

Department for Employment and Learning

Resource Accounts

For the year ended 31 March 2009

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

3 July 2009

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Directors' Report

Scope

Departmental accounting boundary

These accounts refer to the activities of the Department for Employment and Learning ('the Department' or 'DEL').

Departmental Aim

The aim of the Department is:

“To promote learning and skills, prepare people for work and to support the economy”.

DEL's Corporate Plan 2008-2011 (available from www.delni.gov.uk) has aligned itself closely to the priorities outlined in the Programme for Government (PfG). DEL is responsible, as the lead Department, for delivery of 2 of the 23 Public Service Agreements in the PfG, and is partner in 10 others.

Principal activities

The principal activities of the Department are:

- The funding of higher, further and adult education, student support and other matters related to tertiary education;
- The provision of a comprehensive range of advisory services, training and employment programmes and services to employers; and,
- The development and implementation of policies and legislation to promote effective employment relations and best practice in the workplace.

Bodies outside the Departmental boundary

Public Sector bodies not consolidated in these accounts for which the Department has lead policy responsibility are:

- Ulster Supported Employment Limited (a company limited by guarantee);
- Construction Industry Training Board Northern Ireland (a statutory training organisation); and
- Labour Relations Agency (a non-departmental public body).

Pension liabilities

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (Northern Ireland) and are therefore not reflected in these accounts but in the accounts of that scheme.

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Our Purpose

The Department is a key contributor to the delivery of the Northern Ireland Executive's vision of a peaceful, inclusive, prosperous, stable and fair society.

It is responsible for policy, funding, corporate governance and service delivery across the spectrum from employment through training, careers advice, further and higher education, research and innovation, all underpinned by employment rights.

Our Values

The Department bases its work on a number of key values, which underpin its delivery of the commitments in the Corporate Plan. The Department seeks to provide a professional and responsive service to its customers in an equitable way. It strives to be innovative and dynamic and to improve continually as an organisation whilst motivating, developing and valuing its staff. Underpinning the work of the Department is its commitment to develop and manage a framework of employment rights, remedies and responsibilities to ensure that those in work are adequately protected. A useful acronym is PRIDE;

**Professional
Responsive
Innovative
Dynamic
Equitable**

CORPORATE GOVERNANCE AND ACCOUNTABILITY

The Department continues to build upon best practice within its Corporate Governance framework, both internally and externally within the bodies we have responsibility for and this is described in more detail in the following paragraphs.

The Permanent Secretary and the Board

The Department is headed by its Permanent Secretary, Aideen McGinley, who is the Accounting Officer and responsible for advice and guidance to the Department's Minister, Sir Reg Empey. The co-ordination of policy, advice and governance oversight is managed through the Departmental Board.

The Board is chaired by the Permanent Secretary. At the start of the 2008/09 year, it comprised the Senior Management Team, an Assistant Chief Inspector of the Education and Training Inspectorate (Paul McAlister until May 2009 and John Baird from then on) and two independent members, Fred Gray and Bill McGinnis. The two independent, non-executive members provide a constructive challenge function to the Board; both have considerable experience of working in the private sector, bringing with them a wide range of skills and expertise. Mr McGinnis left the Board in October 2008 following his appointment as the Northern Ireland Adviser on Skills and Employment. His replacement, Dr Brian Scott, was appointed on 1 June 2009.

During the year, the Board undertook a 'Structured to Deliver' review of its role and effectiveness and, as a result, a revised structure was implemented from the Autumn onwards. Under this new structure, the Board comprises the

Permanent Secretary, the two Deputy Secretaries, and the two independent board members.

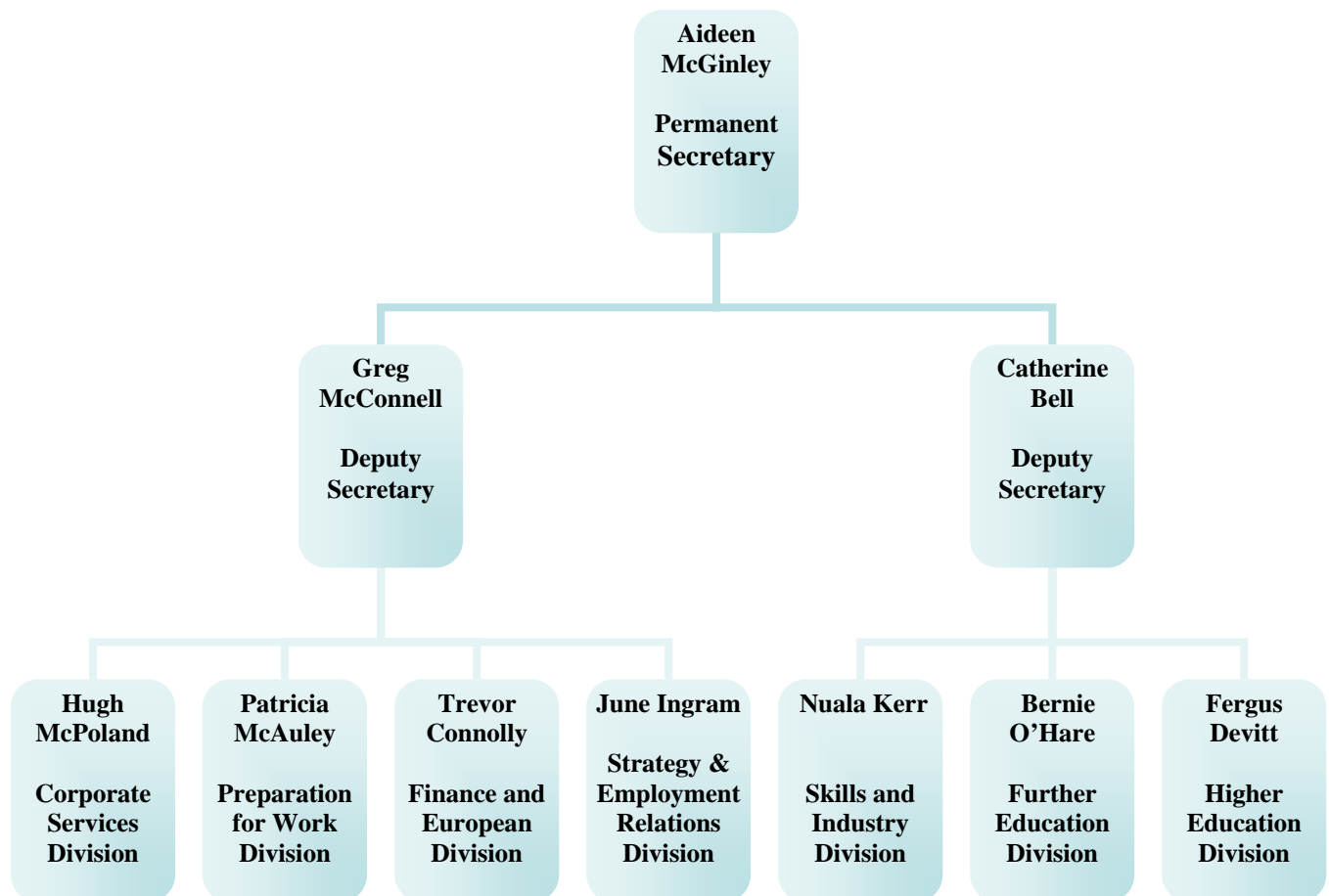
DEL Departmental Board meets bi-monthly to:

- Satisfy itself that the Department is performing, setting and holding fast to its Strategic Direction, within the Minister's direction and control;
- Lead in the implementation of the Shared Vision in the Corporate Plan, namely – "for a dynamic, innovative and sustainable economy, where everyone achieves their full potential";
- Ensure the Department delivers its PfG goals and PSA actions, in particular its lead role on PSA 2: Skills for Prosperity, PSA 3: Increasing Employment and, with DETI, on PSA 1: Productivity Growth; and
- Display leadership by:
 - (i) giving strategic direction;
 - (ii) effectively determining and deploying resources; and,
 - (iii) assuring governance.

Within these parameters, the Board operates at a strategic level, with the Senior Management Team responsible for the day-to-day management of the Department. The Senior Management Team, which meets monthly, comprises the Permanent Secretary, the two Deputy Secretaries, and the Heads of Division (see diagram on next page).

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Senior Management Team (March 2008/09)



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**Departmental Audit Committee
Report for 2008/09**

The Accounting Officer has established an Audit Committee as a sub-committee of the Departmental Board to support her in the discharge of her responsibilities for issues of risk management, control and governance and associated issues. Fred Gray, non-executive Director of the Department, chaired the Audit Committee throughout the 2008/09 financial year. Four formal meetings were held.

The Committee's Terms of Reference, which are regularly reviewed, are modelled on the good practice guidance included in the Audit Committee Handbook issued by H M Treasury. It is not the role of the Audit Committee to substitute for the executive function in the management of audit, risk management, corporate governance, internal control or any other review or assurance function. The Departmental Board has responsibility to champion risk identification and management. However, the Audit Committee reviews departmental processes and offers opinions and recommendations on the way in which such management is conducted.

The membership of the Audit Committee comprised the two non-executive Directors and the Deputy Secretary who does not hold the finance portfolio. A further external appointment is planned. Audit Committee meetings are normally attended by the Accounting Officer, the Deputy Secretary who holds the finance portfolio, the Finance Director, the Head of Internal Audit and Northern Ireland Audit Office (NIAO) representatives. Others attend as requested to assist with discussions on any particular matter.

Internal Audit services are provided by the Department of Enterprise, Trade and

Investment (DETI) Internal Audit Service (IAS). The annual audit programme which is prepared by IAS in consultation with Departmental officials is reviewed by the Audit Committee and modified as necessary in conjunction with management.

The External Audit is delivered by NIAO. Their audit strategy, proposed approach and timetable are discussed with the Audit Committee. Prior to sign off of the Resource Accounts a draft is reviewed with the Audit Committee who are consulted on any contentious matters.

Self assessment arrangements for the Audit Committee is under active consideration.

Management of Arms Length Bodies

The Department provides funding to a number of Arms Length Bodies (ALBs) such as the Further Education (FE) Colleges, the Higher Education (HE) Institutions, the Education and Library Boards and its Non-Departmental Public Bodies (NDPBs). These are the Construction Industry Training Board (CITB), the Labour Relations Agency (LRA) and Ulster Sheltered Employment Limited (USEL).

In order to ensure appropriate governance arrangements are in place, dedicated sponsor branches monitor and provide guidance to the ALBs. The Department has written agreements in place with its ALBs which set out the respective roles and responsibilities of both parties. The Department receives annual assurance statements from each of its ALBs to confirm that the appropriate systems and controls are in place and are operating effectively within each organisation.

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The Accounting Officer, together with the Chair of the Departmental Audit Committee, has instituted a programme of annual accountability meetings with the respective Accounting Officers of each of the six FE Colleges, the Department's three NDPBs and the four HE institutions.

Customer Service Standards

In 2007 the Department developed and published Customer Service Standards

based on the Northern Ireland Civil Service (NICS) Customer Service Principles. These are available on our website at www.delni.gov.uk. The aim is to provide staff and customers with a simple, clear message on the standards of service we aim to deliver. During the financial year we have monitored our performance against set standards in four quarterly monitoring exercises. Details are contained in the table below.

Service Standard	Performance 2008-09
To acknowledge correspondence within 2 days of receipt	We acknowledged 92.8% of correspondence within 2 days of receipt
To answer correspondence items within 10 days of receipt	We replied to 89.1% of correspondence within 10 days of receipt
To see customers within 10 minutes of their appointment time	We saw 94.7% of those clients who had an appointment within 10 minutes of their appointment time
To see customers who do not have an appointment within 15 minutes of their arrival	We saw 94.7% of those clients who did not have an appointment within 15 minutes of their arrival
To answer telephone calls within 20 seconds	We answered 86.7% of telephone calls received within 20 seconds

HIGHLIGHTS OF OUR SERVICE IN 2008/09

DEL is at the forefront of the response to the economic downturn – our Jobs and Benefits offices (JBOs) and Employment Service are on the frontline and our work with employers and employees in terms of skills and upskilling to minimise the impact of the downturn and ensure we are prepared to make the most of the opportunities for recovery will be vital. To underpin this, the learning infrastructure provided by FE and HE will enable an effective and flexible response.

The following paragraphs highlight some of the important developments which have taken place in each of our areas of activity in the past year.

SKILLS AND INDUSTRY

Success through Skills

The Department continues to implement the Skills Strategy for Northern Ireland, the aim of which is to help people progress up the skills ladder, in order to lift the skills level of the whole workforce. This will raise productivity, improve competitiveness and enhance the employability of those currently excluded from the labour market. Progress on many of the projects is outlined in the report.

Review of Success through Skills

In order to gain a better understanding of the current and future economy and the likely demand for skills the Department, in association with the Department of Enterprise, Trade and Investment and the Department of Finance and Personnel, commissioned Oxford Economics to produce a piece of research

entitled ‘Forecasting Future Skill Needs in Northern Ireland’. The outcomes from this research will also play a key role in informing the direction of Phase 2 of the Skills Strategy which is due for publication in 2009.

Analytical Services

The Department is committed to ensuring that a comprehensive evidence base exists to inform the development of its policies, programmes and services. It has a strong track record in supporting research, much of which is published in the annual Labour Market Bulletin. The latest copy of the Bulletin is available at <http://www.delni.gov.uk/index/statsandresearch.htm>. To further strengthen the link between research and policy development, the Department has developed a research agenda, which identifies the areas where further research will be required over the coming years and sets out how that will be delivered (available at www.delni.gov.uk/researchagenda0709). Research which has been recently completed and published includes an investigation of the skill needs of employers and future skills needs which will inform the review of the Northern Ireland skills strategy, Success through Skills; research on the New Deal which has influenced the development of its successor programme, Steps to Work; and research into the attitudes and intentions of school pupils concerning their choices towards education and training which will, among other things, contribute towards the evidence base for the development of a regional integrated strategy to widen participation. That work is also complemented by a rolling schedule of policy and programme evaluations, which is also being taken forward by the Department.

Preparing for Success

'Preparing for Success' the Careers Education, Information, Advice and Guidance strategy and implementation plan was launched in January 2009 at the Department's new Careers Resource Centre in Ann Street Belfast. The strategy has been jointly developed with the Department of Education (DE) to support Success through Skills, the Northern Ireland Skills Strategy and DE's Revised Curriculum and Entitlement Framework. This is an all-age strategy which aims to support young people and adults in their effective career planning.

The implementation plan has been developed around 5 main themes.

- Improving careers education;
- Improving access to careers information;
- Improving careers advice and guidance;
- Improving quality; and,
- Improving professional development.

The focus for delivery will initially be for five years with a review scheduled for 2014.

A full copy of the strategy is available for download from:
<http://www.delni.gov.uk/preparingforsuccess>.

As part of "Preparing for Success" the Careers Service has been piloting a new approach to the delivery of careers information, advice and guidance in Ann Street, Belfast and in Richmond Chambers, Londonderry. The pilot provides a drop-in service in modern well-equipped offices, where clients may avail of free internet access for careers research, the use of careers resource materials, and

the services of professionally qualified careers advisers. The Resource Centres will be reviewed during 2009/10 to inform future service delivery.

Leading To Success

Throughout the year the Implementation Board for Leading...to Success, the management and leadership strategy, successfully completed a number of projects that has helped to improve our understanding of both employer demand for skills and the relevance of the current leadership and management training support available to industry. As a result the Department has plans to introduce new and additional programmes during 2009 to cover areas such as project and contract management, balanced scorecard for business planning and Lean management skills.

Management and Leadership Training

In 2008-09, some 700 individual managers were supported to develop their management and leadership skills across the Department's range of training programmes. The Management and Leadership Development Programme provided bursary support for over 320 participants in programmes ranging from front line supervisors to Director level skills. INTRO, the entry to management programme, helped 225 new managers with accelerated learning. For the first time, the Department also provided support for managers to attend the well-know Common Purpose programme, as well as providing support for the rest of our normal leadership and management programmes.

The new MAP programme (Management: Analysis and Planning), had its first full year of operation and over 100 small companies have been helped to identify,

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and to find local solutions for, their own corporate management training needs.

The onset of the difficult economic climate in the latter part of the year further highlighted the importance of good leadership and management skills. In March, the Department introduced a temporary 100% funding package for management and leadership training to ensure that the maximum possible support was available to small companies.

Investors in People (IiP)

The Quays Shopping Centre, Newry; the Now Project, Belfast; Sportsbowl, Ballymena and JC Stewart Ltd, Magherafelt, were among over 200 organisations celebrating successful assessment against the IiP Standard this year. Working with Investors in People continues to deliver tangible business benefits to organisations across Northern Ireland. For example, The Quays Shopping Centre reported how IiP gave them focus and direction to enable them to develop their people in the best possible way and described how IiP added an extra level of staff loyalty and efficiency. Now Project reported a significant improvement in internal communications and explained that IiP has helped give them a competitive edge in the voluntary sector. Perhaps one of the strongest endorsements comes from JC Stewart Ltd, in Magherafelt, one of Northern Ireland's few remaining independent retailers, who attributes IiP as reducing its staff absenteeism by a dramatic 25% over 4 years. Paul Stewart, 4th generation proprietor of the grocery shop in Magherafelt said: "Working with Investors in People has made us a more sophisticated business, helping us face challenges head on. We wouldn't be where we are now without IiP."

WorldSkills

WorldSkills, the largest skills competition in the world, is taking place in Calgary from 1st – 6th September 2009. A competitor from Northern Ireland has been selected for the UK Squad in the joinery category and is competing as part of the final UK Team. The UK is hosting WorldSkills in London between 6th and 9th October 2011. Registrations for competitions which can lead to competing in WorldSkills 2011 closed on 9th April 2009. The Department funded a number of Northern Ireland competitions which were held in construction (SkillBuild), cookery and mechatronics. The winners of these competitions will now go forward to compete in the national finals, which could see them selected to represent the UK in 2011.

Sector Skills Councils

All 25 Sector Skills Councils (SSCs) now have a Sector Skills Agreement in place. Each SSC has also produced an annual action plan for Northern Ireland which contains key priorities for the sector, and these are closely monitored by the Department. During the 2008/09 financial year the Department funded the SSCs to deliver 43 projects, ranging from the promotion of careers attractiveness, to upskilling and raising standards of training. All SSCs are currently going through a rigorous process to determine whether their license from the UK Government should be renewed. This 'Reform and Relicensing' process is due to conclude at the end of 2009.

UK Commission for Employment and Skills

The UK Commission for Employment and Skills (UKCES) was established on 1

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April 2009, with the aim of helping the UK achieve world class standing in employment, skills and productivity. The UKCES is primarily advisory in nature, but also has an executive function in performance managing and funding the Sector Skills Councils (SSCs) and is responsible for their reform and relicensing. In addition, it has a key role in the delivery of the UK vocational qualifications reform programme. The UKCES is a UK-wide body and the Department is one of eight co-sponsor Departments which oversee the work of the Commission. In addition, the Minister has appointed Bill McGinnis as the Northern Ireland Commissioner for Employment and Skills, who will represent Northern Ireland's interests on the Commission. Mr McGinnis will also provide advice to the Minister on employment and skills in Northern Ireland.

Review of the Construction Industry Training Board (CITB)

Following a competitive tendering exercise the Department appointed Deloitte consultants to carry out a review of the Construction Industry Training Board. Deloitte aim to finalise the report by 30 June 2009.

Future Skills Action Plan for Information and Communication Technology (ICT)

During the year the Department worked with a range of stakeholders through the ICT Future Skills Action Group to develop a short term focused plan of action to increase the supply of graduates and employees with higher level ICT skills, particularly related to the software part of the ICT sector. In conjunction with Invest Northern Ireland, e-skills UK and Momentum the ICT Future Skills Action Plan was produced. The plan is available on the departmental website at the following

link www.delni.gov.uk/ict-future-plan. The Software Professional course makes a valuable contribution to the objectives of the ICT Future Skills Action Plan by ensuring that companies have access to trained staff to meet the needs of their growing business. This is a 35 week graduate conversion course designed to give non-IT graduates the skills to work in the industry in Northern Ireland. In addition, the Department has commissioned further research into the higher level skills needs of the ICT industry in Northern Ireland which will include skill forecasts for the sector in the medium to long term. The study will be published later in 2009. The Department is also working with e-skills UK on the production of a six monthly snapshot of the ICT industry here. This will act as a regular temperature test of the industry's skills needs and help establish trends as we move forward.

