# NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

## RESOURCE ACCOUNTS

## 2005 - 2006

**(YEAR ENDED 31 MARCH 2006)**

**HC 1621** **London: The Stationery Office** **£9.00**
**NIA 323/03**

# NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION
## For the year ended 31 March 2006

*Laid before the Houses of Parliament*
*by the Department of Finance and Personnel*
*in accordance with paragraph 36 of the Schedule to the*
*Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

8 November 2006

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

8 November 2006

*Ordered by The House of Commons to be printed*

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Resource Accounts
for the year ended 31 March 2006

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# NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

## ANNUAL REPORT

### Introduction

These Resource Accounts have been prepared and published by The Northern Ireland Authority for Energy Regulation (NIAER). The Accounts have been prepared under a direction issued by the Department of Finance and Personnel and in accordance with the guidance set out in the 2005–06 *Government Financial Reporting Manual* (*FReM*) issued by Department of Finance and Personnel. The accounts demonstrate the resources that have been used to deliver NIAER's objectives. This document should be read in conjunction with the NIAER Annual Report for 2005 – 06, which is published separately.

### Authority Boundary

The Authority boundary is determined by the way in which in-year budgetary control is exercised by the Authority and for the year 2005-06 no other organisation was considered within the boundary:

### HISTORY OF THE AUTHORITY

This is the third set of Resource Accounts prepared under the auspices of the Northern Ireland Authority for Energy Regulation (the Authority). The offices of the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland were abolished on 31 March 2003 and replaced by the Northern Ireland Authority for Energy Regulation, a body corporate empowered under the Energy (Northern Ireland) Order 2003 (the Energy Order) to independently regulate both the electricity and gas industries on behalf of the Crown.
Mr Douglas McIldoon who previously held the posts of Director General of Electricity Supply for Northern Ireland and Director General of Gas for Northern Ireland was appointed as the full time chairman of the new Authority. The Authority consisted of a Chairman and 4 Non – Executive Directors all of whom were appointed by the Department of Enterprise Trade and Investment (DETI). The office of the Authority will continue to be known as the Office for the Regulation of Electricity and Gas (OFREG). All OFREG staff are seconded from DETI or the Department of Finance and Personnel (DFP).

The Chairman of the NIAER has historically been appointed as its Accounting Officer. Following Mr McIldoon's retirement from the NICS on 12 September 2005, he was immediately appointed by the Department as part time non-executive Chairman of the Authority and Dermot MacCann, the senior economist was appointed as Acting Head of Ofreg and Accounting Officer.
The Order also abolished the role of the Northern Ireland Consumer Committee for Electricity and enhanced arrangements for consumer representation were vested in the General Consumer Council for Northern Ireland which was required to abolish its existing energy group and form a new group in connection with its new functions under the Order.

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The Authority is enabled to recover, on behalf of The General Consumer Council for Northern Ireland (GCCNI), costs identified as relating to that part of its work on electricity and gas consumer issues.

## DIRECTOR'S REPORT

### Authority Reporting System

Article 6 of the Energy Order requires the Authority to produce and publish a Forward Work Programme for each financial year, but before doing so it must consult on a draft of the Programme in time to allow it to consider any representations or objections made.

The Authority is also required to produce an Annual Report, which details how the Authority has performed during the previous financial year by comparing its achievements to those set out in its published Forward Work Plan. This is a change from the preceding legislation which required reports to be completed on a calendar year basis and which had no Forward Work Plan provision.

A Forward Work Plan for 2005/2006 has been completed in accordance with legislation. It describes the Authority's objectives as defined in The Energy Order, it identifies the main priorities which the Authority consider important in working towards those objectives and it itemises and describes the specific projects and their objectives which the Authority plans to undertake in the year commencing 1 April 2005. It also includes an estimate of the overall expenditure which the Authority expects to incur during the year.
The 2005/2006 Annual Report will focus on recording performance against targets as set down in the 2005/06 Forward Work Plan

The Forward Work Plan is available from the Authority website – http://ofreg.nics.gov.uk. The Annual Report should be read in conjunction with the published resource accounts both of which will be available from this office in hard copy or electronic versions will be downloadable from the above website.

### Pension Liabilities

The Authority is covered by the Northern Ireland Civil Service Pension Scheme (PCSPS (NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC).

### Important Events Occurring After Year End

There have been no significant events since the year-end which would affect these accounts.

### Investment for the future

The Authority will continue to invest in employee training and development in order that staff can develop appropriate knowledge and skills to enable the Authority to

meet its key objectives. The Authority will also continue to invest in and develop its IT infrastructure.
Having outgrown its existing accommodation after 13 years the Authority has relocated to new office accommodation in Queen's House, Queen Street, Belfast which should provide accommodation for the next decade.

**Management**

The Energy (Northern Ireland) Order 2003 ('The Energy Order') established the Northern Ireland Authority for Energy Regulation ('the Authority') from 1 April 2003 and at the same time abolished the offices of Director General of Electricity Supply and Director General of Gas for Northern Ireland. The Energy Order amended the Electricity (Northern Ireland) Order 1992 and the Gas (Northern Ireland) Order 1996 and transferred most of the functions described in those Orders to the Authority, and in addition transferred the assets and liabilities of the Directors General to the Authority.

Mr Douglas McIldoon the Chairman of the Authority up to 31 March 2006, together with four Non Executive Directors - Mr John Fitzgerald, *Mr John Gilliland, Mr Peter Lehmann and Mrs Joan Whiteside made up the Authority during the year under review. The Authority's chairman and members are remunerated in line with Senior Civil Service payscales. The Audit Committee is chaired by Mr John Gilliland and comprises Mrs Joan Whiteside and Mr Eddie Gaw (Accountant).
*Mr John Gilliland's initial 2 year appointment which was due to expire at 31 March 2005 has been extended by DETI for a further 2 years. The other NEDs contracts have been extended to 30 September 2006.

**Management Executive**

The Authority's management executive is made up of the Chairman, the Chief Economist and the heads of each division within the organisation and meets on a regular basis. During the period under review the executive consisted of the following individuals Douglas McIldoon, Dermot MacCann, Eddie Gaw, Kevin Shiels, Eamon Corrigan, James Hutchinson, Brian McHugh, Sarah Brady, JP Irvine and Gerry Donnelly. Details of the remuneration of the Authority members and senior managers are provided on page 13 to these accounts.

Mr McIldoon retired from the civil service and consequently from the post of Executive Chairman on 12 September, taking up the role of part-time Chairman for 6 months, Mr MacCann was appointed acting Head of Ofreg with effect from 13 September.

Following the retirement of Mr Douglas Mc Ildoon as Chairman on 31 March 2006 and in line with the decision by the Minister that the role of Executive Chairman would be split into a non executive (part-time) Chairman and full time Chief Executive, DETI appointed Mr Peter Matthews as Chairman of the Authority with effect from 1 April 2006. The Authority subsequently appointed Mr Iain Osborne as its Chief Executive and he will take up his post on 15 June 2006.

## Equal Opportunities

The Authority 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 Authority and promotes a harmonious working environment.

## Disabled Persons

The Authority's Equal Opportunities policy applies to the employment of people with a disability. The Authority is committed to ensuring that its policies and practices comply with the requirements of the Disability Discriminations Act 1995.

