

**NORTHERN IRELAND AUTHORITY FOR  
UTILITY REGULATION**

**ANNUAL REPORT  
AND ACCOUNTS**

**For the year ended 31 March 2021**



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*Laid before the Northern Ireland Assembly by the  
Department of Finance under section 10(4) of the  
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*6 July 2021*

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# Northern Ireland Authority for Utility Regulation

## Annual Report and Accounts for the year ended 31 March 2021

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## 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 2020-21 Financial Year**

'I am pleased to provide this review of performance for the 2020-21 year. While I took up the appointment as Chief Executive from 1 November 2020, this review comments on the 2020-21 year as a whole.

Overall I can report that, at the end of the 2020-21 year, we continue to make progress against the objectives set out in our Corporate Strategy 2019-24.

The impact of the external context on our work during 2020-21 has been exceptional. Primarily, this has been as a consequence of the Covid-19 pandemic which has had an extraordinary impact on the lives of households, businesses and societies around the world. Public health restrictions have seen our staff vacating our Queens House office to work remotely. This has required us to adapt to new ways of working. Despite the challenges, we have managed to continue delivering on our day-to-day work and achieve against our business objectives.

The pandemic has also required us to take action to protect the interests of consumers. This has involved working closely with government, industry and other representative organisations to mitigate any service disruption risks (such as, for instance, relating to consumer difficulty in topping up gas pre-payment meters due to shielding). We have also worked closely with industry to provide information to consumers. Finally, we initiated enhanced monitoring arrangements to assess energy supplier financial risks and any signs of customer distress and continue to keep this under close review.

The UK's departure from the EU was complete when the transition period expired at the end of 2020. We have taken steps to protect Northern Ireland consumers and have focused on those areas of our work that had the potential to be most affected, particularly in respect of the Single Electricity Market. This has involved working closely with other government departments and industry and we continue to engage with these stakeholders on post Brexit arrangements. Our internal Brexit Co-ordination team has continued to meet and our Board has also been provided with regular briefings.

We have continued to engage with the NI Assembly and have been actively providing our support through advice, briefings for MLAs and responding to queries and questions.

At the heart of our Corporate Strategy 2019-24 is the consumer. Our objective is to place consumers at the centre and our work is focused on promoting effective competition, informed choice and fair outcomes. The operation of the Single Electricity Market continues to provide evidence of effective competition through a series of capacity auctions and the continuing investment to facilitate renewable generation placing downward pressure on market prices.

We also kept under review the effectiveness of retail market arrangements by assessing the current supply price control frameworks. Putting consumers at the centre also means that we have taken steps to understand their preferences, and we undertook research to assess their needs in the context of the energy transition to net zero carbon. Our work to protect vulnerable consumers through the Consumer Protection Programme continued. Finally, we have stood up for the interests of consumers by actively undertaking enforcement activity. During 2020-21 our enforcement activity resulted in a further £250,000 being donated to local charities which takes the running total from our action to close to £1 million.

We recognise that the price that consumers pay for utility services is at the forefront of their minds at any time, never mind during a pandemic. In that context, there were several tariff reviews undertaken by us during 2020-21. A decrease in regulated electricity prices was announced in May 2020. Regulated gas prices in the Ten Towns market fell in October (the second fall in 2020 as a whole). This was followed by increases across the local gas market in March 2021, mainly due to increases in the price of wholesale gas on the global markets. Water charges for local businesses also rose slightly in March. While these increases are disappointing we continue to exercise our regulatory oversight to ensure that the bills that consumers pay reflect the actual cost of supply.

The future needs of the NI energy system and putting in place the networks to deliver these, is central to our strategy. It is critical that there is prudent investment in utility networks to ensure that consumers have the modern infrastructure necessary to meet the needs of the future. Our job is as an enabler, applying our expert scrutiny on behalf of consumers to provide the funding for tomorrow's energy and water networks. Externally, we welcomed the Infrastructure Minister's announcement in September to approve the planning for the second north-south electricity interconnector. The past year also saw us progress a series of price control reviews. At the year-end, we were close to finalising our price control determination on the PC21 review of NI Water. We also published our price control determination for SONI in December 2020 and were also progressing our review of the governance arrangements for the same company.

It was also a significant year for progress on plans for decarbonisation. The UK Government set a net zero target for carbon emissions by 2050. We worked closely with the Department for the Economy (DfE) on the development of its energy strategy. DfE published its proposed strategy options for public consultation in March 2021 and we will continue to assist and advise the department as it works to finalise its strategy. We have a regulatory role in renewables in line with government policy and during 2020-21 the proportion of generation from renewables reached 49.2%. The NI Audit Office also conducted an investigation into the NI Renewables Obligation and we provided evidence and contributed information to the investigation.

We continued to develop as an organisation focussed on delivering best practice regulation. An extensive range of activities was undertaken as part of our UR People Programme. Following an assessment, we were awarded the Silver accreditation under Investors in People. Our commitment to a diverse workplace also saw us designated as a 'Disability Confident' organisation and we also achieved the Diversity Mark.

Finally, in my first year as Chief Executive I wish to record my thanks to my predecessor, Jenny Pyper, and wish her well for the future. I would also like to thank the Board and staff for the welcome they have given me as Chief Executive. In what has been a very challenging year, in the context of the Covid-19 pandemic, I have been very impressed by the dedication and professionalism of the team throughout the year. Given the external context, the ability of the organisation to adapt and still manage to deliver, and achieve, is a very worthy accomplishment.

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

As highlighted by the Chief Executive, the 2020-21 year has been an extremely challenging year for the organisation, with the internal and external agenda impacted by the Covid-19 pandemic.

Given this context, the focus of the Board and its committees has been on business continuity. The Board was regularly apprised on steps being taken to ensure that the organisation could continue to operate effectively given the public health restrictions. Board meetings continued to take place during 2020-21 utilising video conference technology. Two in-year reviews of the organisation's Forward Work Programme (FWP) were undertaken and the Board considered the outcome of these. A special workshop involving the Board and the executive team took place in September to consider the review of the FWP and the organisational risk register.

Throughout the past year 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.

Protecting consumers and promoting competition and choice continued to be a focus for the Board. The Board requested and received regular updates on steps being taken to monitor the impact of the Covid-19 pandemic on suppliers and for signs of consumer distress. A briefing was provided on supplier audits in respect of licence compliance. We continued to prioritise the Consumer Protection Programme, and the Board endorsed a new plan for moving the programme forward. The Board considered ongoing briefings on regulated tariff reviews and wholesale and retail market monitoring reports.