Training for Success

The first year review of the Training for Success provision launched in 2007 led to a number of strategic changes, one of which was the separating out of the Level 2 and Level 3 Apprenticeships under new branding as ApprenticeshipsNI, leaving three strands of training for unemployed 16 to 18 year olds under the banner of Training for Success.

A second major change was the introduction of all age apprenticeships. This has proven popular with business with some 46% of the 2008/2009 intake being over the age of 25 years. The Department also reduced the number of contracted employment hours from 35 to 21 to make the programmes accessible to a wider range of workers. The success of these changes is also demonstrated in the male to female ratio of apprentices now at 59:41 compared to the previous long time 70:30 split. Overall these changes have contributed to the Department meeting its

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2010 target for 10,000 apprentices, one year ahead of time. In parallel with the first year review of Training for Success, the Minister asked the Disablement Advisory service Disability Liaison Group to establish a working group of experts to examine how the training provision meets the needs of young people with disabilities and learning difficulties. The Groups report listed some 30 recommendations which are now being addressed positively by the Department, again which should bring about major change and an improved service for our customers.

The Department launched an award winning advertising campaign for Training for Success and ApprenticeshipsNI running from August 2008 to October 2008. This comprised a multimedia approach of television, radio, web based and outdoor advertising. The result was a huge response to the campaign helpline and websites, which understandably has contributed to just over 15,000 people in training, a significant increase in the numbers on both programmes compared to previous years.

Success Through Excellence, The Department's Quality Improvement Strategy

The Department continues to implement its Quality Improvement Strategy, Success Through Excellence. A key aim of the Strategy is to raise further the quality and standards of provision across further education colleges and training providers by improving their capacity for continuous quality improvement through effective self-evaluation and quality improvement planning. To further strengthen the quality of provision, the Department is currently working with the Lifelong Learning UK (LLUK) and the local universities to develop the skills of the workforce. A pilot programme aimed at developing the

teaching and training skills of the tutors employed in the work-based learning and community/voluntary sectors commenced on the 6 February 2009.

Ministerial Visits

During 2008/2009, the Minister visited the USA, Malaysia and Singapore. The visits enabled the Minister and senior staff to review skills models elsewhere in the world in light of Northern Ireland's Success through Skills and, as such, these visits prove useful in helping the Department develop the Northern Ireland model further and building up international relations.

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Hospitality and Tourism Future Skills Action Group

A future Skills Action Group for the Hospitality and Tourism sector was set up which will build on existing work by People 1st, the Sector Skills Council. The Group consists of a number of employers from the sector along with representatives from the Higher and Further Education, the Department of Enterprise, Trade and Investment, People 1st, the Northern Ireland Tourist Board and the Department. The Group has produced a short term Action Plan which aims to coordinate activities to help overcome some of the main challenges facing the industry at this time.

All Island Skills Conference

The first All Island Skills Conference took place in October 2008 and was a great success. It was the first collaborative event organised by the Northern Ireland Skills Expert Group and the Expert Group

on Future Skills Needs in the Republic of Ireland. The theme ‘Building Better Skills Together’ attracted presentations from leading national and international topic leaders and provided a platform for the launch of the ‘All Island Skills Study’ which has been developed jointly by the expert groups and will provide a comprehensive analysis of the skills demand across the island. The event took place in the Millennium Forum, Londonderry.

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Minister pictured with the Tánaiste, Mary Coughlan and the City of Derry Mayor, Gerard Diver.

National Training Awards 2008

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GMTV Presenter, Jenni Falconer is pictured alongside the Minister and one of the 2008 National Training Award Winners

The 2008 National Training Awards were hosted by TV presenter, Jenni Falconer. A total of 22 prizes were presented before 300 business leaders and representatives from the public sector. Five of these winners achieved National winner status and went on to represent Northern Ireland at the UK National ceremony in London.

‘C’Mon Over’ Campaign

The ‘C’Mon Over’ campaign went from strength to strength during 2008 with the Department having a presence at a number of graduate fairs in May and October 2008 across various parts of the UK and Ireland to attract suitably skilled graduates to live and work in Northern Ireland. In addition, the Department worked closely with a number of recruitment agencies to host a networking event in the House of Commons in January 2009. The

Department is the first Government department to embrace social networking and our Facebook page called ‘Northern Ireland’ continues to flourish with over 1000 fans signed up. An advertising campaign commenced in September 2008 and ran until January 2009 to promote the campaign and to highlight the opportunities available in Northern Ireland.

Review of Science, Technology, Engineering and Mathematics

The independent review of STEM (Science, Technology, Engineering and Mathematics) was commissioned by the Department and DE in Spring 2007. The review panel was asked to examine the issues relating to STEM and make recommendations to ensure the future success of STEM education in Northern

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Ireland. The STEM Review was presented to Ministers Empey and Ruane in April 2009 and the Department will consider how to take forward the relevant recommendations.

FURTHER EDUCATION

The overarching objectives for the Further Education (FE) sector in Northern Ireland are to strengthen economic and workforce development, to enhance social cohesion and to advance individuals' skills and learning. These objectives were confirmed through 'Further Education Means Business', which was a comprehensive review of the further education strategy and delivery in Northern Ireland, conducted in 2004. This review also recommended a fundamental review of the structure of the further education sector, and led to the establishment of six larger area-based colleges in August 2007.

Vocational Qualifications Reform Programme

The Vocational Qualifications Reform Programme (VQRP) is part of a major cross-UK programme of reform of the vocational qualifications (VQ) system. Its implementation in Northern Ireland is managed within the Department's Further Education Division. The programme has been in operation since late 2005 and is now firmly into the implementation phase. The broad aim of the programme is to increase the relevance, value and flexibility of VQs by involving employers in the development and planning process and through the establishment of a credit-based qualifications system which comprises a rationalised set of VQs. This system, the Qualifications and Credit Framework (QCF), is now being implemented across England, Northern Ireland and Wales following a two-year period of testing and trials, and the

Department is working closely with the qualifications regulators and the Learning and Skills Council to ensure that its implementation is reflective of the needs of Northern Ireland.

The programme is overseen in Northern Ireland by the NIVQRP board, which was established at the start of the 2008/09 year and which comprises a broad range of key stakeholders with a role to play in implementing the reforms. The focus of the programme in Northern Ireland is on ensuring that key stakeholders are fully aware of their role within the reformed system, and putting in place the necessary physical infrastructure to support the reforms. As part of this, the Department has been coordinating a series of awareness-raising events delivered by the Learning and Skills Development Agency. The Northern Ireland Council for the Curriculum, Examinations and Assessment is also delivering a series of capacity-building events in the coming year.

At the same time a trial of the Unique Learner Number, which underpins the IT infrastructure necessary to implement the QCF, is being conducted in two further education colleges, and will be rolled out across the rest of the FE sector by September 2009. All six colleges have identified a 'delivery champion' to ensure that the necessary technical and business changes are implemented effectively.

The Department is also reforming the way in which VQs are regulated, with legislation being passed to empower the Office of Qualifications and Examinations Regulation to regulate all VQs in Northern Ireland. The independence of the new regulator will contribute to raising confidence in the standards of VQs, which are a key component of the development of the skills of the workforce.

Learner Access and Engagement Pilot Programme

During 2008, the Department introduced the Learner Access and Engagement Programme, to pilot learner support arrangements between Colleges and third party organisations. The pilot programme is operating throughout Northern Ireland, with all six colleges participating. The pilot, which will run for the next three years, will provide opportunities for non-statutory organisations (mainly, but not necessarily, voluntary and community bodies) to provide learner support to 'hard to reach' adults who are economically inactive, are disengaged from the labour market, and who have few or no qualifications, to help them to complete a work related qualification.

Review of Centres of Excellence in Colleges of Further Education

During 2008, a review of the current College 'Centres of Excellence' model was commissioned by the Department, on behalf of the further education sector. This review, which has now concluded, puts forward a number of recommendations, including, in particular, the establishment of a two tier accreditation system. The proposed system, which is based strongly on quality, focuses on colleges' general engagement with employers, and on specialisms within industry sectors. An Implementation Working Group has been established to take forward the recommendations.

College Collaboration with Post Primary Schools

The Department and the Department of Education have been working closely on the Vocational Enhancement Programme (VEP) since 2004. VEP has been very successful in strengthening relationships

between post-primary schools and colleges, and it has placed colleges as the provider of first choice for the delivery of the professional and technical element of the wider curriculum for 14 to 19 year olds in school. A full evaluation of VEP covering the period from 2005 to 2008 was conducted during the year, and is now available on the department's website. <http://www.delni.gov.uk/index/publications/pubs-further-education/fe-vep-0508.htm>

Part of the wider 14-19 agenda, VEP was a transitional programme, which provided the opportunity to enhance the profile of professional and technical education, and to test and refine models of collaboration among schools and FE colleges as a precursor to the introduction of the Department of Education's Entitlement Framework. VEP has grown from fewer than 2,000 post-primary school pupils in the 2004/05 academic year, to over 12,500 post-primary school pupils availing of vocational opportunities in the 2007/08 academic year.

While responsibility for the funding and administration of the replacement of the VEP passed from the Department to DE in September 2008 and although VEP has now ended, collaborative arrangements between schools and colleges continue. These collaborative arrangements will evolve into the curriculum for DE's proposed Entitlement Framework in 2013. The Department continues to monitor colleges' provision to local post-primary schools through data collected from colleges' management information system, and a working group has been set up to ensure that college provision remains focused on delivering professional and technical learning opportunities that are relevant to the Northern Ireland economy.

The working group will also provide a strong FE input to Area-based planning. All colleges have engaged with the Area-

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based Planning Groups established by DE to consider how the Entitlement Framework should be developed and managed. The Department has also been represented on the Central Area-based Planning Group, which oversees area-based planning for education.

College Curriculum

During the year, the Department commenced a detailed data analysis of the curriculum offered by the further education sector. The purpose of this is to provide a comprehensive overview of the type and level of the qualifications and courses currently delivered within the Sector, and to assess the extent to which this is in line with the current policy of aligning provision to meet the skills and qualification needs of employers and the economy. It is hoped that the work will also help to inform the ways in which colleges can support employers during the current economic downturn.

Individual Learning Plans

It is important that individual learners follow programmes of learning that meet their individual needs and aspirations. During the year the Department worked closely with colleges and with the Learning and Skills Development Agency (Northern Ireland), (LSDANI) to develop an electronic Individual Learning Plan (e-ILP) for learners. As well as helping colleges to agree relevant programmes of learning for individual students, the system will also facilitate other aspects of student support in colleges, including initial induction, on-going pastoral care, career planning, etc.

College Estates

In 2008/2009, the Department supported the South Eastern Regional College and

Belfast Metropolitan College in the signing of three Public Private Partnership projects. This enabled the construction phases of these projects to commence. These major projects will see new accommodation in Lisburn, Belfast, Downpatrick, Newcastle and Ballynahinch, with a capital value of £90m, and will help to further transform what had become a poor standard of college accommodation. When this is added to what has been delivered already in Omagh, Dungannon, Cookstown, Larne and Limavady, and what is currently being delivered in Bangor, Newtownards, Londonderry, Springvale, Newtownabbey and Enniskillen, it is clear that the Department is committed to delivering quality accommodation for the further education sector. These projects will support the economy in many ways, including providing construction jobs at a difficult time for that industry, and providing facilities that improve the delivery of much needed skills for the Northern Ireland workforce.

Essential Skills

The Department's Essential Skills Public Service Agreement (PSA) target is that by March 2011 42,000 adult learners will achieve qualifications in literacy, numeracy and ICT. The Department's interim target for the 2008/09 year was based on 10,500 achievements, and this was met with over 12,852 qualifications being attained. To ensure that the 2011 target can be met, a number of initiatives have commenced. A new promotional campaign, "Get the know-how", was launched successfully in September 2008, replacing Gremlins with a more positive and empowering message that good reading, writing and maths skills are the key to getting ahead at home and at work.

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The second Essential Skills Awards were held in Hillsborough Castle and attracted increased entries from across Northern Ireland. In addition to the County and overall winner awards, three new categories were introduced - ICT Learner of the Year, Trade Union Learner of the Year and a special award for outstanding contribution to Essential Skills learning. The Department also hosted a conference to promote awareness of Essential Skills in the public sector. Over 70 attendees were drawn from the Northern Ireland Civil Service, Health Trusts, local government and further education colleges. The conference built upon the success of the original Northern Ireland Civil Service Essential Skills pilot which won national recognition at the Whitehall & Westminster World Civil Service Awards 2008.

Following a successful pilot, ICT as a third Essential Skill will be introduced in August 2009. Evaluations of the pilot were carried out by the Education and Training Inspectorate in May 2008 and February 2009. They concluded that the programme demonstrates important strengths in education and training provision, with strong commitment provided by management and staff across all the participating organisations. In addition, strengths have been identified in the development and use of improved initial assessment as well as good planning for learning and quality of teaching and learning.

HIGHER EDUCATION

The primary aim of the Department's policy for Higher Education is to promote and sustain the development of an internationally competitive Higher Education sector, accessible to all who are able to benefit and which meets the needs of the Northern Ireland economy and

wider society. In support of the provision of Higher Education in Northern Ireland, the Department provides significant funding each year to the Queen's University of Belfast, the University of Ulster and to St Mary's and Stranmillis University Colleges.

Higher Education is also funded and delivered through the six colleges of further education and through Open University Ireland. While the two main universities are autonomous bodies, with responsibility for how they make use of their funding, their allocations during 2008/09 were made in the context of the following aims:

- To enhance the universities' research capabilities and research quality;
- To support the universities in achieving long-term sustainability;
- To exploit fully the contribution which the universities can make to the economy and, in particular, to increase their responsiveness to the needs of business and the community;
- To increase participation and widen access, particularly from groups who are under-represented in higher education;
- To improve quality and standards of teaching and learning alongside promoting greater flexibility in delivery;
- To ensure effective governance of all the universities' affairs.

Research Assessment Exercise 2008

The results of the 2008 UK-wide Research Assessment Exercise were published in December 2008. This exercise, which

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assesses the quality of research being undertaken by all UK universities through a process of benchmarked peer review, indicated that Northern Ireland's two universities had performed extremely well, with 87% of activities submitted to the assessment panel considered to be of international quality and 14% judged to be "world leading". Strong performances were noted over a range of subjects from Law to Art and Design, with world class performances highlighted in Civil Engineering, Nursing and Midwifery, Electrical and Electronic Engineering and Biomedical Sciences. The achievements reflect the undoubted success of the Department's past investment in the research infrastructure through its Support Programme for University Research and Science Research Investment Fund initiatives.

Strengthening the all-island research base

A new cross-border research funding programme to strengthen the all-island research base was launched by the Minister in December 2008. The total investment of over £17 million includes £10.5 million from "Funding for Innovation" with the remainder coming from Departmental resources. The new initiative targets collaboration between Queen's University Belfast and the University of Ulster with leading research teams in the Republic of Ireland. The 12 projects, approved by an Assessment Panel consisting of Higher Education funding representatives from Northern Ireland and the Republic of Ireland, cover a wide range of priorities including Future Energy Systems, Mobile Information and Communication Technologies, Major Chronic Diseases and Infections, Functional Foods, Nutrition and Bone Health, Safe and Traceable Food, Cancer Medicinal Chemistry and Transport

Sustainability. They also support the Executive's priorities as expressed through the Programme for Government, the Economic Vision and the Regional Innovation Strategy. All of the projects are aiming to achieve self-sustainability beyond the initial 3 year funding period and will contribute to the economic and social development of both Northern Ireland and the island of Ireland as a whole.

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The Minister, Sir Reg Empey, and Pro-Vice-Chancellors Richard Barnett (University of Ulster) and Peter Gregson (Queen's University Belfast) are entertained by examples of innovative electronic gadgetry from QUB's School of Electronics, Electrical Engineering and Computer Science at the launch of the new Cross-Border Research and Development Programme at the Northern Ireland Science Park on 5 November 2008.

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Student Finance

A major improvement to the Student Finance Northern Ireland service from November 2008 was the alignment of the Universities, Colleges, Administrative Service (UCAS) system and the student support application system. This means that a higher education student can make their student support application at the same time as they complete their UCAS application form. This alignment offers real benefits to students by helping them make informed decisions about their university choice having considered the student support they will receive by using the online ready reckoner.

Capital Funding

2008/09 was the first year of the current comprehensive spending review (CSR) period. This introduced three new capital funding streams: Learning and Teaching Capital; the Research Capital Investment Fund; and, the Strategic Capital Investment Fund for universities and university colleges. The total amount of funding over the CSR period is £75.4m and this will make a significant contribution to the higher education sector in Northern Ireland. The amount available in the 2008/09 year was £20.25m. The capital funding in the first year allowed Queen's University to complete its new library including the external development of the library site. Other significant capital projects were commenced including the refurbishment of its chemical laboratories and the establishment of a new Post Graduate Executive Education Centre within its School of Management. The University of Ulster was able to acquire a new site in inner city Belfast and to initiate several innovative projects including the Deployment of Sensing Technology in Connected Healthcare and the

establishment of a Netcom Digital Economy Research Hub.

Recurrent Funding

In terms of recurrent funding the Department was able to increase allocations to the higher education institutions by 2.75% thereby maintaining the value of its support in real terms.

Review of Variable Fees and Student Finance Arrangements – progress to date

An independent review of variable fees and student finance arrangements was launched in early December 2008. This was in line with a Ministerial commitment to commence such a review in the current academic year, 2008/2009. Joanne Stuart, the current chairperson of the Institute of Directors in Northern Ireland has been appointed as independent chairperson of the review. The review, which is still ongoing, will consider the impact of the current variable fee arrangements on institutions delivering higher education and on existing and prospective students. In addition the review will inform future student finance policy for Northern Ireland. As part of the Economic & Social Research Council (ESRC) Placement Scheme, a research fellow Dr. Alessandra Faggian is undertaking the project "Utilisation of existing data sources to contribute towards an evidence base for the review of variable fees in Northern Ireland". The ESRC project is due to report at the end of May 2009. A review steering group has been established which comprises representation from a broad spectrum of interests including the institutions and students as well as relevant other Northern Ireland Departments. An independent interim report by the chairperson is expected in June 2009. This will subsequently be brought before the

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DEL Committee with a view to a public consultation in Autumn 2009. The final report and subsequent Assembly debate are anticipated for early 2010 with academic year 2011/2012 being the earliest possible date for implementation to allow appropriate time for the communication and development of any proposed new or revised arrangements.

PREPARATION FOR WORK

The Division, which is the Public Employment Service for Northern Ireland, has two functions: to assist employers to fill job vacancies, that is, to find employees; and to assist clients to move towards and into work. These functions are provided through a comprehensive range of adviser services to employers and clients, through a wide range of provision designed to assist clients to overcome barriers to employment and move towards and into work, and through a job vacancy service.

New Deal / Steps to Work

New Deal was introduced in 1998 as a major part of the Government's Welfare to Work initiative. Its aim was to tackle long-term unemployment and move people into work. In 1998 the total number of people registered as unemployed and claiming Jobseeker's Allowance (JSA) in Northern Ireland was 56,749. By March 2008 this figure had fallen to 24,380. There is no doubt that New Deal, coupled with a sustained period of economic growth at this time, had a very positive impact on the levels of unemployment throughout Northern Ireland. Unemployment in the main New Deal target groups (18-24 and 25+) had fallen by 78% and 88% by February 2008. Whilst the unemployment rate had dropped substantially, Northern Ireland continued to have a disproportionately high number of

working-age people who were 'economically inactive'. A large proportion of this group included customers who were claiming Incapacity Benefit and those in receipt of Income Support, including lone parents.

Evaluation and research indicated that it was necessary for the Department to address the wider range of multiple, and often complex barriers faced by both those remaining unemployed or economically inactive. A new, more focused and flexible approach was now required to help these people to move from welfare to work. The Northern Ireland Executive has, within its Programme for Government set a goal to achieve a 75% employment rate by the year 2020. In order to contribute to this goal it was vital that the Department had an initiative in place to address the needs of a wide range of customers and was flexible and varied in its delivery.