## Employee Involvement

The Authority recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. The Authority circulates the agenda for each board meeting to all staff in advance to encourage participation and also circulates the ensuing minutes to all staff. The minutes of the Executive meetings are also circulated to staff.

## Health and Safety

The Authority 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 Authority has circulated to all staff a Health and Safety Policy Statement and associated Organisation and other Arrangements to ensure safe and healthy working conditions.

## Payment to Suppliers

The Authority is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 96% of undisputed invoices were paid within this standard.

## Equality Scheme

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

## NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

### External Auditor

Under section 10 of the Government Resource and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for the Authority.

### Internal Audit

The Internal Audit of the Authority is carried out on a contract basis. Following a tender exercise, a local company of professional accountants and auditors Helm Corporation, an organisation which operates to standards defined in the Government Internal Audit Manual, was successful and will carry out the Internal Audit function for the current year.

### Register of Interests

The Authority maintains a Register of Interest containing details of company directorships and any other significant interests held by Non Executive Directors, public access to this register can be obtained by contacting the Authority.

### MANAGEMENT COMMENTARY

The work of the Authority is set out in the Electricity (Northern Ireland) Order 1992 and the Gas (Northern Ireland) Order 1996 both as amended by the Energy (Northern Ireland) Order 2003.

The Authority is required to make a full review of its activities in an annual report presented to DETI who is in turn required to lay the report before the assembly and arrange for its publication. The Authority is also required to forward a copy of this report to the General Consumer Council for Northern Ireland (GCCNI). This report is made on a financial year basis.

The Authority is independent of Ministerial control and as a non-ministerial government department the Authority's objectives are determined by the Authority and flow from the duties set out in the respective Electricity and Gas Orders as amended by the Energy Order. In summary the Authority has two main objectives:

A. **To protect the interests of electricity consumers with regard to price and quality of service by promoting competition in the Generation and Supply of Electricity; and**
B. **To promote the development and maintenance of an economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service.**

### *Activities*

The main duties of the Authority as set out in the Energy Order are:

- ensuring that all reasonable demands for electricity are satisfied;
- promoting competition in generation and supply while ensuring that the public electricity supplier is not competitively disadvantaged and that prices charged to customers do not distinguish between different areas within Northern Ireland.
- promoting the development and maintenance of an efficient and co-ordinated gas industry in Northern Ireland; and
- ensuring that electricity and gas licensees can finance their licensed activities.

### *Financial Review*

The Authority's gross expenditure in pursuit of its objectives as detailed in the *Statement of Operating Costs by Departmental Aim and Objectives* was as follows: - £2,310,000 ( £1,265,000 in 2004/05) for Objective A - Electricity and £756,000 (£835,000 in 2004/05) for Objective B – Gas. The significant rise in costs for Objective A is due mainly to the development of and consultancy costs associated with the Single Electricity Market.

The *Operating Cost Statement* shows that salary costs rose in line with inflation from the previous year - £1,005k for 2005/06 against £920k for 2004/05. The rise in salary costs also reflects an increase in staff numbers.

The Authority's net resource outturn was £1,525 against an estimate of £1,534 resulting in a saving against estimate of £9k - this equates to less than 1% of expenditure and is a result of accurate budgeting and estimating and extremely tight financial management and control within NIAER.

The net resource outturn reflects the cost borne by Central Government in respect of work undertaken by the Authority which is not yet recoverable from a licensee or group of licensees. There was a significant increase in net resource outturn from £825,000 in 2004/05 to £1,525,000 in year, this increase is mainly caused by the funding of the Single Electricity Market through the Public Expenditure System.

The significant change in other current expenditure is the increase in consultancy costs from £783k in 2004/05 to £1,500k in 2005/06. This can be accounted for by costs associated with the development of the SEM and the significant requirement for consultancy support to enable effective development of this programme.
There was also a significant rise in Publicity costs – from £53k in 2004/05 to £102k in 2005/06 – this was due in the main part to advertising costs associated with the recruitment of in house legal council and the new Chief Executive.

The percentage of staff costs to total costs has fallen from 43% in 2004/05 to 32% in 2005/06 – this is mainly due to the lack of staff resources in the SEM team, resulting in the need for increased consultancy support. This staffing shortfall is currently being addressed through a DFP staffing review and the development of a recruitment competition for 2006/07.

An in year expenditure reclassification exercise was carried out in conjunction with DFP Supply Division and Central Expenditure Division. The purpose of this exercise was to ensure consistency of expenditure classification and accounting treatment for both the income and expenditure of the Authority. The licence fee income and central government funding is classified as DEL Other Resource, prior to this exercise the Authority's expenditure had been split between DEL Administrative expenditure and DEL Other Current. All expenditure has now been reclassified as DEL Other Current – this was carried out through the Budget/Monitoring Round process and is reflected in the 2005/06 Spring Supplementary Estimates and also future budgets.

There were no contingent liabilities in 2005/06.
.

### *Fixed Assets*

Details of the movement of fixed assets are set out in Note 13 to the Accounts.

There were £67,000 of additions to fixed assets during the financial year as a result of the Authority relocation to new office accommodation and to replace assets lost in the fire at its old offices.

### *Funding*

As a non-ministerial Government Department, the Authority's funds are voted by Parliament and accounted for on an annual basis through the Resource Account. Receipts from electricity and gas licensees, which are classified as CFERs within the respective Orders, have, in line with a treasury direction using its powers under the 1920 Treasury Act, been reclassified as Accruing Resources. To put this into effect DETI nominated the Director General of Electricity Supply (now the Authority) as its agent to collect licence fees on its behalf. These were licence fees due to DETI in respect of licences issued by it at the time of privatisation of the electricity industry. Gas licences issued by DETI and the Director General of Gas both provided for licence fees to be paid to the Director (now the Authority). Prior to this electricity and gas licence fees were paid directly into the Northern Ireland Consolidated Fund by the respective organisations.

The Authority's expenditure is therefore primarily offset by annual licence fees paid by the electricity and gas licensees and recovered from electricity and gas customers. Licence fees are set annually by a determination made by the Authority – the income from electricity and gas licence fees in 2005 / 06 was £1.545 million this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2004 / 2005.

**Operating Review**

2005-2006 was the second year in which the Authority was able to assess its performance against the targets identified and published in its Forward Work Programme. The detail of this assessment is contained in the 2005-06 Annual Report which should be read in conjunction with these resource accounts.

The Authority in committing itself to high standards of Corporate Governance during the year under review held nine executive meetings at its headquarters in Belfast, one in London to facilitate meetings with the Energy Savings Trust and the Chairman and senior officials in Ofgem and another in DETI headquarters at Netherleigh to facilitate a meeting with the new DETI Minister. It also held discussions with representatives from Terra Firma and East Surrey Holdings following Terra Firma's offer to purchase East Surrey holdings including Phoenix Gas .

The Audit Committee, currently headed by John Gilliland, met on four occasions during the year. The Audit Committee has continued to improve risk management within NIAER and along with the Senior Management Team has significantly improved corporate governance including further development of the corporate risk register as well as implementing risk management training for senior staff. The Authority is pleased to be able to report that following a substantial fire in its headquarters in November it was able to return to full service provision within days and that its IT back-up provisions worked effectively. The Authority also issued some thirty five consultation /information papers all of which are available from the website.

