of the future. We apply our expert scrutiny on behalf of consumers to provide the funding for tomorrow's energy and water networks. In March 2022, we published our draft determination for our gas distribution (GD23) price control. A significant milestone in our NIE Networks price control review (RP7) was reached with the publication of the proposed price control approach, for consultation, in March 2022. Finally, we published our draft determination for the gas transmission (GT22) price control in December 2021. One of our biggest price control reviews, for NI Water, concluded and saw over £2 billion of investment approved. Additionally, we are committed to supporting the Department for Infrastructure's "Living with Water" programme that supports economic growth through an integrated approach to drainage and wastewater infrastructure.

Safeguarding electricity security of supply continued to be supported through the effective operation of the Single Electricity Market. Following the completion of the price control review and with the aim of protecting the interests of consumers, we introduced an evaluative framework for the electricity system operator, SONI. Our review of the company's governance arrangements moved forward with a consultation on licence modifications to give effect to review outcomes. Following a significant level of engagement, a new transportation agreement, enabling ongoing direct access to the gas market in GB, was published in September 2021.

We will continue to actively work with industry, government and the third sector to ensure our energy and water future is greener, more resilient, and protected from future price shocks. During the calendar year 2021, the proportion of generation from renewables reached 41.3%, up from 25.83% since 2016. We worked with stakeholders to support the roll out of the electric vehicle infrastructure and facilitated engagement on the potential of Biomethane injection. The NI Audit Office concluded its investigation into the NI Renewables Obligation and we provided evidence and contributed information to the investigation and the subsequent NI Assembly Public Accounts Committee hearing.

We have increased the level of engagement with the NI Assembly and have been actively providing our support through advice, briefings for MLAs and responding to queries and questions.

For much of the past year the Covid-19 pandemic has continued to have an impact on our work. We worked closely with government, industry and other representative organisations to mitigate any service disruption risks and provide information to consumers. Our enhanced monitoring arrangements, to assess energy supplier financial risks and any signs of customer distress, continued to be in place. Internally, many of our staff have worked from home and continued to deliver our day-to-day work and achieve against our business objectives.

As an organisation, we continued to take steps to be a best practice regulator. Our UR People plan sets an integrated approach to supporting and developing our staff. We were awarded a bronze accreditation by Diversity Chartermark and we continue to work with Best Companies. We commenced a leadership programme for the senior leadership team and managers. An extensive staff engagement exercise on future ways of working was completed in March 2022.

Finally, I would like to thank the Board and staff for their support during what has been another busy year. I am full of admiration for what we have achieved together in what has been a challenging year.

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

The 2021-22 year has been an eventful and challenging year for the organisation, with the internal and external agenda impacted by energy prices, strategic developments – particularly relating to the new Energy Strategy for Northern Ireland, and the continuing Covid-19 pandemic.

The ongoing energy price volatility has been a key focus for the Board during 2021-22. We have received regular briefings on the series of tariff reviews that were undertaken. More broadly, we have taken the opportunity to consider the drivers of the consumer price increases and, in particular, energy wholesale costs and the future outlook. The prices context has been an important consideration in our decisions on other regulatory areas, such as price control reviews. We have also supported the work of the executive team to explore options to address energy price increases, and endorsed the establishment of the energy prices and consumer impacts group with other government departments and the Consumer Council.

Developing a new energy strategy for Northern Ireland has also been a significant focus for the Board. We have included the energy strategy as a standing item on our agenda, have received ongoing updates, and approved UR's response to DfE's consultation on the strategy. In March 2022, we also convened a joint workshop with senior DfE officials as an opportunity to consider the implementation of the energy strategy. As a Board, we intend to continue this ongoing engagement with DfE on the energy strategy.

Given the ongoing impact of the Covid-19 pandemic the Board and its committees has continued to receive updates on business continuity arrangements. The Board was apprised on the steps being taken to ensure that the organisation's remote working arrangements were optimal during the public health restrictions. Board meetings continued to take place during 2021-22, mostly utilising video conference technology. An 'in-person' meeting of the Board, and the Remuneration Committee, took place in March 2022.

The Board has been regularly updated on preparations and the steps being taken by the executive team to address matters and to mitigate any risks for energy and water consumers arising from the UK decision to leave the EU.

A series of network price control reviews and associated issues were also a focus for the Board. There was significant Board scrutiny of the NI Water price control, which was published in May 2021. The progress of the gas distribution, gas transmission and electricity network price control reviews together accounted for a considerable amount of time on board meeting agendas. Governance arrangements for SONI were considered by the Board, and this included the organisation of additional board meetings. Throughout the period, the Board met with the boards of Phoenix Natural Gas, SSE Airtricity and firmus energy. A sub-group comprising UR and NIE Networks board members was also convened to consider the progress of the electricity network price control review.

Protecting consumers and promoting competition and choice continued to be a focus for the Board. The Board considered regular updates on the Single Electricity Market and Brexit, both of which were standing items on the Board agenda. There were ongoing briefings provided to the Board on steps being taken to monitor the impact of the Covid-19 pandemic on suppliers and for signs of consumer distress. A further briefing was provided on supplier audits in respect of licence compliance. The efforts being undertaken by the executive team to understand the needs of consumers was the focus of a series of presentations to the Board on consumer research.



As well as considering the broader energy transition agenda, the Board also supported practical approaches, such as supporting investment in electric vehicle infrastructure and biomethane injection into the gas network. The Board also received regular briefings on 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. A workshop to discuss and reflect on organisational risk management arrangements took place in September 2021, with a further in depth review of the risk register in January 2022.

The Board approved key governance documents in respect of the Forward Work Programme, the Budget and the Scheme of Delegation. As well as approving changes to the terms of reference for the Audit and Risk and Remuneration committees, Board also, for the first time, approved an annual report by the Remuneration Committee.

A paper setting out the approach to a review of the Board's effectiveness was agreed at the October board meeting. Board members subsequently undertook a self-assessment with plans to convene a workshop to consider board effectiveness to take place in April 2022.

Board members played an active role in meeting stakeholders and attending virtual events to ensure that they were informed about current and relevant energy and water issues. The Remuneration Committee played a key role in reviewing progress on the UR People Action Plan and outcomes from the Best Companies staff survey and report.

## **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 in line with provisions of the Ireland/Northern Ireland Protocol and Trade and Cooperation Agreement (TCA) between the UK Government and European Commission.

## **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 the designated regulatory gas objectives as defined in article 2 of the Energy (Northern Ireland) Order 2003. 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.

---

<sup>1</sup> The objectives set out in Directive 2009/72/EC continue to apply, notwithstanding the UK's exit from the European Union, by virtue of Article 12(1A) of the Energy (Northern Ireland) Order 2003.

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).

### **Structure of the Utility Regulator**

The Utility Regulator is governed by a publicly appointed board. The Board comprises six non-executive members and one executive member (Chief Executive, John French), who is also the Accounting Officer. The Senior Management Team (SMT), who report to the Chief Executive, oversees the delivery of the Utility Regulator's functions and duties. Further detail on the membership of Board and SMT is provided in the Governance Statement.

## **Strategic Direction**

During 2021-22, 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 [Corporate Strategy 2019-24 final for web.pdf \(uregni.gov.uk\)](https://www.uregni.gov.uk/Corporate-Strategy-2019-24-final-for-web.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 (FWP)**

In each year covered by the Corporate Strategy, the Utility Regulator publishes a Forward Work Programme 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 2021-22 was consulted on and published and can be accessed from the Utility Regulator's website at: [FWP 2021-22 published.pdf \(ureg.gov.uk\)](https://www.ureg.gov.uk/wp-content/uploads/2021/02/FWP-2021-22-published.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 2021. 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. Internal audit provides an objective evaluation of the adequacy and effectiveness of the framework of risk management and focuses its annual audit plan on the corporate register. The key risks for the Utility Regulator have a strong reputational element and are largely constructed around its objectives and ability to regulate effectively. In that context, given the volatility in Wholesale energy prices, the Utility Regulator has recognised a risk in year around the impact of energy prices. Other key risks were also kept under review, mitigated and managed during the year. 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 consumers, and is therefore always at risk of challenge either by reference of disputed licence modifications to the Competition and Markets Authority or judicial review.

Further detail on the key risks faced by the Utility Regulator is provided in the Governance Statement, page 28.

## **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. Key outcomes against Corporate Strategy objectives are identified at Table 1 (above).