A series of network price control reviews and associated issues were also a focus for the Board. This related to the NI Water, SONI and gas transmission price controls. The Board approved the SONI price control determination in December. Governance arrangements for SONI were considered by the Board. The ongoing development of the natural gas network was discussed by the Board – particularly in respect of the Gas to the West programme. Throughout the period the Board met with the boards of NI Water and SONI.

As well as considering the broader energy transition agenda, the Board also supported practical approaches, such as licensing arrangements around battery storage and biomethane injection. The Board received regular briefings on the EU's Clean Energy Package and the NI Renewables Obligation.

Given the broader strategic agenda, the Board was regularly apprised of progress in relation to the development of DfE's energy strategy. Senior DfE officials provided a presentation to the Board on the energy strategy at the December board meeting.

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.

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



As ever, board members played an active role in meeting stakeholders and attending virtual events to ensure that they were informed about current and relevant energy and water issues. Board members also engaged with staff on the UR People Programme and around living organisational values. The Remuneration Committee played a key role in reviewing progress on the UR People Programme in the context of the re-accreditation process for Investors in People.

Finally, the new Chief Executive joined the Board in November. Jon Carlton and Alex Wiseman had their terms of appointment as board members extended by the Minister for Finance.

## **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.

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<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 one executive member (the Chief Executive, John French) and six non-executive members. The Chief Executive is also the Accounting Officer. The Senior Management Team (SMT) 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 2020-21, the Utility Regulator's work was guided by the overarching principle and strategic objectives outlined in its five-year Corporate Strategy covering the period 2019 to 2024. This sets out three strategic objectives aimed at achieving the duties and objectives assigned to the Utility Regulator in legislation while delivering on its overarching purpose to protect and empower all consumers. The Corporate Strategy sets out how the Utility Regulator will aim to meet its strategic objectives, the outcomes that will be achieved and the key success measures. The Corporate Strategy also details the achievements of the Utility Regulator in the period prior to its publication and highlights the main issues and challenges going forward. The Corporate Strategy was published in March 2019 and is available on the Utility Regulator's website <https://www.uregni.gov.uk/sites/uregni/files/media-files/Corporate%20Strategy%202019-24%20final%20for%20web.pdf>. The Utility Regulator also regulates within the context of the policy framework set out by government including the DfE's Strategic Energy Framework and the DfI's Social and Environmental Guidance.

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

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

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

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

### **Forward Work Programme (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 2020-21 was consulted on and published and can be accessed from the Utility Regulator's website at:

<https://www.uregni.gov.uk/sites/uregni/files/media-files/FWP%202021%20final.pdf>

It described the Utility Regulator's objectives, identified the main priorities for meeting those objectives and outlined the specific non-routine projects which the organisation planned to undertake in the year commencing 1 April 2020. It also included an estimate of the overall expenditure which the Utility Regulator expected to incur during the year.

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

The Utility Regulator has a robust risk management process in place aligned to best practice. The risk management strategy was reviewed during 2019-20 and was applied to the risk management process during 2020-21. The key risks for the Utility Regulator have a strong reputational element and are largely around failure to achieve its objectives and regulate effectively. In that context, the impact of Covid-19 on the ability to deliver against objectives and FWP targets was recognised during 2020-21 although arrangements were put in place to ensure that it has not had a material impact on organisational performance. 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. The Utility Regulator is also working with government and other regulators in regard to the potential implications of Brexit and the management of such matters.

Further detail on the key risks faced by the Utility Regulator is provided in the Governance Statement, page 27.

### **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 91% of the non-routine projects in the FWP 2020-21 are either achieved or partially achieved. Significant projects were progressed during 2020-21 including: the completion of the SONI price control, the progression of the NI Water PC21 price control review, continuing to develop new ancillary services to enable more electricity to be generated from renewable sources under the DS3 initiative and implementation of Consumer Protection Strategy projects.

In terms of financial performance, in 2020-21 the Utility Regulator is reporting a net resource outturn position of £265k. 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 2020-21, the Utility Regulator outturn is also within the DoF approved budget position. Further detail on financial performance is contained within the financial review section of the performance analysis.

Having come to the end of the initial three-year accreditation by Investors in People (IiP), the Utility Regulator was reassessed and awarded “silver” accreditation in March 2021. This improved level of accreditation represents findings that indicate improvement across the range of IiP indicators and which will form the basis of a new action plan to take forward areas for further improvement over the next three-year period. During the current year, work continued on the delivery of the action plan developed to implement actions arising from the previous accreditation. This work has continued to be overseen by a delivery team comprising representatives from all directorates. IiP implementation forms a key part of the HR Strategy (“UR People”) key performance indicators which are on track. During the year, the programme of activity focussed on development programmes for different groups of staff, performance management, encouraging an awareness of corporate social responsibility and providing access for staff to a range of advice on physical and mental health well-being issues with particular relevance to the needs of staff working from home. The latter was borne out of a recognition that the requirement to move quickly to remote working as a result of the Covid-19 pandemic met with a range of responses from staff including, for some, significant personal and family challenges. The office conducted two staff surveys which sought to understand these needs in order to help the Utility Regulator to provide as much assistance, and support as possible.



## 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 2020-21.

### 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 2020-21 year. This report should therefore be read in conjunction with the Utility Regulator Annual Report for 2020-21, 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 2020-21 performance against the PROGRESS scorecard, monitoring targets across four key areas – process, results, organisation and growth and engaging with stakeholders – also continued to be assessed as part of the formal reviews carried out three times per year between the CEO and individual SMT directors. Work was also progressed in 2020-21 to enhance the PROGRESS scorecard and that will be implemented for reporting in 2021-22.

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

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

### Progress against Corporate Strategy Objectives

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

- Following a review, there was a 4.8% decrease in regulated electricity tariffs for Power NI, which was announced in May 2020. The main factor influencing consumer prices over the last year was changing wholesale energy costs.

- A review of firmus's regulated gas tariffs led to a price decrease for consumers in the Ten Towns area. The review, which concluded in September 2020, resulted in a 12.5% decrease.
- Following further gas tariff reviews, firmus energy announced a 17.7% increase for the Ten Towns gas distribution area in March 2021. In the same month, SSE Airtricity Gas Supply announced a 9.8% increase for consumers in the Greater Belfast area.
- A review of our Consumer Protection Programme was completed in April 2020. As part of the focused work programme a call for evidence was launched to assess the current interventions for vulnerable domestic consumers in NI and the identification of any potential gaps.
- Our decision to limit back billing in the retail energy market to a 13 month period was implemented from October 2020. Our determination on the marketing code of practice for business customers was published in April 2020. A consultation was launched on changes to the Domestic Marketing Code of Practice in January 2021.
- We undertook a review of the state of domestic energy retail markets in NI and published a decision paper in March 2021.
- In light of the Covid-19 pandemic regular information updates were published to keep consumers apprised of assistance available to them. Our Complaints and Disputes policy was temporarily suspended between April and July 2020.
- In September a report on the annual audit of compliance for electricity and gas suppliers was published.
- Following enforcement activity, £250,000 of charitable donations were made by Electric Ireland, following an investigation undertaken by the Utility Regulator.

