Resource Accounts

Statement of comprehensive net expenditure for the year ended 31 March 2019

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

		2018-19 £000	2017-18 £000
Operating income	5	(96,728)	(89,444)
Total Operating Income		**(96,728)**	**(89,444)**
Staff cost	3	61,311	56,523
Other administration cost	4	35,851	33,517
Total operating expenditure		**97,162**	**90,040**
Net operating expenditure for the year	**2**	**434**	**596**
Other comprehensive net expenditure			
Actuarial gain/(loss) on pension liabilities	13	(15)	43
Comprehensive net expenditure for the year		**419**	**553**

Statement of financial position as at 31 March 2019

This statement presents our financial position. It has three main components: assets owned or controlled, liabilities owed to other bodies, and equity, the remaining value of the entity.

		2018-19		2017-18	
	Note		£000		£000
Non-current assets:					
Property, plant and equipment	6	2,677		3,362	
Total non-current assets			**2,677**		**3,362**
Current assets:					
Trade and Other Receivables	11	7,189		18,368	
Cash and Cash Equivalents	10	9,036		6,561	
Total current assets			**16,225**		**24,929**
Total assets			**18,902**		**28,291**
Current liabilities:					
Trade and other payables	12	(18,382)		(20,541)	
Provisions -amounts due within a year	13	(570)		-	
Total current liabilities			**(18,952)**		**(20,541)**
Total assets less current liabilities			**(50)**		**7,750**
Non-current liabilities:					
Provisions	13	(1,336)		(1,870)	
Total non-current liabilities			**(1,336)**		**(1,870)**
Total assets less total liabilities			**(1,386)**		**5,880**
Taxpayers' equity:					
General fund		(1,386)		5,880	
Total taxpayers' equity			**(1,386)**		**5,880**

Dermot Nolan
Accounting officer

21 June 2019

The notes on pages 71 to 87 form part of these accounts.

Statement of cash flows for the year ended 31 March 2019

The Statement of Cash Flows shows our changes in cash and cash equivalents during the reporting period. The statement shows how we generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public-service delivery. Cash flows arising from financing activities include parliamentary supply and other cash flows, including borrowing.

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Net operating cost	SoPS1.1	(434)	(596)
Adjustments for non-cash transactions	4	1,903	2,324
(Increase)/Decrease in trade and other receivables	11	11,179	(2,778)
Increase/(Decrease) in trade payables	12	(2,158)	(11,659)
less movements in payables relating to items not passing through the SoCNE	12	(2,475)	14,744
Use of provisions	13	(425)	(278)
Net cash outflow from operating activities		**7,590**	**1,757**
Cash flows from investing activities		-	-
Purchase of property, plant and equipment	6	(688)	(2,325)
Net cash outflow from investing activities		**(688)**	**(2,325)**
Cash flows from financing activities			
From the Consolidated Fund (supply) – current year		-	-
Advances from the Contingencies Fund		15,000	20,000
Payments to the Contingencies Fund		(15,000)	(20,000)
Net cash flow from financing activities		**-**	**-**
Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**6,902**	**(569)**
Payments of amounts to the Consolidated Fund		(4,427)	(14,175)
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**2,475**	**(14,744)**
Cash and cash equivalents at the beginning of the period	10	6,561	21,305
Cash and cash equivalents at the end of the period	10	**9,036**	**6,561**

The notes on pages 71 to 87 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Note	General fund £000
Balance at 31 March 2017		**5,800**
Non-cash charges - auditor's remuneration	4	64
Net operating cost for the year		(596)
Losses relating to pension liabilities	13	43
Net Parliamentary Funding - drawn down		-
Net Parliamentary Funding - deemed		7,130
Supply payable adjustment		(6,561)
Balance at 31 March 2018		**5,880**
Non-cash charges - auditor's remuneration	4	85
Net operating cost for the year		(434)
Gains relating to pension liabilities	13	(15)
Net Parliamentary Funding - drawn down		-
Net Parliamentary Funding - deemed		2,134
Supply payable adjustment		(9,036)
Cash receipts from 2018-19 not due to the consolidated fund		-
Balance at 31 March 2019		**(1,386)**

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the FReM issued by the Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, we have selected the accounting policy which is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view. The particular policies we have adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As well as the primary statements prepared under IFRS, the FReM requires us to prepare one additional primary statement. The SoPS and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement, and are included in the Parliamentary Accountability and Audit Report section starting on page 60.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention. The accounts are presented to the nearest £'000.