The Authority welcomed the announcement of a £30m 'BETTA rebate' negotiated by Northern Ireland Energy Holdings (NIEH) the owners of the Moyle electricity interconnector and the Scottish to Northern Ireland gas pipeline. The Authority approved a request from NIEH to commit £10m of the rebate to a renewable equity fund to be established by a private sector consortium. As part of its on-going commitment to energy efficiency and CO2 reductions the Authority published in September its consultation document 'Energy Efficiency: The 'Most Best' Options'.

*Promoting competition in the generation and supply of electricity.*

Following the announcement by the Northern Ireland and Republic of Ireland Ministers, the Authority in partnership with the Commission for Energy Regulation (CER) made significant progress in the implementation of the Single Electricity Market (SEM). Only six months after the Ministers outlined their vision for a single, all-island, wholesale electricity market the Regulatory Authorities in both jurisdictions jointly produced, in June, a high level design decision paper. The Single Market Operator (SMO) decision was also made in June with a MoU announced by the two System Operators. The key decision to have a capacity mechanism was made in July and in February version 1.0 of the Trading and Settlement code was produced. The methodology on capacity payments and the approach to market power mitigation was also progressed significantly during the year.

The Authority continued in its efforts to bring forward market opening in the least cost manner consistent with the EU Directive. It continued to exercise regulatory oversight of all systems expenditure carried out by NIE regulated businesses in order to meet EU Directive Requirements and to receive feedback from the industry via regular meetings with the “IME (Internal Market in Electricity) Group”, a consultative panel composed of industry, users and DETI participants.

The Authority continued to monitor how the “not for profit” company Moyle Holdings Ltd carried out its affairs and was pleased to note its announcement of a £12.4m return to customers offsetting part of the 2006/07 tariff increase.

*Promoting the Development and Maintenance of an Efficient Economic and co-ordinated gas industry and protecting the interests of gas consumers with regard to price and quality of service*

The Authority recognised that with two price rises, representing almost a 50% increase, that 2005/06 was a difficult year for gas customers in Belfast. It noted however that this was driven by unprecedented rises in underlying wholesale gas prices. Against such a background it remained disappointed that no further progress was possible on a revised regulatory agreement with Phoenix Natural Gas.

During the year the Authority also published a consultation paper on how the South – North transmission pipeline might be best incorporated into the Northern Ireland operating regime.

A more detailed analysis of the Authority’s work during the year is contained in its Annual Report for 2005 – 2006 a printed copy of which can be purchased at a cost from the Authority’s office by contacting us by phone 028 90311575 or by writing to the Finance & Admin Section, NIAER, Queens House, 14 Queens Street, BELFAST, BT1 6ER or can be downloaded free from the Authority’s website (http://ofreg.nics.gov.uk).

The table below details key targets as set out in our Forward Work Plan for 2005/06 and the outcomes against these targets:-

| Project Summary | Outcome/Target | Timescale | Commentary |
|---|---|---|---|
| Electricity - Set parameters for new T&D Price Control | Parameters set | 31/03/06 | Targets met |
| Electricity – Set Parameters for new PPB Price Control | Parameters set | 31/03/06 | Targets met |
| Development of Single Electricity Market | Award consultancy framework contract | 31/03/06 | Target Met |
| Electricity - Market opening | Open to all commercial customers | 31/03/06 | Target Met |
| Electricity - Market opening | Open to all customers | 31/03/06 | Interim Targets met |
| Power Station decommissioning | Sites available to land bank | 31/03/06 | Slippage resulting from higher levels of asbestos, details of which not available at handover |
| Monitoring mutalised (PTL) | Efficient & Economic operation | 31/03/06 | ongoing |
| Gas Price Control | TORs agreed; Consultants appointed | 31/03/06 | Work ongoing |
| Separation of Transmission & Distribution | Licences in place | 31/03/06 | Targets not met |
| South North Gas pipeline | Pipeline constructed | 31/03/06 | Target not met. Capital Expenditure agreed |
| Facilitate & administer REGO scheme | Operational Scheme in place | 31/03/06 | Target Met |

# Departmental Remuneration Report

## *Remuneration Policy*

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

## *Service Contracts*

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

The Authority, a body corporate as described in the Energy Order 2003, may, in accordance with Schedule 1 of the Order, appoint its own staff after consultation and approval from DFP. The Authority has made its first direct appointment under those powers by recruiting an in house solicitor with effect from February 2006. This is a permanent, non pensionable appointment.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org .

## *Salary and pension entitlements*

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

**2005 - 2006**

| | Salary including performance pay **£000** | Benefits in kind (rounded to the nearest **£100**) | Real increase in Pension and related lump sum at 31/3/05 – 31/3/06 **£k** | Total accrued pension at age 60 at 31/3/06 and related lump sum **£k** | CETV At 31/3/05 (nearest **£k)** | CETV At 31/3/06 (nearest **£k)** | Real increase in CETV After adjustment For inflation and changes in market Investment factors (nearest **£000**) |
|---|---|---|---|---|---|---|---|
| ***Ministers*** | | | | | | | |
| *None* | | | | | | | |
| ***Officials*** | | | | | | | |
| Mr Douglas McIldoon (Executive Chairman) *Retired 12 Sept 05 | 55-60* | 0 | 0-2.5 lump sum 2.5-5 | 30-32.5 lump sum 95-97.5 | 503 | 586 | 83 |
| Mr Douglas Mc Ildoon** (Chairman) 12 Sept 05 to 31 Mar 06 | 15-20 | 0 | N/A | N/A | N/A | N/A | N/A |
| Mr John Fitzgerald** (Non-Executive Director) | 5-10 | 2,123 * | Non-pensionable | N/A | N/A | N/A | N/A |
| Mr John Gilliland** (Non-Executive Director) | 5-10 | 1,941 * | Non-pensionable | N/A | N/A | N/A | N/A |
| Mr Peter Lehmann** (Non-Executive Director) | 10-15 | 6,355 * | Non-pensionable | N/A | N/A | N/A | N/A |
| Ms Joan Whiteside** (Non-Executive Director) | 5-10 | 1,978 * | Non-pensionable | N/A | N/A | N/A | N/A |
| | | | | | | | |
| Mr Dermot MacCann | 75-80 | 0 | 2.5-5 lump sum 10-12.5 | 27.5-30 lump sum 85-87.5 | 429 | 507 | 63 |
| | | | | | | | |
| Mr Gerry Donnelly | 45-50 | 0 | 0-2.5 lump sum 5-7.5 | 20-22.5 lump sum 65-67.5 | 338 | 395 | 45 |
| | | | | | | | |
| Mr Kevin Shiels | 40-45 | 0 | 0-2.5 lump sum 2.5-5 | 7.5-10 lump sum 25-27.5 | 79 | 98 | 14 |
| | | | | | | | |
| Mr James Hutchinson * left 31 Jan 06 | 30-35* | 0 | 0-2.5 lump sum 2.5-5 | 5-7.5 lump sum 15-17.5 | 36 | 53 | 15 |
| | | | | | | | |
| Mr Eddie Gaw | 40-45 | 0 | 0-2.5 lump sum 2.5-5 | 10-12.5 lump sum 35-37.5 | 125 | 152 | 20 |
| | | | | | | | |
| Mr Brian McHugh | 30-35 | 0 | 0-2.5 lump sum 0-2.5 | 0-2.5 lump sum 2.5-5 | 7 | 12 | 4 |
| | | | | | | | |
| Mrs S Brady | 30-35 | 0 | 0-2.5 lump sum 0-2.5 | 0-2.5 lump sum 5-7.5 | 13 | 21 | 8 |
| | | | | | | | |
| Mr A Smith | 35-40 | 0 | 0-2.5 lump sum 0-2.5 | 5-7.5 lump sum 15-17.5 | 47 | 54 | 3 |
| | | | | | | | |
| Mr T Doherty *joined 1 March 06 | 0-5* | 0 | 0-2.5 lump sum 0-2.5 | 2.5-5 lump sum 7.5-10 | 27 | 28 | 0 |
| | | | | | | | |
| Mr J P Irvine *joined 1 Feb 06 | 5-10* | 0 | Non-pensionable | N/A | N/A | N/A | N/A |

