

Accountability Report



Financial review

Ofgem's Key Performance Indicators are set out in Appendix I.

During the year, Ofgem utilised its budget to support its Forward Work Plan and ended the year with an overall underspend of £53,000 on resource budget (an outturn of £648,000 compared to the estimate of £701,000). This was mainly driven by some larger projects moving more slowly than originally planned. Ofgem was not able to fully utilise the capital budget that had been set aside for IT refresh purposes, spending £682,000 less than the estimate. This was caused by delays in production due to the impact of Covid-19.

Ofgem's main source of income is license fees payable by the sector. Any surplus (over recovery of fees, where spend is less than budget) is used to reduce the fees charged the following year. The 2019-20 license fee payable was reduced by the 2018-19 surplus of £2.995 million.

Income of £76.149 million was received from the sector in 2019-20, which was £3.955 million more than spend. The 2020-21 license fee charged to the sector will therefore be reduced by the £3.955 million surplus.

The majority of Ofgem's costs are staff costs. Overall staff costs were £3.655 million (6%) higher in 2019-20 compared to 2018-19, primarily reflecting increased pension contributions. There was also an increase in staff numbers, reflecting increased regulatory and scheme delivery requirements, alongside an effort to reduce reliance on agency staff, with Ofgem's spend on agency staff falling by £3.993 million (50%) over the year.

There was a net increase of £2.077 million in financial provisions (where Ofgem have set aside budget now for a likely future payment). The main driver was an increase of £1.531 million to recognise a potential future cost associated with Ofgem's London office space.

Impairment of £0.515 million was recognised in the year to reflect a change in the expected life of some of the assets.

Corporate Governance Report

Directors Report

The Gas and Electricity Markets Authority (“the Authority”) makes all major decisions and sets policy priorities. The Authority is made up of executive and non-executive members.

Executive members of the Authority who served during the year:

- Dermot Nolan, Chief Executive, was appointed in February 2014. He has no other company directorships. He left Ofgem on 31 January 2020.
- Jonathan Brearley, Executive Director, System and Networks, joined Ofgem in May 2016 and was appointed to the Authority in November 2018. He was appointed Chief Executive and took over the position on 1 February 2020.
- Sarah Cox, Chief Operating Officer, joined Ofgem in May 2016 and was appointed to the Authority in November 2018. She is a Vice Chair and Board Member of CSSC (Sports and Leisure) and an advisor to the Infrastructure and Projects Authority (Defence and International, serving for example as independent advisor on the strategic alliance Board with the MoD, Babcock and BAE Systems; and as high risk team leader). She left Ofgem on 31 March 2020.
- Mary Starks, Executive Director, Consumer and Markets, joined Ofgem in September 2018 and was appointed to the Authority in November 2018. She is a Trustee for Working Families.

Non-executive members of the Authority who served during the year:

- Martin Cave joined in July 2018 as non-executive director, and was appointed Chair in October 2018 for a five-year period. He is a visiting Professor in the Department of Law at the London School of Economics, an advisor to the New Zealand Commerce Commission, an advisor to Chalmers University, Sweden and a board member of the Centre on Regulation in Europe (CERRE), a Brussels-based think tank.
- Christine Farnish joined in January 2016. Her appointment ends in January 2021. She is a non-executive director of Ofwat, a non-executive on the Zopa Group Board and Chair of Zopa Ltd (Zopa's peer-to-peer lending business), and a consumer advisory board member at Fairer Finance.
- Professor Paul Grout joined in October 2012. His appointment ends in September 2022. He has a Chair in Political Economy at the University of Bristol, is Chair of the expert advisory group for National Lottery 4 at the Gambling Commission and is the Senior Advisor for Competition at the Bank of England.
- Keith Lough joined in October 2012. He was the Chair of the Authority's Audit and Risk Assurance Committee. He is a non-executive director, and the Senior Independent Director, of Rockhopper Exploration Ltd. He is also a non-executive director of Cairn Energy plc, and non-executive director and SID of Hunting plc. He left the Board on 31 July 2019.
- Ann Robinson joined in July 2018. Her appointment ends in July 2023. Ann does pro bono work with charities chairing and facilitating meetings, works with Ofwat on its Price Review and opening up the market to SMEs as well as chairing a company owned by the Electricity Safety Council.

- Lynne Embleton joined in July 2018. Her appointment ends in July 2023. She is Chief Executive for IAG Cargo, a management committee member for IAG, a non-executive director at BA Board and a director at Zenda.
- John Crackett joined in December 2018. His appointment ends in December 2023. He has held non-executive roles at the Office of Nuclear Regulation and in a telecoms company. He has also been a member of the Army Board, he advises MOD on electricity generation and distribution, and is involved in housing and veterans' charities.
- Myriam Madden joined in January 2020 as non executive director and Chair of the Audit and Risk Assurance Committee. Her appointment ends in January 2025. She has held senior executive finance and operational positions in global technology companies, financial services in the UK, US and Europe, as well as the public sector.
- Barry Panayi joined the Board in March 2020. His appointment ends in March 2025. He is Chief Data Officer for Lloyds Banking Group.

The non-executive members are considered to be independent of management and make up a majority of the members of the Authority.

Other significant interests held by Authority members

Keith Lough, having worked for energy companies in the past, is a member of a former employers' pension scheme. This scheme is administered in line with the rulings of the Pensions Regulator and is separate from the business of the regulated company.

Audit arrangements

The Comptroller and Auditor General, and was appointed under statute and reports to Parliament, audits the resource accounts and trust statements. The notional cost of auditing the resource accounts and trust statement was £100,000 (2018-19: £85,000). There was no auditor remuneration, actual or notional, for non-audit work.

