

Accountability Report



Corporate Governance Report

Directors Report

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.

Sarah Cox, Chief Operating Officer, joined Ofgem in May 2016 and was appointed to GEMA 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).

Jonathan Brearley, Executive Director, System and Networks, joined Ofgem in May 2016 and was appointed to GEMA in November 2018. He did not hold any other company directorship.

Mary Starks, Executive Director, Consumer and Markets, joined Ofgem in September 2018 and was appointed to GEMA in November 2018. She is a Trustee for Working Families.

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

David Gray joined in October 2013 as non-executive chairman. His appointment ended in September 2018. He is a non-executive director of the Civil Aviation Authority, and a Governor of the Central School of Ballet.

Martin Cave joined in September 2018, as non-executive chairman. He is a visiting Professor in the Department of Law at the London School of Economics, an advisor to the New Zealand Commerce Commission and an advisor to Chalmers University, Sweden.

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 Bath, 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. His appointment ends in September 2022. He is 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.

Ann Robinson joined in July 2018. Her appointment ends in July 2023. Anne 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.

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, who has been 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 £85,000 (2017/18: £64,000). 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. We re-appointed Deloitte to this role on 1 April 2015, after a competitive tender. The current contract is due to end on 30 June 2019.

As part of our project delivery assurance process, we get separate independent assurance at key stages of a project. We have outsourced this service to either Deloitte or other companies available through our procurement framework.

Budgets and liquidity

Parliament approves our budget, after we have consulted with the industry and other interested parties. For 2018/19 Parliament approved through the Main Estimate:

- a gross resource budget of £90.227 million (revised to £97.47 million in the Supplementary Estimate)
- a capital budget of £1 million (revised to £0.802 million in the Supplementary Estimate)
- a net cash requirement of £2.331 million (revised to £2.134 million in the Supplementary Estimate)

Reconciliation between estimate and budget

	2018-19 £000	2017-18 £000
Net resource outturn (estimate)	702	702
Net operating costs (accounts)	434	596
Resource budget outturn (budget)	434	596
Of which:		
Departmental expenditure limits	434	596
Annually managed expenditure	-	-

The difference between estimate and outturn is due to HM Treasury budgeting requirement to treat the release of the deferred licence fee (which is held on the Statement of Financial Position) as vote funding in the estimates rather than as operating income in the accounts.

We drew down a contingency fund advance of £15.0 million in April 2018 to provide short-term liquidity until we started receiving licence fees. We repaid this in full in December 2018.

Finance and provisions

Total provisions amounted to £1.906 million as at 31 March 2019. We have provided for voluntary exit payments, dilapidations, and the ongoing costs of early retirements that have occurred in previous financial years.

In 2003, we outsourced statutory examining and testing services to SGS UK Ltd (our laboratories at Leicester had provided those services until then). Some costs of this change, particularly redundancy and continuing pension liabilities, have fallen to us. We had to make provisions in 2003/04 that now total £0.147 million.

A number of voluntary exit payments totalling £0.522 million have been agreed as a result of an internal reorganisation.

Ofgem has signed an agreement to cut short the lease agreement for the Glasgow Cornerstone office with the Health and Safety Executive (HSE)

taking over the premises. This agreement states that dilapidations costs will be apportioned 50:50 between Ofgem and HSE. The provision totals £0.030 million. The agreement for the new Glasgow Commonwealth House lease states Ofgem will be liable for dilapidations cost. The provision totals £0.338 million.

In total we have provided £0.522 million during 2018/19. Our statement of financial position at 31 March 2018 shows taxpayer's equity of - £1.386 million.

Improving our supply chain

Environmental procurement

Our Procurement team makes buying decisions based on best value for money (which incorporates environmental sustainability criteria) and we continually search for ways in which we can buy sustainably.

We maintain a detailed record of the cashable savings we achieve which are usually derived from exploiting supplier frameworks (our own and those set up by Crown Commercial Service).

Our processes align with the Standard of Excellence Certification of the Chartered Institute of Procurement and Supply.

Quicker creditor payment

We are signed up to the Better Payment Practice Code set by the Better Payment Practice Group, a forum of business community members and government representatives. This means we pay bills within 30 days (or another agreed period) of receiving either goods or services, or an invoice, whichever is later. In 2018/19 we paid 97% of all undisputed bills inside this timeframe.