* Taxable value of home to office costs + overnight accommodation and expenses provided at public expense
** part time non-pensionable appointments

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

Pension benefits are provided through the Civil Service pension 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 Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase'

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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 Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk .

## *Cash Equivalent Transfer Values*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with 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. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## *Real increase in CETV*

This 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 end of the period.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES WITH RESPECT TO RESOURCE ACCOUNTS FOR THE NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

1. Under the Government Resources and Accounts Act (NI) 2001, The Authority is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Authority during the year.

2. The Resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

3. DFP has appointed the Chief Executive of the Authority as Accounting Officer of the Authority, with responsibility for preparing the Authority's accounts and transmitting them to the Comptroller and auditor General.

4. In preparing the accounts the Accounting Officer is required to comply with the Financial Reporting Manual (FREM) prepared by DFP, and in particular to:

   - observe 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 FREM have been followed, and disclose and explain any material departures in the accounts; and

   - prepare the accounts on a going concern basis.

5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Authority's assets are set out in the Accounting Officers' Memorandum issued by DFP and published in "Government Accounting Northern Ireland".

## STATEMENT OF INTERNAL CONTROL

### Statement on Internal Control

### 1. Scope of responsibility

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

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Authority for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

### 3. Capacity to handle risk

The Authority has established the following processes to ensure that leadership is given to the risk management process and that staff are trained to manage risk in an appropriate manner: -

- Members of the Authority, meet at least ten times a year to consider the Authority's plans and overall strategic direction and the Management Committee which meets on a monthly basis to manage all resource and operational issues;
- The increased frequency of Audit Committee meetings to a quarterly basis;
- Formal Audit Committee training completed by Chair of Audit Committee;
- The development of the posts of CEO and Chairman as two distinct posts;
- a Corporate Work Plan set by the Authority with clear aims, objectives and deliverables;
- The development of the Annual Report to focus on performance against targets set out in Forward Work Plan;
- the completion of a programme of one to one meetings to discuss and develop risk management between Senior Management, and the Head of Internal Audit;
- The development of a formal risk management training programme, commencing at Head of Branch level;
- the appointment of the Head of Finance, Eddie Gaw as NIAER Risk Manager;

- The inclusion of risk and risk control issues as agenda items at Management and Audit Committee meetings;
- The employment of in-house Legal Counsel;
- The Authority consults fully with its stakeholders before finalising its decisions and this process of consultation acts as a very effective risk management tool
- Formal internal review of risk register and risk management strategy resulting in a significantly revised Corporate Risk Register for 2005/06;
- The review of the Corporate Risk Register at monthly Head of Branch meeting and subsequent monthly issue and approval by Heads of Branch of revised risk register.
- The development of Branch Plans with key objectives and targets linked to the Forward Work Plan and Risk Register;
- The development of personal job objectives for each member of staff, linked to the relevant Branch Plan and Forward Work Plan

**4. The Risk and Control Framework**

The Authority identifies, evaluates and controls risks in the following ways:

- a detailed annual budget with key performance indicators and outputs identified in the Forward work plan and then monitored through the year in routine management information systems that inform the Authority, Management Committee and Audit Committee
- a formal risk management strategy that identifies key risks and their consequences. These are recorded in a risk register and current risk status is reviewed on a monthly basis by the Management Committee and annually by the Authority and its Audit Committee. The risk register has been the subject of a formal review by the Senior Management Team in conjunction with advice and guidance from our Internal Auditors
- all new projects require a project impact assessment as part of their initiation documentation and this includes a review of all material risks involved in the project and its objectives
- a properly constituted Audit Committee comprising non-executive members of the Authority which reports directly to the Authority
- independent Internal Audit (provided under contract by Helm Corporation) reports to the Audit Committee to standards defined in the Government Internal Audit Manual and agrees a rolling programme of audit for each forthcoming year according to the Committee’s priorities
- the Audit Committee conducts a yearly review of the audit programme, including an assessment of general risk, and an opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.
- the Authority has outsourced its procurement and tendering function to the Central Procurement Directorate (DFP) which was set up to standardise procedures for the selection, management and performance assessment of such consultants
- the Authority has implemented an upgraded accounting system with significantly enhanced reporting modules in order to improve the provision of management information

- the Authority has outsourced its IT function to DETI ISU to improve levels of service and to ensure compliance with NICS IT procedures and regulations;

As part of the Authority's maintenance and development of risk management, a key change which came into effect during the reporting year was significant ongoing liaison on the continuing improvement of risk management within NIAER and also the inclusion of risk management as an item of Management and Audit Committee meetings. Further key changes which will come into effect in the next financial year are;

- Extending the programme of facilitated risk workshops to include both staff and Non Executive Directors;
- Implementation of staffing and grading review carried out by DFP;
- Discussions with newly appointed CEO and Chairman on the development of risk management within the Authority;
- Involvement of in house Legal Counsel and Risk Manager in formal monthly review of risk register;
- An audit committee meeting exclusively dealing with the development of risk management within the Authority;
- a senior management away day – devoted to the development of Risk Management within NIAER;
- Introduction and implementation of significantly revised risk register concentrating on risks to strategic objectives;
- Review of risk register and risk management strategy by Internal Audit;
- Risk Register reviewed by Audit committee on a quarterly basis;
- Formal training for Audit Committee members;
- Establishment of project managers for each workstream within the All Island Programme;
- Regular formal reviews in terms of quality of service and budgets analysis of all consultants employed by NIAER;
- Development of process to elevate consultancy review findings to Audit Committee and ultimately Authority Board;
- The further development of improved management information reporting in the areas of budgeting, costing and accounting.

**5 Review of effectiveness**

- On the 30th October 2005 there was a major, accidental, fire in NIAER offices on the sixth floor of Brookmount Buildings. This resulted in assets, including IT equipment and furniture worth a net book value of £19k being written off. Although the disaster recovery procedures, including electronic back-ups worked highly effectively, IT systems were functioning within days in the new accommodation, there were a small number of invoices and related financial documentation lost in the fire. This obviously had a negative impact on the audit trail available, however Internal Audit commended management and staff on how they dealt with the consequences of the fire and made the majority of the information available for the auditor at the time of the review. My Finance team have now instigated a number of new procedures to mitigate against this type of accident in future: - for example more detailed information in respect of creditors will be input on to the accounting system and also the IT systems are now backed up off site and tested for recovery on a regular basis.