In total 93% of the non-routine projects in the FWP 2021-22 are either achieved or partially achieved. Significant projects were progressed during 2021-22 including:

- Supporting DfE in the development of a new Northern Ireland Energy Strategy which was published in December 2021;
- Completion of the PC21 and SEMO price controls;
- Progression of the GD23 and GT22 price controls, with draft determinations published in year;
- Publication of the approach to the electricity network price control (RP7);
- Completion of a new transportation agreement, enabling ongoing direct access to the gas market in GB;
- Commencement of work on the energy supply price control reviews;
- Progression of SEM capacity auctions;
- Completion of the Retail regulatory framework review; and
- Advancement on the review of the gas regulatory framework to facilitate possible bio-methane injection.

In terms of financial performance, in 2021-22 the Utility Regulator is reporting a net resource outturn position of £274k. 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 2021-22, the Utility Regulator outturn is also within the DoF and Assembly approved budget position. Further detail on financial performance is contained within the financial review section of the performance analysis.

The Utility Regulator had its first annual review by Investors in People (IiP) following its “silver” accreditation in March 2021. The review highlighted what it described as the “extensive range of activities” undertaken as part of the UR People Action Plan during the year under review. These included leadership training, continued efforts to enhance communications, a learning and development plan, a review of our approach to recruitment and selection, support for staff adapting to a remote working environment during the Covid-19 pandemic. The review also looked ahead and anticipated some of the areas of focus for the second year including how the Utility Regulator makes the transition from the Covid-19 related working arrangements into a new, long-term working model. A second “Best Companies” assessment was also undertaken just before the year-end and this will be used to further build on the UR People Action Plan with particular reference to issues highlighted by the analysis.



## 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 2021-22.

### **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 (ARC) 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 2021-22 year. This report should therefore be read in conjunction with the Utility Regulator Annual Report for 2021-22, 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 ARC. SMT also regularly reviews performance against targets and these form part of discussions and periodic formal reviews between the CEO and individual directors. During 2021-22 performance against the PROGRESS scorecard, covering a range of organisational measures, also continued to be assessed as part of the formal reviews carried out three times per year between the CEO and individual SMT directors.

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. The Covid-19 pandemic has not had a material impact on performance against key targets in year.

## **Progress against Corporate Strategy Objectives**

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

- Following two reviews, there were 6.9% and 21.4% increases in regulated electricity tariffs for Power NI, which were announced in May and November 2021 respectively. The main factor influencing consumer prices over the last year was changing wholesale energy costs.
- There were four reviews of firmus's regulated gas tariffs in the Ten Towns area. This led to the following increases: 35.15% (announced in September 2021), 38.18% (November 2021), 33.57% (February 2022) and 16.31% (March 2022).
- Following two tariff reviews, SSE Airtricity Gas Supply announced a 21.8% increase for consumers in the Greater Belfast area in September 2021, and a further increase of 39% in March 2022.
- An update on the delivery of our Consumer Protection Programme was published in December 2021.
- A consultation on our Best practice frameworks was launched to identify and establish best practice principles and measures that utility companies should implement to identify, support and protect consumers in vulnerable circumstances.
- We carried out a programme of research to understand better the needs of consumers. Findings from the research on consumers and the energy transition was used to inform our contribution to the development of DfE's energy strategy.
- Our tracker research on domestic and non-domestic consumers helped us better understand their engagement with the retail energy market.
- Our approach to gas supply price controls were published in November 2021.
- We continued to provide regular information updates to keep consumers apprised of assistance available to them in the context of the Covid-19 pandemic.
- Following the exit of Bright energy from the market in February 2022, we worked with the supplier and other regulated companies to ensure that there was a seamless transfer of Bright's remaining customers to another supplier.
- We continued to engage with governments and industry on the optimal trading arrangements, following the UK's departure from the EU.

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

- Our NI Water PC21 final determination was published in May 2021.
- We published draft determinations for the gas distribution (GD23) and the gas transmission (GT22) price control reviews.
- Our approach to the electricity network price control review (RP7) was published in March 2022.
- We initiated a call for evidence on electricity tariff reform.
- Cost and Performance reports on NI Water's PC23 and the gas transmission (GT17) price controls were published.
- There was agreement on the Gas Transportation Agreement, ensuring continued access to the GB gas market.
- Licence modification proposals were published to reflect the outcome of our SONI Governance review.

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

- There was a continued facilitation of investment in renewables and, during 2021, it was announced that there had been 41.3% of energy generated from renewables.
- We contributed to the development of DfE's energy strategy, which was published in December 2021.
- A series of SEM generation capacity auctions took place and sufficient capacity was secured to meet projected demand.
- We approved investment to support the continued rollout of electric vehicle infrastructure.
- We continued to facilitate engagement with industry to explore biomethane injection into NI's natural gas network.
- We continued to provide information and contribute to the NIAO's investigation into the NI Renewables Obligation.

Details on the key risks in delivering against the Corporate Strategy objectives are provided in the Governance Statement, page 28.

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

Of the time limited tasks identified in the FWP, overall the Utility Regulator achieved or partially achieved 93% of the time limited projects listed to be completed within the 2021-22 year. Of the 30 projects identified, the progress report at 31 March 2022 is as follows:

Achieved tasks	16 (53%)
Partially achieved tasks	12 (40%)
Revised	2 (7%)
Not achieved	- (0%)

**Future Performance**

The Utility Regulator will continue to work towards the objectives set out in the 2019-24 Corporate Strategy. The FWP for 2022-23 has already been consulted on and published and identifies the non-routine work that we plan to progress in 2022-23, alongside our core business related work.

## **Utility Regulator Financial Review**

### **Funding of the Utility Regulator**

The Department of Finance (DoF) is responsible for management of the NI Executive Budget process in line with a budgetary framework set by Treasury.

The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

Treasury, and in turn DoF, do not set firm AME budgets. They are volatile or demand-led in a way that departments cannot control. The Department monitors AME forecasts closely and this facilitates reporting to DoF, who in turn report to Treasury.

As DEL budgets are understood and controllable, Treasury sets firm limits for DEL budgets for Whitehall departments and Devolved Administrations at each Spending Review. The NI Executive, based on advice from the Finance Minister, will in turn agree a local Budget that will set DEL controls for Executive departments.

DEL budgets are classified into resource and capital.

- Resource budgets are further split into non-ring-fenced resource that pays for programme delivery and departmental running costs, and separately ring-fenced resource that covers non-cash charges for depreciation and impairment of assets.
- Capital DEL is split into 'financial transactions' for loans given or shares purchased and 'general capital' for spending on all other assets or investments.

Further detail on the Budgeting Framework can be found in the Consolidated Budgeting guidance published by Treasury.

<https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>

The information contained within budgetary controls does not currently read directly to financial information presented in Financial Statements due to a number of misalignments. It is intended that the Executive's Review of Financial Process (RoFP) will help address these differences and improve transparency. RoFP is due to be implemented in 2022-23. Further information on the Executive's Review of Financial Process can be found on the Northern Ireland Assembly website.

## **Budgetary Performance**

Details of the Department's Performance against Budgetary Control totals is set out in the table below.

	<b>Final Plan 2021-22 £000</b>	<b>Provisional Outturn 2021-22 £000</b>	<b>Underspend/ (Overspend) £000</b>
<b>Resource DEL</b>	114	112	2
<i>Including</i>			
<i>Non-ringfenced</i>	107	106	1
<i>Ringfenced D/I</i>	7	6	1
<b>Capital DEL</b>	20	20	-
<i>Including</i>			
<i>General Capital</i>	20	20	-
<b>Total DEL</b>	134	132	2

The Utility Regulator has only DEL budgets and has no expenditure classified as AME. As a non-ministerial government department, the Utility Regulator is required to prepare a Supply Estimate each financial year to seek authority for the DEL budgetary control totals. 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 2021-22 was £8.567m. This is compared with £7.912m in 2020-21.

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 2021-22 the total cost of administering the NIRO and recovered from the buy-out fund was £1,531k. This was compared to £1,435k in 2020-21. The increase is as a result of additional IT and audit costs.

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 2021-22, gross expenditure as detailed in the *Statement of Operating Costs by Operating Segments*, was as follows:

- Segment 1 (Electricity) - £7,043,000 (£6,563,000 in 2020-21)
- Segment 2 (Gas) - £3,000,000 (£2,209,000 in 2020-21)
- Segment 3 (Water) - £458,000 (£1,054,000 in 2020-21)

Our most significant cost is salary costs which in 2021-22 made up 64% of total costs compared with 65% in 2020-21. The Statement of Comprehensive Net Expenditure shows that salary costs increased from the previous year (£6,430,000 for 2020-21 against £6,593,000 for 2021-22). This reflected additional staff to resource key work streams and annual pay increments.

