Presented pursuant to Utilities Act 2000, Schedule 2, section 8 (4)

Gas and Electricity Consumer Council (Energywatch) Account 2004-2005

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Contents

Foreword to the Accounts

These accounts have been prepared in a form directed by the Secretary of State for Trade and Industry with the approval of the Treasury and in accordance with paragraph 8(2), Schedule 2 of the Utilities Act 2000.

About Energywatch

The Gas and Electricity Consumer Council (Energywatch) was established on 7 November 2000 by the Utilities Act 2000 to protect and promote the interests of all gas and electricity consumers in England, Scotland and Wales.

Energywatch is an executive Non Departmental Public Body (NDPB) and is supported by grant-in-aid from the Department of Trade and Industry (DTI). This grant-in-aid is funded through the licence fees collected by Ofgem and paid by energy suppliers, shippers, distributors, gas transporters and the electricity transmission licence holders.

These accounts for the period 1 April 2004 to 31 March 2005 mark the fourth statutory accounts to be produced by Energywatch.

Energywatch is separate from the energy regulator, Ofgem. However, Energywatch has a formal agreement with Ofgem to share an open, constructive and effective relationship. This agreement is contained in a Memorandum of Understanding between the two organisations.

Principal activities

The principal activities are discussed in the Annual Report.

Accounting Officer

Allan Asher.

Principal Office

4th Floor Artillery House

Artillery Row

London SW1P 1RT

Council members are listed in the Annual Report.

External auditors

The Comptroller and Auditor General (C&AG) audits Energywatch's annual accounts. An audit fee of £28,000 has been agreed for the 2004-2005 external audit. The audit services provided by the C&AG's staff in the National Audit Office related only to statutory audit work.

Internal auditors

The Internal Audit services provided by Bentley Jennison during the 12 months ended 31 March 2005 gave assurances that Energywatch has adequate and effective risk management, internal control and corporate governance processes in place to manage the achievement of the organisation's objectives. Whilst Bentley Jennison have provided a positive opinion for the risk management framework, they are working with management to ensure that the defined system is further developed and embedded throughout the organisation.

Role of Energywatch

Energywatch is the independent gas and electricity consumer watchdog, set up by Parliament in November 2000. It provides free, impartial information and advice and takes up complaints on behalf of consumers who have been unable to resolve problems directly with their energy companies. In addition, it works with energy companies, the regulator and policy makers to deal with the underlying causes of consumer complaints.

Under the Utilities Act 2000, Energywatch has a statutory duty to protect and promote the interests of current and future energy consumers in England, Scotland and Wales. It also has a specific duty to 'have regard' to the interests of consumers who are of pensionable age, living with disabilities, chronically sick, on low-incomes, or residing in rural areas.

Regional/National Office structure

Energywatch operates a Regional and National Office structure that enables the organisation to respond to the needs of energy consumers throughout Great Britain.

It operates from regional offices in London, Manchester, Birmingham, Newcastle and Bournemouth and national offices for Scotland (Glasgow) and Wales (Cardiff). The Head Office is in London.

Future events

Energywatch's future development will be guided by the delivery of the four key goals set out in the Corporate Plan 2004-2008. The goals are: providing services to consumers; championing the interests of consumers, particularly the vulnerable; promoting markets that work well for all consumers; and improving value and impact.

Each year an annual Work Plan is agreed that supports the Corporate Plan and sets out the work programme, outputs and resources for the year.

Energywatch is currently undergoing an organisational restructuring and grading programme of its management structure, undertaken by the Hay Group. There will undoubtedly be some redundancies associated with the restructuring once the programme is fully implemented in 2005-2006.

Governance

The Energywatch Council is the governing body of the organisation and is responsible for the setting of Energywatch policy, for the discharge of its statutory duties and responsibilities and for overseeing the sound financial management of the organisation. Council members are appointed by the Secretary of State for Trade and Industry.

There were eight Council meetings, five Audit Committee meetings and three Remuneration Committee meetings during the year.

Energywatch Audit Committee

In accordance with best practice and Treasury requirements Energywatch appointed an Audit Committee in December 2000. Positions on the Audit Committee are held by non-executive Council members.

The Audit Committee members for the year were

Tim Cole (Chair of Audit Committee)
Neil Menzies
Sharon Darcy

Bentley Jennison was the internal auditor for the financial year 2004-2005.