- 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, the executive managers within the Authority 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. The internal audit service is contracted out to Helm Corporation, an organisation which operates to standards defined in the Government Internal Audit Manual, who as part of their duties carry out independent checks on the control process on my behalf.

- The Internal Audit review for 2005/06 gave overall substantial assurance in relation to the systems of internal control . In a number of key areas – Appointment of Consultants, and Travel and Subsistence the level of assurance improved from “substantial” to “full” assurance. Over a number of other important areas – Risk Management and Computer Systems the level of assurance improved from “limited” to “substantial”. In only one area did the level of assurance drop – that of Provision and Monitoring of Licences - this fell from “substantial” to limited” simply because a number of key papers in relation to this were destroyed in the Brookmount Buildings fire.

- My management team have accepted the Internal Audit recommendations and are addressing the areas for improvement. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- The Audit Committee ensures that appropriate action is taken to address internal and external findings raised throughout the year. There were no instances of significant internal control weaknesses during 2005/06.

Accounting Officer:

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

I certify that I have audited the financial statements of the Northern Ireland Authority for Energy Regulation for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 17-20 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report, and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made there under by the Department of Finance and Personnel, of the state of the Department’s affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;

- 
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; 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.

*JM Dowdall CB*

*Comptroller and Auditor General*

*Northern Ireland Audit Office*

*106 University Street*

*Belfast BT7 1EU*

## NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2005–06

| | | 2005-06 £000 | | | | | | | 2004-05 £000 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Estimate | | | Outturn | | Outturn |
| Request for Resources | Note | Gross Expenditure | Accruing Resources | Net Total | Gross Expenditure | Accruing Resources | Net Total | Net Total outturn compared with Estimate: saving/ (excess) | Net Total |
| Request for Resources A | 2 | 3,534 | 2,000 | 1,534 | 3,066 | 1,541 | 1,525 | 9 | 825 |
| Total Resources | 3 | 3,534 | 2,000 | 1,534 | 3,066 | 1,541 | 1,525 | 9 | 825 |
| Non-operating cost Accruing Resources | | | | - | | | - | - | - |

### Net cash requirement 2005-06

| | | 2005-06 £000 | | | 2004-05 £000 |
|---|---|---|---|---|---|
| | Note | Estimate | Outturn | Net total outturn compared with estimate: saving/(excess) | Outturn |
| **Net cash requirement** | 4 | 1,824 | 950 | 874 | 456 |

### Summary of income payable to the Consolidated Fund.

| | | Forecast 2005-06 £000 | | Outturn 2005-06 £000 | |
|---|---|---|---|---|---|
| | Note | Income | Receipts | Income | Receipts |
| **Total** | 5 | 1 | *1* | 4 | *4* |

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on Pages 30-48 form part of these accounts

# NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

## Operating Cost Statement
### for the year ended 31 March 2006

| | | 2005-06 | | | 2004-05 As restated – Admin to Programme |
|---|---|---|---|---|---|
| | **Note** | **Staff Costs** | **Other Costs** | **Income** | **£000** |
| **Programme Costs** | | | | | |
| Staff Costs | 9 | 1,005 | | | 920 |
| Other non-staff costs | 10 | | 2,061 | | 1,180 |
| Operating income | 11 | | | (1,545) | (1,275) |
| **Totals** | | **1,005** | **2,061** | **(1,545)** | **825** |
| **Net Operating Cost** | 3, 12 | | | **1,521** | **825** |

**All income and expenditure is derived from continuing operations**

The notes on Pages 30-48 form part of these account

## Statement of Recognised Gains and Losses

### for the year ended 31 March 2006

| | 2005-06 | 2004-05 |
|---|---|---|
| | £000 | £000 |
| Net Gain / (Loss) on revaluation of tangible fixed assets | **-** | **1** |
| Net Gain / (Loss) on revaluation of tangible fixed assets | **-** | **-** |
| **Recognised gains and (losses) for the financial year** | **-** | **1** |

The notes on Pages 30-48 form part of these accounts

## Balance Sheet
### as at 31 March 2006

| | Note | 31 March 2006 £000 | 31 March 2006 £000 | 31 March 2005 £000 | 31 March 2005 £000 |
|---|---|---|---|---|---|
| **Fixed assets:** | | | | | |
| Tangible assets | 13 | | 67 | | 44 |
| Intangible assets | 14 | | 3 | | 8 |
| **Current assets:** | | | | | |
| Debtors | 15 | 333 | | 221 | |
| Cash at bank and in hand | 16 | 878 | | 388 | |
| | | 1,211 | | 609 | |
| **Creditors (amounts falling due within one year)** | 17 | (2,652) | | (1,473) | |
| | | | (1,441) | | (864) |
| | | | **(1,371)** | | **(812)** |
| **Taxpayers' Equity:** | | | | | |
| General fund | 18 | | (1,371) | | (818) |
| Revaluation reserve | 19 | | - | | 6 |
| | | | **(1,371)** | | **(812)** |

(Signed) ................................ (Accounting Officer)

The notes on Pages 30-48 form part of these accounts

## Cash Flow Statement

### for year ended 31 March 2006

| | Note | 2005-06<br>£000 | 2004-05<br>£000 |
|---|---|---|---|
| Net cash outflow from operating activities | 20a | **(879)** | **(436)** |
| Capital expenditure and financial investment | 20b,20c | **(67)** | **(20)** |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities | | **-** | **-** |
| Payments of amounts due to the Consolidated Fund | | **-** | **(1)** |
| Financing | 20d | **1436** | **663** |
| Increase/(decrease) in cash in the period | 20e | **490** | **206** |

The notes on Pages 30-48 form part of these accounts

## Statement of Operating Costs by Departmental Aim and Objectives
### for the year ended 31 March 2006

| | 2005-06 | | | 2004-05 | | |
|---|---|---|---|---|---|---|
| | Gross | Income | Net | Gross | Income | Net |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Aim:** | | | | | | |
| **Objective A:** To promote competition in the generation and supply of Electricity and to protect the interests of electricity consumers with regard to price and quality of service | 2,310 | (992) | 1,318 | 1,265 | (880) | 385 |
| **Objective B:** To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service | 756 | (553) | 203 | 835 | (395) | 440 |
| **Net Operating Costs** | **3,066** | **(1,545)** | **1,521** | **2,100** | **(1,275)** | **825** |

The notes on Pages 30-48 form part of these accounts

## Notes to the Authority Resource Accounts for the year ended 31 March 2006

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2005–06 *Government Financial Reporting Manual* (*FReM*) issued by Department of Finance and Personnel. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

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

### 1.2 Tangible Fixed Assets

The minimum level for capitalisation of a tangible fixed asset is £500 for PCs and £1000 for all other assets. Where material assets may be pooled/grouped so as to reflect more accurately asset holdings.