Other current expenditure has increased from £3,396k in 2020-21 to £3,908k in 2021-22. This reflects a rise in the cost of administering the NIRO scheme, a 2021-22 provision and in 2020-21, an unused legal provision was written back.

Aside from some small additional facilities related costs, no additional expenditure has been incurred in responding to the Covid-19 pandemic.

The net resource outturn was £274k against an Estimate of £329k resulting in a saving against estimate of £55k, of which £53k reflected a variance in notional costs. Only a small £2k was unused against the Vote allocation. 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.

	<b>Gross outturn £'000</b>	<b>Income £'000</b>	<b>Net outturn £'000</b>
2017-18	11,032	10,750	282
2018-19	9,446	9,141	305
2019-20	9,362	9,142	220
2020-21	9,826	9,561	265
2021-22	10,501	10,227	274

The above table reflects resource expenditure and income only. Utility Regulator expenditure on capital is minimal (between £3k and £20k in the years illustrated) and covered routine office requirements only. As almost all IT services are provided by the Government's IT Assist facility, there are only minimal capital requirements in that respect.

## **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 the closure of the scheme to new generators 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:

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

By the end of 2020-21 there were 23,754 NIRO accredited generating stations with a capacity of 2,147 MW and a total of 5,980,807 NIROCs were issued to accredited stations. Ofgem continues to accredit stations who qualify through the grace periods and will complete new accreditations by early 2022.

A total of 8 electricity suppliers in Northern Ireland are required to present a total of 1,358,498 ROCs.

Ofgem administer the NIRO on behalf of the Utility Regulator and during 2020-21 they intended to audit 105 Micro-generators but these audits were postponed due to Covid-19 restrictions as these were mainly sited at domestic properties. Ofgem has carried out these audits in 2021-22. Ofgem audited 2 agents, 1 rent a roof company and 23 larger generators.

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 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 2020-21, a total of just over £7.9 million was made available to support schemes. NISEP has also now been extended until 2025 (or until a suitable replacement is identified) to allow DfE to identify a new energy efficiency scheme for Northern Ireland.

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

DfE published an Energy Strategy for NI in December 2021 and an associated Energy Strategy Action Plan in January 2022. The UR will be working with DfE and other stakeholders to deliver the action plan and facilitate the delivery of the government's decarbonisation targets. The Energy Strategy can be found at the following link;

[Energy Strategy - Path to Net Zero Energy | Department for the Economy \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/energy-strategy-path-to-net-zero-energy)

## **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 representatives and wider staff engagement. 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. Throughout the Covid-19 pandemic, there has been an enhanced role for the Health and Safety Committee, which comprises membership from trade union and management representatives. This Committee oversaw the operation of the risk assessment and management plan for Queens House and staff attendance in the building. The Committee has met frequently during the year and has been the forum for consultation on all matters with a health and safety related element. A joint working group comprising trade union and management representatives was formed to develop ideas for longer-term hybrid working options, which have formed the basis of a plan, which has been subject to wide ranging staff engagement.

Steps have been taken to enhance internal communications. During the period in which staff have been working from home, a new internal communications approach was agreed with SMT. This has involved utilising a variety of communications and channels and formats for more regular communications with staff. The Chief Executive initiated weekly all staff meetings and these have continued to provide a regular update to staff. We sought staff views on optimising our internal communications into the future.

The Utility Regulator, as a member of Business in the Community (BiTC) facilitates staff volunteering which provides opportunities for staff to contribute their skills to, and receive development from, third sector bodies. In light of the Covid-19 pandemic, opportunities to facilitate this during 2021-22 were limited. Although our staff are working remotely, we continued to take opportunities to support our organisational charity, the Welcome Organisation. 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. That has been particularly significant during the Covid-19 pandemic and the continued home-working arrangements. Our accredited mental health first aiders are available to provide initial help to any member of staff developing a mental health problem or who is in mental crisis, until appropriate professional treatment is received or until the crisis is resolved. The profile of this group of staff has been significantly increased during the year along with the availability of services provided by the Welfare Support Service in DoF and the DoF contracted counselling services provided by Inspire. There have also been a number of wider staff training opportunities in connection with mental health awareness including "JAM" (Just a Minute) and neuro-diversity training intended to enhance staff understanding of their own mental health and also look out for the needs of others.



As noted above, the Utility Regulator was accredited for the second time by Investors in People in February 2021 this time to “silver” level. This followed an assessment process comprising a staff survey (which yielded an 86% response), a series of one to one interviews and a review of a range of materials gathered in connection with progress on delivery of the previous UR People action plan. A further action plan addressing the matters identified for further development was developed and is being taken forward through a cross directorate working group, along with a number of sub groups, and retaining the “UR People” banner reflecting the intention to deliver meaningful improvements to the organisation’s ways of working and not just deliver a further IiP accreditation.

### **Payment to Suppliers**

The Utility Regulator is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts Regulations 2013 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 100% (2020-21 99.7%) 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, 91.3% (2020-21 93.1%) of invoices have been paid within 10 days.

### **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. We will be commencing work on the next scheme and plan during 2022/23. 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 2021 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.



John French  
Accounting Officer  
28 June 2022

## ACCOUNTABILITY REPORT

This Accountability Report as required under the 2021-22 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 28 to 37 sets out the Utility Regulator's governance, risk management and control arrangements. The main components of the governance arrangements in 2021-22 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 2021-22, the Board comprised six non-executive members and one executive member 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 (non-executive) – 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 (non-executive) – appointed to the Board on 1 November 2015 for a period of five years. Re-appointed 1 November 2020 for a further term of five years.

Jon Carlton (non-executive) – appointed to the Board on 1 November 2015 for a period of five years. Re-appointed 1 November 2020 for a further term of five years.

Claire Williams (non-executive) – appointed to the Board on 1 May 2019 for a period of seven years.

David de Casseres (non-executive) – appointed to the Board on 1 May 2019 for a period of seven years.

John French (CEO) – (executive) – appointed to the Board 2 November 2020.

## **Board Committees**

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

The ARC 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 ARC 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. During 2021-22, Alex Wiseman and Claire Williams served as members of the ARC. 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.

Teresa Perchard served as Chair of the Remuneration Committee during 2021-22 and was joined by committee members Jon Carlton and David De Casseres. 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 is working closely with the Department for Economy on recruitment schemes, which will seek successors to both appointees. The Utility Regulator and CRU each pay 50% of the costs of the independent members and other costs incurred by the SEM Committee.

John French was appointed to the SEM Committee, following his appointment as Chief Executive on 2 November 2020. 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 page 39.

### **The Senior Management Team (SMT)**

SMT 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. The Audit and Risk Committee review this annually. 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, most of which is 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. There have been no breaches relating to this personal data for the year to the 31 March 2022 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 £32k (£30k in 2020-21). No non-audit work was carried out during 2021-22. During 2020-21, £1k was paid to the NIAO for work associated with the National Fraud Initiative (NFI) 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.uregni.gov.uk/customerinformation/complaints](http://www.uregni.gov.uk/customerinformation/complaints). The procedure provides for both formal and informal approaches and includes information about our process for dealing with complaints. During 2021-22, the Utility Regulator did not receive any complaints. A review of Utility Regulator administrative processes and procedures with regard to complaints that are made to the Utility Regulator by energy consumers is however pending, particularly domestic consumers, in respect of complaints against their energy supplier. 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. As a result of the Covid-19 pandemic, the Committee has exercised oversight of the operation of the risk assessment and management plan for Queens House. This included a programme of modifications to make the building Covid-19 secure and procedures for regulating exceptional circumstances in which staff would be in the building. A range of related matters, such as equipment, which could be purchased for home use and completion of Display Screen Equipment questionnaires, which assessed the suitability of individual home workstations, has also been maintained. The Committee met on a frequent basis during the year to consider any modifications needed to the assessment and management plan and to ensure that there is a high level of compliance with it. Along with associated organisational arrangements, the plan is made available to all staff through the intranet. A working group, comprising representatives of trade union and management was formed to begin development of options for a longer-term

hybrid working arrangement. This work has formed the basis of proposals, which, at the year-end, had been subject to wide staff engagement and formal trade union consultation. One health and safety incident was reported to the Health and Safety Committee during 2021-22. This is being handled in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (known as RIDDOR) 2013.