Financial events

Energywatch was allocated grant-in-aid monies of £13.3m in 2004-2005. All of the allocation was drawn down. During the financial year it was agreed with Inland Revenue to extinguish the Energywatch liability associated with Ofgem's Memorandum of Terms of Occupation (MOTO) covering space in Hamilton House, Chester. The sum of £102,000 was paid as full and final settlement so ending the liability. A settlement was finally reached and the payment made in April 2005.

Energywatch received a VAT refund of £266,000 from Customs & Excise and in agreement with the Department for Trade and Industry, the funds were used to finance the Right Now web enquiry service.

Fixed assets additions during the year totalled £284,000. This amount was credited to the Government grant reserve and will be released to match against the depreciation of those assets (see note 17). Other movements on reserves have resulted from the revaluation of fixed assets (£23,000) and from the transfer of the deficit for the year.

During the year Energywatch made provision for early retirements of £1,026,000 having accepted the ongoing obligation to make payments for the pensions of former employees of legacy organisations who were made redundant on the creation of Energywatch.

Results for the year

The deficit for the year amounted to £209,000 (2003-2004 deficit of £972,000). Included in this total are accounting entry adjustments for the property provision decrease of £781,000 and fixed asset devaluation cost of £50,000.

Better Payment Practice

Energywatch complies with the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Ninety five percent of suppliers' invoices were paid within 30 days of the invoice date.

Staffing and equal opportunities

Energywatch is committed to supporting the principle of equal opportunities and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic origin, sex, marital status, disability, age, sexual orientation, religion or belief, or trade union membership.

Our aim is to recruit and develop the best person for the job and to create a working environment free from unlawful discrimination, victimisation and harassment and in which staff are treated with dignity and respect.

Staff are regularly consulted on issues regarding health, safety and welfare, which are taken into account in the future operations.

Race Equality Scheme

Energywatch, as a grant-aided public body, is committed to race equality and diversity. We regard unfair treatment and any form of discrimination as unacceptable, and we believe that it is in our best interest, that is, of our staff and the communities we serve, for diversity to be valued and celebrated. We employ staff from the wide racial mix of the UK multi-cultural society and we believe that the positive benefits that accrue from this are a working environment that is free from racial discrimination or harassment.

Following the publication of our Race Equality Scheme (RES) in July 2004, a targeted training programme was put in place for all staff which was completed in October. For most staff, including the Energywatch Council and Management Board, training sessions were designed to increase awareness of the Scheme and reinforce our new duty to promote race equality and encourage good race relations in all aspects of our day to day work. We also produced two guides, 'Screening for Race Impact in Policy Making and Service Delivery' and 'Monitoring for Race and Ethnicity in Employment, Policy Making and Service Delivery'. Both of these were made available to staff via our intranet and every new policy, service delivery, campaign or event requires us to undertake an impact assessment to ensure we are complying fully to the spirit of our RES.

Energywatch remains committed to the effective implementation of the RES. To this end we have put systems in place to capture the ethnicity and satisfaction data which is essential to inform our work. Analysis of this data during 2005-2006 will tell us what extra measures we will have to take in order to reach those consumers who are presently not contacting us.

Going concern

The accounts show a deficit on the Income and Expenditure account of £209,000 and negative taxpayers' equity of £2,138,000 as at 31 March 2005. This deficit is as a result of exceptional items arising from the early retirement provision. These liabilities will fall due in future years and, to the extent that they are not to be met from Energywatch's other sources of income, may only be met by future grants or grants-in-aid from Energywatch's sponsoring department, the DTI. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Negative taxpayers equity is due largely to the existence of provisions for onerous leases, early retirement and pension costs reflecting obligations incurred in relation to the transfer of functions from legacy organisations.

The DTI has confirmed that there is no reason to believe that the Department's future sponsorship will not be forthcoming within the capital and resources budgets set by Spending Review Settlements. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Allan Asher
Accounting Officer
Energywatch

11 July 2005

Statement of Accounting Officer's responsibilities

Under paragraph 8(2), Schedule 2 of the Utilities Act 2000, the Secretary of State with the approval of the Treasury, has directed Energywatch to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of Energywatch's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, Energywatch is required to

- observe the Accounts Direction issued by the Secretary of State, 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 have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume Energywatch will continue in operation.