1.2 Property, plant, equipment and depreciation

Property, plant and equipment are no longer revalued annually using indices. Per the FReM, depreciated historical cost is used as a proxy for current value as this realistically reflects consumption of the asset. Revaluations would not cause a material difference.

Depreciation is provided at rates calculated to write off property, plant and equipment by equal instalments over their estimated useful lives, after allowance for residual value. Asset lives are within the following ranges:

Leasehold improvements	Life of the lease
Office equipment, furniture and fittings	Five years
IT equipment	Three years

The minimum level for the capitalisation of property, plant and equipment is £2,000. The grouping of assets below the threshold has been restricted to IT equipment and furniture.

1.3 Provisions

Where Ofgem has a legal or constructive obligation to meet certain costs Ofgem will make a provision based on a management estimate of the value, probability and timing of future payments.

Where the time-value of money is material, we discount the provision to its present value using a discount rate of 0.29%, the government's standard rate. Each year the financing charges in the statement of comprehensive net expenditure include the adjustments to amortise one year's discount and restate liabilities to current price levels.

In this year's accounts, only the early retirement provision has been discounted as the impact of discounting the dilapidations and voluntary exit provisions is not material. 0.29% is the discount rate for post-employment benefits.

1.4 Operating income

Operating income is income that relates directly to our operating activities. It principally comprises licence fees and fees and charges for services provided on a full-cost basis.

Since all licence costs are recovered via the licence fees, and these are invoiced in two tranches during the year based on estimated costs, any over recovery is treated as deferred income within payables and any under recovery as accrued income within receivables.

1.5 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction.

1.6 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS). These are described at Note 3. Both schemes are non-contributory and unfunded. Departments, agencies and other bodies covered by both schemes meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. There is a separate scheme statement for the PCSPS and the CSOPS as a whole.

Our former chief executive and director general have separate pension arrangements that are broadly analogous with the PCSPS. The arrangements provide for an unfunded defined-benefit scheme. However, unlike the PCSPS, a pension liability is included in the accounts as required under IAS37.

1.7 Early departure costs

We are required to meet the additional cost of benefits beyond the normal PCSPS benefits for employees who retire early. We provide for this cost in full when the early retirement programme has been announced and binds us.

1.8 Value added tax

In our accounts, amounts are shown net of value-added tax (VAT), except:

- irrecoverable VAT is charged to the statement of comprehensive net expenditure and included under the heading relevant to the type of expenditure
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The amount due from HM Revenue and Customs for VAT is included in receivables within the Statement of Financial Position.

1.9 Operating leases

Rentals due under operating leases are charged to the statement of comprehensive net expenditure over the lease term on a straight-line basis, or on the basis of actual rentals payable which fairly reflects the usage.

1.10 Going concern

The Statement of Financial Position at 31 March 2019 shows a taxpayers' equity of negative £1.386 million. In common with other government departments, the future financing of our liabilities is to be met by future grants of supply and the application of future income, both to be approved annually by parliament. Approval for amounts required for 2019-20 has already been given and there is no reason to believe that future approvals will not be granted. We have therefore considered it appropriate to adopt a going-concern basis for the preparation of these financial statements.

1.11. Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), for parliamentary reporting and accountability purposes we report certain statutory and non-statutory contingent liabilities. We do this where management deems the likelihood of a transfer of economic benefit as remote, but where the liabilities have been reported to parliament in accordance with the requirements of Managing Public Money.

Where the time-value of money is material, contingent liabilities that we have to disclose under IAS 37 are stated at discounted amounts and the amount reported to parliament is noted separately. Contingent liabilities reported under Managing Public Money are stated at the amounts reported to Parliament.

1.12. Assets belonging to third parties

Assets belonging to third parties as disclosed in Note 16 (such as money held in relation to the Renewables Obligation and Feed-In Tariff schemes) are not recognised in the Statement of Financial Position since we have no beneficial interest in them.