## 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.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Utility Regulator's auditors are aware of that information. So far as I am 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 his corporate governance responsibilities as Accounting Officer. A governance guide has been developed, which sets out relevant guidelines for board members and staff. This guide covers such areas as Board and Board Committee Terms of Reference, Scheme of Delegation, Whistleblowing Guide, Bribery Act, confidentiality, Seven Principles of Public Life, fraud, gifts and hospitality, information governance, risk management strategy and staff and members' interest statements. The content of the governance guide is reviewed by the Audit and Risk Committee and, where necessary updated, 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 that 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 Board operates under its Rules of Procedure and we consider that these constitute a Board Operating Framework. The Rules of Procedure form part of a wider governance guide that is annually reviewed by the Audit and Risk Committee. However, a specific review of the Rules of Procedure was undertaken during 2021-22. The ARC 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 ARC and provides an annual report to the Board summarising its work programme. This provides assurance on the Utility Regulator's compliance with public sector financial and governance requirements. DoF is aware of the arrangements around this independent appointment, which is kept under review in light of the evolving balance of board



skills. The ARC Terms of Reference (ToR) are referenced as part of the ARC report to the Board and a review is presented to the board annually. The ToR will be published on the Utility Regulator website going forward. 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 and the latest review was underway at the year-end. However, the skills and balance of knowledge are considered annually as part of the Board appraisal process. Succession planning for SMT is considered as part of annual appraisal processes and will be developed further through the ongoing leadership work and the ongoing board effectiveness review. The skills needed prior to any recruitment for an SMT post are reviewed and updated as required.

### **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.

All staff members are also required to complete interests statements annually, updated in-year for any changes. Separate policies are in place for both staff and board interests. In addition, a gifts and hospitality policy is in place and registers are maintained and signed off in line with the Scheme of Delegation. In light of DAO 07/21, published in September 2021, the Utility Regulator updated its interest statement template and that is in use for the year-ended 31 March 2022. The Utility Regulator considers that it is compliant with the requirements of DAO 07/21.

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

### **Matters considered by the Board during the period**

The Board continued to exercise 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 2021 meeting. At the same meeting, the Board also approved for the Budget for 2021-22. This was in addition to the approval of amendments to governance documents, such as the Rules of Procedure, Scheme of Delegation, Audit and Risk Committee and Remuneration Committee terms of reference and staff and Board interest statements throughout the year. The Board also received annual reports from both of these Committees on their work through the year and conclusions drawn from it. Finally, the Board also focused on risk and this included a workshop with the executive team in September and a further detailed discussion in January 2022.

The impact of the increasing energy prices was a significant aspect of board business over the year. The Board received several briefings on the tariff reviews undertaken and more broadly based briefings on the drivers and future outlook for energy prices.

Regulatory price controls continued to be a significant feature of board business. This included approval of the NI Water price control review. The Board also considered and endorsed papers relating to the progress of price control reviews relating to the gas distribution and transmission and electricity network price controls.

The Covid-19 pandemic ensured that the Board's oversight of business continuity arrangements and external facing work remained a priority. The Board and its committees adapted to the public health restrictions by continuing to utilise video conference technology (while also undertaking one board meeting and one Remuneration Committee in person, in March 2022). Regular updates were provided to the Board on Covid-19 actions undertaken by the Executive team and this was complemented by scrutiny by the Audit and Risk and Remuneration committees of relevant aspects of the Utility Regulator response. The Board also continued to receive regular briefings and updates on Brexit preparations and this issue was a standing item on the Board agenda.

The Board received regular briefings and hosted discussions with senior officials from DfE regarding the development of the Energy Strategy for Northern Ireland, which was published in December 2021. The Board will oversee the ongoing work with DfE to facilitate delivery of the Energy Strategy.

The Board continued to receive briefings on the Single Electricity Market, which was also a standing item on the Board's agenda.

Various reviews were also considered by the Board. These included SONI governance, the review of NISEP and the work undertaken in respect of the NIAO investigation into the NI Renewables Obligation.

The Board also endorsed the update to the Consumer Protection programme. Presentations were also provided on the impact of Covid-19 on suppliers and consumers and research data in respect of the domestic and non-domestic consumers.

Although the scope for meetings with stakeholders was limited during the year, due to public health restrictions, the Board continued to engage with stakeholders. Given the importance of the Energy Strategy, the Board conducted a workshop with senior DfE officials at its March 2022 meeting. The Energy Strategy was a standing item on the Board's agenda.

## **Board Committees**

### **Standing Committees**

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

The Board and the Accounting Officer are supported by the ARC, 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 ARC 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 ARC met four times during 2021-22. The Committee has continued to receive updates on the Covid-19 and remote working arrangements. As part of its programme of work during 2021-22, it scrutinised the draft budget and corporate risk register before approval was sought for each from the Board. It reviewed the draft annual accounts and received in year finance and performance reports. It oversaw the work of internal audit and received all reports for review of recommendations and management responses. It also actively monitored the timeliness of implementation of audit recommendations, which is regarded as a high priority.

In addition, it reviewed governance related policies in accordance with a timetable of business. In support of this role, the ARC Chair presented a report to the Board in June 2021 on conclusions drawn from its work programme in 2020-21. Matters to be referenced in its report to the Board in respect of 2021-22 include; the outcome of the National Audit Office self-assessment on the ARC effectiveness (including follow up of previous actions), a guide to governance and Business Continuity Plan updates and a review of the Board and Staff Interests statements. Other relevant matters have included 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.

#### **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 four times during 2021-22 and also dealt with several matters by correspondence in the intervening periods.

## Attendance at Board and Other Committees

Attendance at the Board and board committees was as follows:

	Board	Audit and Risk Committee	Remuneration Committee
William Emery*	11/11	-	-
Jim Oatridge	-	4/4	-
Teresa Perchard	11/11	-	4/4
Alex Wiseman	11/11	4/4	-
Jon Carlton	11/11	-	4/4
Claire Williams	11/11	4/4	-
David de Casseres	11/11	-	4/4
John French	11/11	4/4	-

\* 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 2021-22, the SEM Committee met 15 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
Teresa Perchard	4/4
Alex Wiseman	4/4
Jon Carlton	3/4
Claire Williams	4/4
David de Casseres	4/4
John French	4/4

### **Enforcement Committee**

The Board establishes Enforcement Committees to deal with specific enforcement matters as required. No Committees were established during 2021-22 or 2020-21.

### **Board Effectiveness**

During 2021-22, a review of board effectiveness commenced. The Board and SMT completed a self-assessment exercise and we appointed Baker Tilly to take forward the next phase of the work. Baker Tilly will facilitate a Board workshop in early 2022-23 to further discuss the key themes coming out of the survey. Following that, a report will be developed to include any recommendations and actions for enhancing board effectiveness. The previous review of board effectiveness 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, changes have been made to improve the layout for board papers. The board papers are also now uploaded and viewed by board members using the Decision Time platform which provides online secure access to the papers.

The Board has also focused on supporting personal development. During 2021-22, the Board also participated in the Department of Finance's Board Apprentice scheme. Roisin Kelly and her successor, Louise Dunlop, attended board and sub-committee meetings and was provided with mentoring support during the year. The Board also committed to engaging with Queens University's Board mentoring scheme, which will also provide an opportunity for board members to undertake a support role. During 2021, Alex Wiseman provided mentoring support to Ilaria Gianfrotta under this scheme. Finally, to enhance staff and Board engagement we introduced an 'empty chair' initiative to provide a different staff member with an opportunity to sit in on Board meetings.

## **Audit Arrangements**

### **Internal Audit Arrangements**

An internal audit service provider, Ernst & Young, a practice that operates in accordance with Public Service Internal Audit Standards, independently advises the Accounting Officer and the Audit and Risk Committee. Ernst and Young was appointed from 1 April 2019 for a two-year term with the option to extend for two separate one-year periods. Both of these extensions have been agreed, with the second effective from 1 April 2022. Procurement for a new internal audit contract will commence during 2022-23.

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 periodically without members of the Senior Management Team present.

In 2021-22, 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 ARC supports the Board and Chief Executive by reviewing the risk control processes and periodically reviews risk registers, providing a challenge and advisory role as necessary. The Audit and Risk Committee receives assurances from the Head of Internal Audit on the effectiveness of risk management.

## Risk Environment

The Utility Regulator has been adapting to changes arising from the UK's exit from the EU. The Utility Regulator alongside the Commission for Regulation of Utilities in Ireland have adjusted the design of the all island market to reflect the UK's exit from the EU. The market design changes are mainly related to the mechanism to allocate capacity of the interconnectors between the island of Ireland and GB. The enhanced Single Electricity Market (SEM) that went live in 2018 continues to operate as normal and is now underpinned by provisions of the Ireland/Northern Ireland Protocol and Trade and Cooperation Agreement (TCA) between the UK Government and European Commission. Prior to the UK's exit, the Utility Regulator fed into the Agency for the Co-operation of Energy Regulators (ACER) which co-ordinates energy policy at a pan-European level. The Utility Regulator is now working alongside Ofgem to establish new Administrative Arrangements with ACER in line with requirements of the TCA. These two developments will allow the Utility Regulator to ensure continued protection of NI consumers.