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

- A draft determination was published for the NI Water PC21 price control, with a final determination due to be published early in the 2021-22 year.
- The SONI price control review was concluded with the final determination published in December 2020.
- New price control reviews relating to the gas distribution and gas transmission companies were advanced, with the publication of price control approach documents.
- A decision paper was published on SONI's draft ten-year Transmission Development Plan in June 2020.
- Cost and Performance reports on NI Water's PC15 and NIE Network's RP6 price controls were published.
- There continued to be work in relation to the Gas Transportation Agreement.
- Work continued on the 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 2020, it was announced that there had been 49.2% of energy generated from renewables.
- A series of SEM generation capacity auctions took place and sufficient capacity was secured to meet projected demand.
- Licence applications for battery storage were granted for the first time.
- We facilitated 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.
- We supported DfE's work to develop a new energy strategy and an options paper was published by the Department in March 2021.
- We continued to partner with several organisations, including the Energy Institute, to promote awareness and dialogue on the energy transition to a low carbon future.

Details on the key risks in delivering against the Corporate Strategy objectives are provided in the Governance Statement, page 34.

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

Of the time limited tasks identified in the FWP, overall the Utility Regulator achieved or partially achieved 91% of the time limited projects listed to be completed within the 2020-21 year. Of the 23 projects identified, the progress report at 31 March 2021 is as follows:

Achieved tasks	8	(35%)
Partially achieved tasks	13	(56%)
Revised	2	(9%)
Not achieved	-	(0%)

The 2 projects were revised as a consequence of Covid-19 and other priorities.

**Future Performance**

The Utility Regulator will continue to work towards the objectives set out in the 2019-24 Corporate Strategy. The FWP for 2021-22 has already been consulted on and published and identifies the non-routine work that we plan to progress in 2021-22, 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.

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 will help address these differences and improve transparency.

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 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 2020-21 was £7.912m. This is compared with £7.958m in 2019-20.

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 2020-21 the total cost of administering the NIRO and recovered from the buy-out fund was £1,435k. This was compared to £1,184k in 2019-20. The increase is as a result of a rise in the number of generators and suppliers in the scheme. In addition, Ofgem, who administer the scheme on behalf of the Utility Regulator, has had to incur additional IT, legal, audit and compliance related 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 2020-21, gross expenditure as detailed in the *Statement of Operating Costs by Operating Segments*, was as follows:

- Segment 1 (Electricity) – £6,563,000 (£6,404,000 in 2019-20)
- Segment 2 (Gas) – £2,209,000 (£2,019,000 in 2019-20)
- Segment 3 (Water) – £1,054,000 (£939,000 in 2019-20)

Our most significant cost is salary costs which in 2020-21 made up 65% of total costs compared with 64% in 2019-20. The Statement of Comprehensive Net Expenditure shows that salary costs increased from the previous year (£5,986,000 for 2019-20 against £6,430,000 for 2020-21). This reflected an increase in employers' pension contributions, additional staff to resource key work streams and annual pay increments. Given the Covid-19 pandemic, the amount accrued for unused annual leave at the end of the year has increased.

Other current expenditure has increased marginally from £3,376k in 2019-20 to £3,396k in 2020-21. This reflects a rise in the cost of administering the NIRO scheme and an increase in the costs associated with delivering key work streams, offset by an unused legal provision written back and some reduction in office related costs given the home-working arrangements during the year.

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 £265k against an Estimate of £298k resulting in a saving against estimate of £33k, of which £31k 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.

	Gross outturn £'000	Income £'000	Net outturn £'000
2016-17	10,219	9,955	264
2017-18	11,032	10,750	282
2018-19	9,446	9,141	305
2019-20	9,362	9,142	220
2020-21	9,826	9,561	265

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

## Reporting against Sustainability

The Utility Regulator has responsibility for the Northern Ireland Renewables Obligation and through this scheme Northern Ireland Renewable Obligation Certificates (NIROCs) are issued to renewable generators. Following 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:

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

By the end of 2019-20 there were 23,767 NIRO accredited generating stations with a capacity of 2,181 MW and a total of 6,148,834 NIROCs were issued to accredited stations. Ofgem continues to accredit stations who qualify through the grace periods and they are expected to complete new accreditations by early 2021.

A total of 8 electricity suppliers in Northern Ireland are required to present a total of 1,461,163 ROCs.

Ofgem administer the NIRO on behalf of the Utility Regulator and during 2019-20 they audited 43 Micro-generators, 2 agents and 1 rent a roof company, and 64 other 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 2019-20, a total of just over £6.9 million was made available to support schemes (this figure included under spend rolled forward from 2018-19). In the previous year, 2018-19, the funding spent on schemes amounted to just over £8 million. Due to Covid-19, the 2020-21 year has been extended to the end of April 21. NISEP has also now been extended until 2025 (or until a suitable replacement is identified) to allow DfE to publish the new Energy Strategy for Northern Ireland.

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

## **Other Matters to Report**

### **Employee Involvement**

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

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 new Chief Executive initiated weekly all staff meetings and these have continued to provide a regular update to staff. Staff surveys carried out during the year have confirmed staff endorsement of the internal communications undertaken.

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 2020-21 were limited. During the year an organisational charity was

selected, the Welcome Organisation, and opportunities to support this are being developed. 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. A number of staff have completed an accredited mental health first aid course to equip them in providing initial help to someone developing a mental health problem or who is in mental crisis until appropriate professional treatment is received or until the crisis is resolved. The 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 is in the course of being developed and will be subject to consultation with staff before 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, 99.7% (2019-20 99.9%) of undisputed invoices were paid within this standard. In line with other NI departments and following Dear Accounting Officer (DAO) 12/08 guidance, the Utility Regulator has aimed to promptly pay invoices within a 10 day target. In the past year 93.1% (2019-20 96.9%) 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. 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 2020 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  
2 July 2021

## **ACCOUNTABILITY REPORT**

This Accountability Report as required under the 2020-21 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 27 to 35 sets out the Utility Regulator's governance, risk management and control arrangements. The main components of the governance arrangements in 2020-21 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 2020-21, the Board comprised one executive member and six non-executive members as follows:

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

Teresa Perchard (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.

Prior to 1 November 2020, Jenny Pyper held the position of CEO and Executive member of the Board.

Four board members will need to be replaced within a period of 6 months and advance discussions on board succession with DoF are ongoing.