The Accounting Officer for the DTI has appointed the Chief Executive of Energywatch as Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of organisational policies, aims and objectives as set by the Management Statement and Financial Memorandum whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Energywatch is supported by Council members who are responsible for

- setting the organisation's strategies and enabling frameworks;
- monitoring performance against annual Work Plan objectives and targets;
- identifying the central activities required to support delivery of the Corporate Plan and approving the annual budget; and
- evaluating the impact of emerging issues or significant divergences from Corporate and Work Plan delivery.

The Council is chaired by a non-executive appointee and comprises the organisation's Chief Executive, together with non-executive members. An Audit Committee has been established to support the Chief Executive through monitoring and reviewing the adequacy and effectiveness within the organisation of

- corporate governance arrangements;
- processes for managing risks;
- internal audit and related activity;
- management responses to the recommendations resulting from internal audit work; and
- Accounting Officer Statements on Internal Control.

The Chief Executive and Energywatch Senior Managers meet with senior officials from within the Department for Trade and Industry at regular intervals. These meeting usually occur on a quarterly basis and issues discussed include performance against KPIs, financial expenditure and policy development. In addition, the Energywatch Chair regularly meets with Ministers.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Energywatch for the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts, and it accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer, I also have responsibility for reviewing our capacity to handle risk. To effect this Energywatch has implemented the following

- a risk management policy reflecting the purpose and underlying approach to risk management and the role of the staff and senior management team, accessible to all staff on the intranet;
- an organisational risk register that identifies all known operational risks assigned to individual risk owners. The risk register Energywatch has implemented includes mitigating actions to eliminate or reduce this risk and is reviewed quarterly for effectiveness. All projects on their commencement are assessed for risk and resource implications and regularly reviewed over their lifecycle, for changes in the risk profiles; and
- a programme of risk awareness training for Council Members and staff.

The risk and control framework

The risk management framework in addition to the organisational risk register is informed by the following process

- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects. Each manager is required to provide corporate governance assurance to the Accounting Officer in respect of their management and compliance with internal controls, risk, finance and asset controls;
- inclusion of risk management as a standing item on the Audit Committee agenda. There are regular reviews of the risk implications of operational activities;
- establishment of key performance and risk indicators and development of the strategic risk framework;
- a Management Board which meets regularly to consider the operational plans and strategic direction of the organisation; and
- ensuring Energywatch's operations and system of internal control comply with the principal recommendations from the government departments such as the Cabinet Office and Office of Government Commerce (OGC) with regards to best practice.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In maintaining and reviewing the effectiveness of the system of internal control the role of Energywatch bodies which inform my review are detailed below

The Energywatch Council

The Council is the governing body of the organisation and carries responsibility for setting Energywatch policy priorities and for promoting the efficient and effective use of staff and other resources, whilst ensuring that it fulfils the aims and objectives of the Secretary of State. The main responsibilities of the Council are as follows

The Council is entrusted with public funding and therefore has a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of their business and, wherever possible, following a policy of openness and transparency in the dissemination of their decisions.

The Council has a duty to enable the organisation to achieve and develop its strategic aims. This responsibility includes considering and approving the organisation's three year Corporate Plan and the Forward Work Programme and resource deployment.

The Council should regularly monitor the performance of the organisation against its planned strategies and key performance indicators.

The Chief Executive is the Accounting Officer responsible to the DTI Principal Accounting Officer and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources. The Council's financial responsibilities include ensuring the solvency of the organisation and safeguarding its assets; receiving and approving the Annual Report and Accounts.

The Audit Committee

In addition to their other activities, the Audit Committee oversees the adequacy and effectiveness of these processes. It achieves this by

- reviewing the planned activity and results of the Remuneration Committee, external and internal audit and other bodies;
- considering the adequacy of Management response to issues identified by audit and other review bodies on a quarterly basis; and
- periodic reports from the Chairman of the Audit Committee, to the Council, concerning internal control.

Internal audit

The Council has oversight of the organisations arrangements for internal and external audit, as well as ensuring the existence and integrity of financial and other control systems. This responsibility is delegated to the Audit Committee.