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

### 1.3 Intangible Fixed Assets

Intangible fixed assets comprise computer software licences with a capitalisation threshold of £1000. They are revalued annually by reference to the RPI.

### 1.4 Depreciation and Amortisation

Depreciation is provided at rates calculated to write off the valuation of tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

| | |
|---|---|
| Leasehold improvements | 10 years or lifetime of lease |
| IT equipment | 3 years |
| Fixtures and Fittings | 5 to 10 years |
| Office Equipment | 5 years |
| Intangible Assets | 5 years |

### 1.5 Revenue Recognition

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

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

Gas licence fees are calculated on the basis of a determination made by the Authority. Following a consultation process on how gas licence fees should be apportioned it was decided that as from the 2002-03 financial year 80% (formerly 95%) of the cost of gas regulation should be borne by the holders of gas conveyance licences and 20% (formerly 5%) by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities will pay a £50,000 basic fee plus a further amount based on volumes conveyed in the previous year. Gas supply licence holders pay a minimum fee of £1,000 plus an additional amount based on volumes supplied in the previous year. Gas licence fees are recovered from gas customers through an operating cost allowance in the Price Control of Phoenix Natural Gas's conveyance business.

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

In addition, following the introduction of The Energy (Northern Ireland) Order 2003 the cost of the General Consumer Council for Northern Ireland in dealing with electricity consumer issues is recovered from the public electricity supply licence holder and with gas consumer issues from (apportioned equally) the holders of gas conveyance licences who engage in distribution activities. For 2005 – 06 the Authority collected and passed on to the GCCNI an amount of £291,426 of which £166,529 was in respect of its' electricity functions and £124,897 in respect of its' gas functions. These licence fees are accounted for in the accounts of the GCCNI.

### 1.6 Administration and Programme Expenditure

A reclassification exercise was carried out via the Budget & 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, NIAER gained DFP approval (both Supply Branch and CED) to reclassify all its expenditure as DEL Other Resource. This reclassification was reflected in the 2005/06 Spring Supplementary Estimates.

### 1.7 Capital Charge

A capital charge, reflecting the cost of capital utilised by the Authority, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% per cent in real terms on all assets less liabilities.
The negative value of total net assets arises because the funds owed to Electricity and Gas licensees are correctly shown as a liability. However under Government Accounting rules the Authority is required to surrender surpluses to the Consolidated Fund, these are the subject of an in year bid in the following financial year. This is required because the respective Electricity and Gas licences make provision for a reduction in the licence fee collected to reflect any underspend in the previous year.

### 1.8 Taxation

VAT is accounted for in accordance with SSAP5.

The amount due from HM Customs and Excise in respect of VAT is included within Debtors in the Balance Sheet.

### 1.9 Foreign Exchange

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

### 1.10 Notional Costs

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

### 1.11 Operating Leases

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

### 1.12 Pensions

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

### 1.13 Early Departure Costs

All Authority staff (excluding the directly recruited Authority staff and Non-Executive Directors) are on loan 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.

### 1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Authority discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Government Accounting Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

## 2. Analysis of net resource outturn by section

| | 2005-06 | | | | | | | | 2004-05 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Outturn | | Estimate | Outturn |
| | Admin | Other Current | Grants | Gross resource Expenditure | Accruing Resources | Net Total | Net Total | Net Total outturn compared with Estimate | Prior-year outturn |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Request for resources A:** | | | | | | | | | |
| **Departmental Expenditure in DEL:** | | | | | | | | | |
| 1. Administration | - | 3,013 | - | 3,013 | (1,541) | 1,472 | 1,469 | (3) | 763 |
| **Non Budget** | | | | | | | | | |
| 2. Notional Costs | | 53 | - | 53 | - | 53 | 65 | 12 | 62 |
| **Resource Outturn** | **-** | **3,066** | **-** | **3,066** | **(1,541)** | **1,525** | **1,534** | **9** | **825** |

**Analysis of outturn against estimate**

As this is less than 1% no explanation of variance is necessary

**Key to Request for Resources**

Request for resources A – To protect the interests of electricity & gas consumers with regard to price & quality of service.

## 3. Reconciliation of outturn to net operating cost and against Administration Budget

### 3(a) Reconciliation of net resource outturn to net operating cost

| | | 2005-06 | | | 2004-05 |
|---|---|---|---|---|---|
| | | Outturn | Supply Estimate | Outturn compared with Estimate | Outturn |
| | Note | £000 | £000 | £000 | £000 |
| Resource Outturn | 2 | 1,525 | 1,534 | 9 | 825 |
| Non-supply income (CFERs) | 5 | (4) | - | 4 | - |
| Net operating cost | | **1,521** | **1,534** | **13** | **825** |

### 3(b) Outturn against final Administration Budget

| *See Note 1.6 | 2005-06* | | 2004-05 |
|---|---|---|---|
| | Budget | Outturn | Outturn |
| | £000 | £000 | £000 |
| Gross Administration Budget | - | - | 1,202 |
| Income allowable against the Administration Budget | - | - | - |
| Net outturn against final Administration Budget | | | **1,202** |

## 4. Reconciliation of resources to cash requirement

| | | 2005-06 | | |
|---|---|---|---|---|
| | | Estimate | Outturn | Net total outturn compared with estimate: saving/ (excess) |
| | Note | £000 | £000 | £000 |
| Resource Outturn | 2 | 1,534 | 1,525 | 9 |
| Capital : | | | | |
| • Acquisition of fixed assets | 13 & 14 | 141 | 67 | 61 |
| Non operating Accruing Resources : | | | | |
| • Proceeds of fixed asset disposals | 13 & 14 | - | - | - |
| Accruals adjustments: | | | | |
| • Non-cash items | 10 | (87) | (64) | (23) |
| • Changes in working capital other than cash | 20 | 100 | (578) | 691 |
| Excess cash receipts surrenderable to the Consolidated Fund | 5 | 136 | - | 136 |
| **Net cash requirement** | | **1,824** | **950** | **874** |

## 5. Analysis of income payable to the Consolidated Fund

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

| | | Forecast 2005-06 | | Outturn 2005-06 | |
|---|---|---|---|---|---|
| | | Income | Receipts | Income | Receipts |
| | Note | £000 | £000 | £000 | £000 |
| Operating income and receipts – excess Accruing Resources | | - | - | - | - |
| Other operating income and receipts not classified as Accruing Resources | | - | - | 4 | *4* |
| | 18 | **-** | ***-*** | **4** | ***4*** |
| Non-operating income and receipts excess Accruing Resources | 7 | - | - | - | - |
| Other non-operating income and receipts not classified as Accruing Resources | 8 | - | - | - | - |
| Other amounts collectable on behalf of the Consolidated Fund | | 1 | *1* | - | - |
| Excess cash surrenderable to the Consolidated Fund | 4 | - | - | - | - |
| Total income payable to the Consolidated Fund | | **1** | ***1*** | **4** | ***4*** |

## 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

| | | 2005-06 | 2004-05 |
|---|---|---|---|
| | Note | £000 | £000 |
| Operating income | 11 | 1,545 | 1,275 |
| Income authorised to be treated as Accruing Resources | | (1,541) | (1,275) |
| Operating income payable to the Consolidated Fund | 5 | 4 | - |