In recognition of this, the Department developed a more flexible menu-based approach to its adult return to work provision known as Steps to Work (StW). A StW pilot began in April 2007 with an interim evaluation initiated in March 2008. This helped inform plans and StW rolled out across Northern Ireland (with the exception of the Foyle area, where the procurement exercise is currently ongoing) from 29 September 2008. StW offers access to a wider customer base including Incapacity Benefit/ Employment and Support Allowance (ESA) claimants, Income Support claimants, customers in receipt of other benefits and economically inactive customers who are not in receipt of benefits.

Despite the deteriorating economic conditions and difficulties it presents, StW continues to deliver a flexible programme to meet the needs of our expanding customer base. During the current

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economic downturn unemployment has risen and is now back to 2000 levels with yet further increases anticipated. Over the last year a 77% increase in total unemployment was recorded with 35% of all claimants aged under 25, an 87% increase on the previous year. A number of new and significant enhancements to StW have been fast tracked as a result of the economic climate. These include an increase in the Department's contribution to the cost of childcare, short training courses and travel allowance. The flexibility of the StW initiative has also enabled the Department to introduce contingency arrangements to help meet the needs of apprentices within the Construction, Engineering and Automotive industries who have been made redundant due to the current economic downturn.

Strategic Dialogue with Disability Sector

The Disablement Advisory Service continues to work with the Disability Liaison Group on agreed recommendations from the report prepared by the group and to discuss further those recommendations that have not been fully agreed.

Employer Engagement

Employers are, and will remain, central to the ambitions of welfare reform and to the Government's aspirational UK 80% employment rate. The Department offers a free of charge recruitment service to all employers in Northern Ireland. In the past, job opportunities have not always matched the skills and aspirations of the Department's priority client groups i.e. individuals in receipt of working age benefits and the economically inactive. The Department's public Employment Service is, therefore, seeking to attract vacancies better suited to its client groups

while at the same time continuing to provide a vacancy service to all employers.

Focused formal employer engagement planning arrangements ensure employer contacts are managed in a co-ordinated, consistent and targeted manner. Supported by Employer Contact Managers, dedicated to proactively engage with employers, the Department is providing an improved service to employers. The use of the Employers Online website, which allows employers to notify and manage their job vacancies electronically, continues to grow. During 2008/2009 33.94% of all the job vacancies attracted by the Department (i.e. 12,901 out of the 38,010 total) were notified through this medium. The Department hosted a number of successful Jobs and Opportunities events across Northern Ireland bringing together jobseekers, employers and those organisations able to offer advice on training opportunities. The Department is confident that the service and support given to employers will result in significant repeat business.

Local Employment Intermediary Service

The Local Employment Intermediary Service (LEMIS) started in Belfast, Londonderry and Strabane; areas of high unemployment/low employment, in April 2007. The Service provides tailored assistance to help voluntary clients overcome the personal barriers that are preventing them from finding and keeping a job and is independent of the statutory employment services. LEMIS is run by and in the community and is designed to complement the services available through the JBOs in the areas being targeted. The programme's funding structure is designed to encourage providers to focus on getting clients into jobs as soon as possible. Results to date have been positive in all

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areas with 1,620 clients caseloaded during the past year. Of this number 449 subsequently moved into employment; 29 moved into employment of less than 16 hours per week and a further 43 clients moved onto other Departmental programmes. An independent evaluation of the programme will be undertaken in

the near future to inform any future policy considerations.

Rachel Gordon was a LEMIS client with the Shankill Job Assist Centre (JAC) Office. She successfully participated on the Hospitality and Retail Training for Employment (HARTE) Programme and secured employment with the new Ramada Encore Hotel.

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progress2work (Northern Ireland)

This programme has been running as a pilot since November 2005. Its main aim is to provide support to individuals in receipt of Social Security benefits, such as Jobseeker's Allowance, Income Support or Incapacity Benefit, who have significant difficulty accessing the labour market as a result of being homeless, being an ex-offender or ex-prisoner or having a history of drug or alcohol misuse. Initially it was planned to run the pilot until March 2007. However, following the completion of an interim evaluation that provided some positive indications for continuing evaluation, contracts were extended through to March 2010. The intention is to bring the contractual cycle into line with that of wider Departmental provision. Options for the future delivery of these services are currently being considered.

Pathways to Work (Incapacity Benefit Reform)

Pathways to Work Pilots, similar to those operating in Great Britain since 2003, were introduced in Northern Ireland in October 2005. The Pathways service was extended to the whole of Northern Ireland by April 2008 in advance of the introduction of the Employment and Support Allowance which replaced Incapacity Benefit and Income Support payable for reasons of incapacity or disability in October 2008. Pathways to Work is a programme for helping people with health problems or disabilities into work. New incapacity benefit claimants are required to attend up to 6 work-focused interviews during the first 6 months of their claim. At these interviews the role of the specially trained Pathways Personal Adviser is to work with the client to identify any barriers to work, and provide them with individually tailored advice and support and agree an Action Plan to help the client move into

work. In addition to existing provision such as New Deal for Disabled People, Job Grant and permitted work, a range of new options is available.

- A Return to Work Credit of £40 per week, for one year, for anyone leaving incapacity benefit for paid work of at least 16 hours a week where the earnings are less than £15,000 per annum.
- Access to the Adviser Discretion Fund which can provide up to £300 to spend on anything that will help the client obtain a job, or if offered a job, accept it.
- A Condition Management Programme which will run in partnership with the health service offers clients short courses to help them gain a better understanding of their health condition and how to manage it safely in a work environment.
- By gaining strategies for managing their condition and exploring the health benefits of working, the client should feel more confident about seeking work and the prospect of remaining in work.
- Through the short course, the client should also be able to recognise the early signs of a relapse or worsening of the condition and will be in a better position to seek help or reasonable workplace adjustments.

Although the series of interviews is mandatory, the Pathways Personal Adviser has the discretion to defer them if appropriate. All the choices on offer are entirely voluntary and clients are not put under pressure to participate in any of the options or forced into work. The Pathways service is currently available to

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all new and repeat benefit claimants. Findings from the Pathways Interim evaluation report have indicated that results in Northern Ireland have been as good as, or better than those experienced in GB at a similar point. To date nearly 3,300 people have been supported back into work and off flows from benefits are being increased by between 8 and 10 percentage points. This compares very favourably with the target of a 4% increase set out in the business case.

Pathways to Work for Lone parents

Building on the success of Pathways to Work for people with health conditions and disabilities the Department is piloting similar provision for the lone parent client group. No additional conditionality has been attached to benefit payment, rather, specially trained Personal Advisers encourage lone parents to agree to trial a range of options designed to help them to find and retain work. In addition to existing provision such as New Deal for Lone Parents, a range of new options is available including:

- a Return to Work Credit of £40 per week, for one year, for anyone leaving benefit for paid work of at least 16 hours a week where the earnings are less than £15,000 per annum;
- access to the Adviser Discretion Fund which can provide up to £300 to spend on anything that will help the client obtain a job, or if offered a job, accept it; and,
- a Work Preparation Programme which will help clients gain a better understanding of the range of barriers to work that may affect them and help them to develop strategies to manage these in a work environment.

The Department seconded experts in dealing with lone parents and the issues they face to help develop and implement this project. The pilot ended on 31 March 2009 with over 560 lone parents having achieved employment.

European Employment Service (EURES)

2008 was proclaimed 'European Year of Intercultural Dialogue'. Key objectives were to raise awareness of Europe's cultural diversity and the unique advantage it represents and to promote Intercultural understanding. Supporting the promotion of Intercultural Dialogue, EURES attended several events promoting awareness of the cultural diversity of Northern Ireland. EURES provided information and advice on Living and Working in Northern Ireland. EURES Northern Ireland welcomed EURES colleagues from Malta and the Canary Islands to participate in Jobserve Live, Northern Ireland's largest annual careers and recruitment event. EURES representatives provided advice and guidance on living abroad and promoted European vacancies. EURES attended job fairs in Northern Ireland, Republic of Ireland and other European member states as well as Northern Ireland universities to promote workers' mobility, employment opportunities, and to promote the European Year of Intercultural Dialogue.

Employment Service Delivery Model

Preparation for Work Division of the Department has been testing a new service delivery model in 4 JBOs (namely Knockbreda, Limavady, Lisburn and Conor Buildings) from 2 April 2007. The new structure proposed in the model involves the development of a cadre of advisers appropriately trained and skilled to meet the full range of clients' needs, especially those furthest from the labour

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market. The model is an integral element of the Modernisation of the Employment Service which encompasses changes in approach with the menu-based approach and extension of the client base and provision available. In July 2008, findings from an interim evaluation of the pilot concluded that successful progress has been made to introduce an integrated adviser structure but that an additional period of consolidation is required before further integration of adviser functions is considered. However, in order to support the roll-out of the Steps to Work programme and the Division's future business needs, a new integrated adviser model based on the successful developments within Employment Service Delivery Model has now been designed for implementation in other JBOs.

STRATEGY and EMPLOYMENT RELATIONS

The role of Strategy and Employment Relations Division is to maintain and develop the framework of employment law, employment rights and employment relations in Northern Ireland, provide the administrative service for the Office of Industrial and Fair Employment Tribunals, provide a statistical, research and economics service to the Department and develop and co-ordinate the Department's response to cross-Departmental strategies and European policy in relevant areas.

Employment law

The Department has continued to maintain and develop the Northern Ireland framework of employment law. Significant developments of the year included:

Employment Bill

The Department achieved Executive approval for new policy proposals to: enhance powers to investigate and prosecute serious offences by rogue employment agencies; permit the sharing of employment agency inspection information with HM Revenue and Customs; provide greater flexibility in making Industrial Court appointments; and extend the right to legal representation to all but one of the Industrial Court's jurisdictions. (Consultation on this and several other employment issues ran from June to September 2008 and the Departmental responses are published on the DEL website.) The proposals outlined above will, subject to further Executive approval, be taken forward in an Employment Bill during 2009.

Dispute Resolution Pre-consultation

The Department conducted detailed pre-consultation on major issues around workplace disputes in light of changes to dispute resolution procedures in Great Britain. This involved in-depth discussions with employers' organisations and the trade union movement, amongst others, and the findings highlighted the need for a fundamental review of existing systems in Northern Ireland. The Department also commissioned a qualitative research project to measure the attitudes and experiences of users of the Industrial and Fair Employment tribunals. As a result, the Department has laid the foundations for a public consultation process, scheduled to begin in Spring 2009. The Department has established a steering group, comprising representatives from the Confederation of British Industry Northern Ireland, the Federation of Small Businesses, the Equality Commission for Northern Ireland, the Labour Relations Agency and the Northern Ireland

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Committee of the Irish Congress of Trade Unions to oversee the public consultation.

Employment Agency Enforcement

The Department appointed its second employment agency inspector in June 2008. In the period 1 April 2008 to 31 March 2009, the Department's inspectors carried out 76 routine inspections and carried out investigations into 59 complaints. Inspections have continued to focus on establishing a level of compliance by employment agencies with the Conduct of Employment Agencies and Employment Businesses Regulations (Northern Ireland) 2005.

Statutory Rules

Six statutory rules were produced in this period.

Industrial Court

An open competition was held to fill the vacant post of Chairperson of the Industrial Court. Eugene O'Loan was appointed as new Chairperson from 1 October 2008 for 5 years. Members appointments were extended for a further 3 years in line with the Office of the Commissioner for Public Appointments (OCPA) 10 year limit. Five members' posts are currently vacant. The Branch has continued to provide Secretariat support to the Industrial Court. In addition to dealing with a number of cases over the past year, members of the Secretariat have attended several Central Arbitration Committee events in London and have maintained strong working relationships with their counterparts in Great Britain.

Research

In 2007, the Minister gave an assurance that research would be undertaken on the

impact on business of an additional two days statutory leave entitlement for workers in Northern Ireland. KPMG were appointed to undertake this research on behalf of the Department. The final report is expected in May 2009. In December 2008 the Department commissioned Millward Brown Ulster Ltd to conduct research into the size and nature of the private recruitment sector in Northern Ireland. This is expected to be completed by summer 2009.

Guidance

In response to the economic downturn, and following liaison with key stakeholders, the Department produced and distributed a range of guidance material on key employment issues, including redundancy entitlement. Your Rights at Work, first published in 2007, was updated to provide additional information on the basic employment rights available to all workers in Northern Ireland.

Migrant Workers

During 2008/09 the Racial Equality Forum's cross-cutting Migrant Workers Thematic Sub-Group, which is facilitated by this Department, met on 3 occasions with the aim of ensuring that, throughout Northern Ireland, the employment related needs of migrant workers and those who employ and advise them are met effectively through provision of appropriate information and advice, and by ensuring that associated state and non-state services and systems are effective, complementary and fit for purpose. Importantly, at its meeting on 19 June 2008 the Executive endorsed the hitherto draft Migrant Worker Strategy for Northern Ireland and its accompanying Action Plan. In the Autumn both documents were reviewed and updated in accordance with the annual requirement -

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the former to reflect factual amendments primarily relating to the new Points-Based Immigration System, introduced by the Home office, for those nationals from outside the European Economic Area (EEA) who wish to live and work in the UK and the latter to record progress against activities listed within each of its 4 key strands. This progress was achieved as a result of noteworthy contributions made by representatives of core member organisations to the following working groups, which mirror the Action Plan's strands, and their associated workshops:

Relationships continue to be maintained, developed and used to good effect amongst relevant Employment Inspection and Enforcement bodies. Where legislation permits, information sharing - to address exploitation of migrant workers and breaches of their employment rights - has been enhanced. Case conferences also take place between enforcement bodies where appropriate. A second edition of the 'Your Rights in Northern Ireland: a guide for migrant workers' was published. There are four booklets, in a range of languages, designed specifically to address the needs of nationals from the EEA, A8 or A2 countries and those formerly requiring a work permit. Consideration is being given to online portal options for publication of links to a wide variety of useful information, including the Northern Ireland Welcome Pack, for migrant workers. Two sets of Guidelines, on the Use of Translation and Interpreters, have been produced and disseminated amongst member organisations for their information and use. Exploratory work has started on the subject of Foreign Qualification Equivalents. Two pieces of research - Experiences of Migrant Workers in Northern Ireland and the Economic, Labour Market and Skills Impacts of Migrant Workers in Northern Ireland - have been commissioned. It is anticipated

that findings from both will be available in late Spring 2009 and should help to inform future policy.

Labour Relations Agency

The Labour Relations Agency was established in 1976 as a Non-Departmental Public Body with responsibility for promoting the improvement of employment relations in Northern Ireland. The Agency is independent of Government and is funded mainly in the form of a grant from the Department - £3.2m in 2008/09. In 2008/09 the Agency hosted advisory workshops, assisting organisations to develop good practice in employment policies and procedures and providing good practice seminars. It continues to provide an enquiry service. The Agency also provides a conciliation service to individuals and employers and contributed greatly to settling many of the complaints received at tribunal without the need for a formal hearing. Full details are contained in the Agency's Annual Report and Accounts.

The Northern Ireland Certification Officer

The Northern Ireland Certification Officer has a semi-judicial role to deal with complaints made against trade unions and employers associations by their members. He also has statutory functions in relations to the monitoring of trade unions and employers' associations. The Northern Ireland Certification Officer is a part-time post appointed and funded by the Department under the Industrial Relations (Northern Ireland) Order 1992. The Order also requires the Northern Ireland Certification Officer to produce an annual report of his activities.

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Redundancy Payments Service (RPS)

Under the Employment Rights (Northern Ireland) Order 1996 the Department administers the statutory Redundancy Scheme. Employment Rights legislation provides a statutory entitlement for employees who are made redundant to receive certain types of payments from the National Insurance Fund where their employer has not made such payments. In almost 100% of cases, this occurs where the employer has become bankrupt or insolvent. Employees with more than 2 years service are statutorily entitled to a lump sum from their employer, based on their age, length of service and contractual earnings up to a maximum limit which is reviewed annually. In 2008/09 the RPS paid in excess of £ 3.8m from the Northern Ireland National Insurance Fund while in excess of £ 0.5m was recovered from the assets of solvent/insolvent employers. In addition, almost £ 2.03m was written-off the debt to the National Insurance Fund as irrecoverable.

Office of the Industrial Tribunals and the Fair Employment Tribunal (OITFET)

The Industrial Tribunals and the Fair Employment Tribunal are independent judicial bodies set up to hear and resolve certain matters of dispute in the employment field. They deal with specific complaints and appeals together with the determination of certain disputes and questions relating to compensation delegated to them. The Office of the Industrial Tribunals and the Fair Employment Tribunal provides administrative support to the Tribunals. The judicial and administrative functions of OITFET are funded by the Department and in 2008/09 this funding amounted to £3.3m. During 2008/09 the waiting time for a full hearing date in cases involving

discrimination complaints had been reduced to 9 months, and the tribunals' move to Killymeal House on 2 March 2009 was achieved with no disruption to tribunal hearings. Full details of the Tribunals' activities are contained in their Annual Report.

European Commission Taskforce on Northern Ireland

The European Commission Taskforce on Northern Ireland was announced by Commission President Barroso during his visit to Northern Ireland in May 2007. The main objective of the Taskforce is to help Northern Ireland enhance its economic position through greater participation in Europe. The Taskforce produced its first report in April 2008 when the Commissioner for Regional Policy, Danuta Hubner, visited Northern Ireland. The report was a stocktake of Northern Ireland's position along with a set of recommendations for further action intended to maximise the benefits of greater involvement with Europe. In response to this report, an action plan, indicating actions Departments would take to ensure continued involvement in Europe was drawn up. The Department was involved in the outworking of a number of actions in the plan for 2000-2009 and has submitted further actions for the year 2009-2010.

HUMAN RESOURCES (HR) and CORPORATE SERVICES

The role of HR and Corporate Services Division is to manage the Department's staffing, infrastructure, support services, internal processes and internal and external communications. The Department currently employs 1,999 staff in all grades across a network of 44 offices.

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Departmental HR

The over-riding theme for Personnel Branch in this business year was that of reform, principally through the implementation of the key phases of HR Connect. In May and June 2008 the Corporate Services Director accompanied the Permanent Secretary on a series of road-shows to unveil the Department's Corporate Plan and to outline the background and principles of all ten reform initiatives. The Department set itself a specific target in its Balanced Score Card to implement all applicable aspects of the Northern Ireland Civil Service (NICS) Reform projects. While there have been many technical and system difficulties in implementing these reforms, the departmental teams have fully played their part in ensuring that all the demands made on them, relating to reform implementation, have been met.

HR Connect implementation has been the major focus for Personnel Branch (now titled Departmental HR). The team worked extremely hard in partnership with the NICS e-HR Project Board, Corporate HR and the new Shared Service Centre, to manage the go live for the major phases of the project including Payroll and Vacancy Management. The key aim for Departmental HR staff has been to support staff and management throughout this difficult change-management process. The Branch has recently finalised its restructuring plans to provide a new Strategic Business Partnering approach to working more closely with business areas throughout the Department. This approach will be implemented over the period of the new business year. Departmental HR has also worked closely with the Senior Management Team and with line managers and staff to tackle the difficult and sensitive issue of staff absence. This past year has witnessed changes in the

managing absence processes and procedures and a renewed commitment from senior management within the department to enhancing employee engagement, health and well-being. It is hoped that these combined measures will help us make positive progress towards our target to reduce absence. The Department has been recognised as meeting the Investor in People Standard for many years now. In February 2009 the Department began its reassessment process with an assessor from IIP Scotland. The assessor identified many strengths including the loyalty and commitment of staff throughout the Department, commitment to learning and development and a very high level of Social Responsibility. We have agreed an action plan with the assessor ahead of the second phase of our reassessment scheduled for April 2010.

Media and Marketing

2008/09 has once again been a busy year for the Media Marketing Unit. National Training Awards, Essential Skills Awards, All-Island Skills Conference, European Social Fund (ESF) Conference and the Apprentice of the Year Awards are just a few of the Department's key events which have been deemed a resounding success. A new flavour was given to a number of our advertising campaigns, including Essential Skills, ApprenticeshipsNI, Training for Success and the Software Professional Course. Two new advertising campaigns were introduced including C'mon Over and Bring It On. Feedback on these campaigns has been very encouraging. The web team has been heavily involved in preparing the Department for the new citizen facing website NI Direct which will be launched in June 2009. The web manager has been co-ordinating the Department's presence on the new site from an editorial and technical point of

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view and represents the Department on the NI Direct Group.