The Internal Auditors report to the Audit Committee and agrees a rolling programme of audit for each forthcoming year according to the Committee's priorities

Regular audit reports are made, along with the end of year Annual Report, as defined by the Government Internal Audit Standards. This includes an independent opinion by the internal auditors on the adequacy and effectiveness of the organisation's system of internal control. The 2004-2005 Annual Report found the controls in place were sufficient, but included recommendations for the improvement of the performance management area of operations and the corporate risk register, which are currently being implemented.

Allan Asher 11 July 2005
Accounting Officer
Energywatch

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 12 to 26 under the Utilities Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

Respective responsibilities of the Gas and Electricity Consumer Council, the Accounting Officer and Auditor

As described on page 6, the Gas and Electricity Consumer Council and the Accounting Officer are responsible for the preparation of the financial statements in accordance with the Utilities Act 2000 and directions made thereunder and for ensuring the regularity of financial transactions. The Gas and Electricity Consumer Council and the Accounting Officer are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Utilities Act 2000 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Gas and Electricity Consumer Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 7 to 9 reflects the Gas and Electricity Consumer Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Gas and Electricity Consumer Council's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Gas and Electricity Consumer Council and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Gas and Electricity Consumer Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Gas and Electricity Consumer Council at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Utilities Act 2000 and directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

John Bourn
Comptroller and Auditor General

14 July 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account 12 months ended 31 March 2005

	Notes	**2004-2005**	2003-2004
		£000	£000
Income			
DTI Grant in aid	2	**13,500**	12,632
Miscellaneous income	3	**413**	199
		13,913	12,831
Expenditure			
Staff costs	4	**7,286**	6,956
Other administration costs	5	**5,840**	6,600
		13,126	13,556
Operating surplus/(deficit) before exceptional items		**787**	(725)
Redundancy payments		**0**	(264)
Early retirement provision	6	**(1,026)**	0
Operating (deficit)/surplus after exceptional items		**(239)**	(989)
Plus			
Interest receivable		**34**	19
Loss on disposal of fixed assets	7	**(4)**	(2)
Less			
Notional cost of capital	8	**67**	40
(Deficit)/surplus on operating activities		**(142)**	(932)
Add back notional cost of capital		**(67)**	(40)
(Deficit)/surplus transferred to General Reserve		**(209)**	(972)

All amounts relate to continuing activities

Statement of Total Recognised Gains and Losses for the 12 months ended 31 March 2005

	2004-2005	2003-2004
	£000	£000
(Deficit)/surplus on ordinary activities	**(209)**	(972)
Net gain on revaluation of tangible fixed assets	**23**	30
Total recognised gains and losses for the financial year	**(186)**	(942)

The accounting policies and notes on pages 15 to 26 form part of these accounts.

Balance Sheet as at 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Fixed assets			
Intangible assets	9	**50**	0
Tangible assets	10	**529**	851
		579	851
Debtors (due after more than one year)	11	**50**	0
Current assets			
Debtors (due within one year)	11	**396**	700
Cash at bank and in hand	14	**148**	(1)
Total assets		**1,173**	1,550
Creditors (due within one year)	12	**(800)**	(856)
Total assets less current liabilities		**373**	694
Creditors (amount due after more than one year)	12	**(28)**	(60)
Provision for liabilities and charges	15	**(2,483)**	(2,353)
Total assets less total liabilities		**(2,138)**	(1,719)
Tax payers equity			
General reserve	16	**(2,994)**	(2,785)
Government grant reserve	17	**807**	1,040
Revaluation reserve	18	**49**	26
		(2,138)	(1,719)

Alan Asher
Accounting Officer
Energywatch

11 July 2005

The accounting policies and notes on pages 15 to 26 form part of these accounts.

Cashflow Statement 12 months ended 31 March 2005

	2004-2005 £000	2003-2004 £000
Net cash outflow from operating activities (note i.)	**107**	(562)
Returns on investment and servicing of finance		
Interest received	**34**	19
Capital expenditure		
Purchase of intangible fixed assets	**(77)**	0
Purchase of tangible fixed assets	**(207)**	(183)
Proceeds from sale of fixed assets	**8**	2
Total capital expenditure	**(276)**	(181)
Financing		
Capital grant-in-aid received	**284**	255
(Increase)/decrease in cash	**149**	(469)