## **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 2020-21, 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 2020-21 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 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. Prior to that Jenny Pyper served on the SEM Committee. Dr William Emery was appointed to the SEM Committee for a five year term from 1 March 2013 and re-appointed for a further five year term to 28 February 2023. Jon Carlton was appointed to the SEM Committee with effect from 1 April 2016.

Details of the remuneration of Utility Regulator non-executive board members are provided on pages 37 to 38.

### **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. Public access to this register can be obtained by contacting the Utility Regulator.

### **Personal Data**

The nature of the Utility Regulator's business only requires it to hold a limited amount of personal data mostly in connection with staff. A suite of policies has been put in place, and privacy notices updated, to address the requirements of the General Data Protection Regulation. The Information Management Committee is keeping compliance with these requirements under regular review. There have been no breaches relating to this personal data for the year to the 31 March 2021 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 £30k (£27.5k in 2019-20). During the year, £1k was paid to the NIAO for work associated with the National Fraud Initiative (NFI) 2020-21 exercise. There was no auditor remuneration, actual or notional, for non-audit work in 2019-20.

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 2020-21 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 assumed responsibility for overseeing development of a risk assessment and management plan for Queens House. This included a programme of modifications to make the building Covid secure and procedures for regulating exceptional circumstances in which staff would be in it. 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 was also undertaken. 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. No health and safety incidents were reported to the Health and Safety Committee during 2020-21.

## **STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

Under the Government Resources and Accounts Act (NI) 2001, the DoF has directed the Utility Regulator to prepare for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Utility Regulator during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the affairs of the Utility Regulator and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by DoF including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts, as a whole, is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

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

## GOVERNANCE STATEMENT

### Governance Framework

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

### The Board

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

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

The Utility Regulator is required to comply with The Code and in particular its focus on the role of the Board. Subject to the comments 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 the Rules of Procedure and we consider that these constitute a Board Operating Framework. The Rules of Procedure form part of a wider governance manual that is periodically reviewed however, a specific review of the Rules of Procedure will be 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 and providing assurance on the Utility Regulator's compliance with public sector financial and governance requirements. DoF is aware of this arrangement, which is kept under review in light of the evolving balance of board skills. The ARC Terms of

Reference (ToR) are referenced as part of the ARC report to the Board however these have not been made publicly available. 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. 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. 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.

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 2020 meeting. At the same meeting the Board also approved for the Budget for 2020-21. This was in addition to the approval of amendments to governance documents, such as the statutory committee terms of reference, throughout the year. Finally, the Board also focused on risk and this included a workshop with the executive team in September.

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

The Covid-19 pandemic ensured that the Board's oversight of business continuity arrangements and external facing work was a priority. The Board and its sub-committees adapted to the public health restrictions by utilising video conference technology. 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 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 continued to receive briefings on the Single Electricity Market, which was also a standing item on the Board's agenda. Overall, this provided the Board with an opportunity to provide comments, as required, to members of the Utility Regulator SEM Committee.



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 plan for moving forward the Consumer Protection programme. Presentations were also provided on the impact of Covid-19 on suppliers and consumers and survey data in respect of the non-domestic energy market. As well as considering opportunities to protect consumers in energy markets, such as the review of the retail energy market, the Board was also apprised of developments in relation to enforcement action.

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, senior DfE officials provided a briefing to the Board at its December 2020 meeting. Board members also participated in stakeholder events such as a joint webinar, held in January 2021.

## **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 2020-21. In light of the Covid-19 pandemic and the change in working arrangements, the Committee has reviewed contingency and governance provisions and has continued to receive updates on the position. As part of its programme of work during 2020-21, it scrutinised the draft budget and corporate risk register before approval was sought for each from the Board. The Committee participated in the Board risk workshop undertaken in September 2020. 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 monitored performance in the timely 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 2020 on conclusions drawn from its work programme in 2019-20. Matters to be referenced in its report to the Board in respect of 2020-21 include the National Fraud Initiative report, the outcome of the NIAO procurement fraud risk assessment, the outcome of the National Audit Office self-assessment on the ARC effectiveness (including follow up of previous actions), a guide to governance update 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.

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

### Remuneration Committee

The Board is further supported by the Remuneration Committee. The Remuneration Committee considers and approves any recommendations regarding senior remuneration and also has responsibility for contributing to wider pay and reward policy issues affecting all staff in light of the annual pay remit guidance issued by DoF. The Remuneration Committee met three times during 2020-21.

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

Attendance at the Board and board committees was as follows:

	<b>Board</b>	<b>Audit and Risk Committee</b>	<b>Remuneration Committee</b>
William Emery*	10/10	-	-
Jim Oatridge	-	4/4	-
Teresa Perchard	10/10	-	3/3
Alex Wiseman	10/10	4/4	-
Jon Carlton	9/10	-	3/3
Jenny Pyper	6/6	2/2	-
Claire Williams	9/10	4/4	-
David de Casseres	10/10	-	3/3
John French	4/4	2/2	-

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

### **Statutory Committees**

#### Single Electricity Market Committee (SEMC)

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

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

During 2020-21, the SEM Committee met 13 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
Jenny Pyper	2/2
Claire Williams	4/4
David de Casseres	4/4
John French	2/2

### **Enforcement Committee**

The Board establishes Enforcement Committees to deal with specific enforcement matters as required. No Committees were established during 2020-21. An Enforcement Committee, comprising Jenny Pyper and John Mills, was established on 20 February 2019. That Committee met once during 2019-20 and is now concluded.

### **Board Effectiveness**

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

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

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

During 2020-21 the Board has continued to draw on the learnings from the previous effectiveness review. The need to hold board meetings remotely has required the Board to adapt to ensure its efficient operation. For instance, this has necessitated changing the timings of board sub-committee meetings away from the same day as board meetings.

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

The Board has also focused on supporting personal development. During 2020-21, the Board also participated in the Department of Finance's Board Apprentice scheme. Roisin Kelly attended board and sub-committee meetings and was provided with mentoring support during the year. The Board has 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.

## **Audit Arrangements**

### Internal Audit Arrangements

The Accounting Officer and Audit and Risk Committee are independently advised by an internal audit service provider, Ernst and Young, a practice which operates in accordance with Public Sector Internal Audit Standards. The contract was issued for tender during 2018-19 and Ernst and Young was re-appointed from 1 April 2019 for a two-year term with the option to extend for two separate one year periods. The first of these extensions has been agreed and will be effective from 1 April 2021.

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

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

In 2020-21, 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 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) and a new Energy Strategy is being developed by DfE. The new energy strategy will set out how Northern Ireland plans to deliver significant reductions in carbon at an affordable price for business and domestic consumers. It is likely to require some radical changes including the approach to reducing reliance on fossil fuelled generation and increasing the role of renewable technologies. There may also be significant implications for business and domestic consumers. This is also likely to require some changes to UR's role and all of that will impact on the risk environment going forward.