The economic climate had a strong bearing on activity for Media Marketing Unit and is expected to do so in the coming year. An increased number of Job Fairs were held, advice publications produced, media enquiries received and press releases relating to the Department's response issued. The Unit's focus is to ensure that the Department's key messages of People:Skills:Jobs remains at the forefront of all promotions and publicity during the downturn. Media Marketing Unit's work on promoting the Northern Ireland Skills Strategy was acknowledged in October 2008, when it won a Gold Award at the annual Institute of Public Relations PRide awards.

Freedom of Information

The Freedom of Information Act came into effect in January 2005. During the period covered by this report the Department received 118 requests covering all aspects of its remit. The requests can be categorised as 9% from staff, 15% from the media, 7% from political representatives and 69% from the general public. The policies and procedures regarding Freedom of Information have been modified continually in the light of experience to ensure that the Department meets its obligations under the Act.

FINANCE and EUROPEAN

The role of Finance and European Division is to manage the Department's budget, prepare the Department's Resource Accounts, ensure that there is sound and appropriate financial governance and risk management within the Department, co-ordinate the business planning and budgeting processes, ensure

efficiency and value for money in the organisation's activities and to implement and manage programmes within the ESF.

Building Sustainable Prosperity

The Department is responsible for the implementation of ESF Measures under Priority 2 (Employment) of the Programme for Building Sustainable Prosperity. ESF assistance of approximately £5.7m was provided to 72 projects, with 4,350 participants during 2008/09. These projects offer training to people disadvantaged from entering the labour market and those seeking further skills when in employment. The Building Sustainable Prosperity Programme has run from July 2000 and ended during 2008/09. Cumulatively almost 65,850 annual participants have received training at various levels achieving 27,600 qualifications. Some 8,500 unemployed people, who have been trained under the programme, have entered employment.

PEACE II

Under the PEACE II programme the Department is accountable for ESF assistance of £74m which from 2000 to date supported a total of 364 projects mostly in the voluntary and community sectors. In 2008/2009 £1.99m was paid by the Department to the Special European Unit Programmes Body. This is a reduction on the figure of £6.5m in 2007/2008 and is attributable to the closing of the PEACE II programme.

Equal Community Initiative Programme (EQUAL)

The Department is responsible for the management and implementation of the EQUAL Community Initiative Programme, which tests and promotes new means of combating all forms of discrimination and inequalities in the

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labour market. ESF assistance of £8.2m is supporting 19 Development Partnerships for the period 2000 – 2008. In 2008/2009 £1.45m ESF was paid to 13 Development Partnerships.

Northern Ireland European Social Fund (NIESF) Programme 2007-2013

The NIESF Programme is the successor to the Building Sustainable Prosperity Programme. The aim of the new ESF Programme is to reduce economic inactivity and increase workforce skills. Priority 1 will help to extend the employment opportunities for workless people, especially those at a disadvantage in the labour market, including people with health conditions and disabilities and young people. A total of 76 projects were selected for funding under Priority 1, of which 73 took up an offer of assistance covering a period of 3 years. Funding was offered on the basis of 40% ESF, 25% contribution from the Department and 35% public match funding to be independently sourced from other public bodies. Combined ESF and the Department's funding offered totalled £49.4m. It is expected that approximately 35,500 participants will benefit from training under Priority 1. Priority 2 of the Programme aims to raise the skills levels of workers and new entrants to the labour force. Priority 2 provides funding exclusively to Government Programmes, and the Department's ApprenticeshipsNI Programme is the only project currently funded under Priority 2.

The programme was officially launched in October 2008 at a Conference in the W5 complex at the Odyssey in Belfast. This was the major publicity effort for the year and was attended by 161 delegates. The Deputy General of DG Employment, Social Affairs and Equal Opportunities Ms. Lenia Samuel attended to give a

keynote speech and spent time visiting stands for the closing EQUAL programme. Ms. Samuel was presented with a photograph of the Harland and Wolff Cranes, by Sir Reg Empey, as a memento of her visit.

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Ms. Lenia Samuel Deputy Director of DG Employment, Social Affairs and Equal Opportunities with Sir Reg Empey at the ESF Conference launching the programme at W5, Odyssey Belfast.

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Also at the conference were (from left to right) Trevor Connolly and Greg McConnell from the Department and Franz Pointner and Santiago Loranca-Garcia from the European Commission.

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MANAGEMENT

Minister

During the year ended 31 March 2009 the Department for Employment and Learning was under the control of Sir Reg Empey.

Permanent Head of the Department and the Management Board

The Permanent Secretary of the Department is Dr Aideen McGinley.

The other members of the Management Board who served during the year were:

Mr Greg McConnell

Mrs Catherine Bell

Mrs Patricia McAuley

Mr David McAuley (retired 7 April 2008)

Mrs Bernie O'Hare

Ms June Ingram

Mrs Nuala Kerr

Mr Trevor Connolly

Mr Fergus Devitt

Mr Hugh McPoland (appointed 2 February 2009)

Mr John McKeown (served on the Board 9 April 2008 until 8 February 2009)

Mr Richard Kenny (served on the Board 16 June 2008 until 5 October 2008 & 16 February 2009 until 31 March 2009)

Ms Anne-Marie O'Kane (Board Secretary)

Non-executive Board Members

Mr Bill McGinnis^{*1}

Mr Fred Gray

Appointments to these posts are made and their remuneration determined under normal arrangements for Senior Civil Service posts. Details of remuneration are included in the Remuneration Report within these Accounts.

In August 2008, the Departmental Board was reviewed and reconstructed, consisting of the Permanent Secretary, the two Deputy Secretaries and the non-executive directors.

Expenses for Non-executive Board Members

Total fees and expenses of £17,469.70 were paid in respect of the Departments Non-Executive Directors.

**1 Served on the Board from 1 April 2008 until 30 September 2008*

PUBLIC INTEREST AND OTHER

Departmental Reporting Cycle

The Department publishes its annual report and accounts in November each year. This is published on DEL's web-site (www.delni.gov.uk) and laid in the Northern Ireland Assembly. The Annual Report contains details of DEL's aims, objectives and targets and detailed textual and financial descriptions of performance against targets. Departmental performance is monitored during the year on a monthly basis. In-year reporting is provided in the form of Spring and Winter Estimates which outline what resources are needed for the current year. The latter documents are published by The Stationery Office and laid in the Northern Ireland Assembly.

Disabled persons

The Department follows the code of practice of the Northern Ireland Civil Service in aiming to offer equality of opportunity for people with disabilities to make full use of those skills and abilities that they possess.

Equal opportunities

The Department follows the Northern Ireland Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

Payment of suppliers

The Department is committed to the prompt payment of suppliers of goods and services in accordance with the Confederation of British Industry's prompt payers code and British Standard BS 7890.

Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, on presentation of a valid invoice or similar demand, whichever is later.

In the year ended 31 March 2009, 92.1% of invoices from suppliers were paid within the timescale noted above. No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1988.

Consultation with employees

During the year, in order to maintain and develop the provision of information to, and consultation with, employees, the Department engaged in an ongoing consultation process with its employees through the Departmental Whitley Committee.

Auditor

These accounts are subject to audit by the Comptroller and Auditor General for Northern Ireland. The Auditor has not received payment or fees for any non audit services.

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As Accounting Officer I can confirm that:

- so far as I am aware, there is no relevant audit information of which the Department's auditors are unaware; and,
- I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

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Departmental Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at <http://www.ome.uk.com/>.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, 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 Commissioners can be found at www.nicscommissioners.org

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management of the Department.

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Remuneration

Minister	2008-09		2007-08	
	Salary £000	Benefits in kind To nearest £100	Salary £000	Benefits in kind To nearest £100
Sir Reg Empey <i>Minister for Employment and Learning</i>	35-40	-	30-35 (35-40 full year equivalent)	-
Officials	Salary £000	Benefits in kind To nearest £100	Salary £000	Benefits in kind To nearest £100
Aideen McGinley <i>Permanent Secretary</i>	115-120	-	115-120	-
Mr Greg McConnell <i>Deputy Secretary</i>	95-100	-	95-100	-
Catherine Bell <i>Deputy Secretary</i>	90-95	-	90-95	-
Patricia McAuley <i>Assistant Secretary Preparation for Work</i>	75-80	-	65-70	-
David McAuley <i>Assistant Secretary Strategy and Employment Rights 1/4/08-7/4/08</i>	0-5 (75-80 full year equivalent)	-	75-80	-
Bernie O'Hare <i>Assistant Secretary Further Education</i>	75-80	-	70-75	-
June Ingram <i>Assistant Secretary Strategy and Employment Rights</i>	60-65	-	65-70	-
Nuala Kerr <i>Assistant Secretary Skills and Industry</i>	65-70	-	65-70	-
Trevor Connolly <i>Assistant Secretary Finance and European</i>	65-70	-	55-60	-
Fergus Devitt <i>Assistant Secretary Higher Education</i>	65-70	-	35-40 (65-70 full year equivalent)	-

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	Salary £000	2008-09		2007-08	
		Benefits in kind To nearest £100	Salary £000	Benefits in kind To nearest £100	Salary £000
Hugh McPoland <i>Assistant Secretary Corporate Services 2/2/09-31/3/09</i>	10-15 (75-80 full year equivalent)	-	-	-	-
John McKeown <i>Acting Assistant Secretary Corporate Services 9/4/08-8/2/09</i>	45-45 (55-60 full year equivalent)	-	-	-	-
Richard Kenny <i>Acting Assistant Secretary Further Education 16/6/08-5/10/08 & 16/2/09-31/03/09</i>	20-25 (55-60 full year equivalent)	-	-	-	-

Salary

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

The Department for Employment and Learning was under the direction and control of Sir Reg Empey during the financial year. His salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to the Minister's role as MLA which are disclosed elsewhere.

In August 2008, the Departmental Board was reviewed and reconstructed, consisting of the Permanent Secretary, the two Deputy Secretaries and the non-executive directors.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension Benefits

Minister	Accrued pension at age 65 as at 31/3/09	Real increase in pension at age 65	CETV at 31/03/09	CETV at 31/03/08	Real increase in CETV
	£000	£000	£000	£000	£000
Sir Reg Empey <i>Minister for Employment and Learning</i>	0-5	0-2.5	62	49	11

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2000 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contributions factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Retail Price Index. Ministers pay contributions of 6% of their Ministerial salary. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 22.6% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when Ministers reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETV's are calculated with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

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Pension Entitlements

Officials	Accrued pension at age as at 31/3/09 plus pension taken at partial retirement	Accrued lump sum at age as at 31/3/09 plus lump sum taken on partial retirement	Real increase in pension and related lump sum at pension age	CETV at 31/03/09	CETV at 31/03/08 **	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£'000	Nearest £100
Aideen McGinley <i>Permanent Secretary</i>	45-50 plus lump sum of 135-140	-	0-2.5 plus lump sum of 0-2.5	916	834	5	0
Mr Greg McConnell <i>Deputy Secretary*</i>	Accrued pension 20-25 Pension in payment 15-20	Accrued lump sum 0-5 Lump sum already paid	0-2.5 plus lump sum of 45-47.5	1,056	1,076	0	0
Catherine Bell <i>Deputy Secretary</i>	25-30 plus lump sum of 85-90	-	0-2.5 plus lump sum of 0-2.5	624	564	8	0
Patricia McAuley <i>Assistant Secretary Preparation for Work</i>	20-25 plus lump sum of 70-75	-	0-2.5 plus lump sum of 0-2.5	400	364	4	0
David McAuley <i>Assistant Secretary Strategy and Employment Rights 1/4/08-7/4/08</i>	35-40 plus lump sum of 105-110	-	0-2.5 plus lump sum of 0-2.5	781	780	0	0
Bernie O'Hare <i>Assistant Secretary Further Education</i>	25-30 plus lump sum of 85-90	-	0-2.5 plus lump sum of 2.5-5	609	535	25	0
June Ingram <i>Assistant Secretary Strategy and Employment Rights</i>	15-20 plus lump sum of 45-50	-	0-2.5 plus lump sum of 0-2.5	244	219	5	0
Nuala Kerr <i>Assistant Secretary Skills and Industry</i>	20-25 plus lump sum of 60-65	-	0-2.5 plus lump sum of 0-2.5	465	429	0	0

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Officials	Accrued pension at pension age as at 31/3/09 plus pension taken at partial retirement	Accrued lump sum at pension age as at 31/3/09 plus lump sum taken on partial retirement	Real increase in pension and related lump sum at pension age	CETV at 31/03/09	CETV at 31/03/08 **	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£'000	Nearest £100
Trevor Connolly <i>Assistant Secretary Finance and European</i>	5-10 plus lump sum of 20-25	-	0-2.5 plus lump sum of 0-2.5	99	96	0	0
Fergus Devitt <i>Assistant Secretary Higher Education</i>	15-20 plus lump sum of 50-55	-	0-2.5 plus lump sum of 2.5-5	256	227	9	0
Hugh McPoland <i>Assistant Secretary Corporate Services 2/2/09-31/3/09</i>	0-5	-	0-2.5	3	-	3	0
John McKeown <i>Acting Assistant Secretary Corporate Services 9/4/08-8/2/09</i>	15-20 plus lump sum of 45-50	-	0-2.5 plus lump sum of 5-7.5	333	255	45	0
Richard Kenny <i>Acting Assistant Secretary Further Education 16/6/08-5/10/08 & 16/2/09-31/03/09</i>	20-25 plus lump sum of 65-70	-	0-2.5 plus lump sum of 0-2.5	534	497	18	0

* Greg McConnell took partial retirement on 01/09/08. Under the scheme rules, a lump sum and pension payments have been paid to Mr McConnell.

** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations (Northern Ireland) 2008

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CPS). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could

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choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an ‘earned pension’ arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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 at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

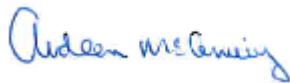
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV’s are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due

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when pension benefits are taken.

Real increase in CETV

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



Dr Aileen McGinley

**Accounting Officer
29 June 2009**

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MANAGEMENT COMMENTARY

Departmental expenditure for the year ended 31 March 2009 was £741m compared to £742m for the year ended 31 March 2008. The net total includes European Union income and interest receivable on student loans.

The Department migrated to Account NI on 7 July 2008 as part of the NICS reform agenda. These accounts have been prepared as a result of the effort and co-operation of Account NI. The Department continues to work with Account NI towards full stabilisation and the resolution of all outstanding issues.

Administration Costs

It should be noted that from 1 April 2008, staff costs in relation to the delivery of frontline services have been re-designated as programme expenditure. This covers the Preparation for Work Division, Office of Industrial Tribunal and Fair Employment Tribunal and the Careers and Guidance Service.

REQUEST FOR RESOURCES A

Lifelong Learning

Within Lifelong Learning there was a decrease in expenditure (£14.3m or 6%), including IDF Funds, due to a combination of factors.

In terms of grant aid to the Further Education (FE) sector, £7.6m of this reduction was due to a change in activity on Earmarked Funds – £2m of which was due to the Learner and Access Engagement programme which did not commence until January 2009. Contracts and funding for Workers Education Authority, Ulster Peoples College and Cultural Diversity ended in August 2008, resulting in a reduction of £0.8m.

In addition to this, capital expenditure has been £1m lower than 2007/08, due to the stage of completion of the projects in question. There has been no change in the larger individual projects in progress during the year:

Northern Regional College (formerly East Antrim)	New Build to replace Felden Training Centre
South Western College (formerly Fermanagh)	New Build Accommodation
South Eastern Regional College (formerly North Down)	New Build Accommodation
North Western Regional College (formerly North West Institute)	Extension

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FE Access funding rose by £0.5m on last year due to the increase in demand in the FE sector, for example Learner Access Engagement, which helps people get back into education or re-train. This has happened as a result of the current economic climate.

The Jobskills programme closed in September 2007. Applicants now participate in the Training for Success programme and Apprenticeships NI. Recruitment has been improving during 2008/09, leading to an overall increase of £1.2m on 2007/08.

Funding for certain initiatives was completed last year, resulting in a reduction in expenditure to 31 March 2009. These were the IDF Workforce and Economic Development Programme (reduction of £1m), and the Springvale Outreach programme (reduction of £1m). Last year (2007/08) was the second year of a two year Priority Funding Packages for Preparation for Vocational Training and the Fast Track Initiatives. This has resulted in a reduction of £7.7m.

Expenditure on Skills Development and Advisory rose by £1.4m as a result of a Sector Skills Council (SSC) bidding round held in June 2008. This resulted in increased applications for funding.

EU Income of £4m has been included this year in relation to the Apprenticeships NI programme – an increase of £1.7m on 2007/08.

Administration and frontline service costs rose by £0.8m as a result of inflationary uplift on pay scales together with the recruitment of additional Careers Advisors.

During the year ahead, the Department will:

- Complete the review of the Skills Strategy and publish an updated strategy; continue to work on economic downturn-addressing measures and working closely with other relevant departments and agencies e.g. DETI and Invest NI / Northern Ireland Tourist Board (NITB). The Department will continue to make progress on the move to a demand led skills model working closely with the FE colleges, Workforce Development Forums (WDFs) and Sector Skills Councils (SSCs) which are at the heart of this process;
- Participate in the UK-wide SSC re-licensing process and continue to develop the new relationship with the UK Commission for Employment and Skills (UKCES). Having recently appointed a new Northern Ireland Employment and Skills Adviser, we will provide support for his office and look forward to the imminent establishment of new advisory infrastructure which he will Chair;
- Continue to work on building on the Department's Management and Leadership Strategy 'Leading to Success'. Updating of relevant leadership and management programmes will continue to ensure that necessary skills development is made available to Northern Ireland employers. Leadership and Management Skills are recognised as a key component in driving the vision and harnessing the creative efforts of the workforce to deliver economic success;

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- Work closely with the Department of Education on the implementation of "Preparing for Success" the Careers Education Information, Advice and Guidance Strategy and Implementation Plan;
- Support specific, pre-employment training in high-value areas to support the key economically important industry sectors, as identified by DETI and Invest NI, taking account of the work of Matrix and the outcomes of the Review of Science, Technology, Engineering and Maths (STEM). This will help individuals and organisations to maximise their contribution to the Northern Ireland economy; and,
- Continue to implement its Quality Improvement Strategy, "Success Through Excellence: A Quality Improvement Strategy for the Further Education and Training System in Northern Ireland", incorporating any recommendations from the recent review.

Higher Education (HE)

Funding within the HE sector has decreased by £7.5m (3%) during the course of the year. The main changes in activities are outlined below.

Recurrent grant in aid to the Universities has risen by £1.3m due to an inflationary increase in the allocation for the year together with a rise in activity levels. In terms of capital expenditure, the majority of the Department's capital investment element was completed in 2007/08. This has led to a reduction in expenditure of £28.8m, including capital expenditure under the Strategic Research Investment Fund (SRIF), as this round of the programme came to an end in March 2008. Last year included SRIF receipts of £8.2m, whereas income included for 2008/09 was £2.4m, a reduction of £5.8m.

Last year, Support Programmes for University Research (SPUR) 2 expenditure included funding for projects such as Centres for Cancer Research and Theory & Application of Catalysis at Queens, together with the Centre for Research in Art Technology and Design and Transitional Justice at the University of Ulster. In 2008/09, as these projects have been completed, expenditure has reduced by £6.8m.

There has been an increase in funding of £15.7m due to the implementation of the new Learning and Teaching capital funding initiative, and £2.4m for the new Capital Investment Funding Programme.

Funding to the Colleges of Education saw an overall net decrease of £0.7m on 2007/08. Stranmillis College and St Mary's College completed one off capital projects in respect of Health and Safety issues.

The Reinvestment and Reform Initiative / Strategic Investment Programme (RRI/SIP) Borrowing Programme finished in 2007/08, leading to a reduction in expenditure of £3m. New programmes included Strengthening All Ireland Research, Increase in PhD Provision and Science Research Investment Fund, totalling £6.2m.

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During 2009/10 the Department will be examining the detail of the proposed merger between Stranmillis University College and the Queen's University of Belfast. The Department will be required to carry out a public consultation exercise and to draft enabling legislation for debate within the Assembly.

The Department will also be undertaking a review of the Education Maintenance Allowance (EMA) Scheme and begin the implementation of the recent Postgraduate Review recommendations pertaining to the Student Finance.

Student Support

Expenditure within this area has increased by £21m or 16%, when compared with 2007/08. Costs and income previously included within this category in relation to student loans have now been reallocated as Annually Managed Expenditure this year. There is no overall impact on the total net cost.