Note i

Reconciliation of operating (deficit)/surplus to operating cashflows

Operating (deficit)/surplus	**(239)**	(989)
Movements not involving cash		
Depreciation	**517**	495
Permanent diminution of fixed assets	**50**	154
(Increase)/decrease in debtors	**254**	(277)
Increase/(decrease) in creditors*	**(88)**	137
Transfer from capital grant-in-aid	**(517)**	(495)
Increase/(decrease) in provision	**661**	433
Adjustment for cash utilisation of provision	**(531)**	(20)
Net cash outflow from operating activities	**107**	(562)
Reconciliation of net cash flow to movements in net funds		
Decrease/(increase) in cash in the period	**149**	(469)
Change in funds	**149**	(469)
Energywatch funds at 1 April	**(1)**	468
Funds at 31 March	**148**	(1)

* The creditors' amount is net of non-operating expenses relating to fixed asset purchases accrued at 31 March 2005

The accounting policies and notes on pages 15 to 26 form part of these Accounts.

Statement of Accounting Policies and Notes to the Accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the Companies Acts, Executive Non-Departmental Public Bodies' accounts guidance, and financial reporting standards issued or adopted by the Accounting Standards Board, and are in accordance with the Accounts Direction issued by the Secretary of State for Trade and Industry. The particular accounting policies adopted by Energywatch are described below. They have been consistently applied in dealing with items considered material to the financial statements.

1.1 Accounting conventions

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Fixed assets

Expenditure on intangible and tangible fixed assets is capitalised. The minimum level for the capitalisation of tangible fixed assets is £1,000.

Assets are revalued annually using indices provided by the Office of National Statistics.

1.3 Depreciation/Amortisation

Depreciation/Amortisation is provided on all fixed assets, at rates calculated to write off the cost of valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are

Furniture and fittings	Five years
Computer equipment	Four years
Other equipment	Four years
Software Licenses	Four years

1.4 Provisions

Energywatch makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exist), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, Energywatch discounts the provision to its present value using a discount rate of 3.5 per cent, the Government's standard rate. Provisions are calculated on the basis of estimated future cash flows.

1.5 Government grants

Energywatch is financed by grant-in-aid from the DTI which receives these monies from Ofgem's license fees raised on behalf of Energywatch. Grant-in-aid is recognised only to the extent that it is within the limits set by the DTI and on the basis of payments made in the year which qualify for grant support rather than accrued expenditure. Grant-in-aid of a revenue nature is credited to income in the year to which it relates. Grant receivable for capital expenditure is credited to a deferred Government Grant account and released to the Income and Expenditure account over the expected useful lives of the relevant assets.

1.6 Pension costs

The current position is as follows

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependent benefits. Energywatch recognises the expected cost of those elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Energywatch recognises the contributions payable for the year.

1.7 Early retirement costs

Energywatch is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retired early. Energywatch provides in full for this cost.

1.8 Operating leases

Rentals due under operating leases are charged to the Income and Expenditure Account over the lease terms on a straight line basis, or on the basis of actual rentals payable which fairly reflects usage.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by Energywatch, is included in the Income and Expenditure account. The charge is calculated at the Government's standard rate of 3.5 per cent for 2004-2005, on the average carrying value of all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG) where the charge is nil.

1.10 Research and development

Expenditure on research is written off to the Income and Expenditure Account in the year in which it is incurred.

1.11 Taxation

Energywatch is not liable for corporation tax on interest earned on bank deposits.

1.12 Legal costs

Energywatch bears the cost of general legal advice and the DTI bears the cost of litigation which are treated as notional costs.

1.13 Intra-Government balances

In accordance with NDPBs' accounts guidance agency debtors and creditors balances have been analysed accordingly.

1.14 Revaluation reserve

This reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustment of tangible fixed assets.

1.15 Going concern

The accounts show a deficit on the Income and Expenditure account of £209,000 and negative taxpayers' equity of £2,138,000 as at 31 March 2005. This deficit is as a result of exceptional items arising from the early retirement provision. These liabilities will fall due in future years and, to the extent that they are not to be met from Energywatch's other sources of income, may only be met by future grants or grants-in-aid from Energywatch's sponsoring department, the DTI. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Negative taxpayers equity is due largely to the existence of provisions for onerous leases, early retirement and pension costs reflecting obligations incurred in relation to the transfer of functions from legacy organisations.