In 2008, the government challenged departments to pay all suppliers within ten working days. This year we paid 88% of undisputed bills inside this timeframe. For amounts contractually due and invoiced by 31 March 2019, the outstanding number of days' purchases is 3 days.

Reports to the Parliamentary Ombudsman

In 2018/19, the Parliamentary and Health Service Ombudsman (PHSO) received 91 new enquiries about Ofgem, and accepted 1 complaint for investigation. The PHSO completed 1 investigation⁵, which was not upheld or partly upheld. 1 further investigation was discontinued, and 4 resolved without the need to complete the investigation. As no investigations were upheld or partly upheld, there were no associated recommendations from the PHSO.



Dermot Nolan
Accounting officer

21 June 2019

⁵The number of complaints the Parliamentary Ombudsman accepts for investigation in a given Financial Year may differ from the number of investigations that are completed in that same Financial Year.

Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed us to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year, and our use of resources 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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer must comply with the requirements of the Government Financial Reporting Manual. In particular, he must:

- 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.

- confirm that, as far as he is aware, there is no relevant audit information of which Ofgem's auditors are unaware, and that all steps have been taken to make himself aware of relevant audit information, and to establish that Ofgem's auditors are aware of that information.
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

The Accounting Officer confirms that this Annual Report and Accounts as a whole are fair, balanced and understandable. The Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

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

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 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 at least 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 2018/19, the chairman again 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 on a six-monthly basis. The activities and priorities of E-Serve are

reviewed by the Authority, following a report from the E-Serve Board, three times a year. The Authority also reviews its strategic risks, that is, those risks most consequential to the Authority's strategy, on a twice-yearly basis.

We aim to make the most of our resources and powers to make a positive difference for current and future consumers over the following few years. We review our corporate strategy every year, with a more fundamental review every five years or when needed to make sure it is flexible enough to adapt to changes in the world around us. Every year we publish our Forward Work Programme following consultation and stakeholder engagement. We published our draft Forward Work Programme for the extended period 2019-21 for consultation in November 2018 and published the final plan on 29 March 2019.

The Authority considers the joint executive review of the external factors every four months and a full review of the overall programme of medium and longer term work every six months alongside the capability and health of the organisation every six months. In addition, the Authority takes decisions on specific major regulatory issues that have not been delegated to committees or executives.

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	12/13	-	1/1	4/4	5/7
Dermot Nolan	13/13	3/3	3/3	-	7/7
Sarah Cox	12/13	3/3	3/3	-	-
Mary Starks	6/7	-	-	-	-
Jonathan Brearley	10/10	-	-	-	6/6
Martin Cave	10/10	1/1	-	2/2	-
David Gray	7/7	3/3	-	-	-
Ann Robinson	10/10	-	-	1/2	-
Keith Lough	13/13	3/3	-	-	-
Lynne Embleton	10/10	1/1	-	-	2/2
John Crackett	4/4	-	-	-	2/2
Paul Grout	13/13	2/2	2/2	-	7/7

¹ David Gray's term as Chair ended 30 September 2018.

² Martin Cave's term as Chair commenced 1 October 2018.

³ Ann Robinson and Lynne Embleton were appointed Authority NEDs in June 2018. Also, Martin Cave was appointed as chair designate in June 2018.

⁴ John Crackett was appointed an Authority NED in December 2018.

The Authority met in Scotland on 14 June 2018, and in Wales on 27 March 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 corporate structure – with committees having clear terms of reference – strives to assure us that there is robust governance throughout the organisation. We announced a new organisational structure in February 2018 and a new governance system for 2018/19 to reflect this and simultaneously seek to address governance issues identified through internal and external audit and other points raised by our Audit and Risk Assurance Committee (ARAC).

Audit and Risk Assurance Committee

This committee advises the Authority and the Accounting Officer, where it concerns them, on anything that affects our financial health, financial reporting, probity, reputation or wider risk management and governance system. The committee also looks at any aspect of the business that may impinge on the strategic objectives and effective functioning of Ofgem and oversees our Spending Review 2015 cost control regime.

The Committee met four times in 2018/19. Keith Lough chairs the committee, the other non-executive members of which are Paul Grout and Lynne Embleton.