## 7. Non-operating income – Excess Accruing Resources

| | 2005-06 | 2004-05 |
|---|---|---|
| | £000 | £000 |
| Non-operating income – excess Accruing Resources | - | - |

## 8. Non-operating income not classified as Accruing Resources

| | 2005-06 | |
|---|---|---|
| | Income | Receipts |
| | £000 | £000 |
| | - | - |

| | 2005-06 | 2004-05 |
|---|---|---|
| | £000 | £000 |
| Receivable in the year | - | - |
| Recognised in the year | - | - |
| **Carried forward** | - | - |

## 9. Staff numbers and related costs

### *Staff Costs*

### **9A.** Staff costs comprise of:

| | 2005-06 | | | | | 2004-05 |
|---|---|---|---|---|---|---|
| | | | | | £000 | £000 |
| | Total | Permanently employed staff | Others | Ministers | Special advisers | Total |
| Wages and salaries | 801 | 801 | - | - | - | 756 |
| Social security costs | 64 | 64 | - | - | - | 64 |
| Other pension costs | 137 | 137 | - | - | - | 100 |
| **Sub Total** | 1,002 | 1,002 | - | - | - | 920 |
| Agency Staff and Inward Secondments | 3 | - | 3 | - | - | - |
| **TOTAL** | **1,005** | **1,002** | **3** | **-** | **-** | **920** |
| Less recoveries in respect of outward secondments | - | - | - | - | - | - |
| **TOTAL NET STAFF COSTS** | **1,005** | **1,002** | **3** | **-** | - | **920** |

The Principal Civil Service Pension Scheme in NI (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but NIAER is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2006 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005-06, employers' contributions £137,158 were payable to the PCSPS(NI) (2004-05 £100,200) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.
At the balance sheet date there were no contributions due to any partnership pension provider.

There were no early retirements on ill-health grounds.

**Average number of persons employed**

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account

| | 2005-06 | | | | | 2004-05 |
|---|---|---|---|---|---|---|
| | Number | | | | | Number |
| | Total | Permanent staff | Others | Ministers | Special advisers | Total |
| **Total** | **27** | **27** | | | | **24** |

## 10. Other non-staff costs

| | 2005-06 | | 2004-05 As restarted | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Rentals under operating leases** | | | | |
| Property rentals | 137 | | 81 | |
| Hire of office equipment | 13 | | 8 | |
| | | 150 | | 89 |
| **Non-cash items** | | | | |
| Depreciation and amortisation of fixed assets | | | | |
| . Tangible fixed assets | 25 | | 21 | |
| . Intangible fixed assets | 3 | | 3 | |
| Impairment of fixed assets | 1 | | - | |
| (Profit) / Loss on disposal of fixed assets | 19 | | - | |
| Cost of capital charge (credit) | (37) | | (22) | |
| Provision for Bad Debts charge | - | | - | |
| Auditors' remuneration and expenses | 20 | | 25 | |
| Other notional costs | 33 | | 37 | |
| | | 64 | | 64 |
| **Other Expenditure** | | | | |
| Consultancy | 1,500 | | 783 | |
| Publicity | 102 | | 53 | |
| Hospitality | 10 | | 11 | |
| Travel & Subsistence | 46 | | 52 | |
| Rates | 33 | | 31 | |
| Training | 30 | | 15 | |
| Utilities | 25 | | 12 | |
| Miscellaneous | 101 | | 70 | |
| | | 1,847 | | 1,027 |
| | | 2,061 | | 1,180 |

## 11. Income

| | Note | 2005-06 RfR A £000 | 2004-05 Total £000 |
|---|---|---|---|
| Electricity Licence Fees | | 992 | 880 |
| Gas Licence Fees | | 553 | 395 |
| | 6 | **1,545** | **1,275** |

## 12. Analysis of net operating cost by spending body

| | 2005-06 | | 2004-05 |
|---|---|---|---|
| | Estimate | Outturn | Outturn |
| | £000 | £000 | £000 |
| **Spending body:** | | | |
| NIAER | 1,534 | 1,521 | 825 |
| **Net Operating Cost** | **1,534** | **1,521** | **825** |

## 13. Tangible fixed assets

| | Leasehold Improvements | Information Technology Equipment | Office Equipment | Fixtures & Fittings | Total |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or valuation** | | | | | |
| At 1 April 2005 | 437 | 54 | 7 | 57 | 555 |
| Additions | - | 14 | 22 | 31 | 67 |
| Disposals | (437) | (39) | - | (57) | (533) |
| Impairments | - | (2 | - | - | (2) |
| Revaluations | - | - | - | - | - |
| **At 31 March 2006** | **-** | **27** | **29** | **31** | **87** |
| **Depreciation** | | | | | |
| At 1 April 2006 | 420 | 34 | 5 | 53 | 512 |
| Charged in year | 9 | 9 | 4 | 3 | 25 |
| Disposals | (429) | (33) | - | (54) | (516) |
| Impairments | - | (1) | - | - | (1) |
| Revaluations | - | - | - | - | - |
| **At 31 March 2006** | **-** | **9** | **9** | **2** | **20** |
| **Net book value at 31 March 2006** | **-** | **18** | **20** | **29** | **67** |
| **Net book value at 31 March 2005** | **17** | **20** | **2** | **4** | **43** |
| **Asset financing:** | | | | | |
| Owned-Supply financed | - | 18 | 20 | 29 | 67 |
| **Net Book value at 31 March 2006** | **-** | **18** | **20** | **29** | **67** |

## 14. Intangible fixed assets

Intangible fixed assets comprise software licences

| | 2005-06 |
|---|---|
| | **£000** |
| **Cost or valuation** | |
| At 1 April 2005 | 16 |
| Additions | - |
| Disposals | (2) |
| Revaluation | - |
| **At 31 March 2006** | 14 |
| **Amortisation** | |
| At 1 April 2005 | 8 |
| Charged in year | 3 |
| Disposals | - |
| Revaluation | - |
| **At 31 March 2006** | 11 |
| **Net book value at 31 March 2006** | **3** |
| **Net book value at 31 March 2005** | **8** |

## 15. Debtors

## 15(a) Analysis by type

| | 2005-06 | 2004-05 |
|---|---|---|
| | £000 | £000 |
| **Amounts falling due within one year:** | | |
| Trade debtors | 210 | - |
| Prepayments and accrued income | 12 | 134 |
| VAT | 111 | 87 |
| | **333** | **221** |

## 15(b) Intra-Government Balances

| | Amounts falling due after more than one year | |
|---|---|---|
| | 2005-06 | 2004-05 |
| | £000 | £000 |
| Balances with other central government bodies | 111 | **87** |
| Balances with local authorities | - | - |
| Balances with NHS Trusts | - | - |
| Balances with public corporations and trading funds | - | - |
| ***Subtotal:* intra-government balances** | **111** | **87** |
| Balances with bodies external to government | 222 | 134 |
| **Total debtors at 31 March** | **333** | **221** |

## 16. Cash at bank and in hand

| | 2005-06 | 2004-05 |
|---|---|---|
| | £000 | £000 |
| Balance at 1 April 2005 | 388 | 182 |
| Net change in cash balances | 490 | 206 |
| Balance at 31 March 2006 | **878** | **388** |