The DTI has confirmed that there is no reason to believe that the Department's future sponsorship will not be forthcoming within the capital and resource budgets set by Spending Review Settlements. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2 Grant-in-aid

	2004-2005	2003-2004
	£000	£000
Amount receivable and received		
Department of Trade and Industry (DTI)	**13,267**	12,392
Adjustment of deferred capital grant (note 17)	**(284)**	(255)
Release of deferred capital grant (note 17)	**517**	495
Grant-in-aid released to the income and expenditure account	**13,500**	12,632

3 Other income

	2004-2005	2003-2004
	£000	£000
Miscellaneous income		
Rental income from sub-let of property	**102**	8
Other income (note i.)	**311**	191
	413	199

Note i

Other income consists largely of the VAT refund of £266,000 which Energywatch received from Customs & Excise following its VAT de-registration during the year.

4 Analysis of staff costs and numbers

	2004-2005	2003-2004
		Restated*
	£000	£000
Total staff costs including the Chief Executive's were		
Salaries and wages	**6,153**	5,827
Social security costs	**406**	375
Pension costs (see below)	**727**	691
Other pension costs	**0**	63
	7,286	6,956

* As per Treasury requirements, the temporary staff figures have been included in the salaries and wages totals in 2004-2005 hence the 2003-2004 figures have been re-presented for consistency.

Remuneration of Chief Executive 12 months ended 31 March 2005

Disclosure of Salary and Pension Information (Civil Service) 12 months ended 31 March 2005

	1	2	3	4	5	6	7	8	9	10	11
Name	Salary including performance pay (£000) (previous year comparative)	Start date	End date	Real increase in pension (£000)	Real increase in lump sum (£000)	Pension at end date (£000)	Lump sum at end date (£000)	CETV at start date (nearest £000)	CETV at end date (nearest £000)	Employee contributions and transfers - in (£000)	Real increase in CETV funded by employer (nearest £000)
Allan Asher	85-90 (75-80)	31 March 2004	31March 2005	0-2.5	N/A	0-5	N/A	15	32	2.5-5	14

Note i

The Chief Executive, Allan Asher, was the highest paid employee during the period. He is a member of the Premium Pension Scheme.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that is subject to UK taxation.

Pension

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Price Index. New entrants from 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. 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 year's 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 respects of service before 1 October 2002 calculated broadly as per Classic.

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

Further details about the PCSPS arrangements can be found at the website *www.civilservice-pensions.gov.uk.*

Columns 8 & 9 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 11 reflects the increase in CETV effectively funded by the employer. It takes account of 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 the end of the period.

A 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 the 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 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. 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. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Energywatch is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at the website www.civilservice-pensions.gov.uk

For 2004-2005, employers' contributions of £727,000 were payable to the PCSPS (2003-2004: £691,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005-2006, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

	2004-2005	2003-2004
Average number of staff		
Staff permanently employed by Energywatch	**272**	287
Others engaged on the objectives of Energywatch (note i)	**12**	15
	284	302

Note i

This includes consultants and temporary staff.

Remuneration of other Council Members

	2004-2005 £000	2003-2004 £000
Tim Cole	**5-10**	5-10
Sharon Darcy	**5-10**	5-10
John Hanlon (Chair, Scotland lay committee)	**10-15**	10-15
Neil Menzies	**5-10**	10-15
Les Roberts	**5-10**	5-10
Bob Wilkinson (Chair, Wales lay committee)	**10-15**	10-15
Ed Gallagher (Chair, Council Members)	**35-40**	0
Andrew Horsler	**5-10**	15-20

Council members were appointed by the Secretary of State on contracts from November 2000 to March 2005. The Chair is appointed on a 36 month contract.

Council member posts are non pensionable.

5 Administration costs and other expenditure

	Notes	2004-2005 £000	2003-2004 Restated* £000
Administration costs			
Office costs		**1,088**	1,087
Rent and associated costs	i	**1,619**	1,669
Call centre	ii	**1,088**	864
IT (non-consultancy) costs		**567**	715
Publicity		**346**	254
Policy and research		**405**	115
Training		**138**	150
Legal and professional		**274**	184
Depreciation/amortisation		**517**	495
External audit fee	iii	**28**	26
Project costs		**85**	298
Devaluation of fixed assets		**50**	154
Effect of unwinding of the discount factor		**106**	163
Movement on provisions		**67**	0
Onerous leases and associated costs		**(538)**	426
		5,840	6,600

* For 2004-2005, onerous lease costs have been included within administration costs, whereas previously they were classed as exceptional items. Prior year figures have been represented accordingly.