The Accounting Officer has done everything he should to make himself aware of any relevant audit information and to establish that our auditors are aware of that information. He is not aware of any relevant audit information that our auditors don't have access to.

Our internal audit service independently measures and evaluates how adequate, reliable and effective our management and financial control systems are. It makes recommendations and gives the Accounting Officer an assurance report each year. We have outsourced the internal audit function to make sure we get independent and professional analysis and recommendations. Deloitte performed the Internal Audit function for part of the year, until its contract ended on 30 June 2019. A competitive procurement process took place in 2019 and Mazars was appointed to provide the service from 26 September 2019 for an initial period until 31 March 2021.

As part of our project delivery assurance process, we get separate independent assurance at key stages of a project. We outsourced this service to Deloitte, Mazars and other companies available through our procurement framework during the year.

Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofgem to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofgem and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

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

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Ofgem's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance statement

Who's part of the Authority?

How appointments are made

The Secretary of State for Business, Energy and Industrial Strategy appoints the non-executive members of the Authority after consulting the Chair. The executive members of the Authority are appointed by the Secretary of State in line with the Civil Service Management Code. They hold their positions for as long as they hold their senior posts at Ofgem, subject to maximum periods of tenure set out in the EU's Third Energy Package and its rules covering appointments to national regulatory authorities in member states.

Details of Authority members' remuneration, and their pension arrangements are shown in the Remuneration Report starting on page 49).

How the Authority works

The Authority meets formally a minimum of 10 times a year. In addition, Authority members also attend regular informal briefing sessions to allow high level review of developing issues and serve on the Authority's committees, details of which are set out below.

In 2019-20, the Chairman reviewed the individual performance of Authority members, looking at their contributions to the Authority's work. The other non-executive members set objectives for the Chairman after discussion with him and will review his performance against these objectives.

The Authority reviews the activities, plans and performance of the organisation against its strategic objectives and reviews the activities and priorities of its principal support functions. The activities and priorities of E-Serve are also reviewed by the Authority. The Authority also considers the capability and health of the organisation and takes decisions on specific major regulatory issues that have not been delegated.

We aim to make the most of our resources and powers to make a positive difference for current and future consumers over the coming years. Every year we publish our Forward Work Programme following consultation and stakeholder engagement. We published our draft Forward Work Programme for the extended period 2020-22 for consultation in December 2019. In March 2020, we confirmed that in light of the impact of Covid-19, the consultation published in December 2019 is the best representation of Ofgem's planned projects and that we will publish a fuller account of our planned work in due course.

We publish minutes of the Authority's meetings on our website, along with the committees' terms of reference. We also provide provisional agendas for the main Authority meetings. The Chair and other non-executive members play a full part in Authority business. They attended full Authority meetings and committee meetings as follows:

Members	The Authority	Audit and Risk Assurance Committee	E-Serve Board	People and Remuneration Committee	RIIO 2 Committee
Christine Farnish	10/10	-	1/1	4/4	5/7
Dermot Nolan	8/8	2/2	2/2	4/4	4/5
Sarah Cox	10/10	3/3	3/3	5/5	-
Mary Starks	9/10	-	-	-	-
Jonathan Brearley	10/10	1/1	1/1-	1/1	5/5
Martin Cave	10/10	2/3	-	5/5	5/5
Ann Robinson	8/10	-	-	4/5	-
Keith Lough	4/4	1/1	-	-	-
Lynne Embleton	10/10	3/3	1/1	-	2/4
John Crackett	10/10	1/1	-	-	5/5
Paul Grout	10/10	-	1/1	5/5	5/5
Myriam Madden ¹	2/2	1/1	-	-	-
Barry Panayi ²	1/1	-	-	-	-

¹ Myriam Madden was appointed an Authority NED in January 2020.

² Barry Panayi was appointed an Authority NED in March 2020.

The Authority met in Glasgow on 26 June 2019, and in Durham on 31 July 2019 using both occasions to meet local political representatives and energy stakeholders in the public and private sectors. Meetings with interested parties took place after some of the main meetings, allowing the Authority to debate current topics with stakeholders.

What committees does the Authority have?

The Authority's structure, supported by committees with clear terms of reference, strives to support effective governance.

Audit and Risk Assurance Committee

This committee advises the Authority and the Accounting Officer on:

- assurance processes and actions in relation to the management of risks;
- strategic processes for risk, control and governance;
- the accounting policies, the accounts and the annual report of the organisation;

- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- anti-fraud policies, whistleblowing processes and arrangements for special investigations.

The Committee met three times in 2019-20. Until July 2019 Keith Lough chaired the committee. John Crackett was interim chair for the October 2019 meeting. Myriam Madden was appointed committee Chair when she joined the Board in January 2020. Martin Cave and Lynne Embleton are also non-executive members of the committee.

This year the committee's work included:

- receiving reports from both internal and external audit – including, for example, areas where we felt there were control weaknesses, which internal audit were asked to review; monitoring actions taken to address weaknesses arising from assurance reports, which have been brought to the attention of the Committee by any other Authority Sub-Committee or the Executive; and

- receiving reports on matters such as IT and cyber security in the organisation, as well as anti-fraud and whistleblowing policies and processes, and the actions taken by the organisation in response to adverse incidents.