For Mandatory Awards, the movement has been an increase of £7.5m or 14% due to:

- a. An increase of £8.8m in HE Bursaries due to an additional cohort of students.
- b. Supplementary allowances rose by £0.1m – these are demand led and fluctuate from year to year.
- c. Tuition fees expenditure decreased by £1.4m. This has been due to a reduction in the number of students eligible for this grant.

Postgraduate awards have risen by £0.7m due to increased tuition fees and stipend (increased by 2.5%).

Elsewhere within Student Support, the student loan subsidy charge has increased from £45m in 2007/08 to £57m in 2008/09. This rise of £12m (27%) has been due to the increase in the value of the loan book.

A new programme was introduced this year to fund 100 PhD places resulting in expenditure of £0.5m.

During 2009/10 the Department will be consulting on variable fee and student finance arrangements in Northern Ireland, the outcome of which will inform future student finance policy for Northern Ireland.

There were no other individually significant variances in this category.

Non Budget

Non Budget expenditure includes grants paid to the Student Loans Company and the Education and Library Boards in their capacity as virtual Non-Departmental Public Bodies. As this expenditure is accounted for on a cash basis, the overall charge for the period is

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dependent on the timing of claims. This year has seen an increase of £0.6m or 3.5% on last year. Last year will also have benefited by the recovery of surplus cash balances from the Boards.

There were no further material variances or financial considerations of note within RfR A.

REQUEST FOR RESOURCES B

Employment Programmes (Preparation for Work)

In overall terms, expenditure within this division has risen from £50.1m in 2007/08, to £59.8m in 2008/09. This increase of £9.7m or 19.4% has been due to a combination of factors, the most significant of which are outlined below.

The introduction of the Pathways programme continued during the year. In March 2008 there were 28 active offices within the province (6 had only been operational for 9 weeks), and this has risen to 35 in March 2009. The impact has been an increase (£2.4m) in expenditure in terms of frontline staff costs and administration expenditure as well as direct programme funding (£1.2m – after allowing for prior period Priority Funding).

Expenditure in relation to Welfare to Work New Deal has reduced by £0.5m or 3% overall, as additional ring fenced Priority Funding was made available until last year. New Deal is a demand led programme and this reflected numbers claiming Job Seekers Allowance (JSA) and the introduction of the new Steps To Work (STW) Programme.

Bridge to Employment funding fell from £0.8m to £0.3m (57%) as a result of reduced demand. In the current economic climate, businesses have cancelled or postponed planned recruitment, resulting in a fall in applicants to the programme.

There has however been an increase of £5.9m (129%) in funding for schemes focusing on People with Disabilities. £5.3m of this relates to programmes delivered by Ulster Supported Employment Limited (USEL). There has been an increased uptake of long term employment programmes, initiated in 2007/08, now resulting in increased occupancy levels in 2008/09. A new range of products are match funded following the latest round of ESF funding. Also, Funding for Employment Programmes has risen by £0.7m or 65%. This has been as a result of changes to the Local Employment Intermediary Service (LEMIS) funding model i.e. the primary funding allocation changed from a 60:40 split to 50:50, increasing the Department's contribution.

Last year included expenditure in relation to the closure of Enterprise Ulster (credit £0.4m) and Workforce Training (£0.4m) both of which have now concluded.

During 2008/09 the numbers of individuals claiming Jobseekers Allowance rose by 85% from 24,500 to 45,000 which significantly impacted on the work of Regional Operations network of JBOs and Jobcentres. The seasonally adjusted unemployment rate is 6.1% for the period January to March 2009, up from 4.6% for the same period in 2008. As the sectors most affected have included construction and manufacturing, there were proportionately higher increases in the number of unemployed in areas such as mid Ulster, with Magherafelt

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and Dungannon District Councils facing rises of 240% and 205% respectively. Economic inactivity has also risen to 28.5% and is the highest among the UK regions. The forecasts of 66,000 unemployed by end 2009 and 76,000 by end 2010 provide significant challenges for the Employment Service during 2009/10. Provision such as Steps to Work, which was launched in September 2008, is a key programme which Personal Advisers can offer to assist individuals return to work.

Corporate Services & Employment Rights

Corporate Services expenditure has shown a total decrease of £3.2m or 18% on 2007/08. 2008/09 has seen a one year extension to the Fujitsu PFI contract for the provision of ICT services. As a result of negotiations by the Department, the cost of these services has fallen by £1.6m on the last year. The Department moved to IT Assist from April 2009.

This total now includes a credit of £2m relating to Departmental Cost of Capital. Previously this was included in the EU Cost of Capital figure.

The Department will continue to build on its commitment to implementing key elements of the Government Reform agenda. Migration to IT Assist took place on 1 April 2009, and the Department will continue to work towards the implementation of the principles of Workplace 2010. DEL has committed to building on its successful Investors in People (IIP) reaccreditation in September 2007 by setting targets in its business plan to achieve a higher level accreditation in the next two years.

The Department continued to increase work on programmes relating to Migrant Workers during 2008/09.

The Department continues to maintain and develop the Northern Ireland framework of employment law. Significant highlights for 2009/10, subject to approval, will include:

- An Employment Bill to enhance powers to investigate and prosecute serious offences by rogue employment agencies; permit the sharing of employment agency inspection information with HM Revenue and Customs; provide greater flexibility in making Industrial Court appointments and extend the right to legal representation to all but one of the Industrial Court's jurisdictions;
- Work to transpose the European Directive on Temporary Agency Workers, which will provide agency workers with equal treatment in relation to pay and certain working conditions on the same basis as comparable employees; and,
- Public consultation leading to policy proposals and ultimately legislation around:
 - workplace dispute resolution: the focus will be on encouraging a workplace culture that is better equipped to deal with disputes, deciding the future of existing statutory procedures for resolving disputes, exploring how greater use can be made of Alternative Dispute Resolution (ADR) techniques, and examining the role of employment-related tribunals;

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- extending the existing right to request flexible working to wider groups of employees; and,
- the introduction of a new provision that would give employees a statutory right to ask their employer for time to undertake training.

Finance and European

EU funding was largely in line with expectations. Results show that expenditure fell by £5m due to the 2000-06 programmes coming to an end (residual transactions), and rose by £5.6m due to the commencement of activity on the NI Competitiveness & Employment 2007 – 13 Programmes, with corresponding income resulting in a net zero movement. The figures were also impacted by the movement in exchange rates during the period.

Expenditure on the Peace II 2000 – 06 programme came to an end.

Non Budget

Cash based grant in aid payments to USEL fell from £4.4m last year to £0.7m this year, mainly due to re-categorisation of expenditure to programme delivery (£5.3m included in Employment Programmes above). Payments to the Labour Relations Agency remained constant at £3.2m for the year.

Notional Charges

Notional charges within RfR B rose by £0.7m from £6.6m to £7.3m as a result of the move to Account NI and the introduction of HR Connect.

Income

Income shown in note 11 to the accounts for the period and totalled £50.6m, compared to £46m for the previous year.

Student Loan interest is dependent upon the value of the loan book. In 2009 the interest receivable capitalised during the year was £34m (2008 - £27m).

SRIF income has decreased due to the timing of the programme and EU income has increased by £3.2m due to the overall level of programme activity in relation to the introduction of the new round of funding.

Balance Sheet

There were no significant movements in fixed assets during the year.

Student Loans represent the Department's main Financial Instrument. The accounting treatment and disclosures have been affected this year by the introduction of FRS 29 (replacing FRS 25). The Student Loan book in the balance sheet is now shown at fair value.

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This has been calculated by reducing the asset value by the Interest Subsidy and Deferment and Default provisions. There has been no overall net impact on results and this treatment has been agreed with HM Treasury and the Department for Innovation, Universities and Skills (DIUS). The figures for 2008 have also been adjusted to allow a meaningful comparative, and disclosure of this fact has been made in the Accounting Policies note to the accounts. Loans issued during the year amounted to £188m, repayments received were £44m and interest added to the loan book came to £34m

Debtors reduced by £22m overall since 31 March 2008. Prepayments fell by £18m due to the timing of in year payments to the Student Loans Company. The supply debtor fell by £6m due to the timing of payments and draw downs, and the fact that no supply debtor is receivable at 31 March 2009. There have been other small increases in debtor balances accounting for the remaining increase of £2m.

Creditors have increased from £90m at 31 March 2008 to £126m at 31 March 2009. Accruals have risen by £30m due to the accrual made for Tuition Fee Loans. This has risen on last year due to an additional cohort of students being eligible for the loans. Amounts due to the Consolidated Fund in respect of CFERs fell by £1m due to the receipt and payment of EU Income from the Commission (now negative DEL). Amounts due to the Consolidated Fund in respect of excess Accruing Resources fell by £3m – the balance payable relates to student loan receipts. A bank overdraft position of £15m arose at 31 March 2009.

Outturn Against Estimate

An explanation of outturn against the estimate is shown in note 2.

Departmental Performance Targets

Progress in relation to Departmental Performance Targets can be found at Annex A.

Sickness Absence

The Department monitors and manages sickness absence in line with NICS policy. The Department's target for 2008/09 was to reduce absenteeism to an average of 11.5 days lost per member of staff. The figures provided by NISRA and HR Connect indicate that DEL achieved an average of 11.0 days although these figures are currently being validated.

**ENVIRONMENTAL MATTERS, SOCIAL AND COMMUNITY ISSUES -
SUSTAINABILITY**

Corporate Social Responsibility

DEL has taken a structured approach to enabling teams to get involved in employee volunteering since March 2007. In the past year six teams of staff have taken part in short projects in the community that give them an opportunity to team build, and to deliver a tangible result for the community. Various voluntary organisations, schools and environmental projects have benefited. Feedback from the teams has been very positive demonstrating that their objectives in taking part have been met.

Environmental Matters

The Department introduced a Green Policy in March 2005 and is fully committed to supporting sustainable development initiatives across a wide range of areas.

Current initiatives include:

- 100% recycled paper used for all internal printing and photocopying;
- Electronic distribution of information used, where possible, for both internal and external communications;
- External customers are also encouraged to use electronic means of communication, e.g. consultation exercises, leaflets, reports etc;
- Replacement of all printers that are incapable of printing double-sided as part of contract renewal;
- Range of measures in place to increase recycling facilities and reduce waste going to landfill;
- The promotion of public transport as part of Departmental policies and by participation in the Translink annual travel pass scheme;
- The provision of chilled and filtered mains water in Departmental premises to remove the need for bottled water and the environmental issues that surround it;
- Regular communications with staff via “green” articles in the staff magazine and the Department’s Intranet to promote initiatives, publish achievements and encourage participation and support; and,
- Full participation in available energy savings initiatives to become more resource efficient in terms of heating and lighting throughout Departmental accommodation.

In addition the Department is continuing to demonstrate:

- A commitment to explore further energy savings and sustainable development initiatives as part of any refurbishment to Departmental accommodation and when ordering new equipment or machinery; and,

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- A commitment to explore best practice to build on current initiatives in terms of recycling and waste reduction and seek to ensure that all Departmental activities minimise any negative impact on the environment.

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**RECONCILIATION OF RESOURCES EXPENDITURE BETWEEN ESTIMATES,
ACCOUNTS AND BUDGETS**

	2008/09	2007/2008
	£000	£000
Net Resource Outturn - Estimate	740,555	742,252
Include non-voted expenditure of Operating cost Statement	4,276	1,921
Include non-voted income scored as CFERs in Operating Costs Statement	(12)	(4,738)
Net Operating Cost - Accounts	744,819	739,435
Remove other expenditure/income shown in Estimates under the heading 'Other Expenditure Outside DEL'	(4,276)	(1,921)
Less grant-in-aid payable to NDPBs	(19,428)	(22,083)
Add resource consumption by NDPBs	19,228	21,712
Less capital grants	(31,790)	(45,989)
EU income and related adjustments	-	-
Other adjustments (<i>please specify</i>)		
<i>Voted expenditure outside the budget</i>	(1,713)	(1,911)
<i>Movement of Student Loans to AME</i>	-	-
<i>Notional Loans Subsidy</i>	-	-
Interdepartmental Charges	(7,801)	(7,799)
Add Other Consolidated Fund Extra Receipts	12	1,270
DEL Capital	(148)	(117)
Resource Budget Outturn- Budgets	698,903	682,597
<i>Of Which:</i>		
Departmental Expenditure Limit (DEL)	698,903	682,597
Annually Managed Expenditure (AME)	-	-

Dr Aileen McGinley

Accounting Officer

29 June 2009

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES
for year ended 31 March 2009

Under the Government Resources and Accounts Act (Northern Ireland) 2001 the Department of Finance and Personnel (DFP) has directed the Department for Employment and Learning to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

- Observe the Accounts Direction issued by DFP including the relevant accounting and disclosure requirement, 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; and,
- Prepare the accounts on a going concern basis.

DFP has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Departments assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Government Accounting Northern Ireland.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2009

DEL STATEMENT ON INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. There are a number of bodies beyond the Departmental boundary in receipt of substantial financial support from the Department. They are responsible for their own internal control arrangements and are required to provide annually to the Department assurance that their arrangements are sound and comply with requirements. These bodies are the two local universities; the two local teacher training colleges; the six new further education colleges, the five Education and Library Boards, the Student Loans Company Limited, the Labour Relations Agency (LRA), Ulster Supported Employment Ltd. (USEL) and the Construction Industry Training Board (CITB).

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. Procedures were put in place in December 2002 and have been fully operational since that time. The system of internal control has been in place in the Department for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel (DFP) guidance.

Capacity to handle risk

The Department has carried out appropriate procedures to identify its objectives and risks and determine a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk to the achievement of the Departmental Objectives.

The Departmental Board has ensured that procedures are in place for verifying that risk management and internal controls are reviewed and reported on regularly. Risk management has been incorporated into the corporate planning and decision making processes of the Department.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors, the Financial Audit and Support Team (FAST), the external auditors in their management letter and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework. I have been advised on the implications of the result of my review of the effectiveness of the

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2009

system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In their Annual Report, Internal Audit reported that an overall satisfactory system of internal control in relation to Risk Management, Control and Governance has been in operation throughout the year.

Internal control processes include the following:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board;
- Regular reviews by the Departmental Senior Management Team of monthly management accounts and annual financial reports that indicate financial performance;
- Quarterly reviews by both the Departmental Senior Management Team and Board of periodic and annual reports of progress against business plan, PfG and PSA targets;
- Monthly reviews by the Senior Management Team, and bi-monthly reviews by the Departmental Board of the movement in, and management of, the control of risks at Departmental level;
- A comprehensive system of internal control rules (Finance Bulletins) which set down procedures for key processes including procurement (including policy on the use of consultants), authority to incur expenditure, entertainment and staff travel etc;
- Internal Audit arrangements which operate to standards defined in the Government Internal Audit Manual. Regular reports are submitted which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement;
- FAST is responsible for inspecting external organisations in receipt of funding from the Department; FAST provides advice on how grants are applied and on the adequacy and effectiveness of the internal control systems within those organisations, and makes recommendations for adjustment of grant and improvements to these organisations' systems;
- Internal Audit and FAST report annually to the Department's Audit Committee which meets four times a year to review audit work programmes and related assurance reports;
- Heads of Divisions are required to provide an annual assurance statement to the Accounting Officer giving their assessment of the operation of internal control arrangements within their Divisions during the relevant financial year; this includes a facility to identify issues giving cause for concern and the remedial action proposed or taken; and,
- NDPBs and other Sponsored Bodies that have Additional Accounting Officers appointed are also required to provide annual assurance statements to the Department along the same lines as those required of Heads of Divisions.

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Developments in systems of internal control

By the end of March 2009, the Department achieved the following:

- Reviewed the governance framework documents for the CITB and USEL, which were approved by DFP in September 2008 and December 2008 respectively;
- Consulted with key stakeholders to update Financial Memorandum Audit Code for the Further Education Colleges, to reflect the appointment of the Comptroller & Auditor General as the External Auditor;
- The members of the Audit Committee in the six FE Colleges all received sector specific training with regard to corporate governance, accountability and the roles and responsibilities of audit committees;
- The Accounting Officer, together with the Chair of the Departmental Audit Committee, has instituted a programme of annual accountability meetings with the respective Accounting Officers of each of the six FE Colleges, the department's three NDPBs and the four Higher Education Institutions;
- The Departmental Board was reviewed and restructured into two entities: the Departmental Board consisting of the Permanent Secretary, the two Deputy Secretaries and the non-executive directors; and the Senior Management Team which consists of the department's senior managers. The Departmental Board meets bi-monthly, while the Senior Management Team meets on a monthly basis. These changes came into effect in August 2008; and,
- The Department has initiated a project to develop and implement an information assurance model - a framework of controls to provide confidence and manage risks in DEL's information systems. The framework of controls will form DEL's Information Security Management System and associated information governance arrangements. It will be based on the international standard ISO 27001, a comprehensive set of controls comprising best practice in information security.

Significant internal control problems

The Department has been involved in procurement negotiations for two PPP projects: in South East Regional College (SERC) and Belfast Metropolitan College (BMC). In order to progress these developments, the colleges required advisory teams of technical, legal, and financial experts. These appointments required DFP and Ministerial approvals which were obtained in 2002: BMC and 2003: SERC. Because of the complexity of the procurement process, the work of the advisory teams took significantly longer to complete than had been initially envisaged; the teams also encountered issues that could not have been foreseen when the appointments were made. As a result of these delays and variations, the fixed price approval limits for BMC and SERC were exceeded and in March 2009, the Department sought retrospective approval from DFP for uplift to the advisory fees approval limits. DFP subsequently declined to grant the retrospective approval requested. Nevertheless, the Colleges were obliged to meet the costs of the additional work undertaken and the Department, in turn, was formally committed to reimburse the Colleges for 90% of the expenditure required. Both Colleges have now informed the Department that this expenditure has been deemed irregular by NIAO (their external auditors) and hence their 2007/08

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2009

Accounts will be qualified. The Department is undertaking a post project evaluation which will identify more precisely the weaknesses in this process that resulted in approval limits being exceeded. The lessons learned from this exercise will be applied to any similar procurement in future.

The 2008/09 Assurance Statement submitted by Northern Regional College notes two areas where the Internal Audit assurance rating is unacceptable. These relate to the areas of (i) Security of Assets and Delivery Arrangements: procedural guidance and policy documentation and (ii) Estate Management, Maintenance Planning and Energy Management in respect of the management structure, the formalisation of operations and reactive maintenance contracts. In respect of the former the College has since appointed a Head of Estates and a Facilities Manager and has developed policies and procedures to address the weakness identified. Regarding the latter, following the loss of a number of key staff on a temporary basis during the early part of 2008/09, all posts have now been permanently filled and a new facilities management system is being implemented.

Each year, the Department, in line with the Further Education (Northern Ireland) Order 1997, specifies a date by which all FE audited accounts must be submitted to the Department. For the 2007/08 college financial year, the Department requested accounts to be submitted by 30 January 2009. At that date, only two Colleges had submitted their final audited accounts. Of the four which did not submit their accounts by the statutory date, two cited the delay as resulting from uncertainty over the issues surrounding the payment of consultants fees, as mentioned above. Two others were delayed as a result of the requirement to bring PFI projects on to their balance sheets which required a significant amount of additional analysis work. To date the Department has received a further two sets of completed signed accounts and both BMC and SERC have prepared and re-submitted their accounts to NIAO.

During 2007/08, the Department noted with concern that the two Colleges which had merged to establish Belfast Metropolitan College, had posted significant operating deficits for the 2006/07 academic year. These deficits were significantly in excess of their in-year estimates and their financial projections indicated further substantial deficits for the current and future years. The College, with the approval of the Department, commissioned its internal auditors to carry out a detailed investigation of financial management within the College. The review, however, only provided limited assurance over controls operating within a number of key finance areas. As a result, the Department met with members of the College's governing body to discuss its deep concerns about the financial health of the College. During the meeting, the governors noted that they shared these concerns and indicated their commitment to work with the Department in returning the College to financial health and stability. To that end, the Department initiated a comprehensive efficiency review under Article 18 of the Further Education (Northern Ireland) Order 1997, which empowers the Department to arrange for the carrying out of a review designed to improve economy, efficiency and effectiveness in the management or operation of an institute of further education. The review has now been completed and discussions have commenced with the College with respect to the production of a formal recovery plan with a view to the plan's implementation commencing before the end of 2009.