This year the committee's work included:

- receiving reports from both internal and external audit. For example, we asked internal audit to review areas where we felt there were control weaknesses, and the committee discussed plans to address these. Plans put in place include continuing with our 'evolving Ofgem'

organisational transformation; incorporating into financial delegation letters a range of terms, conditions and performance requirements to ensure robust, compliant management of funds; and establishing a Taskforce, chaired by Ofgem's Chair and including a number of non-Executive Directors, to oversee Ofgem's SR19 preparations, and effective utilisation of Ofgem's 2019/20 budget.

- monitoring actions taken to address weaknesses arising from assurance reports, that have been brought to the attention of the Committee by any other Authority Sub-Committee or the Executive
- receiving reports on IT and cyber security in the organisation, in particular to review and advise as to the adequacy of cyber-security, anti-fraud and whistleblowing policies and processes, and the actions taken by the organisation in response to adverse incidents.

Our overall internal audit opinion for the year ended 31 March 2019 acknowledges that we had asked them to review areas where we felt there were control weaknesses, and that we have put in place plans to address these. The Internal Auditor has stated that they support the initiatives being undertaken by management to improve capabilities, transform processes and strengthen controls. On this basis, the Internal Auditor has given Ofgem Limited Assurance over the arrangements and systems for risk, control and governance necessary for effective and efficient achievement of its objectives.

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. The 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 Officer.

Enforcement Decision Panel

The Enforcement Decision Panel (EDP) is in place to take important decisions in contested enforcement cases on behalf of the Authority. EDP members comprise an expert panel who provide a visible separation between the investigation and decision making functions. Members of the panel play a crucial role in continuing to deliver our central duty to protect consumers, facilitate competition and ensure the integrity of the wholesale energy market. The chair of the EDP was John Swift QC⁶. Members of the EDP are appointed by the EDP Chair to hear and take decisions in individual cases. The EDP's decisions are independent from the investigating team and the Authority cannot change or over-rule EDP decisions. Members of the EDP also chair Enforcement Settlement Committees (see next section).

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 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. For more details on the EDP please see the EDP pages on the Ofgem website⁷.

People and Remuneration Committee

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

⁶ John Swift QC retired from the EDP on 31st May 2019. Megan Forbes was appointed on 1st June 2019 as EDP chair.

⁷ <https://www.ofgem.gov.uk/about-us/how-we-work/our-approach-regulation/enforcement-decision-panel>

How is the Authority's performance measured?

A review of board effectiveness was conducted by an external consultant in March 2018. It concluded that the Authority board was functioning in a healthy way, with active and purposefully engaged non-executive members bringing diverse contributions; a good relationship involving both challenge and listening between executives and non-executives; a good foundation in risk management; and a clear commitment from the chairman, Chief Executive and the board as a whole towards improvement.

The Board was strengthened in 2018-19 with the appointment of three new Non Executive Directors, bringing additional engineering, consumer protection and commercial acumen to the Authority.

The next review of board effectiveness is due to be conducted in September 2019 which will correspond with, Martin Cave, our new chair being in post for one full year.

Executive governance framework

Senior Leadership Team

The Chief Operating Officer and Executive Directors support the Chief Executive in the day-to-day running of Ofgem. The Senior Leadership Team (SLT) is made up of all the executive members shown in the remuneration report, as well as General Counsel and Chief Economist. 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 faster decision making and ensuring we use our resources to benefit consumers efficiently and effectively. The following boards are in place and meet 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 plan objectives and maintain organisational efficiency. The PDB meets monthly and is chaired by the Chief Operating Officer. The Chief Executive, Executive Directors, General Counsel, Chief Economist and E-Serve Director attend.

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. It meets monthly with meetings focusing on papers for the following month's Authority meeting.

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 Management Framework

Our risk management framework sets out how risk management should be embedded across Ofgem; how we identify, administer and manage risks.

This framework describes:

- the mechanisms we employ to manage risk
- how we identify, assess and manage risk
- the importance of risk management in delivering positive outcomes for consumers
- details of roles and responsibilities for managing risk
- guidance and resources on risk management.

Risk management is integral to our policymaking, planning and delivery. Senior management members have specific objectives for risk management in their area.