E-Serve Board Committee

The E-Serve Board (ESB) acts on behalf of the Authority and monitors the effectiveness and efficiency of E-Serve in delivering its relevant activities and provides assurance to the Authority on the performance of those activities. The ESB also makes recommendations to the Authority on key decisions affecting E-Serve including significant policy, strategic and operational aspects of E-Serve's work. Its main focus is to review and recommend E-Serve's strategy, annual business plans and overall budget in respect of the relevant activities and to agree the annual objectives and targets for E-Serve. The ESB meets three times a year and is chaired by the Chief Executive.

Enforcement Decision Panel

The Enforcement Decision Panel (EDP) is in place to take decisions in contested enforcement cases on behalf of the Authority. EDP members are dedicated specialists, who provide a visible separation between the investigation and decision making functions. At the beginning of the year, the chair was John Swift QC. From June 2019, Megan Forbes became chair of the EDP. Members of the EDP also chair Enforcement Settlement Committees (see next section). For more details on the EDP please see the EDP pages on the Ofgem website <https://www.ofgem.gov.uk/about-us/how-we-work/our-approach-regulation/enforcement-decision-panel>.

Enforcement Settlement Committees

Enforcement Settlement Committees may be established to decide whether to authorise a settlement procedure in respect of an investigation under the Competition Act 1998 or in respect of alleged contraventions under various sections of the

Gas Act 1986, the Electricity Act 1989 and other legislation. Committees are appointed separately for each case and generally comprise two members of the EDP nominated by the chair of the EDP as well as a Senior Civil Servant nominated by the Chair of the Authority.

RIIO 2 Committee

The Committee meets at least three times a year to ensure that the Authority's decision-making process in respect of RIIO-2 runs efficiently and effectively by considering the policy detail and making recommendations on specific issues before they are put to the Authority meeting for decision. It also gives additional guidance to the team and will engage with stakeholders at appropriate times during the price control delivery process.

People and Remuneration Committee

This committee, chaired by Christine Farnish, looks at the pay and performance of senior staff, succession planning, organisational health, diversity and inclusion, and other people issues. For details of the committee's members, its role, and senior staff salary and pension entitlements, see the remuneration report later in this section.

Board Taskforce

Last year, the Board also established a Taskforce, chaired by Ofgem's Chair and including a number of non-Executive Directors, to oversee effective utilisation of Ofgem's 2019-20 budget and preparations for the Spending Review.

How is the Authority's performance measured?

A review of board effectiveness was conducted by the Secretariat in October 2019. This was a light touch review. The review concluded that the Authority board was functioning in an efficient manner, with active and purposefully engaged non-executive members bringing diverse contributions; a good relationship involving both challenge and

listening between executives and non-executives; and a clear commitment from the Chair who has had a positive impact on the board.

The Board was strengthened in 2019-20 with the appointment of two new non-executive directors, bringing accountancy, finance and data acumen to the Authority.

The next review of board effectiveness will be more in depth and review will be undertaken in the latter part of 2020.

Executive governance framework

Senior Leadership Team

The Senior Leadership Team support the Chief Executive in the day-to-day running of Ofgem. During 2019-20, the Senior Leadership Team (SLT) was made up of all the executive members shown in the Remuneration Report, as well as the General Counsel, the Chief Economist and the Interim Executive Director for Systems and Networks, following Jonathan Brearley's appointment as Chief Executive. They meet weekly and decide on everything relating to management and resources, subject to the Authority's overall control.

Governance Framework

Our executive governance framework focuses on leadership and strategy, high quality and fast decision making and ensuring we use our resources to benefit consumers efficiently and effectively. Following his appointment as Chief Executive, Jonathan Brearley has initiated a review of executive governance, in order to support robust and high-quality decision making and effective oversight of the organisation as a whole, including effective oversight of operational and strategic risks. This will take place in 2020-21. The following executive boards were in place in 2019-20 and generally met on a monthly basis.

Performance and Delivery Board

The Performance and Delivery Board (PDB) oversees the organisation's high level performance and holds teams to account for performance and delivery across the organisation, considering

and taking those most significant operational decisions. The PDB ensures that we have in place, and operating effectively, appropriate and robust procedures and business processes that facilitate high quality delivery. PDB monitors and challenges progress in achieving our work programme and makes recommendations to the Authority on the achievement of outcomes of the work programme and any corrective actions required to achieve planned objectives and maintain organisational efficiency. In 2019-20, it generally met monthly and was chaired by the Chief Operating Officer.

Regulatory Board

The Regulatory Board ensures the appropriate scrutiny of regulatory decision-making in the organisation, provides early stage guidance on policy matters and provides an SLT view on matters going to the Authority. The Board does not make regulatory decisions- these will be for the Authority, or individuals with delegated authority. The Board is chaired on an alternating basis by the Executive Director, Consumers and Markets and the Executive Director, Systems and Networks. In 2019-20, it generally met monthly.

Governance and Delivery Committee (for E-Serve)

The purpose of this Committee is to ensure that E-Serve governance, scheme delivery and development are carried out effectively and efficiently and in line with E-Serve's objectives and strategy, as set out by the Authority and the E-Serve Board. The Committee has executive decision-making powers for matters falling within its scope but does not have the power to take decisions for any E-Serve scheme or programme which are Authority functions under the relevant legal framework. The Committee meets weekly and is chaired by the Director of E-Serve.

Risk and Control

Our Risk Management strategy sets out how risk management should be embedded across Ofgem; how we should identify, administer and manage risks. We recognise that exposure to risk can bring negative outcomes but also positive ones: our task

is to manage not only the risks which lead to consumer detriment but also those opportunities which could expose consumers to the positive outcomes from better competition and regulation.