A report commissioned by the Department was provided to the North West Regional College in October. This report was a result of a due diligence exercise conducted in advance of the

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2009

merger of the North West Institute and the Limavady College of Further and Higher Education. It identified issues in respect of payments to providers of consultancy services during the period August 2003 to July 2006. These issues were related to a number of areas including the procurement of consultancy services, conflicts of interest and an apparent lack of transparency in respect of the governance of these payments and contracts with the consultancy service providers. The Accounting Officer of the College has confirmed that there is improved governance in place with respect to contracts, procurement and conflicts of interest. The Internal Auditors for the North West Regional College has provided a substantial level of assurance following their audit of the award of contracts for Consultancy Services, and their audit of financial controls.

An administrative error was made when forecasting Training for Success expenditure in the autumn, prior to the December Monitoring round. This led to an overspend against the Final Budget position, following February Monitoring, but not to any breach of voted expenditure limits. The Department has taken action to ensure robust forecasting systems have been put in place to prevent the recurrence of this error.

The Southern Regional College Internal Auditors raised concerns in relation to three areas which were reviewed during the year. These related to the security of assets and delivery arrangements; IT infrastructure and related controls; and, compliance with data protection and freedom of information legislation. As a result, the College was given a limited assurance rating in relation to the adequacy of the systems of control in place for the year ended 31 July 2008.

On 7 May 2009 the Department provided evidence to the Assembly's Public Accounts Committee on the NIAO reports: "Review of Financial Management in the Further Education Sector in Northern Ireland from 1998 to 2007" and "Governance Examination of Fermanagh College of Further and Higher Education". The Committee's report is awaited. The Department's response to the report will be contained in a Memorandum of Reply, which will be presented to the Assembly by the Department of Finance & Personnel.

DFP Internal Audit has provided an overall satisfactory level of assurance with regards to Account NI. However, an unacceptable level of assurance was given for Procure to Pay Data Retention, and a limited level of assurance was provided on i-Procurement and Accounts Payable. Account NI has responded favourably to all recommendations made by Internal Audit and, where possible, has implemented these. Residual recommendations will be addressed in the 2009-10 financial year and Internal Audit will follow-up on all audit recommendations made.

DFP Internal Audit conducted a review of the HR Connect payroll service prior to go-live focusing on the documented operating procedures for shared service centre and NICS staff and provided a satisfactory level of assurance in these areas. However, Internal Audit has not undertaken any direct work since the HR Connect Service went live in November 2008. The internal audit of the HR Connect service in 2008-09 was undertaken by the main contractor, in accordance with contractual provisions. A set of internal reports have been received from the main contractor, including a review of actual controls against expected controls in respect of the non-industrial payroll system. These have been reviewed by Corporate HR and DFP Internal Audit who are satisfied that although some weaknesses have been identified these are

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being addressed by Capita and Fujitsu. Corporate HR has also welcomed the establishment of a monthly forum at which Capita and Fujitsu will discuss progress on issues raised in these reports and will monitor progress on the implementation of recommendations. DFP Internal Audit will be conducting direct audit work in HR Connect during 2009-10.

During the year the Department exceeded its Net Cash Requirement of £765.2m, as defined in the Spring Supplementary Estimates, by £15.8m (2.1%). This cash overspend occurred due to two key factors;

- An adjustment was required to the treatment of Student Loans Interest Receivable as a result of clarification received post year end from the Department of Finance and Personnel (DFP) on the correct budgetary treatment. The consequence of this adjustment is that the Net Cash Requirement figure in the Spring Supplementary Estimates was understated by the amount of Student Loans Interest Receivable. The net impact of this adjustment accounts for £10.1m of the overspend. A detailed reconciliation of Resources to Cash Requirement is given in Note 4 to the Resource Account. Student Loan Interest Receivable will be addressed, in line with the new DFP guidance, during the in-year Annually Managed Expenditure forecasting exercise and the Department will review its cash management procedures, against external guidance and in comparison to other Northern Ireland Departments, to ensure they are as robust and effective as possible; and,
- Due to an administrative error in Account NI a payment of £5.6m to the Student Loan Company which was to be paid on the 1 April 2009 was processed on 31 March 2009. Procedures have been enhanced to mitigate against the risk of a recurrence.



Dr Aileen McGinley

Accounting Officer

29 June 2009

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE HOUSE OF COMMONS
for the year ended 31 March 2009**

DEPARTMENT FOR EMPLOYMENT AND LEARNING

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Department of Employment and Learning for the year ended 31 March 2009 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, the information which comprises the Directors' Report and the Management Commentary is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE HOUSE OF COMMONS
for the year ended 31 March 2009**

unaudited part of the Remuneration Report, the Annual Report and the Annexes. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- information which comprises the Director's Report and the Management Commentary included within the Annual Report, is consistent with the financial statements.

Qualified opinion on regularity arising due to expenditure incurred for which proper approval was not obtained

Two Further Education Colleges funded by the Department incurred total expenditure of £2.847 million on Public Private Partnership projects. The colleges were Belfast Metropolitan College and the South Eastern Regional College. Once the projects were underway they were

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
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for the year ended 31 March 2009**

subject to a series of delays and variations which led to further work being carried out. The Department had agreed to fund 90% of the costs which were incurred on the projects. As the final cost far exceeded the £1million originally agreed, the Department sought approval from the Department of Finance and Personnel (DFP) for the additional expenditure. DFP refused to approve the additional £1.847million expenditure (the Department's 90% share of the additional expenditure was £1.662 million). The expenditure which DFP did not approve is therefore irregular.

Qualified opinion on regularity due to net cash expenditure in excess of amounts authorised

The Department exceeded the net cash expenditure which had been authorised by the Northern Ireland Assembly by £15,767,570.98. This expenditure is therefore deemed irregular.

In my opinion, except for the irregular expenditure incurred where proper approval was not obtained from DFP and cash expenditure incurred that was in excess of that authorised by the Northern Ireland Assembly, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Emphasis of matter: significant uncertainty on any liability over equal pay issues

Without qualifying my opinion, I draw attention to note 26b to the financial statements. This refers to the obligation of the Northern Ireland Civil Service to comply with equal pay legislation and address any anomalies that may exist in its present pay and grading structures. Equal pay claims have been lodged with the Industrial Tribunal by the Northern Ireland Public Service Alliance (NIPSA) on behalf of its relevant members. The present Minister of Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. The Department of Finance and Personnel considers that a reliable estimate of the potential liability cannot be made at this point in time due to the complexities associated with the resolution of the issue. These complexities include establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of these payments. Consequently a provision has not been made in the financial statements for any liability that may result.

Report

Details of the qualification matters can be found in my report on the financial statements



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
1 July 2009

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF PARLIAMENTARY SUPPLY
for the year ended 31 March 2009**

Summary of Resource Outturn 2008-09

								2008-09 £000	2007-08 £000
Request for Resources	Note	Estimate			Outturn			Net Total Outturn compared with Spring Supplementary Estimate: saving/ (excess)	Outturn Net Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
A	2	732,925	86,306	646,619	679,852	40,814	639,038	7,581	639,273
B	2	118,067	11,949	106,118	111,277	9,760	101,517	4,601	102,979
Total resources	3	850,992	98,255	752,737	791,129	50,574	740,555	12,182	742,252
Non-operating cost Accruing Resources			42,006	42,006		42,006	42,006	-	32,000

Net Cash Requirement 2008-09

				2008-09 £000	2007-08 £000
	Note	Estimate	Outturn	Net total Outturn compared with Spring Supplementary Estimate: Outturn saving/ (excess)	Outturn
Net cash requirement	4	765,180	780,948	(15,768)	785,583

Summary of Income Payable to the Consolidated Fund

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

		Forecast 2008-09 £000		Outturn 2008-09 £000	
	Note	Income	Receipts	Income	Receipts
Total	5	-	-	2,181	3,155

The notes on pages 76 to 114 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF PARLIAMENTARY SUPPLY
for the year ended 31 March 2009**

The Department has incurred an Excess of £15,768k because the voted net cash requirement for the Estimate has been breached. The Department will seek Assembly approval by way of an Excess Vote in the next Budget Order.

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS
AND LOSSES
for the year ended 31 March 2009**

Operating Cost Statement for the Year Ended 31 March 2009

				2008-09 £000	2007-08 £000 (restated)
	<i>Note</i>	Staff Costs	Other Costs	Income	
Administration costs:					
Staff costs	8	15,435			14,543
Other administration costs	9		16,762		18,125
Operating income	11			(170)	(1,270)
Programme costs: Request for resources A					
Programme costs	8, 10	3,999	666,919		666,235
Income	11			(40,814)	(37,142)
Programme costs: Request for resources B					
Programme costs	8, 10	27,804	64,486		86,483
Income	11			(9,602)	(7,539)
Totals		47,238	748,167	(50,586)	739,435
Net Operating Cost	<i>3,12</i>			744,819	739,435

2007-08 has been restated to reflect the change in accounting treatment of staff costs in relation to the delivery of frontline services.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS
AND LOSSES
for the year ended 31 March 2009**

Statement of Recognised Gains and Losses for the Year Ended 31 March 2009

	2008-09 £000	2007-08 £000
Net gain/(loss) on revaluation of tangible fixed assets	<u>(231)</u>	<u>388</u>
Recognised gains and losses for the financial year	<u><u>(231)</u></u>	<u><u>388</u></u>

The notes on pages 76 to 114 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
BALANCE SHEET
as at 31 March 2009**

	<i>Note</i>	2009 £000	2008 £000 (restated)
Fixed assets:			
Tangible assets	<i>13</i>	5,248	5,569
Financial Assets – Student loans	<i>14.1</i>	929,880	776,364
Financial Assets – Other	<i>14.2</i>	2,338	2,338
Debtors falling due after more than one year	<i>15</i>	-	874
Current assets:			
Debtors	<i>15</i>	43,600	65,584
Cash at bank and in hand	<i>16</i>	19	9
		<u>43,619</u>	<u>65,593</u>
Creditors (amounts falling due within one year)	<i>17</i>	(125,879)	(89,664)
Net current assets/(liabilities)		<u>(82,260)</u>	<u>(24,071)</u>
Total assets less current liabilities		855,206	761,074
Creditors (amounts falling due after more than one year)	<i>17</i>	(510)	(501)
Provisions for liabilities and charges	<i>18</i>	(210)	(593)
Financial Liabilities	<i>14.3</i>	<u>(26,001)</u>	<u>(27,010)</u>
		<u>828,485</u>	<u>732,970</u>
Taxpayers' equity:			
General fund	<i>19</i>	827,065	731,227
Revaluation reserve	<i>20</i>	<u>1,420</u>	<u>1,743</u>
		<u>828,485</u>	<u>732,970</u>

Signed



Dr Aileen McGinley

Accounting Officer

29 June 2009

The notes on pages 76 to 114 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CASH FLOW STATEMENT
for the year ended 31 March 2009

		2008-09 £000	2007-08 £000
	<i>Note</i>		
Net cash outflow from operating activities	<i>21a</i>	(664,648)	(662,930)
Capital expenditure and financial investment	<i>21b, 21c</i>	(117,706)	(118,343)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,526	25,058
Payments of amounts due to the Consolidated Fund		(7,337)	(28,959)
Financing	<i>21d</i>	<u>775,328</u>	<u>814,370</u>
Increase/(decrease) in cash in the period	<i>21e</i>	<u>(12,837)</u>	<u>29,196</u>

The notes on pages 76 to 114 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF NET OPERATING COSTS BY DEPARTMENTAL STRATEGIC
OBJECTIVES
for the year ended 31 March 2009

	2008-09 £000			2007-08 £000		
	Gross	Income	Net	Gross	Income	Net
Objective 1	679,852	(40,814)	639,038	675,212	(37,142)	638,070
Objective 2	115,553	(9,772)	105,781	110,174	(8,809)	101,365
Net operating cost	795,405	(50,586)	744,819	785,386	(45,951)	739,435

The Department's objectives were as follows:

Objective 1 - is equivalent to Request for Resources A (RfR A), which is: promoting economic, social and personal development through high quality learning, research and skills training.

Objective 2 - is equivalent to Request for Resources B (RfR B), which is: helping people into employment and promoting good working practices.

Further details of resources by Departmental aim and objectives are given in note 22.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by DFP. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

Changes in accounting policies are highlighted at 1.6 (Staff Costs) and 1.8 (Financial Instruments) below.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

In 2008-09, financial instruments standards FRS 25, 26 and 29 were implemented in central government. This has resulted in a number of presentational changes to the accounts. However, there has been no impact on the opening net assets or retained earnings. Where relevant, balance sheet comparators and related notes have been restated to reflect the new presentation requirements.

The key areas of change relate to reclassification of provisions; in the 2007-08 published accounts, the student loan interest subsidy and deferment and default costs were classified as provisions in the accounts. These impairments are now presented with the student loan asset within financial assets. The debt sale subsidy liability has been reclassified from provisions to financial liabilities.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. All tangible fixed assets are restated to current value each year. Published indices appropriate to the category of asset are normally used to estimate value.

Land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years, and, in the intervening years, by the use of published indices appropriate to the type of land or building. The last

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

professional valuation of land and buildings was provided by the Valuation and Lands Agency at 31 March 2005. A desk based review has been reported in each of the subsequent years including 31 March 2009.

The minimum level of capitalisation for inclusion in the Financial Statements as a tangible fixed asset is £1,000. On initial recognition they are measured at cost, including any costs directly attributable to bringing them into working condition.

1.3 Depreciation

Tangible fixed assets are depreciated from the month of acquisition at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, or lease period if shorter. The base useful lives of assets are as follows:

Specialised buildings	50 years
Furniture and fittings	10 years
Computer equipment and software	4-10 years

Valuations of tangible fixed assets are based on a review of values as at the balance sheet date. No depreciation is provided on freehold land.

Legal title to the Government-owned land and specialised buildings occupied by the Department rests in DFP. Properties managed and controlled by the Department for its specific purposes (specialised buildings) are incorporated in the accounts as if owned by the Department.

The remaining buildings used by the Department (some of which have shared occupancy) are part of the Government Estate. As rents are not paid for these properties an assessment of the rent that would be payable on an open market basis has been charged in order to reflect the full economic cost.

1.4 Investments

Financial interests in bodies that are outside the Departmental boundary are treated as fixed asset investments since they are held for the long term.

Loans issued by the Department to Ulster Supported Employment Limited are shown at historical cost (14.2), and with the introduction of FRS 25, FRS 26 and FRS 29, have been included within Financial Assets.

1.5 Operating income

Operating income is income that relates directly to the operating activities of the Department. It comprises income from the European Union in support of departmental activities, fees and charges for services provided, on a full cost basis, to external customers and public repayment work and other income.

It includes not only the Department's accruing resources (AR) but also income payable to the Consolidated Fund, which is treated as operating income.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

Operating income is stated net of VAT.

1.6 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in Managing Public Money Northern Ireland by DFP.

Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non-administration costs, including delivery of frontline services, payments of grants and other disbursements by the Department.

During the year there has been a change in accounting policy to include directly attributable staff costs (frontline services) to programme costs. Last year's figures have been restated accordingly.

1.7 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities excluding balance due to Consolidated Fund and Student Loans. Student loan investment and student loan provisions are calculated at 2.2 %, in line with Treasury discount rate for provisions (note 1.8.1).

1.8 Financial assets

The Department measures and presents financial instruments in accordance with FRS 25, FRS 26 and FRS 29 as modified by the FReM. Last year's figures have been restated accordingly. The Department holds financial assets in the form of loans to students, loans to Ulster Supported Employment Limited as well as trade debtors, cash and cash equivalents. Financial assets which are due to be repaid within one year are shown within current assets on the balance sheet.

1.8.1 Student loan valuation

The Department accounts for a share of the UK totals of student loan assets administered by the Student Loan Company Limited and related financial liabilities using information on the domicile of student debtors supplied by the Student Loan Company Limited on the Northern Ireland share of the relevant balances and transactions.

Interest is charged on student loans at rates necessary to maintain the value of the loans in real terms and is added to amounts repayable by students.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

The Department meets the costs resulting from the difference between interest paid by students and the real cost of loan capital.

An inflation adjustment is made in these accounts to reflect the impact of inflation on student loans (see note 1.10).

Student loan interest has been classified as student support income as opposed to being shown netted off against student support grant expenditure.

Student loans are classified as Loans and Receivables. As such, they are recorded in the accounts at amortised cost.

This involves the gross value of the loans issued being reduced by an amount based on:

- (a) the Department's estimate of the present cost of subsidising interest on loans over the life of the loan ("interest subsidy impairment"); and,
- (b) an estimate of the future cost of policy write-offs ("deferment and default impairment"), which reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of student.

The estimates underpinning these impairments are based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of student loans. Given the long term nature of both impairments, the time value of money is significant, and the provisions are discounted using the current HM Treasury discount rate of 2.2% in real terms, in accordance with the FReM.

There are significant uncertainties in assessing the actual likely costs and the liability will be affected by the assumptions used. These are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate.

Further details of the movements in the loan valuation can be found in Note 14, while disclosures relating to risk can be found in Note 25.

1.8.2 Other financial assets

Current financial assets, such as trade debtors and cash, are measured at amortised cost as a reasonable approximation of fair value.

1.9 Financial liabilities

Financial liabilities are measured at amortised cost. Long term financial liabilities are discounted where material.

Financial Liabilities include legal or constructive obligations for student support cost related to student loans which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant the estimated

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

risk adjusted cash flows are discounted using the Treasury discount rate for provisions of 2.2%.

1.10 Inflation adjustment

A charge is made to reflect the impact of inflation on student loans and is included as part of student loans expenditure.

1.11 Pensions

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

1.12 European Union income

All income from the EU is separately identified and is released to the Operating Cost Statement in the period in which the underlying activity takes place.

1.13 Notional costs

Some of the costs directly related to the running of the Department are borne by other Departments and are outside the Department's vote. These costs have been included in these accounts on the basis of the estimated cost incurred by the providing Department.

1.14 Value Added Tax

Most of the activities of the Department are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No 1 (Revised), entitled How to Account for PFI Transactions, as required by FReM.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where, at the end of the PFI contract, a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Department, it is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.16 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

In line with FReM, Grant in aid paid to Non Departmental Public Bodies is accounted for on a cash basis.

1.17 Provisions

The Department provides for the anticipated closure costs of Enterprise Ulster (note 18).

The Department is required to account for the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.

The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the year the announcement is made.

1.18 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

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

1.19 Third party assets

The Department acts as agent for the Northern Ireland National Insurance Fund in relation to various aspects of the Employment Rights (Northern Ireland) Order 1996. The transactions and balances arising are reflected in the accounts of the Northern Ireland National Insurance Fund and are not included in these financial statements.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2009

2. Analysis of Net Resource Outturn by Section

	2008-09						2007-08		
	Admin	Other	Grants	Gross	Accruing	Net	Net Total	Net Total	Prior
	£000	Current	£000	Resource	Resources	Total	Spring	Compared	Year
		£000	£000	Expenditure	£000	£000	Supple-	With	Outturn
				£000			mentary	Spring	
							Estimate	Supple-	
							£000	mentary	
								Estimate	
								£000	£000
Request for Resources A									
Lifelong Learning	6,936	4,361	235,186	246,483	(4,349)	242,134	245,228	3,094	255,158
Higher Education	1,122	143	229,633	230,898	(2,418)	228,480	229,844	1,364	236,004
Student Support	344	57,005	93,331	150,680	-	150,680	153,564	2,884	129,717
Executive Programme Funds	-	-	-	-	-	-	-	-	1
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	-
Repayment of Loans	-	-	-	-	-	-	-	-	-
IDF Funds	-	-	(74)	(74)	-	(74)	148	222	1,174
Annually Managed Expenditure									
Student Support	-	24,936	9,111	34,047	(34,047)	-	-	-	-
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	-	1,713	1,713	-	1,713	1,718	5	1,551
Teachers pre-retirement – new Liabilities	-	-	-	-	-	-	-	-	360
Notional charges	532	-	-	532	-	532	630	98	1,196
Education and library boards	-	-	11,811	11,811	-	11,811	12,006	195	10,730
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Student Loan Company	-	-	3,762	3,762	-	3,762	3,480	(282)	3,382
Total for RfR A	8,934	86,445	584,473	679,852	(40,814)	639,038	646,619	7,581	639,273
Request for Resources B									
Employment Programmes	1,100	25,604	33,095	59,799	-	59,799	63,125	3,326	50,065
Labour Market Services	12,697	2,292	340	15,329	(301)	15,028	15,850	822	18,266
ESF Payments-Public and Private sector	2,197	4,700	14,747	21,644	(8,802)	12,842	12,680	(162)	12,614
ERDF Payments	-	-	-	-	-	-	-	-	-
EU Community initiatives	-	-	390	390	(390)	-	-	-	-
EU programme for peace and Reconciliation	-	173	2,280	2,453	(267)	2,186	2,490	304	7,209
Executive Programme Funds	-	-	-	-	-	-	-	-	-
IDF Funds	-	-	-	-	-	-	-	-	47
EU Cost of Capital Charge	-	538	-	538	-	538	800	262	204
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	-	-	-
Non Budget									
Notional charges	7,269	-	-	7,269	-	7,269	7,278	9	6,603
Enterprise Ulster	-	-	-	-	-	-	-	-	344
USEL	-	-	655	655	-	655	695	40	4,427
LRA	-	-	3,200	3,200	-	3,200	3,200	-	3,200
Total for RfR B	23,263	33,307	54,707	111,277	(9,760)	101,517	106,118	4,601	102,979
Resource outturn	32,197	119,752	639,180	791,129	(50,574)	740,555	752,737	12,182	742,252

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Explanation of the variation between Estimate and Outturn

Request for Resources A

In total, Request for Resources A shows a total under spend of £7.6m (1.17%) against the Estimate for the year. The main variances are outlined below.