Executive Directors and Directors are responsible for implementing the framework and making sure everyone knows about it. All staff can see the framework on our intranet.

We have established a risk appetite that is set in the context of our mission to make a positive difference to energy consumers. We can't operate without taking risk, so this framework helps us identify and evaluate these risks in a structured way that relates them to our mission and strategy.

Risk and control

Our risk management framework is designed around the principle of ensuring that the right people are having the right conversations about risk. To achieve this, and manage risks appropriately, it's important we identify key risks for the organisation and agree how we want to respond to them, bearing in mind our statutory objectives and the resources we have.

The board has overall responsibility for the risk management framework, setting our risk appetite and agreeing our corporate risk themes. Twice yearly, the Authority undertakes a strategic review of risk information from across the organisation to support an analysis for each theme.

The Audit and Risk Assurance Committee (ARAC) undertakes similar reviews in advance of the Authority review, as well as carrying out "deep dives" – involving detailed discussion about particular risks or issues, to ensure they get to the heart of the issues concerned. The committee produces an annual report to the Authority setting out how they have discharged their responsibilities.

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. Our Performance and Delivery Board (PDB) receive regular reports from our most salient areas of activity and maintains an overarching view of specific and thematic risk and associated risk mitigation plans. This risk information facilitates the right people to have the right conversations, so we can evolve mitigation plans in a timely way, and is especially useful when risks emerge that cut across different policy areas. The PDB 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 2-3 year cycle.

During 2018/19, energy policy again remained high on the political and consumer agenda. Consumers are understandably concerned about increases to their energy bills and a major focus of risk for the Board during the year was **on implementing the default tariff cap** following Parliament passing the Government's Domestic Gas and Electricity (Tariff Cap) Act 2018, which became law in July 2018. We formed a cross-divisional team and established a highly-structured programme of work to implement the Price Cap, with a strong governance and reporting regime up to Board level. After working closely with government and consulting widely with stakeholders, we successfully implemented the cap on 1st January 2019 and subsequently successfully navigated our way through the first review of the cap in April 2019.

One of our most important responsibilities is the regulation those areas of the UK gas and electricity industry where companies retain an effective monopoly and where it may not be possible to introduce competition. We do this via price controls. **Our next price control, RII02**, will run from 2021 and we recognise it as an area of both high risk, but also opportunity, for consumers. This year the Authority have been very considerably engaged in scrutinising and assessing proposals from our RII02 team with a number of very important RII02 decisions, following extensive consultation, made in 2018/19 including in July decisions on the overall RII02 framework and in December on sector-

specific methodologies. Our RII02 programme is on track for implementation in April 2021 and the Authority will continue to very closely monitor and steer the programme as we move towards the next major milestones of draft and final determinations in 2020.

During 2018 **we relocated our London offices** from Westminster to a London Government Property Unit hub in Canary Wharf Docklands. This is in line with Government's The Way We Work (TW3) strategy – creating a decent working environment for all staff, with modern workplaces enabling flexible working, substantially improving IT tools and streamlining security requirements to be less burdensome for staff. Smarter working has become common in recent years across both the private and public sector. TW3 is a Cabinet Office led programme and all Government departments have started smarter working strategies. We have now relocated our staff in Glasgow and London to alternative properties in line with Government occupancy guidelines, improving our working practices and ensuring we have fit-for-purpose technology.

During 2018 we also started in earnest our **major organisational restructure**, 'Evolving Ofgem' to ensure our organisation is set up to successfully regulate gas and electricity markets on behalf of consumers, at a time of unprecedented change across the energy sector, and to maximise our impact given the likely reducing financial resources available to us in the future. Both the relocation and restructure initiatives carried considerable risk and opportunity at a particularly challenging time for us. Both initiatives were tightly programme and project managed by dedicated teams with close monitoring by the Authority. Our relocation to Canary Wharf has brought benefits of more collaborative and agile working across the organisation and restructure of our regulatory directorates is complete with the remaining divisions to be completed in summer 2019.