The Board has overall responsibility for the Risk Management Framework and setting our risk appetite. The Audit and Risk Assurance Committee (ARAC) considers the priority risks facing Ofgem and discusses internal audit reports on specific issues. During the year, it agreed the priority areas for review by the internal audit function and considered the progress of the audit plan overall and progress in implementing recommendations made by internal audit.

Our executive team sets risk tolerance for their areas of responsibility, reviews mitigation plans for major risk areas within their remit and monitors risk movements. The executive also has an overall responsibility for monitoring and directing operational risk management within the organisation.

Independent audits of our risk management processes are carried out by our Internal Audit function on a two to three year cycle.

Whilst our approach to risk management is operational across the department, there are some weaknesses and inconsistencies in how it works in practice and we recognise that the approach needs to be strengthened. Our internal assessments identify a number of specific areas that require improvement and we have set out and committed to a plan to improve our risk maturity by introducing more formal risk management framework and supporting this with strong communications and training to ensure that standardised best practices work effectively across all parts of the Department.

During the year, the most significant risks identified and mitigations taken were as follows.

Retail energy supplier failures

The increased number of suppliers in the energy market in recent years has brought benefits to consumers through increased price competition and pressure on incumbents to improve their customer service offering. However, we have also seen an increase in supplier failures. We have powers to appoint a supplier of last resort (SoLR) to ensure consumers are protected if their energy supplier fails. During the year, we acted quickly to appoint a SoLR to

protect around 200,000 customers of seven suppliers that exited the market.

Our SoLR process ensures that all energy supplies and credit balances of domestic customers are protected, and that unpaid industry bills are minimised. Nonetheless, failure can be disruptive and confusing for consumers. They can also impose costs on competitors and risk undermining consumers' confidence in the market.

Through our ongoing Supplier Licensing Review, we aim to strengthen our licensing and regulatory regime to drive-up standards among poor performing suppliers and minimise competitors' and consumers' exposure to financial risks and poor customer service. As a result of our review, in July 2019, we implemented tougher requirements for obtaining a supply licence and in Autumn 2019 we consulted on new ongoing and exit requirements for suppliers, which we are aiming to finalise in the coming year.

Network Price Controls

Ofgem's Network Price Controls programme continued to track its two highest level risks during the year. We manage these risks through our "three lines of defence" approach. Assurance focuses on making sure all decisions are based on sound reasoning and evidence, legal risks are identified and proactively mitigated, and all analysis, numbers and models are thoroughly quality-assured.

The three lines of defence consist of:

- Internal assurance by those overseeing policy and analysis in the sectors
- Internal assurance from functional experts (ORE; legal; engineering; and Finance)
- External assurance from Government-accredited assurance reviewers (IPA Gateway Reviews).

Our first high-level risk is that our determinations do not meet required quality and are not legally defensible. This risk is mitigated as follows:

- A consistent approach is taken to the implementation of sector-specific methodologies in determinations, reflecting the overarching objectives and consolidated design principles underpinning RIIO-2 framework

- The evidence and analysis that supports policy and draft and final determinations is tested and assured through internal and external review
- Key programme board members have assurance roles in assuring technical, finance, engineering, legal and analytical aspects of the control.

Our second high-level risk is that we do not have the necessary capacity or capability to deliver the price control. We have built a strong internal team with the required expertise and have engaged three strategic consultancy partners providing specific expertise during peaks of activity in the price control lifecycle.

Social and environmental scheme delivery

Ofgem is responsible for social and environmental schemes with a value of more than £9 billion. As such, we have operated a separate risk and assurance committee, E-Serve Risk and Assurance Committee ("ERAC") since 2017. ERAC meets to seek formal updates on key projects, such as the work to address the findings of the National Audit Office's "value for money" review of our Renewable Heat Incentive schemes.

The Committee also routinely checks progress on agreed actions from audits and assurance reviews undertaken in different parts of Ofgem's E-Serve activities.

One of its key duties is to scrutinise the top risks and issues facing E-Serve and offer guidance to the owners of the risks on how to tackle them and determine where risks need to be escalated to Ofgem's Chief Executive. ERAC's Chair provides routine updates on the risks and issues faced by our schemes to Ofgem's Audit and Risk Assurance Committee and to the E-Serve Board.

In 2018, E-Serve overhauled its approach to risk management to bring it into line with the principles and guidelines outlined in British standard ISO31000 and has invested in dedicated staff to support the business to identify and mitigate the risks involved with successful administration of our social and environmental schemes. This work involves the monthly scrutiny of tactical and strategic risks and their escalation within Ofgem, when required. It involves open and transparent discussions with our

funding partners about the risks and issues we face. ERAC continues to consider risks, by type, to ensure that the quantification of them is accurate and consistent. As a result of this work a number of key risks that had stagnated have been reduced with additional resource or attention.

During the year, E-Serve created single registers of E-Serve risks and issues to improve visibility and these are presented to different audiences on an agreed cycle, to ensure effective oversight and management. New controls were also introduced to mitigate known and emerging risks as a result.

In late 2019, work was completed to reconsider E-Serve's risk appetite and to consider our known and emerging risks in the context of that revised appetite.

Supporting decarbonisation

During the year, we published a Decarbonisation Action Plan, to ensure that we could effectively respond to the Government's net zero carbon emissions targets by 2050. By putting in place this action plan, we are showing how we are responding to the challenges set out in Ofgem's Strategic Narrative document. In addition, we have revised our internal Impact Assessment guidance to improve transparency and consistency in how we assess the policy effects on net zero pathways and the costs of decarbonisation for consumers and thus reinforce the requirement to fully account for the carbon impacts in our decision-making.