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. At local level, energy policy falls within the remit of the Department for Economy (DfE). In December 2021, DfE published a new Energy Strategy. The new strategy sets out a pathway that will achieve net zero carbon and affordable energy by 2050. An associated energy strategy action plan was published in January 2022. The action plan sets out a series of actions for the first year of the strategy and we will be involved in the delivery of several of these actions. One of the actions specifically identifies a review of the legislation and regulation requirements in the context of energy decarbonisation goals.

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, ARC and Board keep the top risks under review.

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

- The UR accountability in terms of the delivery of the Energy Strategy if that is perceived not to deliver significant carbon savings at an affordable price.
- Changes in energy prices and a loss of confidence in UR's ability to regulate markets effectively.
- The potential for disputes or challenges arising from regulatory decisions.
- Failure to adequately protect consumers through price controls and market regulation.

Risks continued to be identified and managed in line with the Risk Management Strategy. The corporate risk register is a standing item on the Board agenda and in addition, the Board held a risk workshop in September 2021. In advance of that, the Board provided responses to standard questions on each of the risks on the corporate register. The discussion at the workshop focussed on the 4/5 risks that were subject to the most board commentary. As a result of that, a number of changes were made to the wording of the corporate risks, the controls in place and actions to mitigate the risks further.

## **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 is in place and policies on information handling are maintained including 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. The Committee's terms of reference set out the scope of its duties and it 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. During 2020-21, the Utility Regulator undertook a self-assessment on procurement fraud using the Northern Ireland Audit Office guide. As a result of that assessment, refresher procurement and fraud sessions were undertaken with all staff in March 2021. The Utility Regulator also participated in the NIAO NFI exercise in 2020-21 and none of the matches identified as part of that raised any potential fraud issues. During 2021-22, a small payroll fraud was committed against UR. This was in respect of an email received, purporting to be from an employee wishing to change their bank details. The initial amount paid out was £4.5k and to date, the bank has recovered £2k of that. Internal processes in respect of an employee change in bank details have been reviewed and additional controls have been implemented. There were no other reported cases of fraud in 2021-22.

## **Whistleblowing**

The Utility Regulator has limited references made to it under the Public Interest Disclosure Order provisions. Internal and external whistleblowing guides are in place and are reviewed annually by the Audit and Risk Committee to ensure that they remain in line with the latest guidance and the Department for Economy also periodically reviews the matters that may be referred to the Utility Regulator under the legislation. Staff and external guides are published on the intranet and public website respectively and both form part of the Governance Guide that all staff have access to.



## **Budget position and Authority**

The Assembly passed the Budget Act (Northern Ireland) 2022 in March 2022, which authorised the cash and use of resources for all departments for the 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2022 also included a Vote on Account which authorised departments' access to cash and use of resources for the early months of the 2022-23 financial year. The cash and resource balance to complete for the remainder of 2022-23 will be authorised by the 2022-23 Main Estimates and the associated Budget Bill based on an agreed 2022-23 Budget. In the event that this is delayed, then the powers available to the Permanent Secretary of the Department of Finance under Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 will be used to authorise the cash, and the use of resources during the intervening period.

## **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 2022 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 23. 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. The pay award for SMT and staff for 2020-21 and 2021-22 was agreed, as a two-year deal, during the year and paid in August 2021. The pay of Utility Regulator staff is based on a system of pay scales for each grade, excluding Senior Management, containing a number of pay points from minimum to maximum, allowing progression towards the maximum based on performance. There were no non-consolidated bonuses payable to any senior managers in respect of the 2021-22 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 be made otherwise.

With the exception of the Chief Executive, whose appointment is on a fixed term seven-year basis, 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 22.

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 for Northern Ireland can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org).

## Remuneration (including 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 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		
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2021-22	2020-21
<b>Non-executive board members</b>									
Dr William Emery (Non-executive Chair)	45-50*	45-50*	800	-	-	-	-	45-50	45-50
Mrs Teresa Perchard (Non-executive Director)	10-15	10-15	200	-	-	-	-	10-15	10-15
Mr Alex Wiseman (Non-executive Director)	10-15	10-15	600	-	-	-	-	10-15	10-15
Mr Jon Carlton (Non-executive Director)	20-25*	20-25*	1,400	-	-	-	-	20-25	20-25
Mrs Claire Williams (Non-executive Director)	10-15	10-15	500	-	-	-	-	10-15	10-15
Mr David de Casseres (Non-executive Director)	10-15	10-15	200	-	-	-	-	10-15	10-15
<b>Other</b>									
Mr Jim Oatridge (Independent Chair of Audit and Risk Committee)	0-5	5-10	-	-	-	-	-	0-5	5-10

<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		
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2020-21
<b>Senior Executives</b>									
Mr John French Chief Executive (Appointed 2nd November 2020)	130-135	55-60 (full year equivalent 130-135)	-	-	75,000	21,000	205-210	75-80	
Mrs Jenny Pyper Chief Executive (Resigned 31st October 2020)	0-5** (full year equivalent 150-155)	85-90 (full year equivalent 145-150)	-	-	-	15,000	0-5	100-105	
Mr Donald Henry (Director of Corporate Affairs)	105-110**	105-110	-	-	19,000	58,000	125-130	160-165	
Ms Tanya Hedley (Director of Compliance and Network Operations)	85-90**	85-90	-	-	33,000	33,000	120-125	115-120	
Mr Kevin Shiels (Director of Retail)	85-90**	85-90	-	-	32,000	30,000	120-125	115-120	
Mr Colin Broomfield (Director of Wholesale)	85-90**	80-85	-	-	33,000	32,000	115-120	110-115	

During 2021-22 basic remuneration for the Chair was £35k-£40k (2020-21 £35k-£40k) and for the non-executive board members was £10k-£15k (2020-21 £10k-£15k).

\* Includes remuneration for SEM Committee membership £10-15k.

\*\* Includes backpay (£2k) in respect of 20/21 pay award.

**Pay ratios (audited)**

FReM requires the department to disclose in the remuneration report details of the ratio between the mid-point of the banded remuneration of the highest paid Director and the employee whose pay is on the 25th percentile, 50th percentile (median) and 75th percentile of the linear distribution of the organisation's employees for the financial year. This is based on annualised full-time equivalent remuneration as at the reporting period date. The following table outlines this for 2021-22 and 2020-21.

	Band of highest paid Director's total remuneration	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
		Remuneration	Ratio	Remuneration	Ratio	Remuneration	Ratio
2021-22	130-135	41,217	3.21	46,213	2.87	58,730	2.26
2020-21	130-135	38,893	3.41	44,968	2.95	58,535	2.26

45

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.

For 2021-22 and 2020-21, the 25th percentile, median and 75th percentile remuneration values consisted solely of salary payments.

The movement in ratio's between 2020-21 and 2021-22 is as a result of the 2021-22 pay award. There has been no change in the salary of the highest paid Director between years. The average percentage change for employees, excluding the highest paid Director, between 2020-21 and 2021-22 was 2.54%.

In 2021-22, no employees (2020-21; nil) received remuneration in excess of the highest paid director.

Remuneration ranged from £16,000 to £132,500 (2020-21 £24,000 to £132,500).

### 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 31/03/22 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/22	CETV at 31/03/21	Real increase in CETV
	£000	£000	£000	£000	£000
Mr John French Chief Executive (From 2nd November 2020)	10-15 -	2.5-5 -	165	115	37
Mr Donald Henry (Director of Corporate Affairs)	35-40 55-60	0-2.5 -	569	534	3
Mr Kevin Shiels (Director of Retail)	40-45 80-85	0-2.5 -	775	717	18
Ms Tanya Hedley (Director of Compliance and Network Operations)	25-30 -	0-2.5 -	355	320	19
Mr Colin Broomfield (Director of Wholesale)	10-15 -	0-2.5 -	141	119	12

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. This report is based on accrued payments made by the Utility Regulator and thus recorded in these accounts.

## **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 2021-22 financial year (2020-21: nil).

## **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 initially 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 members of the classic, premium, classic plus and nuvos pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to alpha from that date. At that time, members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha (full protection) 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 (tapered protection).