1.13. Adoption of new and revised accounting standards

IFRS 9 Financial Instruments applicable from 1st January 2018 – replaces IAS 39 Financial Instruments: Recognition and Measurement. Its core principle is to simplify the classification and measurement of financial assets, but it also considers impairment, classification and measurement of liabilities and hedge accounting. Ofgem has no significant exposure to liquidity, interest rate or currency risks. Because of the nature of its activities and the way in which Ofgem is financed, it is not exposed to the degree of financial risk faced by business entities. The adoption of IFRS 9 has no material impact to Ofgem's results.

IFRS 15 Revenue from Contracts with Customers applicable from 1st January 2018.

- IFRS 15 introduces a new five step model for the recognition of revenue from contracts with customers. The core principle is to recognise revenue so that it depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Ofgen have considered the five-step process and have determined no change to the revenue recognition approach.
- **Licence fees** - In each financial year, Ofgem is required to balance its expenditure with its income. Ofgem is required to raise income from the sector it regulates such that it covers the costs to be incurred by Ofgem in regulating that sector. Therefore, Legislation provides the enforceability on both parties to enable Ofgem to recover its costs from third parties. The performance obligations relate to the underlying work to be undertaken by Ofgem as regulator of the Gas & Electricity Market, and as set out in the published Forward Work Programme. The charges are calculated through the recovery of costs as set out in the Ofgem budget and adjusted for any under or over recoveries in the previous year. Revenue is recognised in the year the performance obligation (cost) is incurred. Any under or over recovery of revenue is accrued or deferred and future charges are adjusted accordingly.

- **Scheme-funded recharges** – Under service level agreements/contracts with the Department of Business, Energy and Industrial Strategy and other government bodies Ofgem administers energy and environmental schemes] on their behalf. These services are provided on a full-cost basis. Income is recognised on an accruals basis as the performance obligations outlined within the service level agreements/contracts are satisfied over time.
- **Other Income** - Other income is accounted for on an accruals basis.

IFRS 16 Leases applicable from 1st April 2020 for FreM bodies– replaces IAS 17 Leases and fundamentally changes the accounting treatment of leases for lessees.. The current IAS 17 model which requires entities to distinguish between finance leases (on balance sheet) and operating leases (off balance sheet) will be replaced by a 'right of use' model that requires lessees to recognise nearly all leases on balance sheet with their associated liability. This will also necessitate review of existing and new contracts to identify lease and non-lease (i.e. service) elements. Ofgem will undertake an impact assessment of their lease exposure and create a project team to manage the transition to IFRS 16. Ofgem will assess current contracts to assess whether sufficient information exists to enable the assessment under IFRS 16 criteria.

1.14 Accounting Policy on Critical Accounting Judgements and Estimation Uncertainty

IAS 1.122 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements. IAS 1.125 requires disclosure of information about the assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes to the financial statements include details of their: nature; and carrying amount at the end of the reporting period.

Ofgem has nothing to report in respect of accounting judgements and estimation uncertainty.

1.15 Holiday Accrual

Ofgem encourages staff to use their full holiday entitlement for each year. However, staff can carry over up to ten days of untaken leave into the next year. Amounts untaken as at the 31st March are accrued.

1.16 Cash and Cash Equivalent

Cash and cash equivalent in the statement of financial position and statement of cash flow comprises of cash at bank and in hand.

1.17 General Fund

The general fund in the statement of financial position represents the total assets less liabilities of Ofgem.

2. Statement of operating costs by operating segment

2018-19				
	Regulatory Activities £000	Ofgem E-Serve £000	Corporate Services £000	Total £000
Gross expenditure	33,812	25,227	38,123	97,162
Income	(33,812)	(24,793)	(38,123)	(96,728)
Net expenditure	**-**	**434**	**-**	**434**

2017-18				
	Regulatory Activities £000	Ofgem E-Serve £000	Corporate Services £000	Total £000
Gross expenditure	42,156	24,398	23,486	90,040
Income	(42,156)	(23,802)	(23,486)	(89,444)
Net expenditure	**-**	**596**	**-**	**596**

Segmental reporting is undertaken on an activity basis, in line with monthly reporting to decision makers within the organisation. Corporate Services is now part of Delivery Directorate which includes Office of Research and Economists, Office of General Counsel, Cyber & Data services previously included in Regulatory Activities.