Covid-19

The Covid-19 outbreak has brought significant uncertainties and a range of rapidly changing challenges that will require agility and significant effort to ensure that essential operations continue and that risks are understood and managed within a dynamic environment.

In addition to requiring flexibility and pace in identifying and responding to risks, signalling and demonstrating an appropriate risk culture remains essential. More than the processes established, maintaining expected values and behaviours at all levels supports the appropriate environment in which to continue to make pragmatic and sensible decisions.

Rapid decisions have been required to determine and assess the nature and extent of the risks that the organisation is exposed to, with a dynamic and continually evolving approach used to achieve optimised outcomes.

While the initial focus for Ofgem was inevitably and necessarily on near-term risks/issues and responses, attention will subsequently be focussed on the more medium-term and long-term, including those to effect recovery successfully.

Potential areas of work that Covid-19 is likely to particularly impact include:

- Supplier Financing & Stability
- Prepayment Customers
- Market Impact and contagion

We have been assessing the impacts of these risks and implementing appropriate mitigations.

To support decision-making during this period of uncertainty, we have used scenario planning to identify and consider the nature of the emerging risks over time and through differing assumptions in terms of the scale and scope of stabilisation and the return to normality.

Ofgem Internal Security, Privacy and Resilience

We continue to focus on maintaining appropriate and proportionate levels of security, privacy and resilience – in order to protect; citizens & business data, our people and operations from harm. During the year, we have increased our resource capacity to mitigate these harms. We developed a strategy around consolidation of security controls, which has improved security monitoring and produced annual savings of £191,000. Ofgem experienced a number of low risk events and responded with associated training and awareness to improve our processes and procedures. There has been one breach notification to the Information Commissioner's Officer ("ICO"), affecting a single individual, which led Ofgem to undertake a "lessons learnt" exercise, which allowed us to follow up with the ICO on improvement activities.

Over the coming year, we will also focus on improving our integration with the National Cyber Security Centre (the "NCSC") systems and tools and supporting the security improvement aspects of planned IT upgrades.

Energy Industry Cyber and System improvement

In May 2018, Ofgem and BEIS became the joint Competent Authority under the Networks and Information Systems ("NIS") Regulations 2018, which implements the 2016 EU Directive on the security of network and information systems. For our sector, the intent of the NIS Regulations is to increase the overall cyber-security and resilience of downstream gas and electricity Operators of Essential Services ("OES") – 55 at the time of writing.

Our role is to assess if the OESs are taking appropriate and proportionate cyber-security and system resilience countermeasures, and through monitoring, compliance and enforcement, minimise the impact of incidents on the essential service. In addition, Ofgem has security assurance monitoring of the Smart Energy Code, which underpins the Smart Metering programme.

Over the last year, Ofgem has built our cyber security and systems capabilities, to focus on industrial control systems within the energy sector. We engaged in over 100 workshops with the energy companies, including the analysis and review of OES self-assessment and improvement plans.

Over the coming year, we will continue to engage directly with all of the energy companies, individually and through community events and to focus on NIS improvement plans, review and monitoring price control programmes for Cyber Resilience and conduct inspections on energy companies. Cross Government activities will underpin Ofgem's programme, specifically working closely with BEIS, the Health and Safety Executive and the NCSC, both in terms of Competent Authority responsibilities, as well as the security aspects of smart metering and switching.

Corporate Services

A Corporate Services transformation programme continued in 2019-20 to develop the Human Resources, Finance, Procurement, Risk Management and Digital, Data & Technology functions to form closer partnerships with all Ofgem departments to support strategic decisions and to ensure a strong response to emerging priorities.

Significant changes that took place during the year include:

- Establishing strategic business partnering teams across Human Resources, Finance and Procurement teams to align with Ofgem departments to enable better management of people and budgets.
- Setting up centres of excellence in Finance and Human Resources to ensure efficient and effective control over transactional activity.
- Building new Procurement and Learning & Development teams to support Ofgem departments in areas where there had previously been gaps.
- Commencing recruitment into a new organisational structure in Digital, Data and Technology to enable the evolution from an IT support facility towards a business enabling function and driving more agile and adaptive ways of working across the organisation

Corporate Services suffered a high level of staff turnover during the reorganisation. This led to gaps in the team for much of the year and the loss of institutional knowledge in key areas. As a result, management information and some essential controls such as balance sheet reconciliations were not as effective as they should have been for part of the year. The integrity of financial records was scrutinised in detail in advance of the financial year end to mitigate the risk of error, and our controls are being strengthened further as the Corporate Services transformation continues.

The next steps in the programme are to strengthen finance, people management and digital capabilities across Ofgem and to develop better processes, guidance and systems to maximise the impact Corporate Services has in supporting the rest of the Department to enable deployment of a skilled and flexible workforce and to maximise value for money from available budgets.

EU-Exit impacts

Ofgem continued to manage risks relating to its interconnector, cross-border activities, in the context of the UK's departure from the EU (see page 16). While no "Day One" risks materialised following the UK's departure on 31 January this year, we remain mindful that future challenges may arise and continue to monitor the situation.

Whistleblowing

Ofgem internal whistleblowing policy is a process for staff to raise any whistleblowing concerns and supports a culture where employees feel confident to speak up about issues of concern. It aligns with the recommendations and good practice published by the Civil Service and Public Concern at Work.