In 2018, the Court of Appeal found that the protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, the discrimination identified by the Courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relate to the alternative schemes e.g. legacy PCSPS(NI) 'Classic', 'Premium' or 'Nuvos' (legacy scheme) or alpha. Scheme regulations made in March 2022, closed the PCSPS(NI) to future accrual from 31 March 2022, and all remaining active PCSPS(NI) members (including partially retired members in active service) moved to 'alpha' from 1 April 2022. This completes Phase One to remedy the discrimination identified by the Courts. Any pension benefits built up in the legacy scheme prior to this date are unaffected and PCSPS(NI) benefits remain payable in accordance with the relevant scheme rules. Phase Two will see the implementation of the Deferred Choice Underpin. That is, giving eligible members a choice between legacy scheme and alpha scheme benefits for service between 1 April 2015 and 31 March 2022. At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts, which are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

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 current accrual rate is 2.32%.

Currently 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 who joined on or after 30 July 2007 were eligible for membership of the legacy PCSPS (NI) Nuvos arrangement or they could have opted for a Partnership Pension Account. Nuvos was also a CARE arrangement in which members accrued pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate of accrual was 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' legacy defined benefit arrangements (Classic, Premium, and Classic Plus). From April 2011, pensions payable under these arrangements have been reviewed annually in line with changes in the cost of living. New entrants who joined on or after 1 October 2002 and before 30 July 2007 will have chosen between membership of premium or joining the Partnership Pension Account.

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).

Active members of the pension scheme will receive an Annual Benefit Statement. 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. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. The Scheme Pension age is 60 for any pension accrued in the legacy Classic, Premium and Classic Plus arrangements and 65 for any benefits accrued in Nuvos. Further details about the NICS pension arrangements can be found at the website <https://www.finance-ni.gov.uk/civilservicepensions-ni>.

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 2021 was 3.1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2022.

Employee contributions rates for all members for the period covering 1 April 2022 – 31 March 2023 are as follows:

### **Scheme Year 1 April 2022 to 31 March 2023**

<b>Annualised Rate of Pensionable Earnings (Salary Bands)</b>		<b>Contribution rates – All members</b>
<b>From</b>	<b>To</b>	<b>From 01 April 2022 to 31 March 2023</b>
£0	£24,449.99	4.6%
£24,450.00	£56,399.99	5.45%
£56,400.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

## 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:

	Permanently employed staff	Others	Ministers	2021-22 £'000 Total	2020-21 £'000 Total
Wages and Salaries	4,547	176	-	4,723	4,648
Social Security Costs	516	19	-	535	525
Other Pension Costs	1,285	52	-	1,337	1,257
<b>Sub Total</b>	<b>6,348</b>	<b>247</b>	<b>-</b>	<b>6,595</b>	<b>6,430</b>
Less recoveries in respect of outward secondment	(2)	-	-	(2)	-
<b>Total net costs*</b>	<b>6,346</b>	<b>247</b>	<b>-</b>	<b>6,593</b>	<b>6,430</b>

#### Of which:

Department	Charged to Administration	Charged to Programme	Total
	-	6,593	6,593
	-	6,593	6,593

\* 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 Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

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 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. Following completion of the consultation process the 2016 Valuation has been completed and the final cost cap determined. Further information can be found on the Department of Finance website <https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations>.

A case for approval of a Legislative Consent Motion (LCM) was laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill (PSP&JO) to Northern Ireland. Under the LCM agreed by the NI Assembly on 1 November 2021 provisions are included in the Act for devolved schemes in NI. A second LCM was laid in the Assembly to implement the CCM changes in the Westminster Bill for devolved schemes. The second LCM, as agreed by the Assembly on 31 January 2022, ensured the reformed only scheme design and the economic check will now be applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. The Act also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2021-22, employers' contributions of £1,337,425 were payable to the NICS pension arrangements (2020-21 - £1,257,405) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £19,277.95 (2020-21 £16,943.85) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% (2020-21: 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 £583.41, 0.5% (2020-21 £594.37, 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 (2020-21: £nil). Contributions prepaid at that date were £nil (2020-21: £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 2021-22 an average of 6 (2020-21: 6.75) 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 £65,379 (2020-21: £64,614). 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 (2020-21: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2020-21: £nil).

## Average number of persons employed (audited)

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

	Permanently employed staff	Others	Ministers	Special Advisers	2021-22 Total	2020-21 Total
<b>Segment 1</b> To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity	47.96	1.49	-	-	49.45	51.02
<b>Segment 2</b> To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland	31.21	1.94	-	-	33.15	24.01
<b>Segment 3</b> To protect the interests of consumers of water and sewerage services, where appropriate, by the promotion of effective competition	4.76	0.44	-	-	5.2	10.33
<b>Total</b>	83.93	3.87	-	-	87.8	85.36

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

There were no exit packages awarded in the 2021-22 financial year (2020-21 – 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 2022, the split was as follows:

	Male	Female	Total
Non-executive board members	4	2	6
Senior Management Team	4	1	5
Employees excluding Senior Management Team	44	41	85

### Staff redeployments

There were no staff redeployed from, or to, the Utility Regulator during 2021-22.

### Staff Turnover

The staff turnover during 2021-22 was 8% (2020-21: 11%) representing 7 (2020-21 – 9) staff that left during the year. This has been calculated as the number of leavers over the average staff for the year.

### Staff Engagement

During the year, 1 well-being staff survey was undertaken (82% response rate). In 2021-22, 3 surveys were undertaken – an liP survey (86% response rate) and 2 well-being surveys (90% and 60% response rate).

### Sickness absence data

The overall absence rate (the number of days of absence as a percentage of the total available workings days) was 4.03% (2020-21: 2.04%) for the year ended 31 March 2022. The average number of working days lost in 2021-22 per person was 8.9 (2020-21: 4.5) and was significantly impacted by a very small number of longer-term sickness absences. Excluding long-term absence, the absence rate was 1.71% (2020-21: 0.7%). Sickness absence in 2021-22 was 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 2021-22. All off-payroll arrangements are now assessed in line with IR35 requirements. In 2021-22, the Utility Regulator had no such arrangements in place.

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

In 2021-22 the Utility Regulator did not incur any consultancy expenditure (2020-21: £Nil).

Towards the end of 2021-22, there was one agency arrangement in place (2020-21: £Nil). The total expenditure under that arrangement was £4,348.

## Statement of Outturn against Assembly Supply (audited)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Utility Regulator to prepare a Statement of Outturn against 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).

The SOAS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

A summary of outturn against estimate is provided in the performance report, page 18.



## Summary tables

Summary table, 2021-22, all figures presented in £000

		Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2020-21
Type of spend	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	
Request for resources A	SOAS 1	10,501	(10,227)	274	11,713	(11,384)	329	55	265
Total Resources	SOAS 2	10,501	(10,227)	274	11,713	(11,384)	329	55	265
Non-operating Accruing Resources		-	-	-	-	-	-	-	-

Net cash requirement 2021-22, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2020-21
Net cash requirement	SOAS 3	277	1,027	750	229

## 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).

		Forecast 2021-22		Outturn 2021-22	
	Note	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Total amount payable to the Consolidated Fund	SOAS 4	-	-	4	4

## Notes to the Statement of Outturn against Assembly Supply, 2021-22 (£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 2020-21
	Admin	Other Current	Grants	Gross Expenditure	Accruing Resources	Net Total	Net Total	Virements*	Net total inc. virements		
<b>Request for Resources A:</b>											
Utility Regulation	-	10,339	-	10,339	(10,227)	112	114	-	114	2	104
<b>Non-Budget</b>											
Notional Costs	-	162	-	162	-	162	215	-	215	53	161
Resource Outturn	-	10,501	-	10,501	(10,227)	274	329	-	329	55	265

\* 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. The net outturn is lower as a consequence of IT costs, which are notionally charged to UR by DoF, being less than anticipated.

## 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.

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

Item	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn Total, 2020-21
Net Resource Outturn	SOAS1	274	329	55	265
Non-supply income (CFERs)	SOAS4	(4)	-	4	-
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SoCNE	270	329	59	265

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**

Item	Note	Outturn total	Estimate	Outturn vs Estimate, Saving/(excess)
<b>Resource Outturn</b>	SOAS1	274	329	55
<b>Capital:</b>				
Acquisition of property, plant and equipment		20	20	-
<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			
Depreciation		(6)	(7)	(1)
New provisions and adjustments to previous provisions		(218)	-	218
Other non-cash items		(162)	(215)	(53)
<b>Adjustments to reflect movements in working balances</b>				
Increase/(decrease) in receivables		4	800	796
(Increase)/Decrease in payables due within one year		354	-	(354)
Use of provision	12	11	100	89
Excess cash surrenderable to the Consolidated Fund	SOAS4	-	-	-
<b>Net cash requirement</b>		277	1,027	750

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 2021-22		Outturn 2021-22	
		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		-	-	4	4
Non-operating income and receipts – excess Accruing Resources	SOAS 6	-	-	4	4
Amounts collected on behalf of the Consolidated Fund	SOAS 4.2	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SOAS 3	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>4</b>	<b>4</b>

### 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 2020-21
Fines and Penalties	-	-
Amount payable to the Consolidated Fund	-	-
Balance held at the start of the year	-	253
Payments into the Consolidated Fund	-	(253)
<b>Balances held on trust at the end of the year.</b>	-	-

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

Item	Note	2021-22 £000	2020-21 £000
Operating income	4	10,231	9,561
Income authorised to be Accruing Resources		(10,227)	(9,561)
Operating income payable to the Consolidated Fund	SOAS 4.1	4	-

**SOAS note 6. Non-operating income – Excess Accruing Resources**

Item	2021-22 £000	2020-21 £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 2021-22 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 fees from licence holders in year was £8.966m resulting in a deferred income balance of £82k and £584k for electricity and water respectively. There was an under recovery of £266k from gas 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 2022.