As we reported last year, in January 2017 the Minister for Finance of the Northern Ireland Executive established a public inquiry to consider the **Northern Ireland Non-Domestic Renewable Heat Incentive scheme** (NI NDRHI) to consider the design, governance, implementation and operation, and efforts to control the costs of the scheme⁸. As scheme administrator, the inquiry has significance for us and we have a dedicated cross-Ofgem team

that has engaged extensively with the Inquiry on the issues raised that related to our role in the administration of the NI NDRHI scheme. We expect the Inquiry report to be published in summer 2019.

Subsequent to the establishment of the NI NDRHI Inquiry, in 2017 the National Audit Office reported⁹ on the value for money of the **Great Britain Renewable Heat Incentive** (GB RHI) schemes which are also administered by Ofgem. The NI NDRHI scheme does not fall within the scope of this report. The NAO report was published in February 2018 and concludes that the Department of Business, Energy and Industrial Strategy (BEIS) showed flexibility in rolling out the scheme, adjusting scheme objectives to respond to a changing strategy and over optimistic initial planning assumptions. Measures introduced to control the scheme's costs avoided problems that arose in the Northern Ireland scheme. However, the report concluded overall that the GB RHI schemes fell short of their primary objective and have not achieved value for money. We welcomed the NAO's report and both Ofgem and BEIS incorporated the NAO's findings, which contributed to the government reforms made to the Renewable Heat Incentive schemes passed through Parliament in May 2018, introducing changes in three key areas: metering, assignment of rights and changes to the scheme's degression rules.

Much of the work that we do on behalf of consumers is often very challenging and carries inherent risk, but also opportunity, for consumers. Business models, technology and consumer preferences are all evolving rapidly – but we cannot predict the nature of these changes with certainty. In carrying out our work we continually assess the potential benefits and risks for consumers, and the implications for us as a regulator. We will continue our work on 'horizon scanning' (identifying potential threats, risks, emerging issues and opportunities) throughout 2019-21, recognising and embracing systematic and proportionate risk management as a means to mitigate risks and exploit opportunities for consumers. We have established sensible and proportionate risk management procedures in all areas of our work. Managers see risk management as an integral part of their job, and the Senior Leadership Team and Management Committee (for E-Serve) keep Ofgem's top risks under regular review.

⁸ <https://www.rhiinquiry.org/>

⁹ <https://www.nao.org.uk/report/low-carbon-heating-of-homes-and-businesses-and-the-renewable-heat-incentive/>

Corporate Governance Code

We recognise the value of good corporate governance and comply with the principles of the Corporate Governance Code¹⁰. The only exception is that the Code requires boards to be chaired by the lead minister. As a non-ministerial government department and an independent national regulatory authority, with Authority members appointed by the Secretary of State, the Authority has a non-executive chairman instead. We will continue to work to always ensure that our own behaviours as a regulator are as practically consistent with the Nolan principles of ethical standards for public bodies as possible and with best practice recommendations for regulatory bodies.

Data quality

Having good quality data is becoming ever-more important to making effective decisions. If the data we use is not robust, secure, accessible and accurate, decision-making can be impaired. The Authority receives a wide range of financial and other data, both to facilitate its oversight of the performance of the Authority's functions and to inform its regulatory decisions. The Authority considers that this information is generally of good quality. In 2016/17 we made changes to the presentation of internal management information, to improve its usefulness in monitoring the efficiency of the organisation in delivering our strategic objectives. In 2017 we established a dedicated multi-disciplinary team with a mission to deliver incremental improvements to our data management. Our Data Services team has continued to evolve throughout 2018/19, collaborating with different people and teams throughout Ofgem, testing out new ways of managing data and strengthening our internal capabilities for data governance and protection. Data used to inform regulatory decisions is kept under constant review against a background of continuing change in the relevant markets. In order to promote better outcomes for consumers, we are collaborating and sharing lessons/ approaches through joint UKRN research groups, including projects on sharing data on vulnerable customers, and working together to improve the quality and accessibility of infrastructure and consumer data.

In line with our leading the joint Cyber Competent Authority role (with BEIS) for the Network and Information Systems Regulations, as well as our increasing role for ensuring security of smart metering, during the year we have expanded our specialist team to assess, advise and monitor the operators of essential services. Additionally, we are strengthening our internal capabilities for data governance and protection, cyber operations, assurance and architecture.