An annual review of our policy was completed in September 2019 and additional actions were taken to make the policy more visible to staff and ensure lines of communication were clear and available to all staff. During 2019-20, two issues were submitted under this policy. Following an investigation, these were found not to fall under the category of whistleblowing.

Complaints to the Parliamentary Ombudsman

There was one case referred to the Parliamentary Ombudsman in relation to an RHI customer, which was closed in September 2019. Ofgem reviewed the case and agreed to take action without requiring a full investigation. Further information can be found in the Ombudsman's Casework Report 2019.

Internal Audit Assurance Opinion

Mazars LLP was appointed as Internal Auditor in September 2019 and completed an agreed schedule of reviews between December 2019 and April 2020, identified through risk based Internal Audit planning and interviews with Ofgem management and the Audit and Risk Assurance Committee. This resulted in some areas of high priority being targeted.

Based on its work, Mazars' assurance opinion over the framework of governance, risk management, and control is Limited in its overall adequacy and effectiveness.

It highlighted certain weaknesses and exceptions through its audit work, although none were considered fundamental.

Additional sources of assurance

In addition to the Annual Assurance Opinion from Internal Audit, we also perform an internal assessment of Ofgem's control environment. Each Director is responsible for signing off an annual Statement of Assurance, providing assurance that Ofgem's management systems are being applied consistently and effectively across their respective departments.

The Statement of Assurance process covers 18 key internal controls. This year, the priorities identified for improvement were as follows:

- Development of an enhanced risk management framework to generate a more consistent approach to identifying, recording, mitigating and escalating risks.
- The continuation of work on Corporate Services transformation to strengthen the support offered to the rest of Ofgem and to build stronger financial, people management and digital capabilities across the Department
- Addressing some basic deficiencies in finance and HR systems and processes.
- An improved and more consistent approach to ensuring effective control over data.

Conclusion

I am satisfied with Ofgem's governance arrangements in terms of safeguarding the use of its budgets. However, I believe that further improvement is needed. I intend to lead a refresh of our risk management and executive governance to ensure Ofgem is best placed to manage the fast paced emerging issues that will occur in the British energy market. We will continue to strengthen governance arrangements over the coming year to ensure achievement of value for money from the resources available to us and to achieve our key objective to protect the interests of consumers.



Jonathan Brearley
Chief Executive

15 July 2020

Remuneration and Staff Report



Remuneration and staff report

People and Remuneration Committee

This committee comprises executive and non-executive members of the Authority who are appointed by ordinary resolution of the Authority. The committee is chaired by Christine Farnish. The other members during 2019-20 were Paul Grout, Ann Robinson, Martin Cave (Ofgem Chair), Dermot Nolan (CEO until January 2020), Jonathan Brearley (CEO from February 2020) and Sarah Cox (COO until 31 March 2020). The committee's role is to review and approve the annual pay award and level of any bonus for Senior Leadership Team employees. It also considers other matters involving the pay and performance of senior Ofgem staff. Performance pay and bonus awards are made within parameters set by the Cabinet Office, and the Senior Salaries Review Body for Senior Civil Service pay. The committee also reviews succession planning and talent management of senior staff.

Remuneration policy

The remuneration of all employees is set out in their contracts and is subject to annual review in line with awards agreed by Cabinet Office and, for senior civil servants, as recommended by the Senior Salaries Review Body. Apart from the Chair, all of our senior employees are permanent members of staff. None of them have a notice period longer than six months.

Each Senior Leadership Team employee is eligible to participate in a bonus scheme that is in line with Cabinet Office guidelines. The bonus is based on the individual's performance. Bonus payments are non-consolidated and non-pensionable.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit and on the basis of fair and open competition. Recruitment principles published by the Civil Service Commission specify when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination by Ofgem, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at <https://civilservicecommission.independent.gov.uk>

Remuneration (including salary) and pension entitlements

The information in the following tables has been subject to external audit.

The salary, bonus payments and the value of any taxable benefits in kind of the most senior employees of Ofgem in 2019-20 are shown in the table overleaf:

Single total figure of remuneration

	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)‡		Total (£000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Senior executive members of Ofgem										
Dermot Nolan Chief Executive (left 29/02/20)	180-185	190-195	5-10	-	-	-	32,000	36,000	220-225	230-235
Jonathan Brearley Executive Director (ended 31 January 2020)/ Chief Executive Officer (from 1 February 2020)	155-160	145-150	5-10	15-20	-	-	92,000	57,000	255-260	215-220
Sarah Cox Chief Operating Office	145-150	135-140	5-10	15-20	-	-	73,000	52,000	225-230	185-190
Mary Starks Executive Director (started 10/09/18)	165-170	90-95	0-5	-	-	-	64,000	36,000	235-240	125-130
Non-executive members of the Authority										
Martin Cave Chair Started (01/10/18)	160-165	80-85	0-5	-	-	-	-	-	160-165	80-85

* Annual equivalent basic salary in 2019-20 for Executive Director role (excluding performance pay) is £150,000 - £155,000 and for Chief Executive role (excluding performance pay) is £180,000 - £185,000.

** Annual equivalent basic salary in 2018-19 (excluding performance pay) for Mary Starks was £165,000 - £170,000 and for Martin Cave was £160,000 - £165,000.

‡ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases or decreases due to a transfer of pension rights.