Within Lifelong Learning (which includes Further Education and Skills and Industry Divisions) there was an under spend of £3.1m. The main reasons for this are as follows.

An under spend of £6.1m arose on the FE Capital project at Belfast Metropolitan College. The purchase of land at the Titanic Quarter for the PPP Project was expected to be concluded in March 2009 but was delayed until April 2009.

An over spend of £6m arose on the Training for Success and Apprenticeships NI programmes. The demand led nature of training programmes compounded by the delay of actual expenditure information, makes accurate forecasting difficult. Further, the downturn in the Northern Ireland economy towards the latter part of 2008 was reflected in the increase in occupancy and retention rates on the Training for Success Programme in the latter half of the financial year.

Recurrent grant payable to FE Institutions was £1.8m below the Estimate. This was mainly due to reduced levels of activity in a number of areas including e-Learning and Learner Access Engagement, both of which did not commence as early as originally planned. An under spend of £0.6m arose on the Springvale Outreach project as a result of over provision in prior periods.

All other variances within Lifelong Learning were less than £0.5m.

Within Higher Education there was an overall under spend of £1.4m. This mainly arose within miscellaneous grants and recurrent payments to Higher Education Funding Council for England (HEFCE). Programmes developed more slowly than expected and a change in charging methodology by HEFCE this year led to an unpredicted reduction in charge.

Student Support shows an under spend against the Estimate of £2.9m. £1.9m relates to the provision for Student Loan Subsidy charge, which is dependent on the scale of loan issues and repayments during the period, which were lower than projected for issues and higher than expected for repayments. Supplementary Allowances, which are demand led, were £0.4m lower than anticipated. There were no other individually significant variations within Student Support.

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Request for Resources B

In total, Request for Resources B shows a total under spend of £4.6m (4.3%) against the Estimate for the year. The main variances relate to Employment Programmes and Labour Market Services.

Within Employment Programmes (total under spend £3.3m), frontline staff costs were £0.8m lower than the Estimate. Action was taken to surrender £0.7m in February monitoring as the anticipated number of permanent staff being recruited to cope with the rise in demand for Job Seekers Allowance (JSA) was not realised.

New Deal expenditure was £1.8m lower than the Estimate. New Deal and Steps to Work are demand led programmes and as such are affected by the numbers still claiming JSA at the mandatory trigger points. Expenditure was also affected by the bedding-in period for Steps to Work, introduced in September 2009.

Resources of £0.3m were no longer required in relation to the closure of Enterprise Ulster. Pathways surrendered £0.3m in February monitoring. There were no other individually significant variances with Employment Programmes.

Labour Market services expenditure was £0.8m below the Estimate due to administration costs and was surrendered in February monitoring.

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Analysis of Net Resource Outturn by Section

	2007-08								2006-07
	Net Total								Outturn
	Net Compared								Prior
	Total								Year
	Spring								Outturn
	Supple-								£000
	mentary								£000
	Estimate								£000
	£000								£000
	Net								£000
	Total								£000
	Accruing								£000
	Resources								£000
	Gross								£000
	Expenditure								£000
	Other								£000
	Current								£000
	Admin								£000
	£000								£000
Request for Resources A									
Lifelong Learning	10,203	254	246,731	257,188	(2,030)	255,158	268,329	13,171	227,936
Higher Education	1,023	53	243,337	244,413	(8,409)	236,004	238,627	2,623	232,570
Student Support	314	70,584	84,319	155,217	(25,500)	129,717	144,417	14,700	74,980
Executive Programme Funds	-	-	1	1	-	1	10	9	(35)
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	-
Repayment of Loans	-	-	-	-	-	-	-	-	-
IDF Funds	-	-	1,174	1,174	-	1,174	2,104	930	-
Annually Managed Expenditure									
Lifelong Learning	-	-	-	-	-	-	-	-	-
Student Support	-	-	-	-	-	-	-	-	20,936
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	1,551	-	1,551	-	1,551	1,551	-	1,429
Teachers pre-retirement – new Liabilities	-	360	-	360	-	360	300	(60)	257
Notional charges	1,196	-	-	1,196	-	1,196	1,205	9	1,204
Education and library boards	-	-	10,730	10,730	-	10,730	11,675	945	44,978
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Student Loan Company	-	-	3,382	3,382	-	3,382	4,286	904	-
Total for RfR A	12,736	72,802	589,674	675,212	(35,939)	639,273	672,505	33,232	604,255
Request for Resources B									
Employment Programmes	24,305	(790)	26,550	50,065	-	50,065	55,833	5,768	52,821
Labour Market Services	16,214	2,080	335	18,629	(363)	18,266	18,997	731	13,195
ESF Payments-Public and Private sector	2,214	715	12,429	15,358	(2,744)	12,614	13,852	1,238	5,257
ERDF Payments	-	-	-	-	-	-	-	-	244
EU Community initiatives	-	-	1,801	1,801	(1,801)	-	120	120	-
EU programme for peace and Reconciliation	-	51	7,524	7,575	(366)	7,209	7,300	91	8,329
Executive Programme Funds	-	-	-	-	-	-	-	-	-
IDF Funds	-	-	47	47	-	47	47	-	-
EU cost of capital charge	-	204	-	204	-	204	1,700	1,496	1,474
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	-	-	-
Non Budget									
Notional charges	6,603	-	-	6,603	-	6,603	7,065	462	6,782
Enterprise Ulster	-	-	344	344	-	344	2,600	2,256	1,722
USEL	-	-	4,427	4,427	-	4,427	4,398	(29)	3,169
LRA	-	-	3,200	3,200	-	3,200	3,200	-	3,019
Total for RfR B	49,336	2,260	56,657	108,253	(5,274)	102,979	115,112	12,133	96,012
Resource outturn	62,072	75,062	646,331	783,465	(41,213)	742,252	787,617	45,365	700,267

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3. Reconciliation of Outturn to Net Operating Cost and Against Administration Budget

3(a) Reconciliation of Net Resource Outturn to Net Operating Cost

				2008-09 £000	2007-08 £000
	<i>Note</i>	Outturn	Supply Estimate	Outturn Compared With Estimate	Outturn
Net Resource Outturn	2	740,555	752,737	(12,182)	742,252
Non-supply income (CFERs)	5	(12)	-	(12)	(4,738)
Non-supply Expenditure	19	4,276	-	4,276	1,921
Net operating cost		744,819	752,737	(7,918)	739,435

3(b) Outturn Against Final Administration Budget

			2008-09 £000	2007-08 £000
		Budget	Outturn	Outturn
Gross Administration Budget		25,267	24,396	54,273
Income allowable against the Administration Budget		-	-	-
Net outturn against final Administration Budget		25,267	24,396	54,273

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4. Reconciliation of Resources to Cash Requirement

	<i>Note</i>	Estimate £000	Outturn £000	Net Total Outturn Compared With Estimate saving/(excess) £000
Resource Outturn	2	752,737	740,555	12,182
Capital				
Acquisition of fixed assets		-	11	(11)
Investments		-	-	-
Investments – student loans funding		192,193	162,844	29,349
Non-operating Accruing Resources				
Student loan repayments applied		(42,006)	(42,006)	-
Accruals adjustments				
Non-cash items	9,10,11	(105,744)	(63,366)	(42,378)
Changes in working capital other than cash		(32,000)	(18,226)	(13,774)
Changes in creditors falling due after more than one year	17	-	(9)	9
Use of provisions & financial liabilities	14.3,18	-	1,145	(1,145)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
EU Negative DEL exchange gain surrenderable to the Consolidated Fund		-	-	-
Net cash requirement		765,180	780,948	(15,768)

During the year the Department exceeded its Net Cash Requirement of £765.2m, as defined in the Spring Supplementary Estimates, by £15.8m (2.1%). This cash overspend occurred due to two key factors:

- An adjustment was required to the treatment of Student Loans Interest Receivable as a result of clarification received post year end from the Department of Finance and Personnel (DFP) on the correct budgetary treatment. The consequence of this adjustment is that the Net Cash Requirement figure in the Spring Supplementary Estimates was understated by the amount of Student Loans Interest Receivable. The net impact of this adjustment accounts for £10.1m of the overspend; and,
- Due to an administrative error in Account NI a payment of £5.6m to the Student Loan Company which was to be paid on the 1 April 2009 was processed on 31 March 2009. Procedures have been enhanced to mitigate against the risk of a recurrence.

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5. Analysis of Income Payable to the Consolidated Fund

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

	<i>Note</i>	Forecast 2008-09 £000		Outturn 2008-09 £000	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	12	<i>12</i>
		-	-	12	<i>12</i>
Non-operating income and receipts – excess Accruing Resources	7	-	-	2,169	<i>3,143</i>
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		-	-	2,181	<i>3,155</i>

6. Reconciliation of Income Recorded Within the Operating Cost Statement to Operating Income Payable to the Consolidated Fund

	<i>Note</i>	2008-09 £000	2007-08 £000
Operating income	11	50,586	45,951
Adjustments for transactions between RfRs		-	-
Gross income	11	50,586	45,951
Income authorised to be appropriated-in-aid		50,574	41,213
Operating income payable to the Consolidated Fund	5	12	4,738

7. Non-operating Income – Excess Accruing Resources

	2008-09 £000	2007-08 £000
Student Loan repayments	2,169	2,521
Non-operating income – excess Accruing Resources	2,169	2,521

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8. Staff Numbers and Related Costs

Staff costs comprise:

	2008-09 £000				2007-08 £000
	Total	Permanently Employed Staff	Others	Minister	Total
Wages and salaries*	38,333	38,097	198	38	35,796
Social security costs	2,489	2,475	9	5	2,374
Other pension costs	6,467	6,459	-	8	6,060
Subtotal	47,289	47,031	207	51	44,230
Less recoveries in respect of outward secondments	-	-	-	-	(237)
Total net costs	47,289	47,031	207	51	43,993

*Permanently employed staff includes the cost of the Department's special adviser who is paid in the pay band £65k - £70k

	2008-09 £000				2007-08 £000 (restated)
	Total	Permanently Employed Staff	Others	Minister	Total
Administration	15,486	15,271	164	51	14,589
Programme	31,803	31,760	43	0	29,404
Total Net costs	47,289	47,031	207	51	43,993

The cost in relation to the Minister (£51k) is included within notional charges.

The Principal Civil Service Pension Scheme (Northern Ireland) – PCSPS (Northern Ireland)

The PCSPS(Northern Ireland) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS (Northern Ireland) resource accounts.

For 2008-09, employer's contributions of £6,459k were payable to the PCSPS(Northern Ireland) (2007-08: £6,051k), at one of four rates in the range 16.5% and 23.5% of pensionable pay, based on salary bands (the rates in 2007-08 were between 16.5% and 23.5%). The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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Employees joining after 1 October 2002 could opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions of £905.02 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £111.41 were payable to the PCSPS (Northern Ireland) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date and no contributions prepaid at that date.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Uprating factor for 2008/09

The inflation adjustment factor for carrying out the calculation of the increase in real terms of the accrued pension for someone covered by the full reporting year to 31 March 2009 is 5%.

Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows.

Objective	2008-09 Number		2007-08 Number			Total
	Total	Permanently Employed Staff	Others	Minister	Special Advisers	
1	379	373	4	1	1	358
2	1,412	1,364	48	-	-	1,328
Staff engaged on Capital projects	-	-	-	-	-	-
Total	1,791	1,737	52	1	1	1,686

	2008-09 Number		2007-08 Number (restated)			Total
	Total	Permanently Employed Staff	Others	Minister	Special Advisers	
Administrative	452	435	15	1	1	356
Programme	1,339	1,302	37	-	-	1,330
Total	1,791	1,737	52	1	1	1,686

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9. Other Administration Costs

	2008-09 £000	2007-08 £000
PFI service charges	3,894	5,563
Other expenditure	5,044	4,524
Non-cash items:		
Depreciation	100	94
Loss on disposal of fixed assets	-	-
Permanent Diminution in Value of Fixed Assets	-	2
Auditors' remuneration and expenses	101	109
Early Retirement Provision	<i>18</i> 23	239
Accommodation costs (DFP)	5,444	5,333
Services provided and costs incurred by the Social Security Agency	-	290
Services provided and costs incurred by the Department of Enterprise, Trade and Investment (DETI)	532	1,196
Other notional costs	1,624	775
Total	<u>16,762</u>	<u>18,125</u>

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10. Programme Costs

	<i>Note</i>	2008-09 £000	2007-08 £000
PFI service charges		-	-
Current grants and other current expenditure		637,540	651,835
Non-voted expenditure: Redundancy Fund payments	19	4,276	1,921
Non-cash items:			
Enterprise Ulster Provision	18	-	(790)
Student Loan Balance Transfer	14	34	(1)
Student Loan inflation adjustment	19	48,850	21,055
Cost of Capital Charges		16,730	15,290
Use of financial liabilities	14,18	6,772	24,341
Unwinding of discount on financial liabilities	14	17,203	9,727
Release of Bad Debt provision to the OCS		-	(64)
Total		731,405	723,314

11. Income

	RfR A	RfR B	2008-09 £000	2007-08 £000
			Total	Total
Admin	-	170	170	75
Programme	393	301	694	909
Student Loan - Interest	34,047	-	34,047	26,702
Science Research Investment Fund	2,418	-	2,418	8,195
EU	3,956	9,301	13,257	10,070
Total	40,814	9,772	50,586	45,951

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12. Analysis of Net Operating Cost by Spending Body

		2008-09 £000	2007-08 £000
	Estimate	Outturn	Outturn
Spending body:			
Department	748,842	740,964	731,464
Non-departmental Public Bodies	3,895	3,855	7,971
	<hr/>	<hr/>	<hr/>
Net Operating Costs	752,737	744,819	739,435

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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13. Tangible Fixed Assets

	Land and Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation				
At 1 April 2008	5,400	204	353	5,957
Opening Balance Adjustment	-	-	6	6
Reclassification	-	(110)	110	-
Restated at 1 April 2008	5400	94	469	5,963
Additions	-	-	11	11
Disposals	-	(3)	(28)	(31)
Revaluations	(300)	-	14	(286)
At 31 March 2009	5,100	91	466	5,657
Depreciation				
At 1 April 2008	-	200	188	388
Opening Balance Adjustment	-	-	1	1
Reclassification	-	(110)	110	-
Restated at 1 April 2008	-	90	299	389
Charged in year	63	2	35	100
Disposals	-	(3)	(22)	(25)
Revaluations	(63)	-	8	(55)
At 31 March 2009	-	89	320	409
Net book value at 31 March 2009	5,100	2	146	5,248
Net book value at 31 March 2008	5,400	4	165	5,569
Asset financing				
Owned	5,100	2	146	5,248
On-balance sheet PFI contracts	-	-	-	-
Net book value at 31 March 2009	5,100	2	146	5,248

Information Technology and Furniture and Fittings are valued using indices.

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Land and Property Services carried out an interim valuation of Land and Buildings at 31 March 2009 based on the last full valuation at 31 March 2005. A full valuation of Land and Buildings will be carried out by Land and Property Services at 31 March 2010.

In order to facilitate the migration of the fixed assets register onto RAM 4000i a reclassification exercise was carried out on the opening balances as at 1 April 2008 resulting in an adjustment of £6k.

14. Investments – Financial Instruments

14.1 Student Loans

		2008-09 £000	2007-08 £000 (restated)
Total gross value of loans outstanding at 1 April		989,369	829,532
Additional loan funding		187,925	167,876
Interest added		34,047	26,701
Repayments		(44,175)	(34,521)
Write offs		(815)	(220)
Other Adjustments		(34)	1
Total gross value of loans at 31 March		1,166,317	989,369
Deferment and Default Impairment	14.1a	(119,091)	(96,171)
Interest Subsidy Impairment	14.1b	(117,346)	(116,834)
Balance at 31 March		929,880	776,364

The Student Loans Company Limited issues loans on behalf of DEL for Northern Ireland, the Department for Innovation, Universities and Skills (in England and Wales) and the Scottish Executive. The split of total loans between the three Departments is provided by the Student Loans Company.

Interest is applied to student loans receivable at rates necessary to maintain the value of the loans in real terms. The estimated share of interest attributable to Northern Ireland students added to the outstanding loan balance during the year was £34,047k (2007-08: £26,701k). As outlined in note 21(b), student loan cash advances for the year were £162,844k (2007-08: £152,785k).

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14.1a Movements on Deferment and Default Impairment

	2008-09 £000	2007-08 £000
Balance at 1 April	96,171	81,346
Increase in the year	16,237	10,912
Loans Written off	(815)	(220)
Unwinding	7,498	4,133
Balance at 31 March	119,091	96,171

The student loans deferment and default impairment was created to meet the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year the Department estimates the future cost of bad debts based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loan Company.

14.1b Interest Subsidy Impairment

	2008-09 £000	2007-08 £000
Balance at 1 April	116,834	97,983
Increase in the year	36,457	31,057
Utilisation in the year	(45,056)	(17,182)
Unwinding	9,111	4,976
Balance at 31 March	117,346	116,834

Student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1%, whichever is the lower. The Department meets the costs resulting from difference between the forecast future interest paid by students and the cost of capital on loans, which is known as the interest subsidy. The interest subsidy impairment therefore reflects the cost to the Government of issuing and holding the loan. The Department increases the impairment based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earning on graduation and other assumptions.

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14.2 Other Financial Assets – Ulster Sheltered Employment Limited Loan

	2008-09 £000	2007-08 £000
Balance at 1 April	2,338	2,282
Additions	-	56
Balance at 31 March	2,338	2,338

The loan to Ulster Supported Employment Limited is interest free and is secured by a charge on the company's undertakings and properties under a debenture dated 22 March 1963.

14.3 Financial Liabilities

	Debt sale £000	Total £000
Balance at 1 April	27,010	27,010
Increase/(decrease) in year	(866)	(866)
Utilisation in year	-	-
Unwinding	595	595
Payments	(738)	(738)
Value at 31 March	26,001	26,001

Student loan debt sale costs

The student loan debt sale financial liability is the additional cost to the Department of subsidies contractually due to the purchaser of the debts beyond the cost that the Department would have incurred had the debts remained in the public sector.

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14.4 Student Loans Subsidy

The Operating Cost Statement includes the following charges and (credits) in relation to student loans:

	2008-09 £000	2007-08 £000
Unwinding of discount	17,203	9,727
Adjustment to provisions	(866)	(446)
Provision release	(45,056)	(17,182)
Movement on provision	52,694	41,969
General inflation adjustment on loans	48,850	21,055
Interest added to student loans	(34,047)	(26,701)
Balance transfer	34	(1)
	<u>38,812</u>	<u>28,421</u>

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15. Debtors

15(a) Analysis by Type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
VAT	715	375
Other debtors	3,693	2,715
EU Debtor	27,503	27,059
Prepayments and accrued income	11,120	28,931
Less: Provision for doubtful debts	(123)	(123)
Amounts due from the Consolidated Fund in respect of supply	-	6,390
Due from the National Insurance Fund	692	237
	<u>43,600</u>	<u>65,584</u>

Included within the EU debtor balance is an amount of £2,628k (2007-08 £4,310k) that will be due to the Consolidated Fund once the funds are received.