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 impact of Covid-19 on the ability to effectively deliver on key work streams.
- Failure to effectively monitor the SEM and deal with market manipulation or abuse.
- The potential for disputes or challenges arising from regulatory decisions.
- Failure to adequately protect consumers through price controls and market regulation.
- The perception that the NI Renewables Obligation scheme will not facilitate good value for money.
- The impact of the UK exit from the EU and the implications for the regulatory framework.

Risks continued to be identified and managed in line with the Risk Management Strategy. All staff training courses on the strategy were delivered during 2019-20 and 2020-21. In addition, the Board held a risk workshop in September 2020. 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. Another Board risk workshop is planned for June 2021.

### Information Security

The Utility Regulator continues to develop its information management and governance agenda. The Utility Regulator's business only requires it to hold a limited amount of personal data. A register of information assets across the organisation has been developed and 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. 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 have been undertaken with all staff in March 2021. The Utility Regulator also participated in the NIAO NFI exercise and none of the matches identified as part of that raised any potential fraud issues. There were no reported cases of fraud in 2020-21.

### 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 Manual that all staff have access to.

### Budget position and Authority

The Assembly passed the Budget Act (Northern Ireland) 2021 in March 2021, which authorised the cash and use of resources for all departments for the 2020-21 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2021 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2021-22 financial year. This will be followed by the 2021-22 Main Estimates and the associated Budget (No. 2) Bill before the summer recess which will authorise the cash and resource balance to complete for the remainder of 2021-22 based on the Executive's 2021-22 Final Budget.

### **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 2021 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. In the absence of an Executive the DoF Permanent Secretary set the 2019-20 NI public sector pay policy (October 2019) in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. The pay award for SMT and staff for 2020-21 has not yet been finalised. There were no non-consolidated bonuses payable to any senior managers in respect of the 2020-21 year.

### **Service Contracts**

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

Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non-executive board members hold fixed term appointments as detailed in the Directors Report, page 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 can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org).



### Salary and pension entitlements (audited)

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

### Remuneration (including salary) and pension entitlements

Single total figure of remuneration	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>		Total	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	<b>Non-executive board members</b>							
Dr William Emery (Non-executive Chair)	45-50*	45-50*	-	11,900	-	-	45-50	55-60
Mrs Teresa Perchard (Non-executive Director)	10-15	10-15	-	2,800	-	-	10-15	10-15
Mr Alex Wiseman (Non-executive Director)	10-15	10-15	-	6,400	-	-	10-15	15-20
Mr Jon Carlton (Non-executive Director)	20-25*	20-25*	-	15,900	-	-	20-25	35-40
Mrs Claire Williams (Non-executive Director) (Appointed 1st May 2019)	10-15	5-10	-	7,300	-	-	10-15	15-20
Mr David de Casseres (Non-executive Director) (Appointed 1st May 2019)	10-15	5-10	-	1,100	-	-	10-15	10-15

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

Single total figure of remuneration									
	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>		Total		
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	
<b>Non-executive board members</b>									
Mr Richard Rodgers (Non-executive Director) (Resigned 31st March 2019)	-	0-5	-	-	-	-	-	-	0-5
Mr William Cargo (Non-executive Director) (Appointment ended 30th June 2019)	-	0-5	-	-	-	-	-	-	0-5
<b>Other</b>									
Mr Jim Oatridge (Independent Chair of Audit and Risk Committee)	5-10	5-10	-	2,300	-	-	-	5-10	5-10
<b>Senior Executives</b>									
Mrs Jenny Pyper Chief Executive (Resigned 31st October 2020)	85-90 (full year equivalent 145-150)	145-150	-	-	15,000	22,000	100-105	165-170	
Mr John French Chief Executive (Appointed 2nd November 2020)	55-60 (full year equivalent 130-135)	-	-	-	21,000	-	75-80	-	
Mr Donald Henry (Director of Corporate Affairs)	105-110	100-105	-	-	58,000	37,000	160-165	135-140	

Single total figure of remuneration								
	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>2</sup>		Total	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Ms Tanya Hedley (Director of Compliance and Network Operations)	85-90	85-90	-	-	33,000	33,000	115-120	115-120
Mr Kevin Shields (Director of Retail)	85-90	85-90	-	-	30,000	29,000	115-120	110-115
Mr Colin Broomfield (Director of Wholesale)	80-85	80-85	-	-	32,000	32,000	110-115	110-115
Mrs Jo Aston (Director of Wholesale) (Resigned 12th May 2019)	-	10-15 (full year equivalent 95-100)	-	-	-	-	-	10-15
<b>Band of Highest Paid Director's Total Remuneration**</b>	<b>130-135</b>	-	-	-	<b>145-150</b>	-	-	-
<b>Median Total Remuneration**</b>	<b>44,968</b>	-	-	-	<b>44,087</b>	-	-	-
<b>Ratio</b>	<b>2.95</b>	-	-	-	<b>3.35</b>	-	-	-

During 2020-21 basic remuneration for the Chair was £35k-£40k (2019-20 £30k-£35k) and for the non-executive board members was £10k-£15k (2019-20 £10k-£15k).

Remuneration ranged from £24,000 to £133,000 (2019-20 £15,000 to £148,000).

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

\*\* 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.

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

**Salary and pension entitlements (audited)**

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

	Accrued pension at pension age as at 31/03/21 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/21	CETV at 31/03/20	Real increase in CETV
	£000	£000	£000	£000	£000
Mrs Jenny Pyper Chief Executive (Until 31st October 2020)	65-70 190-195	0-2.5 -	1,468	1,438	9
Mr John French Chief Executive (From 2nd November 2020)	10-15 -	0-2.5 -	115	97	10
Mr Donald Henry (Director of Corporate Affairs)	30-35 55-60	2.5-5 0-2.5	534	477	35
Mr Kevin Shiels (Director of Retail)	35-40 80-85	0-2.5 -	717	675	16
Ms Tanya Hedley (Director of Compliance and Network Operations)	20-25 -	0-2.5 -	320	284	18
Mr Colin Broomfield (Director of Wholesale)	10-15 -	0-2.5 -	119	98	11

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

**Salary**

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

**Benefits in kind**

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

**Performance Awards**

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they become payable to the individual. No performance awards were payable to any of the Senior Management Team in respect of the 2020-21 financial year.

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

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

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

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 relates to the different schemes e.g. classic, alpha etc. and is not the monetary benefits received. This is known as the ‘McCloud Remedy’ and will impact many aspects of the Civil Service Pensions

schemes including the scheme valuation outcomes. Further information on this will be included in the NICS pension scheme accounts, which are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

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

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

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. Scheme Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. The normal scheme pension age in alpha is linked to the member’s State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website <https://www.finance-ni.gov.uk/civilservicepensions-ni>.