3. Staff costs

Staff costs comprise			2018-19 £000	2017-18 £000
	Permanently employed staff	Others	Total	Total
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**	**56,523**

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined-benefit schemes, but Ofgem is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation **(www.civilservice-pensions.gov.uk)**.

For 2018-19, employers' contributions of £7,665,084 were payable to the PCSPS and CSOPS (2017-18: £7,409,372) at one of four rates in the range 20.0% to 24.5% (2017-18: 20.0% to 24.5%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £270,916 (2017-18: £312,823) were paid to three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: from 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £10,454 (2017-18: £12,395), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and CSOPS 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 amounted to zero. Contributions prepaid at that date were zero.

Zero people in 2018-19 (2017-18: zero people) retired early on ill-health grounds.

Staff numbers can be seen in the Remuneration and Staff report on page 55.

Apprenticeship levy is accounted for as a cost. The training cost & funding have not been recognised in the accounts as the apprentice can move jobs to another employer and therefore the apprenticeship training is of no benefit to Ofgem.

4. Other administration costs

	Note	2018-19 £000	2017-18 £000
Rental under operating leases:		**3,309**	**4,147**
Operating leases		3,309	4,147
Non-cash items (see below):		**1,458**	**1,551**
Auditors' remuneration and expenses*		85	64
Depreciation	6	1,373	1,292
Loss on impairment of fixed assets		-	195
Other expenditure:		**30,639**	**27,046**
Contractors		18,039	12,366
Accommodation costs		2,806	3,380
Recruitment and training		1,390	1,327
Travel and subsistence		1,232	1,021
Office supplies and equipment		5,872	6,302
Professional Services		319	1,512
Staff related costs		322	260
Other expenditure		659	878
Provisions (non-cash):		**445**	**773**
Provided in year	13	425	754
Interest cost	13	20	19
Total		**35,851**	**33,517**

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

5. Operating income

	2018-19 £000			2017-18 £000		
	Income	Full costs	Deficit	Income	Full costs	Deficit
Licence fees	69,143	69,143	-	61,193	61,193	-
Other	27,585	28,019	(434)	28,251	28,847	(596)
Total	**96,728**	**97,162**	**(434)**	**89,444**	**90,040**	**(596)**

	2018-19	2017-18
Other income includes:	**£000**	**£000**
Offshore Transmission Tender Recharge	2,385	2,206
Department for Business, Energy and Industrial Strategy (relating to environmental programmes and staff transfers)	19,138	18,788
Scheme-funded recharges	5,655	3,503
Department for Environment, Food and Rural Affairs (relating to shared accommodation costs and staff transfers)	(6)	2,053
Other departments	137	1,458
Miscellaneous*	276	243
	27,585	**28,251**

* Miscellaneous income includes licence application fees, and other minor items.

6. Property, plant and equipment

	Furniture	Office equipment	IT	Leasehold	Assets Under Construction	Total
	£000	£000	£000	£000		£000
Cost or valuation						
At 1 April 2018	306	1,999	6,535	7,498	-	16,338
Additions	26	-	627	35	-	688
Reclassifications	-	-	-	-	-	-
At 31 March 2019	**332**	**1,999**	**7,162**	**7,533**	**-**	**17,026**
Depreciation						
At 1 April 2018	180	1,976	5,249	5,571	-	12,976
Charged in year	31	21	773	548	-	1,373
Impairments	-	-	-	-	-	-
At 31 March 2019	**211**	**1,997**	**6,022**	**6,119**	**-**	**14,349**
Carrying amount at 31 March 2019	**121**	**2**	**1,140**	**1,414**	**-**	**2,677**
Carrying amount at 31 March 2018	126	23	1,286	1,927	-	3,362
Asset financing:						
Carrying amount of owned assets at 31 March 2019	**121**	**2**	**1,140**	**1,414**	**-**	**2,677**