**John French**  
Accounting Officer  
28 June 2022

## **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 2022 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. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the Statement of Outturn against 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 2022 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 Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2022 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 for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies 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 that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, 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

In auditing the financial statements, I have concluded that Northern Ireland Authority for Utility Regulation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Northern Ireland Authority for Utility Regulation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Northern Ireland Authority for Utility Regulation is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

## 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 that report as having been audited, and my audit certificate and report. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Northern Ireland Authority for Utility Regulation and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

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
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; 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.

## **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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Northern Ireland Authority for Utility Regulation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Northern Ireland Authority for Utility Regulation will not continue to be provided in the future.

## **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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. 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.



I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Northern Ireland Authority for Utility Regulation through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Government Resources and Accounts Act (Northern Ireland) 2001, the Energy (Northern Ireland) Order 2003 and Water and the Sewerage Services Order 2006;
- making enquires of management and those charged with governance on Northern Ireland Authority for Utility Regulation's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Northern Ireland Authority for Utility Regulation's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following area: revenue recognition, expenditure recognition, posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate, testing of journal entries, discussing regularity with management and reviewing internal audit reports;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business; and

- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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 Outturn against 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.

## Report

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*1 Bradford Court*  
*Galwally*  
*BELFAST*  
*BT8 6RB*

*30 June 2022*

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

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 or expenditure.

		2021-22	2020-21
	Note	£000	£000
Revenue from contracts with customers	4	8,567	7,912
Other operating income	4	1,664	1,649
<b>Total operating income</b>		10,231	9,561
Staff Costs	3	6,593	6,430
Purchase of goods and services	3	3,211	3,036
Depreciation and impairment charge	3	6	9
Provision expense	3	218	(114)
Other Operating Expenditure	3	473	465
<b>Total Operating Expenditure</b>		10,501	9,826
<b>Net Operating Expenditure</b>		270	265
<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		-	-
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>		270	265

## Statement of Financial Position as at 31 March 2022

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 2022		31 March 2021	
		£000	£000	£000	£000
<b>Non-current assets:</b>					
Property, plant and equipment	5	36		22	
Intangible assets	6	-		-	
Trade and other receivables	10	-		-	
<b>Total non-current assets</b>			36		22
<b>Current assets:</b>					
Trade and other receivables	10	510		506	
Cash and cash equivalents	9	613		101	
<b>Total current assets</b>			1,123		607
<b>Total assets</b>			1,159		629
<b>Current Liabilities:</b>					
Trade and other payables	11	(2,106)		(1,948)	
Provisions	12	(307)		(100)	
<b>Total current liabilities</b>			(2,413)		(2,048)
<b>Total assets less current liabilities</b>			(1,254)		(1,419)
<b>Non-current liabilities:</b>					
Provisions	12	-		-	
<b>Total non-current liabilities</b>			-		-
<b>Total assets less total liabilities</b>			(1,254)		(1,419)
<b>Taxpayers' equity and other reserves:</b>					
General Fund			(1,255)		(1,420)
Revaluation reserve			1		1
<b>Total equity</b>			(1,254)		(1,419)



**John French**  
Accounting Officer  
28 June 2022

## Statement of Cash Flows for the year ended 31 March 2022

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	2021-22 £000	2020-21 £000
<b>Cashflows from operating activities</b>			
Net operating expenditure	SOAS2	(270)	(265)
Adjustments for non-cash transactions	3	386	56
(Increase)/Decrease in trade and other receivables <i>Less movements in receivables relating to items not passing through the Statement of Comprehensive net expenditure</i>	10	(4)	(157)
- <i>Supply amounts due to the Consolidated Fund</i>	10	-	-
Increase/(Decrease) in trade and other payables <i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	11	158	(853)
- <i>Supply amounts due to the Consolidated Fund</i>	11	(508)	199
- <i>Capital accruals</i>		4	1
- <i>CFER amounts due to the Consolidated Fund</i>	11	(4)	861
Use of provisions	12	(11)	(65)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(249)</b>	<b>(223)</b>
<b>Cashflows from investing activities</b>			
Purchase of property, plant and equipment	5	(24)	(6)
Purchase of intangible assets	6	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(24)</b>	<b>(6)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		886	330
From the Consolidated Fund (Supply) – prior year		-	755
Advances from the Consolidated Fund		1,500	2,000
Repayments of advances from the Consolidated Fund		(1,500)	(2,000)
<b>Net financing</b>		<b>886</b>	<b>1,085</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		<b>613</b>	<b>856</b>
Payments of amounts due to the Consolidated Fund		(101)	(1,161)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for payments to the Consolidated Fund</b>		<b>512</b>	<b>(305)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	9	<b>101</b>	<b>406</b>
<b>Cash and cash equivalents at the end of the period</b>	9	<b>613</b>	<b>101</b>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

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 2020</b>		(2,300)	1	(2,299)
Net Assembly Funding		330		330
Approved in respect of 16/17 excess		755		755
Supply (payable)/receivable adjustment		(101)		(101)
CFERs payable to the Consolidated Fund		-		-
Comprehensive Net Expenditure for the Year		(265)		(265)
<b>Non-cash adjustments</b>				
Non-cash charges – auditor's remuneration		30		30
Non-cash charges – other		131		131
<b>Movements in reserves</b>				
Transfer between reserves		-		-
<b>Balance at 31 March 2021</b>		(1,420)	1	(1,419)
Net Assembly Funding – drawn down		886		886
Supply (payable)/receivable adjustment		(609)		(609)
CFERs payable to the Consolidated Fund		(4)		(4)
Comprehensive Expenditure for the Year		(270)		(270)
<b>Non-cash adjustments</b>				
Non-cash charges – auditors remuneration		32		32
Non-cash charges – other		130		130
<b>Movements in reserves</b>				
Transfers between reserves		-		-
<b>Balance at 31 March 2022</b>		(1,255)	1	(1,254)

## Notes to the Departmental Resource Accounts

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2021-22 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 Outturn against 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 2021-22 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 2021-22 the Utility Regulator collected and passed on to the Consumer Council an amount of £941,278 of which £329,498 was in respect of its electricity functions, £248,569 in respect of its gas functions and £363,211 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 2022 shows net liabilities of £1,254k, 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 FRS 102.

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**

In addition to contingent liabilities disclosed in accordance with IAS 37, 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 2022. 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. The value of the right of use asset will be £650k, with a corresponding lease liability of £634k, with the difference reflecting the closing 2021-22 prepayment.

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 January 2023. In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2025. It is unlikely that the implementation of IFRS 17 will materially impact the accounts of the Utility Regulator.

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.

	2021 -22				2020-21			
	Reportable Segment 1 £000	Reportable Segment 2 £000	Reportable Segment 3 £000	Total £000	Reportable Segment 1 £000	Reportable Segment 2 £000	Reportable Segment 3 £000	Total £000
<b>Gross Expenditure</b>	7,043	3,000	458	10,501	6,563	2,209	1,054	9,826
<b>Income</b>	6,888	2,901	442	10,231	6,404	2,133	1,024	9,561
<b>Net Expenditure</b>	155	99	16	270	159	76	30	265

### 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

	2021-22 £000	2020-21 £000
Total net expenditure reported for operating segments	270	265
Reconciling items:		
Income	-	-
Expenditure	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	270	265

### 3. Other Programme Expenditure

	2021-22		2020-21	
	£000	£000	£000	£000
<b>Staff Costs<sup>3</sup>:</b>				
Wages and Salaries	4,721		4,648	
Social Security Costs	535		525	
Other Pension Costs	1,337		1,257	
		6,593		6,430
<b>Rentals under operating leases:</b>				
Property rentals	204		183	
Hire of office equipment	2		2	
		206		185
<b>Non-cash items</b>				
Depreciation of property, plant and equipment	6		9	
Auditors' remuneration and expenses	32		30	
Provision provided in year	271		-	
Provisions not required written back	(53)		(114)	
Other notional costs	130		131	
<b>Total non-cash items</b>		386		56
<b>Other expenditure:</b>				
Consultancy	-		-	
Management of Renewable Outputs Certificate Scheme	1,596		1,393	
Property service charges	79		79	
Managed services	1,227		1,319	
Communications and Advertising	25		28	
Hospitality	-		-	
Travel and Subsistence	1		1	
Rates	72		70	
Training	69		31	
Utilities	22		31	
IT costs	18		16	
Procurement charges	16		30	
Regulatory costs	17		17	
Miscellaneous expenditure	174		140	
		3,316		3,155
<b>Total</b>		10,501		9,826

There were no non-audit services purchased from the NIAO during 2021-22. During 2020-21, £1k was paid to the Northern Ireland Audit Office (NIAO) for work associated with the National Fraud Initiative (NFI) 2020-21 exercise.