Whistleblowing arrangements

Ofgem's whistleblowing policy is available to our people on our intranet, along with advice showing managers how to deal with whistleblowing concerns. For external whistleblowers, contact details of our Whistleblowing Desk are published on the Ofgem external-facing website, along with associated guidance. There were 101 incidents of whistleblowing during the year.

Personal data incidents

All Ofgem employees have a role in keeping information safe, and there are published Policies available on the organisation's intranet site. In line with these Policies, there are data breach notification processes and for the 2018/19 Financial Year, where incidents have been raised, none have reached the threshold for ICO notification.

The accounting officer's review of effectiveness

As the Accounting Officer, I'm responsible for reviewing the effectiveness of our governance system. I base my review on the work of the internal auditors and the executive managers who are responsible for developing and maintaining the governance system. I also take into account the comments the external auditors make in their management letter and other reports. The Authority and the Audit and Risk Assurance Committee have told me about the implications of the result of my review, and a plan exists to address the weaknesses we find and make sure we continuously improve the system.

In internal audit reviews undertaken during 2018/19 and prior years, our internal auditors made 42 recommendations that had a due date for

¹⁰ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

implementation before 31st December 2018. Of these, as at April 2019, satisfactory progress had been made with 17 out of the 42 recommendations either implemented or substantially complete, a further 21 recommendations in progress, with 2 recommendations outstanding and 2 recommendations where management have accepted the risk.

This year, we took steps to monitor and improve our governance system:

- The Authority reviewed our strategic risks in July and December 2018
- The Senior Leadership Team, the Management Committee (for E-Serve) and the Audit and Risk Assurance Committee reviewed our strategic risks in July 2018 and December 2018.
- Assurance: Both Ofgem and E-Serve have established and wide-ranging assurance functions which adds additional strength to our risk management, compliance oversight and audit functions across our delivery portfolio and environmental scheme administration.
- Key senior roles in Corporate Services were appointed, including the Director of Resources and Deputy Director for Digital & Technology. An exercise to appoint permanently to the position of Deputy Director of People & Estates is underway.
- The Chief Operating Officer and Director of Resources delivered a budget prioritisation exercise in quarter 4 to ensure Ofgem finalised an operating plan for 2019/20 which is deliverable within our financial envelope for the period. This exercise resulted in a transparent dialogue across organisational directorates to prioritise resources.
- We have updated our governance statements to require all of our Senior Civil Servants to consider and report on all aspects of financial and risk management and other governance control issues in their area.

In 2018/19 we asked our internal audit provider to review specific areas where my management team and I felt there were control weaknesses. In line with our expectations, a number of control weaknesses were identified and the Head of Internal Audit has concluded an overall inadequate opinion in 2018/19. Each internal audit report has been discussed by Ofgem's Audit, Risk & Assurance Committee and plans have been put in place to address the control weaknesses identified. Notable mitigations in progress include the following:

- Our 'Evolving Ofgem' transformation continues and in 2018/19, has started focusing on Corporate Services, in particular People & Estates, Finance and Digital & Transformation. Under new senior leadership, these teams will complete restructure in 2019/20 resulting in significantly transformed team structures, roles and responsibilities to deliver a higher level of performance and capability. Work will continue to refine processes and embed more efficient ways of working. The Corporate Services restructure will also enable investment in critical systems for Ofgem including the introduction of purchase ordering, and a digital procurement & contract management system. Further work will then be required to embed new ways of working using these systems, including to ensure the business understand and comply with these ways of working.
- Given the scale of financial pressures faced in 2018/19 and expected in 2019/20, I have incorporated into financial delegation letters a range of terms, conditions and performance requirements to ensure robust, compliant management of funds. For example, budget-holders have been allocated performance targets to measure the accuracy of their in-year forecasting, and every Ofgem Senior Civil Servant will be required to attend financial awareness and management training.
- Ofgem's Board has established a Taskforce, chaired by Ofgem's Chair and including a number of non-Executive Directors, to oversee Ofgem's SR19 preparations, and effective utilisation of Ofgem's 2019/20 budget. Although the Taskforce has no formal decision-making authority, it acts as a further source of assurance and challenge on robust financial planning and management in the organisation in the run-up to the Government spending round.

I am confident that these measures will contribute to addressing the control weaknesses identified, and strengthen Ofgem's governance and control environment.