	Furniture	Office equipment	IT	Leasehold	Assets Under Construction	Total
	£000	£000	£000	£000		£000
Cost or valuation						
At 1 April 2017	335	2,489	6,770	5,749	62	15,405
Additions	-	5	633	1,687	-	2,325
Impairments	(29)	(495)	(868)	-	-	(1,392)
Reclassifications	-	-	-	62	(62)	-
At 31 March 2018	**306**	**1,999**	**6,535**	**7,498**	**-**	**16,339**
Depreciation						
At 1 April 2017	166	2,296	5,103	5,316	-	12,881
Charged in year	29	110	898	255	-	1,292
Impairments	(15)	(430)	(752)	-	-	(1,197)
At 31 March 2018	**180**	**1,976**	**5,249**	**5,571**	**-**	**12,976**
Carrying amount at 31 March 2018	**126**	**23**	**1,286**	**1,927**	**-**	**3,362**
Carrying amount at 31 March 2017	169	193	1,667	433	62	2,524
Asset financing:						
Carrying amount of owned assets at 31 March 2018	**126**	**23**	**1,286**	**1,927**	**-**	**3,362**

7. Commitments under leases

Operating leases

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

	At March 31 2019	At March 31 2018
	£000	£000
Obligation under operating leases comprise:		
Buildings:		
Not later than one year	2,134	2,733
Later than one year and not later than five years	8,502	8,409
Later than five years	23,626	25,904
	34,262	**37,046**

Ofgem's headquarter has moved from Millbank to Canary Wharf in April 2018. Future minimum lease payments in column '2018-19' mainly relate to lease obligations under the new rent agreement for 10 South Colonnade at Canary Wharf. New office space is contracted up to June 2032.

7.1 Other financial commitments

As at 31 March 2019, we hadn't entered into any material non-cancellable contracts (which are not operating leases).

8. Future income due under non-cancellable operating leases

	At March 31 2019	At March 31 2018
	£000	**£000**
Buildings:		
Not later than one year	-	165
Later than one year and not later than five years	-	-
	-	**165**

The lease information above relates to the sub-letting of floors in our London headquarters building to the Department for Environment, Food and Rural Affairs under a Memorandum of Terms of Occupation (MOTO) agreement.

9. Financial instruments

As the cash requirements of the department are met through the estimates process, financial instruments play a more limited role in creating and managing risk than might apply to a non-public sector body of a similar size. Most financial instruments relate to contracts for non-financial items in line with the department's expected purchase and use requirements. We are therefore exposed to little credit, liquidity or market risk.

10. Cash and cash equivalents

	2018-19	2017-18
	£000	£000
Balance at 1 April	6,561	21,305
Net change in cash and cash equivalents	2,475	(14,744)
Balance at 31 March	**9,036**	**6,561**
The following balances at 31 March were held at:		
Government Banking Service	9,036	6,561
Commercial banks and cash in hand	-	-
Balance at 31 March	**9,036**	**6,561**

In addition to the cash and cash equivalents disclosed above, Ofgem holds third party assets of cash and letters of credit relating to offshore tender developer securities, the Renewables Obligation, and the Feed-in Tariffs levelisation fund. These are described in note 16.

11. Trade receivables and other current assets

	2018-19	2017-18
Amounts falling due within one year:	£000	£000
Accrued fees (Income)	5,277	7,506
Accrued Lease Incentive	-	4,859
Trade debtors (receivables)	565	3,653
Prepayments	806	1,607
HM Customs and Excise (VAT)	411	624
Staff debtors	130	119
Balance at 31 March	**7,189**	**18,368**

In February 2015 Ofgem signed an agreement to waive its rights under the Landlord and Tenant Act 1954, in respect of its Millbank headquarters. In consideration of Ofgem waiving its rights, Berkeley Homes, whom the landlord has entered into a contract with to redevelop Millbank, agreed to pay Ofgem £5.25 million.

The £5.25 million comprises a £0.25 million deposit payable on signing (February 2015). Ofgem directed that the payment be made to the agents who negotiated the deal. The lease incentive was accrued in 2017-18 and payment was received in 2018-19.

Staff receivables include loans outstanding, of which £0.121 million relates to season ticket loans for employees.