<sup>3</sup> Further analysis of staff costs is located in the Staff Report on page 47.

## 4. Income

### 4.1 Other Operating Income

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000</b>	<b>£000</b>
Electricity Licence Fees	5,235	4,795
Gas Licence Fees	2,891	2,105
Water Licence Fees	441	1,012
Miscellaneous Income	1,664	1,649
<b>Total</b>	<b>10,231</b>	<b>9,561</b>

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

2021-22	Leasehold improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2021	81	17	49	89	236
Additions	-	12	8	-	20
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>At 31 March 2022</b>	<b>81</b>	<b>29</b>	<b>57</b>	<b>89</b>	<b>256</b>
<b>Depreciation</b>					
At 1 April 2021	81	11	49	73	214
Charged in year	-	3	1	2	6
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>At 31 March 2022</b>	<b>81</b>	<b>14</b>	<b>50</b>	<b>75</b>	<b>220</b>
<b>Carrying amount at 31 March 2022</b>	<b>-</b>	<b>15</b>	<b>7</b>	<b>14</b>	<b>36</b>
Carrying amount at 31 March 2021	-	6	-	16	22
Asset financing: Owned	-	15	7	14	36
<b>Carrying amount at 31 March 2022</b>	<b>-</b>	<b>15</b>	<b>7</b>	<b>14</b>	<b>36</b>



## 5. Property, plant and equipment

2020-21	Leasehold improvements	Information Technology Equipment	Office Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2020	81	16	50	85	232
Additions	-	1	-	4	5
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	-	-	(1)	-	(1)
<b>At 31 March 2021</b>	<b>81</b>	<b>17</b>	<b>49</b>	<b>89</b>	<b>236</b>
<b>Depreciation</b>					
At 1 April 2020	78	9	49	70	206
Charged in year	3	2	1	3	9
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluations	-	-	(1)	-	(1)
<b>At 31 March 2021</b>	<b>81</b>	<b>11</b>	<b>49</b>	<b>73</b>	<b>214</b>
<b>Carrying amount at 31 March 2021</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>16</b>	<b>22</b>
Carrying amount at 31 March 2020	3	7	1	15	26
Asset financing: Owned	-	6	-	16	22
<b>Carrying amount at 31 March 2021</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>16</b>	<b>22</b>

## 6. Intangible assets

<b>2021-22</b>	<b>£000</b>
<b>Cost or valuation</b>	
At 1 April 2021	16
Additions	-
Disposals	-
Impairments	-
Revaluations	-
<b>At 31 March 2022</b>	<b>16</b>
<b>Amortisation</b>	
At 1 April 2021	16
Charged in year	-
Disposals	-
Impairments	-
Revaluations	-
At 31 March 2022	16
<b>Carrying amount at 31 March 2022</b>	<b>-</b>
Carrying amount at 31 March 2021	-
Asset financing:	
Owned	-
<b>Carrying amount at 31 March 2022</b>	<b>-</b>
<b>2020-21</b>	
<b>£000</b>	
<b>Cost or valuation</b>	
At 1 April 2020	16
Additions	-
Disposals	-
Impairments	-
Revaluations	-
<b>At 31 March 2021</b>	<b>16</b>
<b>Amortisation</b>	
At 1 April 2020	16
Charged in year	-
Disposals	-
Impairments	-
Revaluations	-
At 31 March 2021	16
<b>Carrying amount at 31 March 2021</b>	<b>-</b>
Carrying amount at 31 March 2020	-
Asset financing:	
Owned	-
<b>Carrying amount at 31 March 2021</b>	<b>-</b>

## 7. Capital and other commitments

### 7.1 Capital Commitments

There were no contracted capital commitments at 31 March 2022 (£Nil, at 31 March 2021).

### 7.2 Commitments under leases

£206k (£185k 2020-21) 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. These relate to the building lease. From 2022-23, following implementation of IFRS 16, the building lease will be shown as a right-of-use asset on the SoFP and will not be recognised as an operating lease.

	2021-22 £000	2020-21 £000
<b>Obligations under operating leases comprise</b>		
Land and Buildings		
Not later than one year	194	194
Later than one year and not later than five years	469	663
Later than five years	-	-
	<u>663</u>	<u>857</u>
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>

### 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 2022 (£Nil, at 31 March 2021).

## 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>2021-22</b> <b>£000</b>	<b>2020-21</b> <b>£000</b>
Balance at 1 April	101	406
Net change in cash and cash equivalent balances	512	(305)
<b>Balance at 31 March</b>	<b>613</b>	<b>101</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	613	101
<b>Balance at 31 March</b>	<b>613</b>	<b>101</b>

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

	<b>2021-22</b> <b>£000</b>	<b>2020-21</b> <b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	51	124
VAT receivable	52	59
Prepayments and Accrued Income	407	323
Amounts due from the Consolidated Fund in respect of supply	-	-
	<b>510</b>	<b>506</b>

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

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

	<b>2021-22</b> <b>£000</b>	<b>2020-21</b> <b>£000</b>
<b>Amounts falling due within one year</b>		
Trade payables	3	3
Other taxation and social security	-	-
Accruals and deferred income	1,490	1,844
Amounts issued from the Consolidated Fund for supply but not spent at year end	609	101
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	4	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - receivable	-	-
	<b>2,106</b>	<b>1,948</b>

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

## 12. Provisions for liabilities and charges

	2021-22 £000	2020-21 £000
Balance at 1 April	100	279
Provided in the year	271	-
Utilised during the year	(11)	(65)
Provisions not required written back	(53)	(114)
<b>Balance at 31 March</b>	<u>307</u>	<u>100</u>

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

<b>Analysis of expected timing of discounted flows</b>	<b>2021-22</b> <b>£000</b>	<b>2020-21</b> <b>£000</b>
Not later than one year	307	100
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March</b>	<u>307</u>	<u>100</u>

## 13. Contingent liabilities

The accounts make provision for the costs of defending litigation proceedings. The Utility Regulator considers that it is not probable that 3rd party costs will have to be borne by the Utility Regulator. However, there is the possibility that litigation proceedings could result in the Utility Regulator bearing an element of the applicants costs. Any potential costs cannot be quantified at this stage. On the basis of probability and establishing an estimate of costs, it has not been considered appropriate to make a provision for any such costs 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.

Teresa Perchard is a member of the Utility Regulator Board and from March 2020 until January 2022 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.

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 Afry in a sub-contracting arrangement. Afry 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.

With effect from 18 September 2019 Alex Wiseman was appointed non-executive Director and Audit Committee Chair of Bristol Holdings Ltd. This company does not operate in NI. Alex Wiseman is also non-executive director and audit committee chair of Nexus Infrastructure Limited. Nexus started a business constructing electric vehicle charging points in 2018 and this now operates in NI, but in the event of any Board discussion of promoting or funding electric vehicle charging, Alex will recuse himself to ensure no conflicts of interest.

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.

Claire Williams is a member of the Utility Regulator Board and until June 2020 was 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 was disclosed to the Utility Regulator and no conflicts arose with this.

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 2021-22 and in total payments of £120,434 (2020-21 £65,357) were made to them in this financial year (of which £nil (2020-21 £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 identified conflicts with her participation.

Donald Henry, Director of Corporate Affairs, was also a member of the EnergyWise project board although work on EnergyWise was postponed in prior years. 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.

Directors, as part of their roles within the Utility Regulator, may be members of DfE strategy groups. John French is also a member of the DfE Project Board. No conflicts with these have been identified.

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

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

The Accounting Officer authorised the issue of these financial statements on 30 June 2022.