Dermot Nolan
Accounting officer

21 June 2019

Remuneration and Staff Report



Remuneration and staff report

People and Remuneration Committee

This committee comprises 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 2018-19 were Paul Grout and Ann Robinson. Martin Cave (Ofgem Chairman), Dermot Nolan (CEO), Sarah Cox (COO) attend as observers with Andrea Armstrong (HR) providing HR/People insight and Stella Denny providing Secretariat support. 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 the 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

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 chairman, all 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 www.civilservicecommission.org.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 (not all of whom are Authority members) in 2018-19 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)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Senior executive members of Ofgem										
Dermot Nolan Chief Executive	190-195	195-200	-	-	-	-	36,000	36,000	230-235	230-235
Jonathan Brearley Executive Director	145-150	140-145	15-20	-	-	-	57,000	56,000	215-220	200-205
Sarah Cox Chief Operating Office	135-140	135-140	15-20	-	-	-	52,000	67,000	185-190	200-205
Martin Crouch Senior Partners (left 08/06/18)	75-80*	140-145	-	-	-	-	20,000	45,000	95-100	185-190
Rob Salter-Church Interim Executive Director	120-125*	30-35*	15-20	-	-	-	55,000	46,000	195-200	75-80
Dr Andrew Wright Senior partner (left 31/08/18)	85-90*	190-195	2-3	-	-	-	12,000	29,000	100-105	215-220
Chris Poulton Acting managing director (left 30/04/18)	70-75*	135-140	-	-	-	-	5,000	49,000	75-80	185-190
Mary Starks Executive Director (started 10/09/18)	90-95*	-	-	-	-	-	36,000	-	125-130	-
Non-executive members of the Authority										
David Gray Chairman (Left 30/09/18)	80-85*	160-165	-	-	-	-	-	-	80-85	160-165
Martin Cave Chairman Started (01/10/18)	80-85*	-	-	-	-	-	-	-	80-85	-

*Senior Partners was an old title for Executive directors.

* Annual equivalent basic salary (excluding performance pay):

Mary Starks:	165-170
Martin Cave:	160-165
Martin Crouch:	140-145
Dr Andrew Wright:	190-195
Chris Poulton:	135-140
David Gray:	160-165
Rob Salter-Church:	120-125

‡ 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	2018-19		2017-18	
	Honorarium	Allowance	Honorarium	Allowance
Christine Farnish	£20,000	£3,000	£20,000	-
Paul Grout	£20,000	£3,000	£20,000	-
Lynne Embleton (from July 2018) *	£15,000	-	-	-
Keith Lough	£20,000	£3,000	£20,000	£3,000
Ann Robinson (From July 2018) **	£15,000	-	-	-
John Cracket (From Dec 2018) ***	£6,667	-	-	-

* Annual equivalent £20,000

** Annual equivalent £20,000

*** 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 35. Remuneration and appointments are set by the Secretary of State for Business, Energy and Industrial Strategy after consulting the chairman. Their remuneration is by payment of an honorarium plus an additional allowance for chairing any Authority committees. They aren't entitled to performance-related pay or a pension. Compensation for early termination is at the discretion of the Secretary of State. The non-executive chairman of the Authority, Martin Cave, has an appointment that started on 10 July 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 2018/19 there were 621 staff (2017-18 there were 697) who received a bonus. The average bonus payment was £1,527.74 (in 17/18 £1,238) and the total amount paid in bonuses equalled £948,727.30 (2017-18

£862,907). One individual received the largest bonus of £17,500 (2017-18: four received the largest bonus payment which was £12,500)

Bonuses are based on performance levels and assessed as part of the appraisal process. The bonuses reported in 2018-19 relate to performance in 2017-18. The bonuses reported for 2017-18 relate to performance in 2016-17.

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 2018-19 was £195,000-£200,000 (2017-18: £195,000-£200,000). This was 4.69 times (2017-18: 4.73) the median remuneration of the workforce, which was £41,818 (2017-18: £41,782).

In 2018-19 none (2017-18: none) of Ofgem's employees received remuneration in excess of the highest-paid director. Remuneration ranged from £10,000 to £197,500 (2017-18: £10,000 to £195,757).

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 2018-19, as shown in the staff report below.