12. Trade payables and other current liabilities

	2018-19	2017-18
Amounts falling due within one year:	**£000**	**£000**
Amounts issued from the Consolidated Fund for supply but not spent at year end	9,036	6,561
Deferred licence fees	2,995	6,571
Accruals	3,319	4,666
Staff payables (holiday pay accrual)	1,599	1,538
Taxation and Social Security Creditor	1,314	1,139
Trade payables	119	13
Leasehold Incentive	-	52
Balance at 31 March	**18,382**	**20,540**

Staff payables represent the holiday pay accrual towards holidays to be provided to staff in 2018-19 financial year.

13. Provisions for liabilities and charges

13.1 Early retirement

	2018-19	2017-18
	£000	£000
Provision at 1 April	**164**	**202**
Provided in the year	-	-
Provisions not required written back		(21)
Provisions utilised in the year	(17)	(17)
Provision at 31 March	**147**	**164**

	2018-19	2017-18
Analysis of expected timings of discounted flows	£000	£000
Not later than one year	16	16
Later than one year and not later than five years	62	64
Later than five years	69	84
Provision at 31 March	**147**	**164**

The department meets the additional costs of benefits beyond the normal PCSPS benefits for employees, who worked in Leicester office of Ofgem, by paying the required amounts monthly to the PCSPS.

13.2 Pension liabilities

	2018-19	2017-18
	£000	£000
Provision at 1 April	**803**	**827**
Interest cost	20	19
Actual benefit payments	-	-
Actuarial (gain)/loss	15	(43)
Past service cost	-	-
Provision at 31 March	**838**	**827**
Net movement in year (excluding actuarial gain/loss)	35	19

	2018-19	2017-18
History of experience losses	**£000**	**£000**
Experience gain arising on the scheme liabilities	8	(5)
Amount recognised as a percentage of present value of scheme liabilities	0.95%	-0.01%
Total amount recognised in statement of changes in taxpayers' equity	15	(43)

The pension provision is for the unfunded pension liabilities which fall to us for a previous chief executive and a director general. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofgem. There is no fund, and therefore no surplus or deficit. We have sought actuarial advice to ensure that the provision is set at a realistic level.

An actuarial valuation was carried out by the Government Actuary's Department at 31 March 2018. The major assumptions used by the actuary were:

	At 31 March 2019	At 31 March 2018
	% (per annum)	% (per annum)
Inflation assumption - CPI	2.60	2.45
Rate of increase for pensions in payment and deferred income	2.60	2.45

	2018-19	2017-18	2016-17
Analysis of actuarial (gain)/loss	**£000**	**£000**	**£000**
Experience (gain)/loss arising on the scheme liabilities	8	(5)	(2)
Changes in assumptions underlying the present value of scheme liabilities	7	(38)	58
Per statement of changes in taxpayers' equity	15	(43)	56

From 31 March 2018, the discount rate for pension scheme liabilities is 0.29%. This rate is reflected in the valuation of the pension scheme liability as at 31 March 2019.

13.3 Voluntary Exit Provisions

	2018-19	2017-18
	£000	£000
Provision at 1 April	**504**	**340**
Provided in the year	522	504
Provision not required written back	(97)	(79)
Provision utilised in year	(407)	(261)
Provision at 31 March	**522**	**504**

	2018-19	2017-18
Analysis of expected timings of outflows	£000	£000
Not later than one year	522	504
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**522**	**504**

13.4 Dilapidation Provisions

	2018-19	2017-18
	£000	£000
Provision at 1 April	**368**	**50**
Provided in the year	-	368
Provision not required written back	-	(50)
Provision at 31 March	**368**	**368**

	2018-19	2017-18
Analysis of expected timings of outflows	£000	£000
Not later than one year	-	81
Later than one year and not later than five years	368	287
Later than five years	-	-
Balance at 31 March	**368**	**368**

A number of voluntary exit payments have been agreed with the Cabinet Office and individuals. These are the result of an internal reorganisation within the Corporate Services division.

14. Contingent liabilities disclosed under IAS 37

From time to time we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of the gas and electricity markets. Legal judgments could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown. There is therefore considerable uncertainty about the nature and extent of any subsequent liability.