Other non-executive members of the Authority who were paid	2019-20		2018-19	
	Honorarium	Allowance	Honorarium	Allowance
Christine Farnish	£20,000	£3,000	£20,000	£3,000
Paul Grout	£20,000	£3,000	£20,000	£3,000
Lynne Embleton	£20,000	-	£15,000	-
Keith Lough (left July 2019)*	£6,667	£1,000	£20,000	£3,000
Ann Robinson	£20,000	-	£15,000	-
John Crackett	£20,000	£3,000	£6,667	-
Myriam Madden (from Jan 2020)*	£5,000	-	-	-
Barry Panayi (from Mar 2020)*	£860	-	-	-

* Annual equivalent £20,000

Non-executive members have fixed-term appointments, normally for up to five years. These appointments are renewable. Information on appointment dates is on page 36. Remuneration and appointments are set by the Secretary of State for Business, Energy and Industrial Strategy after consulting the Chair. Their remuneration is by payment of an honorarium plus an additional allowance for chairing any Authority committees. They are not entitled to performance-related pay or a pension. Compensation for early termination is at the discretion of the Secretary of State. The non-executive Chair of the Authority, Martin Cave, has an appointment that started on 1 October 2018 and lasts for five years.

As well as honoraria, which are included in salaries, non-executive directors are entitled to actual expenses, evidenced by receipts.

Expenses claimed by our senior employees and non-executive directors are published on our website www.ofgem.gov.uk

Salary

"Salary" includes gross salary and any other allowance to the extent that it is subject to UK taxation.

Bonuses

In 2019-20 there were 697 staff (2018-19 there were 621) who received a bonus. The average bonus payment was £1,277.84 (in 18/19 it was £1,527.74) and the total amount paid in bonuses equalled £890,651.12 (2018-19 £948,727.30). 3 individuals received the largest bonus of £12,500 (2018-19: one received the largest bonus payment which was £17,500)

Bonuses are based on performance levels and assessed as part of the appraisal process. The bonuses reported in 2019-20 relate to performance in 2018-19. The bonuses reported for 2018-19 relate to performance in 2017-18.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of our highest-paid director in 2019-20 was £185,000-190,000 (2018-19: £195,000-£200,000). This was 4.7 times (2018-19: 4.69) the median remuneration of the workforce, which was £40,009 (2018-19: £41,818).

In 2019-20 none (2018-19: none) of Ofgem's employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,182 to £190,000 (2018-19: £10,000 to £195,500).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The average number of permanently employed staff increased in 2019-20, as shown in the staff report on page 54.

Pension Benefits

	Accrued Pension at pension age as at 31 March 2020	Real Increase in pension and related lump sum at pension age	Cash equivalent transfer value at 31 March 2020	Cash equivalent transfer value at 31 March 2019	Real increase in cash equivalent transfer value	Employer's contribution to partnership pension account
Pension benefits	£000	£000	£000	£000	£000	Nearest £100
Senior executive members of Ofgem						
Dermot Nolan						
Chief Executive (left 29/02/20)	-	-	-	-	-	32,000
Jonathan Brearley						
Executive Director (ended 31 January 2020) Chief Executive (from 1 February 2020)	35-40 plus a lump sum of 65-70	5-7.5 plus a lump sum of 2.5-5	540	456*	52	-
Sarah Cox						
Chief Operating Officer	35-40	2.5-5	645	564	46	-
Mary Starks						
Executive Director	0-5	0-2.5	67	23	29	-

* Re-calculation of 2018-19 cash equivalent transfer value to include linked final salary benefits for Jonathan Brearley. Amount disclosed in 2018-19 accounts was £104,000.

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or “alpha”, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined “alpha”. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (“classic”, “premium” or “classic plus”) with a normal pension age of 60; and one providing benefits on a whole career basis (“nuvos”) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under “classic”,

“premium”, “classic plus”, “nuvos” and “alpha” are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into “alpha” sometime between 1 June 2015 and 1 February 2022. All members who switch to “alpha” have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave “alpha”. (The pension figures quoted for officials show pension earned in PCSPS or “alpha” – as appropriate. Where the official has benefits in both the PCSPS and “alpha” the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in

both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.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 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

Staff report

Average number of people employed (audited)

The average number of whole-time equivalent people employed during the year was:

			2019-20	2018-19
	Permanently employed staff	Others	Total	Total
Regulatory	355	37	392	369
E-Serve	255	33	288	261
Delivery	209	41	250	221
Total	819	111	930	851

There was an average of 45 whole-time equivalent people in the SCS grade during the year. Of these 27 were in payband 1, 15 in payband 2, and 3 in payband 3. No staff were redeployed in 2019-20 in relation to Covid-19.

Staff Costs (audited)

Staff costs comprise			2019-20	2018-19
	Permanently employed staff	Others	Total £000	Total £000
Wages and salaries	41,434	6,799	48,233	48,646
Social security costs	4,591	310	4,901	4,523
Other pension costs	10,315	708	11,023	7,936
Other staff costs	610	-	610	20
Apprenticeship Levy (tax expense)	199	-	199	186
Total	57,149	7,817	64,966	61,311

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which Ofgem is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

For 2019-20, employers' contributions of £10,806,569 were payable to the PCSPS (2018-19: £7,665,084) at one of four rates in the range 26.6% to 30.3% per cent (2018-19: 20.0% to 24.5%) of pensionable pay, based on salary bands.

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2019 and will remain unchanged until 2020. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £214,435 (2018-19: £270,916) were paid to three appointed stakeholder pension providers.

Employer contributions are age-related and range from 8% to 14.75% (2018-19: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £8,217, 0.8 per cent; (2018-19: £10,454, 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.

Contributions due to the partnership pension providers at the reporting period date were zero. Contributions prepaid at that date were zero.

Zero people (2018-19: zero people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to nil (2018-19: nil).