Pension Benefits

	Accrued Pension at pension age as at 31/03/19	Real Increase in pension and related lump sum at pension age	Cash equivalent transfer value at 31 March 2019	Cash equivalent transfer value at 31 March 2018	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	-	-	-	-	-	35,800
Jonathan Brearley Executive Director (from May 2016)	5-10	2.5-5	104	58	26	-
Sarah Cox Chief Operating Officer (from June 2016)	35-40	2.5-5	564	470	27	-
Martin Crouch Senior partner (left 08/06/18)	40-45	0-2.5	545	529	11	-
Mary Starks Executive Director	0-5	0-2.5	23	-	16	-
Rob Salter-Church Interim Executive Director	30-35	2.5-5	371	286	22	-
Dr Andrew Wright Senior partner (left 31/08/2018)	-	-	-	-	-	11,700
Chris Poulton Acting managing director	20-25	0-2.5	196	193	1	-

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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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 a panel of providers. 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 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 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:

			2018-19	2017-18
	Permanently employed staff	Others	Total	Total
Regulatory	329	40	369	401
E-Serve	230	31	261	273
Delivery	191	30	221	142
Total	750	101	851	816

There was an average of 45 whole-time equivalent people in the SCS grade during the year. Of these 26 were in payband 1, 14.5 in payband 2, and 4.5 in payband 3.

Staff Costs (audited)

Staff costs comprise			2018-19	2017-18
	Permanently employed staff	Others	Total £000	Total £000
Wages and salaries	40,627	8,019	48,646	44,220
Social security costs	4,523	-	4,523	4,389
Other pension costs	7,936	-	7,936	7,723
Other staff costs	20	-	20	21
Apprenticeship Levy (tax expense)	186	-	186	170
Total	53,292	8,019	61,311	56,253

Consultancy expenditure

Our expenditure on other consultancy services in 2018-19 was £18.04m, per note 4 of the accounts (2017-18: £12.37m; 2016-17: £9.45m). 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. Increase in consultancy spend in 18-19 was mainly due specialist professional support required for the introduction of price cap on default tariffs which will save over £1 billion per year for consumers.

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

Exit package cost band	2018-2019			2017-2018		
	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	3	3	0	3	3
£10,001 - £25,000	0	3	3	0	3	3
£25,001 - £50,000	0	5	5	0	2	2
£50,001 - £100,000	0	5	5	0	7	7
£100,001 - £150,000	0	2	2	0	1	1
£150,001 - £200,000	0	0	0	0	0	0
Total number of exit packages	0	18	18	0	16	16
Total cost £000	0	921	921	0	808	808

We have paid redundancy and other departure costs in accordance with the provision of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. We account for exit costs in full when the early retirement programme becomes binding but actual dates of departure may fall in the following reporting period. Where we have agreed early retirements we, not the Civil Service Pension Scheme, meet the additional costs. 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 77%, and an engagement index of 61%, an increase of two percentage points on the previous year. Our staff continue to find their roles interesting (87%), believing their work gives them a sense of personal accomplishment (74%), and would recommend Ofgem as a great place to work (61% - up 11% 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. To this end, we launched our Diversity and Inclusion strategy in 2019. We are also appointing our first Diversity & Inclusion Officer (role advertised in April 2019). This post will help us to challenge our organisational aspirations, developing our Single Equalities Scheme 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 2017 staff engagement survey was 79%.

In 2018, Ofgem has continued to support our diversity networks covering women, LGBT+, ethnicity and disability.

In 2018-19 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 2019:

- 3.3% (2017-18:2.1%) of staff were known to have a disability.
- 46% (2017-18:45%) of staff were women.
- 42% (2017-18:46%) of staff in managerial grades (Band D to SCS3) were women.
- 44% (2017-18:35%) of Senior Civil Service members in Ofgem were women.
- 19% (2017-18:18%) of staff were known to be of ethnic minority origin.
- 31% (2017-18:71%) 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 started 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.

Promoting health and safety at work

We take seriously 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.

Since moving to our new offices in Commonwealth House and Canary Wharf, we have been able to provide greater 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 2018-19, we lost an average of 5.1 days a year per employee (2017-18: 4.9 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 on page 108. Information on trade union facility time can be found in Appendix IV, on page 109.



Dermot Nolan
Accounting officer

21 June 2019