As at 31 March 2019 there were no contingent liabilities that required disclosure.

15. Related party transactions

During the year, we transferred £9.462million to the Department for Business, Energy and Industrial Strategy (BEIS). £8.537 million of this was for the energy-sector-related costs of Consumer Focus (operating as Consumer Futures) and Citizens Advice. The remaining £0.925 million was transferred for metrology services.

We administer environmental programmes on behalf of the BEIS, and second staff to BEIS. Total income from BEIS recognised in year amounted to £19.137 million.

We administer the Northern Ireland Renewable Heat Incentive on behalf of the Department for the Economy (DfE), and administer the Northern Ireland Renewables Obligation on behalf of the Northern Ireland Authority for Utility Regulation (NIAUR). Income recognised was £0.872 million from the NIAUR, and £0.805 million from DfE.

In addition, we have had a small number of transactions with other government departments and central government bodies.

None of the Authority members, key managerial staff or other related parties has undertaken any material transactions with Ofgem during the year except for remuneration which is included on page 50.

16. Third-party assets

Offshore Tender Developer Securities

Along with the government, we have established the competitive offshore transmission regulatory regime to appoint an Offshore Transmission owner through competitive tendering.

We are responsible for managing the competitive tender process through which offshore transmission licences are granted.

Granting licences to operate new offshore transmission assets via a competitive tender process means that generators are partnered with the most efficient and competitive players in the market. This should result in lower costs and higher standards of service for generators and, ultimately, consumers.

Part of Ofgem's risk management strategy for the competitive tender process is to hold securities for the purposes of recovering costs in the event of an incomplete tender process. These securities are in the form of a letter of credit or cash. At 31 March 2019 Ofgem held £11.750m in letters of credit (2017-18 £7.30m) and £0.702m in cash (2017-18 £1.550m).

Renewables Obligation

The Renewables Obligation (RO), the Renewables Obligation (Scotland) (ROS) and the Northern Ireland Renewables Obligation (NIRO) are designed to incentivise renewable generation in the electricity generation market. These schemes were introduced by the Department of Trade and Industry (now the Department for Business, Energy and Industrial Strategy (BEIS), the Scottish Executive (now the Scottish Government) and the Department of Enterprise, Trade and Investment respectively and are administered by the Gas and Electricity Markets Authority, whose day-to-day functions are performed by Ofgem. The schemes are provided for in secondary legislation and require licensed electricity suppliers to source a certain portion of the electricity they supply from renewable sources or make a payment into the buyout fund, or a combination of both. A Renewable Obligation Cerificate (ROC) is evidence that a supplier has sourced its electricity from renewable sources.

All buyout payments go into our buyout funds for a particular compliance period. These payments (including late payments) are then redistributed to suppliers by mid-November following the end of the compliance period (which runs from April to March each year) to those that have presented ROCs. The balance in the buyout fund is normally a small nominal value at the end of each financial year.

The amount held in the buyout funds as at 31 March 2019 was £163,173 (31 March 2018: £162,987).

Feed-in Tariff levelisation funds

The Feed-in Tariff (FIT) scheme is a government programme introduced on 1 April 2010 designed to promote the uptake of small-scale renewable and low-carbon electricity generation technologies.

Ofgem administers the scheme on behalf of the Department for Business, Energy and Industrial Strategy (BEIS), who is responsible for the FIT scheme policy and legislation, while Licensed Electricity Suppliers (FIT Licensees) operate the front-facing aspect of the scheme. If a householder, community or business has an eligible installation, they are paid a tariff for the electricity they generate and a tariff for the electricity they export back to the grid by their FIT Licensee.

The levelisation process operated by Ofgem redistributes the cost of the scheme amongst all Licensed Electricity Suppliers, based on their share of the GB Electricity Market and any FIT Payments they have made to accredited installations. This is a quarterly process, with an annual reconciliation process that is completed by September each year. The balance in the levelisation fund is typically a small value at the end of each financial year.

The amount held in the levelisation funds as at 31 March 2019 was £3,268,361 (31 March 2018: £141,504).

17. Events after the reporting period

The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.