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 2020 was 10.5% and HM Treasury has announced that public service pensions will be increased accordingly from April 2021.

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

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

<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 2020 to 31 March 2021</b>
£0	£24,199.99	4.6%
£24,200.00	£55,799.99	5.45%
£55,800.00	£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:

				2020-21	2019-20
				£'000	£'000
	Permanently employed staff	Others	Ministers	Total	Total
Wages and Salaries	4,427	221	-	4,648	4,357
Social Security Costs	501	24	-	525	491
Other Pension Costs	1,190	67	-	1,257	1,138
<b>Sub Total</b>	<b>6,118</b>	<b>312</b>	<b>-</b>	<b>6,430</b>	<b>5,986</b>
Less recoveries in respect of outward secondments	-	-	-	-	-
<b>Total net costs*</b>	<b>6,118</b>	<b>312</b>	<b>-</b>	<b>6,430</b>	<b>5,986</b>

#### Of which:

	Charged to Administration	Charged to Programme	Total
<b>Department</b>	-	6,430	6,430
	-	<b>6,430</b>	<b>6,430</b>

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

The Northern Ireland Civil Service main pension schemes, of which most of the Utility Regulator's staff are members, are unfunded multi-employer defined benefit schemes, but the Utility Regulator is unable to identify its share of the underlying assets and liabilities.

The 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.

For 2020-21, employers' contributions of £1,257,405 were payable to the NICS pension arrangements (2019-20 - £1,138,130) 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 £16,943.85 (2019-20 £12,782.28) 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% (2019-20: 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 £594.37, 0.5% (2019-20 £439.36, 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 (2019-20 £nil). Contributions prepaid at that date were £nil (2019-20 £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 2020-21 an average of 6.75 (2019-20: 9.25) 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 £64,614 (2019-20: £79,419). 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 (2019-20: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2019-20: £nil).

### Average number of persons employed (audited)

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

					2020-21	2019-20
	Permanently employed Staff	Others	Ministers	Special Advisers	Total	
<b>Segment 1</b>	48.33	2.69	-	-	51.02	48.8
To protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity						
<b>Segment 2</b>	22.53	1.48	-	-	24.01	21.7
To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland						
<b>Segment 3</b>	9.40	0.93	-	-	10.33	9.3
To protect the interests of consumers of water and sewerage services, where appropriate, by the promotion of effective competition						
<b>Total</b>	80.26	5.1	-	-	85.36	79.8

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

There were no exit packages awarded in the 2020-21 financial year (2019-20 – 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 2021, 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	42	39	81

## Staff redeployments

There were no staff redeployed from, or to, the Utility Regulator during 2020-21.

## Staff Turnover

The staff turnover during 2020-21 was 11% (2019-20 13%) representing 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, 3 staff surveys were undertaken – an IiP 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 2.04% (2019-20: 2.43%) for the year ended 31 March 2021. The average number of working days lost in 2020-21 per person was 4.5 (2019-20: 5.3) and was significantly impacted by a very small number of longer-term sickness absences. Excluding long-term absence, the absence rate was 0.7% (2019-20: 1.36%). Sickness absence in 2020-21 was not materially impacted by Covid related illness.

## **Staff Policies applied during the year**

### **Equal Opportunities**

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

### **Disabled Persons**

The Utility Regulator is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995. In recruitment and promotion terms, applicant packs and information are available in accessible formats and assistance provided at assessment and interview in line with an applicant's requirements. Reasonable adjustments are made as a matter of policy to assist staff with disabilities in work.

### **Off Payroll Arrangements**

The Utility Regulator is required to disclose details of any off-payroll arrangements at a cost of over £245 per day, lasting longer than six months that were in place during 2020-21. All off-payroll arrangements are now assessed in line with IR35 requirements. In 2020-21, the Utility Regulator had no such arrangements in place.

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

In 2020-21 the Utility Regulator did not incur any consultancy expenditure (2019-20: £3k). The prior year costs related to pay analysis work undertaken in year.

There were no agency arrangements in place during 2020-21 or 2019-20.

## **Statement of Outturn against Assembly Supply (audited)**

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Utility Regulator to prepare a Statement of 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 17.

## Summary tables

### Summary table, 2020-21, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2019-20
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
Request for resources A	SOAS 1	9,826	(9,561)	265	10,824	(10,526)	298	33	220
Total resources	SOAS 2	<b>9,826</b>	<b>(9,561)</b>	<b>265</b>	<b>10,824</b>	<b>(10,526)</b>	<b>298</b>	<b>33</b>	<b>220</b>
Non-operating cost Accruing resources		–	–	–	–	–	–	–	–

### Net cash requirement 2020-21, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2019-20
Net cash requirement	SOAS 3	229	1,181	952	-

### Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2020-21		Outturn 2020-21	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
<b>Total amount payable to the Consolidated Fund</b>	<b>SOAS 4</b>	–	–	–	–

The notes on pages 64 to 79 form part of these accounts.

**Notes to the Statement of Outturn against Assembly Supply, 2020-21 (£000)****SOAS 1 Note 1. Outturn detail by Estimate line**

Type of spend	Resource outturn						Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total 2019-20
	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	-	9,665	-	9,665	(9,561)	104	106	-	106	2	82
<b>Non-Budget</b>											
Notional Costs	-	161	-	161	-	161	192	-	192	31	138
<b>Resource Outturn</b>	-	9,826	-	9,826	(9,561)	265	298	-	298	33	220

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

**Analysis of outturn against estimate**

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

**Key to Request for Resources and Functions**

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

The notes on pages 64 to 79 form part of these accounts.