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

## 17. Creditors

## 17(a) Analysis by type

| | 2005-06 | | 2004-05 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Amounts falling due within one year** | | | | |
| Trade creditors | | 352 | | 128 |
| Accruals and deferred income | | 1,422 | | 957 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | | 874 | | 388 |
| Consolidated fund extra receipts due to be paid to the Consolidated Fund | | | | |
| Received (see Note 20) | 4 | | - | |
| Receivable (See Note 19) | - | | - | |
| | | 4 | | |
| | | 2,652 | | 1,473 |

## 17(b) Intra-Government Balances

| | Amounts falling due after more than one year | |
|---|---|---|
| | 2005-06 | 2004-05 |
| | £000 | £000 |
| Balances with other central government bodies | 984 | 14 |
| Balances with local authorities | - | - |
| Balances with NHS Trusts | - | - |
| Balances with public corporations and trading funds | - | - |
| ***Subtotal:*** **intra-government balances** | 984 | 14 |
| Balances with bodies external to government | 1,668 | 1,459 |
| **Total debtors at 31 March** | **2,652** | **1,473** |

## 18. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|---|---|---|
| **Balance at 1 April 2005** | | **(818)** | **(492)** |
| Net Operating (Cost)/Surplus for the year (Statement 2) | 12 | (1,521) | (825) |
| Operating income not treated as Accruing Resources payable to Consolidated Fund | 5 | (4) | - |
| Non-operating income not treated as Accruing Resources payable to Consolidated Fund | 5 | - | - |
| Net parliamentary funding | | | |
| Drawn from Consolidated Fund | | 1,436 | 663 |
| Deemed issued from Consolidated Fund | | 388 | 181 |
| Drawn from Contingencies Fund | | 800 | 600 |
| Repaid to Contingencies Fund | | (800) | (600) |
| Consolidated Fund credit for cash unspent | | (874) | (388) |
| Non-cash charges: | | | |
| - Debit against cost of capital credit | | (37) | (22) |
| - Credit for other notional costs | 10 | 53 | 62 |
| Transfer of realised element of revaluation reserve (See note 19) | | 6 | 3 |
| **Balance at 31 March 2006** | | **(1,371)** | **(818)** |

## 19. Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

| | 2005-06 £000 | 2004-05 £000 |
|---|---|---|
| **Balance at 1 April 2005** | **6** | **8** |
| Transfer to general fund of realised element of revaluation reserve (see note18) | (6) | (3) |
| Revaluation of tangible fixed assets | - | 1 |
| Revaluation of intangible fixed assets | - | - |
| **Balance at 31 March 2006** | **-** | **6** |

## 20 Notes to the Consolidated Cash Flow Statement

## 20(a) Reconciliation of operating cost to operating cash flows

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|---|---|---|
| Net operating cost | 12 | (1,521) | (825) |
| Adjustments for non-cash transactions | | | |
| - Other non-staff costs | 10 | 64 | 64 |
| (Increase)/Decrease in Debtors | 15 | (112) | (100) |
| Increase/(Decrease) in Creditors | 17 | 1,180 | 631 |
| less movements in debtors relating to CFER items | | | |
| - CFER amounts due to Consolidated Fund | 17 | (4) | 1 |
| less movements in creditors relating to items not passing through the OCS | | | |
| - Supply amounts due to the Consolidated Fund | 17 | (486) | (207) |
| **Net cash outflow from operating activities** | | **(879)** | **(436)** |

## 20(b) Analysis of capital expenditure and financial investment

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|---|---|---|
| Tangible fixed asset additions | 13 | (67) | (16) |
| Intangible fixed asset additions | 14 | - | (4) |
| Proceeds of disposal of fixed assets | | - | - |
| **Net cash outflow from investing activities** | | **(67)** | **(20)** |

## 20(c) Analysis of capital expenditure and financial investment by Request for Resources

| | Note | Capital Expenditure £000 | Loans, etc. £000 | Accruing Resources £000 | Net Total £000 |
|---|---|---|---|---|---|
| Request for resources A | **13** | 67 | - | - | 67 |
| **Total 2005-06** | | **67** | **-** | **-** | **67** |
| **Total 2004-05** | | **20** | **-** | **-** | **20** |

## 20(d) Analysis of financing

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|---|---|---|
| From the Consolidated Fund (Supply) – current year | 18 | 1,436 | 663 |
| From the Consolidated Fund (Supply) – prior year | 18 | - | - |
| Advances from the Contingencies Fund | 18 | 800 | 600 |
| Payments to the Contingency Fund | 18 | (800) | (600) |
| **Net Financing** | | **1,436** | **663** |

## 20(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|---|---|---|
| **Net cash requirement** | | **(950)** | **(456)** |
| From the Consolidated Fund (Supply) – current year | 20(d) | 1,436 | 663 |
| From the Consolidated Fund Supply – prior year | 20(d) | - | - |
| Advances from the Contingencies Fund | 20(d) | 800 | 600 |
| Payments to the Contingency Fund | 20(d) | (800) | (600) |
| Amounts due to the Consolidated Fund – received in a prior year and paid over | | - | (1) |
| Amounts due to the Consolidated Fund received and not paid over | 17(a) | 4 | - |
| **Increase/(decrease) in cash** | | **490** | **206** |

## 21. Capital commitments

There were no contracted capital commitments at 31 March 2006. (Nil, at 31 March 2005).

## 22. Commitments under leases

At 31 March 2006 the Authority was committed to making the following payments in respect of operating leases expiring:

| | 2005-06 | | | 2004-05 |
|---|---|---|---|---|
| | Buildings | Other | TOTAL | TOTAL |
| | £000 | £000 | £000 | £000 |
| Within one year | 165 | 15 | 180 | 89 |
| Between two to five years | 650 | 60 | 710 | 108 |
| After five years | 700 | 75 | 775 | 4 |
| | **1,515** | **150** | **1,665** | **201** |

The above amounts reflect the total amounts due over the life of the operating leases.

## 23. Other Commitments

The Authority has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2006. (Nil, at 31 March 2005).

## 24. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of the Authority's activities and the way Government departments are financed, it is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Authority has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Authority in undertaking its activities.

As allowed by FRS 13, the Authority has elected to exclude from disclosure all debtors and creditors which mature or become payable within 12 months from the balance sheet date.

### a) Liquidity Risk

The Authority's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### b) Foreign Currency Risk

The Authority's exposure to foreign currency risk is not significant. Foreign currency income is negligible and foreign currency expenditure is not significant.

### c) Fair Values

The Authority had no financial assets nor liabilities at 31 March 2006. (Nil, at 31 March 2005).

## 25. Contingent Liabilities

There were no contingent liabilities existing as at 31 March 2006.

## 26. Related-party transactions

The Authority has had a number of transactions with other Government departments and Central Government bodies. These include DETI and DFP. None of the Authority members, key managerial staff or other related parties has undertaken any material transactions with the NIAER during the year.

Printed in the UK for The Stationery Office Limited
On behalf of the Controller of Her Majesty's Stationery Office
PC1803 11/06

Published by TSO (The Stationery Office) and available from:

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**www.tso.co.uk/bookshop**

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ISBN 0-10-294102-5
9 780102 941029