Consultancy expenditure

Our expenditure on other consultancy services in 2019-20 was £ 15.83 million, per note 3 of the accounts (2018-19: £18.04 million; 2017-18: £12.37 million). We attempt to minimise our reliance on external support by running targeted recruitment campaigns for the skills required to deliver our strategy. We continue to use professional service support to obtain access to specialists who provide professional or legal advice in relation to the delivery of our portfolio of work, as well as those that provide specialist delivery support where it is not economical to maintain this expertise in-house.

Reporting of civil service and other compensation schemes – exit packages (audited)

Exit package cost band	2019-2020			2018-2019		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,001	0	1	1	0	3	3
£10,001 - £25,000	1	10	11	0	3	3
£25,001 - £50,000	0	11	11	0	5	5
£50,001 - £100,000	0	5	5	0	5	5
£100,001 - £150,000	0	0	0	0	2	2
£150,001 - £200,000	0	0	0	0	0	0
Total number of exit packages	1	27	28	0	18	18
Total cost £000	16	868	884	0	921	921

Redundancy and other departure costs have been paid in accordance with the provision of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Employee involvement

This year our staff engagement survey received a response rate of 85%, and an engagement index of 64%, an increase of three percentage points on the previous year. Our staff continue to find their roles interesting (89%), believing their work gives them a sense of personal accomplishment (76%), and would recommend Ofgem as a great place to work (67% - up six percentage points from the previous year).

Equal opportunities policy

We recruit staff on merit through fair and open competition, in line with the Civil Service recruitment principles governed by the Civil Service Commission.

This ensures fair and open competition, regardless of:

- race;
- sex;
- sexual orientation;
- age;
- marital status;
- disability;
- religion and belief;
- gender reassignment;
- pregnancy and maternity; or
- working pattern.

All recruitment activity is subject to audit by the Civil Service Commission to ensure that we comply with the guidance set out in the recruitment principles.

Diversity and Inclusion

In our dual role as an employer and a regulator, we are committed to meeting our legal obligations and promoting equality and diversity among our workforce, in the way we work and in the industry we regulate. During 2019/20 we appointed a Head of Diversity and Inclusion who is helping us challenge our organisational aspirations and driving forward the implementation of our Diversity and Inclusion strategy.

We promote equality and diversity at work – in recruitment, employment, training and career development. Nobody should suffer discrimination because of age, disability, gender reassignment, pregnancy or maternity, race, religion or belief, sex or sexual orientation. We don't tolerate discrimination, bullying or harassment. Our score for inclusion and fair treatment in the 2019 staff engagement survey was 83%.

In 2019, Ofgem has continued to support our diversity networks covering women, LGBT+, ethnicity and disability.

In 2019-20 we continued to provide diversity and unconscious bias training to staff. This is part of our commitment to ensuring that in everything they do our staff understand and fulfil their obligations under the Equality Act. As at the 31 March 2020:

- 3.1% (2018-19:3.3%) of staff were known to have a disability.
- 47% (2018-19:46%) of staff were women.
- 43% (2018-19:42%) of staff in managerial grades (Band D to SCS3) were women.
- 46% (2018-19:44%) of Senior Civil Service members in Ofgem were women.
- 19% (2018-19:19%) of staff were known to be of ethnic minority origin.
- 35% (2018-19:30%) of staff known to be of ethnic minority origin were in managerial grades (Band D to SCS3).

Our policy statement on equal opportunity is available to all employees.

Investing in learning and development

We really value our people. Giving them opportunities to learn new skills and develop their careers helps us retain them and attract new people in a number of ways. Our budget allocation process provides an amount per employee for learning and development activity. These activities range from e-learning through to support towards professional and academic qualifications.

Community engagement

We actively support employees who commit their own time or money to help charities, or other community or voluntary activities. For example, we might grant special leave to someone acting as a school governor, magistrate, employment-tribunal panel member, or someone with regular volunteering activity. We continue to work with Career Ready and have staff giving 16-19 year-olds one-to-one support and guidance through a mentoring scheme. In 2018 we also trialled working with the Princes Trust in our Glasgow office. The success of this trial has seen E-Serve commit to a continued relationship by providing mentoring and work experience to those seeking opportunities through the work of the Princes Trust.

In London, we have continued to develop our community engagement work with the Bromley-by-Bow Centre (BBC). The BBC is a local charity providing community support, learning and wellbeing to residents within Tower Hamlets. In Glasgow, we have engaged with the Simon Community. The Simon Community focusses on combatting the causes and effects of homelessness.

Promoting health and safety at work

We take our legal responsibility for the health, safety and welfare of our employees seriously. This includes those working with or for us, and anyone else using our premises. We aim to prevent any accident involving personal injury, illness or damage.

We comply with the Health and Safety at Work Act 1974 and other relevant legislation. Our health and safety policy statement describes our responsibilities and aims in more detail. This is available to all employees.

Within our offices in Commonwealth House and Canary Wharf, we have been able to provide working environments to support the wellbeing of staff. This includes the provision of different working environments, sit/stand desks and other specialist equipment.

Days lost because of absence

In 2019-20, we lost an average of 4.6 days a year per employee (2018-19: 5.1 days). This compares favourably with the public sector average of 8.4 days a year per employee.

Review of tax arrangements of public sector appointees

In May 2012 the Government published a review of the tax arrangements of public sector appointees. The review identified the number of off-payroll engagements worth more than £58,200 a year across government.

Information on current off-payroll appointees is at Appendix III. Information on trade union facility time can be found in Appendix IV.



Jonathan Brearley
Chief Executive

15 July 2020