Notes

i Within these figures operating leases for land and building were £988,000 (2003-2004: £1,047,000).

ii There were planned increases in the CCC to deal with complaints and enquiries.

iii There was no auditor remuneration for non-audit work.

6 Early retirement provision

	2004-2005 £000	2003-2004 £000
Early retirement pension provision	**1,026**	0
	1,026	0

During the year Energywatch made provision for early retirements of £1,026,000 having accepted the ongoing obligation to make payments for the pensions of former employees of legacy organisations who were made redundant on the creation of Energywatch. During the year a cash payment of £270,000 was made in respect of these obligation and similar payments will be made in future years, until the individuals reach retirement age (see note 15).

7 Disposal of fixed assets

	2004-2005 £000	2003-2004 £000
(Loss)/profit on disposal of fixed assets	**(4)**	(2)

8 Notional cost of capital

	2004-2005 £000	2003-2004 £000
At 3.5% on average of total assets less total liabilities for the year	**67**	40

In the financial year 2004-2005 the notional cost of capital was 3.5% (2003-2004: 3.5%).

9 Intangible fixed assets

	Software Licenses 2004-2005 £000
As at 1 April 2004	**0**
Additions	**77**
Disposals	**0**
Revaluations/(devaluation)	**(10)**
As at 31 March 2005	**67**
Depreciation	
As at 1 April 2004	**0**
Charge for the year	**17**
As at 31 March 2005	**17**
Net book value: As at 31 March 2005	**50**

10 Tangible fixed assets

	Furniture and fittings £000	Office* equipment £000	Computer equipment £000	**Total** **£000**
Cost or valuation				
As at 1 April 2004	604	759	785	**2,148**
Additions	4	149	54	**207**
Disposals	0	0	(36)	**(36)**
Revaluations/(devaluations)	32	(36)	(103)	**(107)**
As at 31 March 2005	640	872	700	**2,212**
Depreciation				
As at 1 April 2004	299	463	535	**1,297**
Charge for the year	130	218	152	**500**
Revaluation/(devaluation) of depreciation	16	(9)	(97)	**(90)**
Disposals	0	0	(24)	**(24)**
As at 31 March 2005	445	672	566	**1,683**
Net book value: As at 31 March 2005	195	200	134	**529**
Net book value: As at 31 March 2004	305	296	250	**851**

* This includes Software Equipment, with a Net book value of £147,000 at 31 March 2005.

11 Debtors

	As at 31 March 2005 £000	As at 31 March 2004 £000
Other debtors	**69**	232
Prepayments	**327**	468
	396	700

Other debtors include season ticket loans and staff advances

Debtors due after more than one year		
Prepayments	**50**	0

12 Creditors

	As at 31 March 2005 £000	As at 31 March 2004 £000
Trade creditors	**0**	341
Social Security and other taxes	**198**	10
Accruals	**541**	454
Deferred income	**61**	51
	800	856
Amounts (falling due after one year)		
Deferred income	**28**	60

13 Intra-Government balances

	Debtors Amounts falling due within one year £000	Debtors Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with central government bodies	14	0	338	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to government.	382	50	462	28
As at 31 March 2005	**396**	**50**	**800**	**28**

14 Cash at bank and in hand

	As at 31 March 2005 £000	As at 31 March 2004 £000
As at 1 April	**(1)**	468
Cash inflow/(outflow)	**149**	(469)
As at 31 March	**148**	(1)

15 Provision for liabilities and charges

	Onerous lease provision £000	Early retirement provision £000	Pension provision £000	**Total £000**
As at 1 April 2004	2,033	0	320	**2,353**
New Provision recognised	0	1,026	0	**1,026**
Additional Provisions in year	258	23	45	**326**
Amounts Used in the Period	(197)	(270)	(36)	**(503)**
Amounts Unused in the Period	(44)	0	0	**(44)**
Changes to Existing Provisions	(781)	0	0	**(781)**
Unwinding of the discount factor	70	36	0	**106**
As at 31 March 2005	1,339	815	329	**2,483**

Provisions for early retirement pensions

The provision for early retirement reflects Energywatch's ongoing obligation to make payments into the pension schemes of former employees of legacy organisations, who were made redundant on the creation of Energywatch. The amount reflected above is a reasonable estimate based on the most recently available information, although the actual amount to be paid is not certain, and will be affected by factors beyond Energywatch's control. The payments are funded through additional Grant in Aid from the DTI.