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

<b>Item</b>	<b>Note</b>	<b>Outturn</b>	<b>Supply Estimate</b>	<b>Outturn compared with Estimate</b>	<b>Prior Year Outturn Total, 2019-20</b>
Net Resource Outturn	SOAS 1	265	298	33	220
Non-supply income (CFERs)	SOAS 4	-	-	-	-
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SoCNE	265	298	33	220

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

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

<b>Item</b>	<b>Note</b>	<b>Outturn total</b>	<b>Estimate</b>	<b>Outturn vs Estimate, Saving/ (excess)</b>
<b>Resource Outturn</b>	SOAS 1	265	298	33
<b>Capital:</b>				
Acquisition of property, plant and equipment		5	5	-
<b>Non-operating Accruing Resources</b>				
NBV of asset disposals		-	-	-
<b>Accruals to cash adjustments</b>				
<i>Adjustments to remove non-cash items:</i>	3,4			
Depreciation		(9)	(9)	-
New provisions and adjustments to previous provisions		114	-	(114)
Other non-cash items		(161)	(192)	(31)
<b>Adjustments to reflect movements in working balances</b>				
Increase/(decrease) in receivables		157	800	643
(Increase)/Decrease in payables due within one year		(207)	-	207
Use of provision	12	65	279	214
Excess cash surrenderable to the Consolidated Fund	SOAS 4	-	-	-
<b>Net cash requirement</b>		<b>229</b>	<b>1,181</b>	<b>952</b>

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 2020-21		Outturn 2020-21	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts – excess Accruing Resources	SOAS 6	-	-	-	-
Amounts collected on behalf of the Consolidated Fund	SOAS 4.2	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SOAS 3	-	-	-	-
<b>Total income payable to the Consolidated Fund</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 2019-20
Fines and Penalties	-	228
Amount payable to the Consolidated Fund	-	228
Balance held at the start of the year	253	25
Payments into the Consolidated Fund	(253)	-
<b>Balances held on trust at the end of the year</b>	-	253

The notes on pages 64 to 79 form part of these accounts.

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

Item	Note	2020-21 £000	2019-20 £000
Operating income	4	9,561	9,142
Income authorised to be Accruing Resources		(9,561)	(9,142)
Operating income payable to the Consolidated Fund	SOAS 4.1	-	-

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

Item	2020-21 £000	2019-20 £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 2020-21 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 £8.834m resulting in a deferred income balance of £694k and £305k for electricity and gas respectively. There was an under recovery of £77k from water licence holders that is included within the accrued income balance in these accounts.

### iii. Remote Contingent Liabilities (audited)

In addition to contingent liabilities reported within the meaning of IAS 37, the Utility Regulator also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Utility Regulator had no such liabilities at 31 March 2021.



John French  
Accounting Officer  
2 July 2021

The notes on pages 64 to 79 form part of these accounts.

## **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 2021 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted 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 2021 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 2021 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 of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of Northern Ireland Authority for Utility Regulation in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, 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 areas: revenue recognition and 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; and


- addressing the risk of fraud as a result of management override of controls by:
  - o performing analytical procedures to identify unusual or unexpected relationships or movements;
  - o testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - o assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - o 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  
Upper Galwally  
Belfast  
BT8 6RB

2 July 2021

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

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

		<b>2020-21</b>	<b>2019-20</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Revenue from contracts with customers	4	7,912	7,958
Other operating income	4	1,649	1,184
<b>Total operating income</b>		<b>9,561</b>	<b>9,142</b>
Staff Costs	3	6,430	5,986
Purchase of goods and services	3	3,036	2,748
Depreciation and impairment charge	3	9	13
Provision expense	3	(114)	197
Other Operating Expenditure	3	465	418
<b>Total Operating Expenditure</b>		<b>9,826</b>	<b>9,362</b>
<b>Net Operating Expenditure</b>		<b>265</b>	<b>220</b>
<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>		<b>265</b>	<b>220</b>

The notes on pages 64 to 79 form part of these accounts.



## Statement of Financial Position as at 31 March 2021

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 2021		31 March 2020	
		£000	£000	£000	£000
<b>Non-current assets:</b>					
Property, plant and equipment	5	22		26	
Intangible assets	6	-		-	
Trade and other receivables	10	-		-	
<b>Total non-current assets</b>			22		26
<b>Current assets:</b>					
Trade and other receivables	10	506		349	
Cash and cash equivalents	9	101		406	
<b>Total current assets</b>			607		755
<b>Total assets</b>			629		781
<b>Current Liabilities:</b>					
Trade and other payables	11	(1,948)		(2,801)	
Provisions	12	(100)		(279)	
<b>Total current liabilities</b>			(2,048)		(3,080)
<b>Total assets less current liabilities</b>			(1,419)		(2,299)
<b>Non-current liabilities</b>					
Provisions	12	-		-	
<b>Total non-current liabilities</b>			-		-
<b>Total assets less total liabilities</b>			(1,419)		(2,299)
<b>Taxpayers' equity and other reserves</b>					
General Fund			(1,420)		(2,300)
Revaluation reserve			1		1
<b>Total equity</b>			(1,419)		(2,299)



John French  
Accounting Officer  
2 July 2021

The notes on pages 64 to 79 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2021

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

	Note	<u>2020-21</u> £000	<u>2019-20</u> £000
<b>Cashflows from operating activities</b>			
Net operating expenditure	SOAS 2	(265)	(220)
Adjustments for non-cash transactions	3	56	348
(Increase)/Decrease in trade and other receivables	10	(157)	183
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive net expenditure</i>			
- Supply amounts due to the Consolidated Fund	10	-	-
Increase/(Decrease) in trade and other payables	11	(853)	(2,036)
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
- Supply amounts due to the Consolidated Fund	11	199	252
- Capital accruals		1	-
- CFER amounts due to the Consolidated Fund	11	861	1,785
Use of provisions	12	(65)	(200)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>(223)</u>	<u>112</u>
<b>Cashflows from investing activities</b>			
Purchase of property, plant and equipment	5	(6)	(6)
Purchase of intangible assets	6	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(6)</u>	<u>(6)</u>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		330	300
From the Consolidated Fund (Supply) – prior year		755	-
Advances from the Consolidated Fund		2,000	-
Repayments of advances from the Consolidated Fund		(2,000)	-
<b>Net financing</b>		<u>1,085</u>	<u>300</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		856	406
Payments of amounts due to the Consolidated Fund		(1,161)	(2,443)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for payments to the Consolidated Fund</b>		<u>(305)</u>	<u>(2,037)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	9	406	2,443
<b>Cash and cash equivalents at the end of the period</b>	9	101	406

The notes on pages 64 to 79 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

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 2019</b>	(2,112)	1	(2,111)
Net Assembly Funding	300	-	300
Supply (payable)/receivable adjustment	(300)	-	(300)
CFERs payable to the Consolidated Fund	(106)	-	(106)
Comprehensive Net Expenditure for the Year	(220)	-	(220)
<b>Non-cash adjustments</b>			
Non-cash charges – auditor's remuneration	28	-	28
Non-cash charges – other	110	-	110
<b>Movements in reserves</b>			
Transfer between reserves	-	-	-
<b>Balance at 31 March 2020</b>	(2,300)	1	(2,299)
Net Assembly Funding – drawn down	330	-	330
Approved in respect of 16/17 excess	755	-	755
Supply (payable)/receivable adjustment	(101)	-	(101)
CFERs payable to the Consolidated Fund	-	-	-
Comprehensive Expenditure for the Year	(265)	-	(265)
<b>Non-cash adjustments</b>			
Non-cash charges – auditors remuneration	30	-	30
Non-cash charges – other	131	-	131
<b>Movements in reserves</b>			
Transfers between reserves	-	-	-
<b>Balance at 31 March 2021</b>	(1,420)	1	(1,419)

The notes on pages 64 to 79 form part of these accounts.