Onerous lease provision

The provision for onerous leases is in respect of the ongoing payments for properties previously occupied by legacy organisations, or by Energywatch, but which are now surplus to requirements. This includes properties with leases which terminate between 2008 and 2015. The actual costs involved are not certain at the balance sheet date, being subject to revision through rent reviews, etc. Future income streams are recognised as and when sub-letting of properties is reasonably certain.

Pension provision

The pension provision relates to the ongoing payments in respect of the pension liabilities for the former chairmen of the Electricity Consumer Committees (ECC) (see pension note). There are uncertainties surrounding the actual payments to be made, which are currently based on actuarial estimates.

The pension liability was revalued by the Government Actuary's Department (GAD) on the 31 March and its current valuation is reflected above.

16 General reserve

	As at 31 March 2005 £000	As at 31 March 2004 £000
As at 1 April	**(2,785)**	(1,843)
Adjustment for depreciation of revalued assets	**0**	30
Transfer from income and expenditure account	**(209)**	(972)
As at 31 March	**(2,994)**	(2,785)

17 Government grant reserve

	As at 31 March 2005 £000	As at 31 March 2004 £000
As at 1 April	**1,040**	1,280
Amount used to purchase fixed assets	**284**	255
Less: Movement on grant reserve released to the Income and Expenditure account	**(517)**	(495)
	807	1,040

18 Revaluation reserve

	As at 31 March 2005 £000	As at 31 March 2004 £000
As at 1 April	**26**	26
Arising on revaluation during the year	**23**	0
Realised during the year	**0**	0
As at 31 March	**49**	26

The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of tangible fixed assets.

19 Obligations under operating leases

The minimum lease payments to which Energywatch is committed under non-cancellable operating leases for the coming year are

	Property	**Total 2004-2005 £000**	Total 2003-2004 **£000**
Within one year	193	**193**	194
Between two and five years	797	**797**	1,173
After five years	82	**82**	0
	1,072	**1,072**	1,367

20 Capital commitments

There were no capital commitments as at 31 March 2005.

21 Pension schemes

The pension scheme for the former chairmen of the ECCs is analogous with the PCSPS pension scheme and a provision was shown in Ofgem accounts until 31 March 2001. The provision was taken on as an Energywatch liability during 2002-2003. The value of the pension liability has been estimated by the Government Actuary's Department to be £329,000. FRS 17 valuation requirements have been applied for the year ending 31 March 2005.

Earnings		**Contribution**
Band 1	Up to £17,500	12.00%
Band 2	£17,501 to £36,000	13.50%
Band 3	£36,001, to £62,000	16.50%
Band 4	£62,001, and over	18.50%

22 Related party transactions

Energywatch is an executive non-departmental public body sponsored by the DTI and is regarded as a related party, as are other entities sponsored by the DTI.

Inland Revenue holds the head lease on one of the assets/liabilities that was transferred to Energywatch when it was set up, the MOTO (i.e. lease agreement) for the former Ofgem office in Chester. An agreement has been reached for this to be discharged from April 2005. In addition, there is a sub-MOTO between Energywatch, Inland Revenue and Department of Health on one of the former Ofgem offices in Belgrave Road London.

A senior member of staff is on loan to Energywatch by the Department of Education for a period of three years.

None of the Council Members, key management staff or other related parties have undertaken any material transactions with Energywatch during the year.

23 Contingent liabilities and assets

There were no reportable contingent liabilities at 31 March 2005.

24 Post balance sheet events

There were no reportable post balance sheet events at 31 March 2005.

25 Financial targets

There were no financial targets set by the DTI during the period.

26 Financial instruments

Energywatch has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It has no material deposits, and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk. However, as permitted under FRS 13 this disclosure excludes short term debtors and creditors which would become payable from the balance sheet date and there is no material difference between the book value and fair value of assets and liabilities at 31 March 2005.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

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