## Notes to the Departmental Resource Accounts

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2020-21 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 2020-21 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 2020-21 the Utility Regulator collected and passed on to the Consumer Council an amount of £930,807 of which £322,609 was in respect of its electricity functions, £243,371 in respect of its gas functions and £364,827 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 2021 shows net liabilities of £1,419k, 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.

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 2023. 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.

	2020-21				2019-20			
	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total	Reportable Segment 1	Reportable Segment 2	Reportable Segment 3	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Expenditure</b>	6,563	2,209	1,054	9,826	6,404	2,019	939	9,362
<b>Income</b>	6,404	2,133	1,024	9,561	6,264	1,962	916	9,142
<b>Net Expenditure</b>	159	76	30	265	140	57	23	220

### 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

	2020-21	2019-20
	£000	£000
Total net expenditure reported for operating segments	265	220
Reconciling items:		
Income	-	-
Expenditure	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	265	220

### 3. Other Programme Expenditure

	2020-21		2019-20	
	£000	£000	£000	£000
<b>Staff Costs<sup>3</sup>:</b>				
Wages and Salaries	4,648		4,357	
Social Security Costs	525		491	
Other Pension Costs	1,257		1,138	
		6,430		5,986
<b>Rentals under operating leases:</b>				
Property rentals	183		153	
Hire of office equipment	2		5	
		185		158
<b>Non-cash items</b>				
Depreciation of property, plant and equipment	9		13	
Auditors' remuneration and expenses	30		28	
Provision provided in year	-		197	
Provisions not required written back	(114)		-	
Other notional costs	131		110	
<b>Total non-cash items</b>		56		348
<b>Other expenditure:</b>				
Consultancy	-		3	
Management of Renewable Outputs Certificate Scheme	1,393		1,135	
Property service charges	79		80	
Managed services	1,319		1,190	
Communications and Advertising	28		21	
Hospitality	-		4	
Travel and Subsistence	1		35	
Rates	70		87	
Training	31		39	
Utilities	31		40	
IT costs	16		14	
Procurement charges	30		21	
Regulatory costs	17		15	
Miscellaneous expenditure	140		186	
		3,155		2,870
<b>Total</b>		<u>9,826</u>		<u>9,362</u>

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. There were no non-audit services purchased from the NIAO during 2019-20.

3 Further analysis of staff costs is located in the Staff Report on page 44.

## 4. Income

### 4.1 Other Operating Income

	2020-21	2019-20
	£000	£000
Electricity Licence Fees	4,795	5,079
Gas Licence Fees	2,105	1,963
Water Licence Fees	1,012	916
Miscellaneous Income	1,649	1,184
<b>Total</b>	9,561	9,142

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

2020-21	Leasehold improvements £000	Information Technology Equipment £000	Office Equipment £000	Furniture & Fittings £000	Total £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>

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

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

## 6. Intangible assets

2020-21

£000

### Cost or valuation

At 1 April 2020	16
Additions	-
Disposals	-
Impairments	-
Revaluations	-
<b>At 31 March 2021</b>	<b>16</b>

### Amortisation

At 1 April 2020	16
Charged in year	-
Disposals	-
Impairments	-
Revaluation	-
At 31 March 2021	16

### Carrying amount at 31 March 2021

Carrying amount at 31 March 2020

Asset financing:

Owned	-
<b>Carrying amount at 31 March 2021</b>	<b>-</b>

## 6. Intangible assets (continued)

2019-20

£000

### Cost or valuation

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

### Amortisation

At 1 April 2019	16
Charged in year	-
Disposals	-
Impairments	-
Revaluation	-
<b>At 31 March 2020</b>	<b>16</b>

### Carrying amount at 31 March 2020

Carrying amount at 31 March 2019

Asset financing:

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

## 7. Capital and other commitments

### 7.1 Capital Commitments

There were no contracted capital commitments at 31 March 2021 (£Nil, at 31 March 2020).

## 7.2 Commitments under leases

£185k (£158k 2019-20) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2020-21	2019-20
	£000	£000
<b>Obligations under operating leases comprise</b>		
Land and Buildings		
Not later than one year	194	173
Later than one year and not later than five years	663	777
Later than five years	-	139
	<u>857</u>	<u>1,089</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 2021 (£Nil, at 31 March 2020).

## 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>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	406	2,443
Net change in cash and cash equivalent balances	(305)	(2,037)
<b>Balance at 31 March</b>	<u>101</u>	<u>406</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	101	406
<b>Balance at 31 March</b>	<u>101</u>	<u>406</u>

## 10. Trade receivables, financial and other assets

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	124	87
VAT receivable	59	76
Prepayments and Accrued Income	323	186
Amounts due from the Consolidated Fund in respect of supply	-	-
	<u>506</u>	<u>349</u>

There are no receivables falling due after more than one year

## 11. Trade payables, financial and other liabilities

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade payables	3	31
Other taxation and social security	-	-
Accruals and deferred income	1,844	1,609
Amounts issued from the Consolidated Fund for supply but not spent at year end	101	300
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	-	861
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - receivable	-	-
	<u>1,948</u>	<u>2,801</u>

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

## 12. Provisions for liabilities and charges

	2020-21	2019-20
	£000	£000
Balance at 1 April	279	282
Provided in the year	-	197
Utilised during the year	(65)	(200)
Provisions not required written back	(114)	-
<b>Balance at 31 March</b>	<u>100</u>	<u>279</u>

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

## Analysis of expected timing of discounted flows

	2020-21	2019-20
	£000	£000
Not later than one year	100	279
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March</b>	<u>100</u>	<u>279</u>

## 13. Contingent liabilities

The accounts make provision for the costs of defending litigation proceedings. The Utility Regulator is disputing liability and at this stage considers that it is not probable that 3rd party and/or damages will have to be borne by the Utility Regulator. However there is a possibility that these proceedings could lead to losses in the form of compensation and the applicants' legal costs if the judgment is in favour of the applicants. 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 under the criteria set out in IAS 37.

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

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

## 15. Related-Party Transactions

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

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

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

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

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

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

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

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

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 2020-21 and in total payments of £65,357 (2019-20 £113,618) were made to them in this financial year (of which £nil (2019-20 £nil) related to matters under the auspices of the SEMC). David Newbery is not involved in any decisions to appoint CEPA, or any other consultants engaged on this project, and does not participate directly in any work undertaken by them on behalf of the Utility Regulator. David has declared this role to the SEMC.

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

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

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

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

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 2 July 2021.

CDS 254334