	2008-09 £000	2007-08 £000
Amounts falling due after more than one year:		
Other debtors	-	874
	<u>--</u>	<u>874</u>

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15(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	3,899	6,398	-	-
Balances with local authorities	7	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	7,875	-	-	874
<i>Subtotal:</i> intra-government balances	11,781	6,398	-	874
Balances with bodies external to government	31,819	59,186	-	-
Total debtors at 31 March	43,600	65,584	-	874

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for the year ended 31 March 2009

16. Cash at Bank and in Hand

	2008-09 £000	2007-08 £000
Balance at 1 April	(435)	(29,631)
Net change in cash balances	(12,837)	29,196
Balance at 31 March	<u>(13,272)</u>	<u>(435)</u>

	2008-09 £000	2007-08 £000
The following balances at 31 March were held at:		
Commercial banks	(13,291)	(444)
Cash in hand	19	9
Balance at 31 March	<u>(13,272)</u>	<u>(435)</u>

17. Creditors

17(a) Analysis by Type

	2008-09 £000	2007-08 £000
Amounts falling due within one year		
Other creditors	8,543	10,454
Accruals and deferred income	98,893	68,396
Amounts due to the Consolidated Fund in respect of CFERs	2,628	4,310
Amounts due to National Insurance Fund	4	69
Bank overdraft	13,291	444
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
received	2,520	5,979
receivable	-	12
	<u>125,879</u>	<u>89,664</u>
Amounts falling due after more than one year		
Other Creditors	510	501
	<u>510</u>	<u>501</u>

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17(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	7,936	14,205	-	-
Balances with local authorities	251	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	27,152	-	-	-
<i>Subtotal: intra-government balances</i>	35,339	14,205	-	-
Balances with bodies external to government	90,540	75,459	510	501
Total creditors at 31 March	125,879	89,664	510	501

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18. Provisions for Liabilities and Charges

	Early departure costs £000	Enterprise Ulster £000	Total £000
Balance at 1 April 2008	296	297	593
Increase/(Decrease) in provision	23	-	23
Provision release	-	-	-
Bad debts previously provided for and written off in year	-	-	-
Payments	(169)	(237)	(406)
	<hr/>		
Balance at 31 March 2009	150	60	210

Early departure costs

The early departure financial liability has been created to meet the Department's liabilities in respect of employees who retire early until they reach normal pensionable age.

Enterprise Ulster

On 21 March 2006, the Secretary of State announced that as part of the Review of Public Administration, Enterprise Ulster would close. The organisation was formally wound up on 30 June 2007. As a result of the closure of Enterprise Ulster, the Department has provided for the most up-to-date estimate of liabilities in respect of costs associated with the closure of the organisation.

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19. General Fund

	2008-09 £000	2007-08 £000
Balance at 1 April	731,227	645,033
Prior period adjustment	<u>82</u>	<u>1,336</u>
	731,309	646,369
Net parliamentary funding – current year		
Draw down	765,180	779,193
Deemed	-	-
National Insurance Fund	4,276	1,921
Year end adjustment		
- Supply Debtor – (creditor) current year	-	6,390
- Supply Debtor – (creditor) prior year	-	-
Net transfer from operating activities		
- Net operating cost	(744,819)	(739,435)
- CFERS repayable to consolidated fund	(2,181)	(7,259)
Non cash charges		
- Notional	7,600	7,594
- Cost of capital	16,730	15,290
- Auditors remuneration	101	109
- Student loan inflation	48,850	21,055
Transfer from revaluation reserve	19	-
	<u>827,065</u>	<u>731,227</u>
General Fund at 31 March	827,065	731,227

20. Reserves

20(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2008-09 £000	2007-08 £000
Balance at 1 April	1,743	1,355
Adjustment to opening balance	(73)	-
Arising on revaluation during the year (net)	(231)	388
Transferred to general fund in respect of realised element of revaluation reserve	<u>(19)</u>	<u>-</u>
Balance at 31 March	<u>1,420</u>	<u>1,743</u>

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21. Notes to the Consolidated Cash Flow Statement

21(a) Reconciliation of Operating Costs to Operating Cash Flows

	<i>Note</i>	2008-09 £000	2007-08 £000
Net operating costs	<i>12</i>	744,819	739,435
Adjustments for non-cash transactions	<i>9, 10, 11</i>	(63,366)	(50,895)
(Increase)/decrease in debtors		(22,858)	(86,182)
Less movements in debtors relating to items not passing through the OCS		33,674	41,824
(Increase)/decrease in creditors		(23,377)	13,556
Less movements in creditors relating to items not passing through the OCS		(5,389)	2,079
Use of Provisions	<i>14, 18</i>	1,145	3,113
Net cash flow from operating activities		664,648	662,930

21(b) Analysis of Capital Expenditure and Financial Investments

	<i>Note</i>	2008-09 £000	2007-08 £000
Tangible fixed assets additions	<i>13</i>	11	11
Loans to other bodies	<i>14.2</i>	-	56
Student Loan Funding	<i>14.1</i>	162,844	152,785
(Repayments) to other bodies – Student Loans		(45,149)	(34,509)
Net cash outflow from investing activities		117,706	118,343

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21(c) Analysis of Capital Expenditure and Financial Investments by Request for Resources

	Capital Expenditure £000	Loans etc £000	Accruing Resources £000	Net Total £000
RfR A	-	117,695	-	117,695
RfR B	11	-	-	11
Subtotal	11	117,695	-	117,706
Net movement in debtors/creditors	-	25,081	-	25,081
Total 2008-09	11	142,776	-	142,787
Total 2007-08	11	133,411	-	133,422

21(d) Analysis of Financing

	<i>Note</i>	2008-09 £000	2007-08 £000
From the Consolidated Fund (Supply) – current year	19	765,180	779,193
From the Consolidated Fund (Supply) – prior year		6,390	33,218
From the National Insurance Fund		3,758	1,959
Net financing		775,328	814,370

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21(e) Reconciliation of Net Cash Requirement to (Decrease)/Increase in Cash

	<i>Note</i>	2008-09 £000	2007-08 £000
Net cash requirements		(780,948)	(785,583)
From the Consolidated Fund (Supply) – current year	<i>19</i>	765,180	779,193
From the Consolidated Fund (Supply) – prior year	<i>21(d)</i>	6,390	33,218
Amounts due to the Consolidated Fund – received in a prior year and paid over		(5,977)	(3,587)
Amounts due to the Consolidated Fund – received and not paid over		2,518	5,979
Interest on RRI loans paid by the Consolidated Fund on behalf of the Department		-	-
Other		-	(24)
Increase/(decrease) in cash		<u>(12,837)</u>	<u>29,196</u>

22. Notes to the Statement of Net Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditures have been allocated as follows:

	2008-09 £000	2007-08 £000
Objective 1	666,919	662,476
Objective 2	<u>64,486</u>	<u>60,838</u>
Total	<u>731,405</u>	<u>723,314</u>

Capital Employed by Departmental Strategic Objectives at 31 March 2009

	2008-09 £000	2007-08 £000
Objective 1	818,938	720,618
Objective 2	<u>9,547</u>	<u>12,352</u>
	<u>828,485</u>	<u>732,970</u>

The Department's capital is employed mainly for programme purposes. Administration costs, programme grants and other current costs have been attributed to objectives in accordance with the Department's normal management accounting practices, wherever possible.

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23. Capital Commitments

	2008-09 £000	2007-08 £000
Contracted capital commitments at 31 March 2009 for which no provision has been made	-	-

24. Commitments under PFI contracts

24.1 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions was £3,894,058 (2007-08: £5,563,122).

Payments to which the Department is committed during 2008-09, analysed by the period during which the commitment expires, are as follows:

	2008-09 £000	2007-08 £000
Expiry within two to five years	-	5,600
Expiry within six to ten years	-	-
	<u>-</u>	<u>5,600</u>

25. Financial Instruments

The Department measures and presents financial instruments in accordance with FRS 25, FRS 26 and FRS 29 as interpreted by the Financial Reporting Manual. FRS 29 (Disclosure of financial instruments) requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments.

Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25, 26 and 29 mainly apply, because of the largely non-trading nature of the Department's activities, and the way that government is financed.

However, the student loan asset is a significant part of the Department's balance sheet, and the valuation is based on a complex set of assumptions, including borrowers' earnings on graduation and their likely earnings growth over the life of the loan (25 years). Any changes to these assumptions could have a significant impact on the value of the loan book included in the accounts.

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Financial Assets at carrying value

Student loans, trade debtors, cash and cash equivalents are included as Loans and receivables, and are measured at fair value initially and subsequently at amortised cost.

Financial Liabilities at carrying value

Creditors, early departure cost and debt sale are measured at fair value initially and subsequently at amortised cost.

Fair values of financial instruments

The fair value of the financial instruments above is equivalent to the carrying value disclosed in the financial statements. Financial assets and financial liabilities have not been offset nor presented net in these accounts.

Loan to Ulster Supported Employment Limited

The Department's loan to Ulster Supported Employment Limited (£2.3m) neither pays interest nor has a maturity date and is secured by a charge on the company's undertaking and property. It is not regarded as tradable on an organised market in a standard form as it is an integral part of the Department's involvement in training and employment for the disabled. Accordingly, it is not practical to estimate a fair value with sufficient reliability.

Student loans

The Assembly in Northern Ireland hold the legal title to the loans and currently have no plans to sell.

Legislation was passed in England during the financial year to enable the student loans to be sold in England and Wales. However, as at 31 March 2009, no loans have been sold and there will not be a sale until market conditions improve.

In the absence of an active market for the loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans in note 14 is the most reliable method to derive fair value. In deriving this figure, the Department has used the Treasury's long-term discount rate of 2.2%, which represents the government's cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's 2.2%. If the discount rate applied was greater than 2.2%, the fair value of the student loans may be lower than the values calculated on the basis applied here.

Credit Risk

DEL has a statutory obligation to issue student loans and seek repayments in line with legislation. The Department is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Department is therefore exposed to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by Her Majesty's Revenue & Customs as part of the tax collection process.

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As disclosed in note 14 and the accounting policy note 1.8.1, the Department estimates the value of future write-offs when loans are issued, based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour.

The Department for Innovation, Universities and Skills (DIUS) works together with the Student Loans Company Limited (SLC) and Her Majesty's Revenue and Customs (HMRC) to manage the collection of student loan repayments and manage the associated credit risks.

There is a Memorandum of Understanding in place between DIUS and the devolved administrations, including DEL, who own the loan book, the SLC who administers the loan book, and HMRC who collects repayments via the tax system. This sets out the responsibilities of the all parties and contains performance targets and indicators, which are revised annually.

Liquidity Risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is not, therefore, exposed to significant liquidity risks in the same way that a private sector organisation would be.

Foreign Currency Risk

The Department's main exposure to foreign currency risk is in relation to the impact of movements in the Euro on claims made to the European Union, and on advances received from the European Union that are included within payables. The Department does not enter into forward currency contracts and the risk is managed within voted funding provision. Apart from this, the Department's exposure to foreign currency risk is not significant.

At 31 March 2009, with a 10% weakening or strengthening of sterling against the euro, the outturn for the year would have increased by £0.9m or decreased by £0.9m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated creditors.

Interest rate risk

The Department accounts for a share of the UK total of Student Loans administered by the Student Loan Company Ltd. The Department meets the difference between the interest paid by students and the real cost of loan capital and is therefore exposed to an interest rate risk. The risk is managed within voted funding provision. Apart from this, the Department is not exposed to significant interest rate risk.

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26. Contingent Liabilities

a. Future Redundancy Payments

As part of the arrangement for the transfer of training centres to Further Education Colleges, the Department agreed that, for staff who became redundant in the future, it would fund any difference between their redundancy payment and that which they would have received had they remained in the Northern Ireland Civil Service.

Due to the inherent uncertainty as to the amount and timing of the future redundancy payments the Department has underwritten, it is not practical to quantify the potential liability that might arise from this undertaking.

b. Staff Costs – Equal Pay

The former Minister for Finance and Personnel announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The present Minister for Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. In May 09 he confirmed to NIPSA that a settlement offer had not been made but that he had instructed officials to work intensively with NIPSA to establish, as clearly as possible, parameters within which a negotiated settlement might be reached so that he, in conjunction with his Ministerial colleagues in the Executive, can consider how the matter should be taken forward.

NIPSA has lodged equal pay claims with the Industrial Tribunal on behalf of its female members in the AA, AO and EOII and analogous grades in the NICS. The Department of Finance and Personnel (DFP) has assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular FRS 12. The ministerial statements have created an obligation on the part of the NICS to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. However, DFP considers that a reliable estimate cannot be made, at this point in time, of the potential liability to resolve the issue. This is as a result of the complexities associated with the resolution of the issue, including establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of those payments. Consequently, DFP does not consider that it is possible to reach a reliable estimate of the obligation, and thus make a provision under the criteria set out in FRS12.

c. Amendment to Trade Union Law following the European Court of Human Rights Decision in the case of Associated Society of Locomotive Engineers and Firemen (ASLEF) v United Kingdom (UK)

Following the European Court of Human Rights decision in the ASLEF –v- UK case, trade unions are to be given greater autonomy to decide whether the political party membership of individuals should debar them from belonging to a union. Department for Employment and Learning and Department for Business, Enterprise and Regulatory Reform proposed to amend legislation to give the unions this full autonomy on whether or not to expel

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individuals. However during the passage of the GB bill the “expulsion” of individuals became a contentious issue, and specific circumstances and safeguards were included.

Departmental Solicitors Office view is that Northern Ireland must implement corresponding provision, but that replication of the GB bill would be outside the legislative competence of the Northern Ireland Assembly. Therefore we have removed the ASLEF provisions from the Employment Bill with the intention of legislating on this matter using the Westminster route; however this may take some time.

There are no implications for expenditure, but if the above situation is not resolved through enacting legislation to cover the position in Northern Ireland we will not have complied with a European Court of Human Rights judgement.

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27. Losses and Special Payments

27(a) Losses Statement

	No of cases	2008-09 £000	2007-08 £000
Cash losses	181	31	23
Claims abandoned	2	1,190	89
Administrative write-offs	-	-	-
Fruitless Payments	1	126	-
Stores losses	-	-	-
Total	184	1,347	112

One claim of £975k in relation to programme funding eligibility was abandoned in line with legal advice and in line with prior approval from DFP.

27(b) Special Payments

	No of Cases	2008-09 £000	2007-08 £000
Total	-	-	-

28. Related-party Transactions

The Department sponsors the Labour Relations Agency, Ulster Supported Employment Limited, the Construction Industry Training Board Northern Ireland, the Education and Library Boards and the Student Loan Company Limited. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of material transactions with other government departments and other central government bodies. Most of these transactions have been with DETI, the Social Security Agency and DFP.

No Minister, board member, key manager or other related party has undertaken any material transactions with the Department during the year. A register of interests is maintained by the Department and so significant interests are currently held by board members which may conflict with their management responsibilities.

29. Third-party Assets

The Department acts as agent for the Northern Ireland National Insurance Fund in relation to various aspects of the Employment Rights (Northern Ireland) Order 1996. The transactions and balances arising are reflected in the accounts of the Northern Ireland National Insurance Fund and are not included in these financial statements.

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At 31 March 2009, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £15.448m (2007-08: £14.215m).

30. Entities Within the Departmental Boundary

These accounts comprise the accounts of the core Department.

The accounts of Ulster Supported Employment Limited (a company limited by guarantee), the Labour Relations Agency (a non-departmental public body) and the Construction Industry Training Board Northern Ireland (a Statutory Training Organisation), all of which are sponsored by the Department, are not included by way of consolidation.

The accounts of the Student Loans Company (a company limited by guarantee and controlled jointly by the Department for Innovation, Universities and Skills (in England and Wales), the Scottish Executive and DEL) and the Education and Library Boards are also not included by way of consolidation.

Financial information about each of the above entities may be obtained from their separate published annual reports and accounts.

31. Post Balance Sheet Events

There were no events after the balance sheet date which would require adjustment to the financial statements.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 29 June 2009.

Summary of Performance against Departmental Targets.

The Department's performance against the targets set out in its 2008/09 Departmental Balanced Scorecard is summarised below. Of the 32 performance targets:

- 29 - were achieved;
- 1 - was likely to be achieved but with some delay; and
- 2 - were unlikely to be achieved within the timescale.

Detailed information on the 2008/09 year's performance targets is shown overleaf.

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Report on Departmental Performance Targets in 2008/09

Quadrant	Number	Target	Status Descriptor
Customers	1	To enhance DEL's customer service.	Target achieved
“	2	To enhance effective communication with external stakeholders.	Target achieved
People	3	To increase the level of staff satisfaction by 5% by 31 March 2009. (See Note 1 below)	Target unlikely to be achieved within timescale
“	4	To complete Performance Appraisal Reports for 97% of staff by 30th June 2008 subject to staff on long term absence or reports which are subject to appeal.	Target likely to be achieved but with some delay
“	5	75% of Priority 1 training delivered by year end.	Target achieved
“	6	To achieve the first stage of IIP reaccreditation by 31 March 2009.	Target achieved
“	7	To enhance “Reward and Recognition” measures within DEL by 31 March 2009.	Target achieved
“	8	To communicate the Departments core values.	Target achieved
“	9	To reduce the average number of days lost per member of staff to 11.5 by 31 March 2009.	Target achieved
Processes	10	To manage and allocate resources to deliver Departmental priorities.	Target achieved
“	11	To ensure that the Good Policy Guide is applied to all policy developments.	Target achieved
“	12	Throughout the year to comply with DAO 18/05 Corporate Governance in Central Government Departments and HMT Code of Practice for Central Government Departments.	Target achieved
“	13	Throughout the year to ensure controls are in place to provide substantial assurance levels of governance and control.	Target unlikely to be achieved within timescale

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Quadrant	Number	Target	Status Descriptor
“	14	To ensure Annual Equality Report is produced by the required date.	Target achieved
“	15	Throughout the year, to deal with Minister's and Permanent Secretary's business within required deadlines.	Target achieved
“	16	To establish and communicate a coherent and concise Business Continuity (Emergency) Plan for the Department by 31 December 2008.	Target achieved
“	17	To review the IT strategy by March 2009 and implement the 2008/09 actions of the Strategy.	Target achieved
“	18	100% implementation of the NICS Reform projects as applicable to DEL in this year.	Target achieved
“	19	To achieve the 3% cash reducing efficiency target of £20.34m for DEL by 31 March 2009.	Target achieved
	20	That quality improvement and contract management processes provide a consistent approach to the quality of service provided and the management and monitoring of contracts.	Target achieved
Results	21	To effectively manage the interfaces with other depts. to deliver the joint actions under the Programme for Government (PfG).	Target achieved
“	22	Increase by 300 the number of PhD research Students at local universities by 2010.	Target achieved
“	23	Increasing the employment rate from 70% to 75% by 2020.	Target achieved
“	24	To achieve 10,500 adult learner qualifications in the essential skills of literacy and numeracy by 31 March 2009.	Target achieved
“	25	Increase by 10% the key Knowledge Transfer indicators as measured by the Higher Education - Business and Community Interaction (HE-BCI) Survey for Academic Year 2010/11.	Target achieved

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Quadrant	Number	Target	Status Descriptor
“	26	A review of Success Through Skills will be completed during 2008 for publication in Spring 2009.	Target achieved
“	27	Increase the proportion of the working age population who are qualified at skill level 2 and above to 80% by 2015.	Target achieved
“	28	Increase the quality of higher education provision as assessed by QAA.	Target achieved
“	29	After consultation to launch Careers Education, Information, Advice and Guidance Strategy CEIAG and an implementation plan by June 2008.	Target achieved
“	30	Assist 70,000 working age benefit clients to move into employment by March 2011, (08/09 target 24,000) subject to economic conditions.	Target achieved
“	31	The provision of quality, sustainable and fit for purpose FE and HE estates.	Target achieved
“	32	To achieve all Programme for Government and PSA framework targets allocated to DEL for 2008/09.	Target achieved

Note 1: Target 3 – The staff survey required to establish a baseline against which to measure staff satisfaction has been superseded by a series of NICS wide surveys due to commence in Spring 2009 . The NICS staff attitude survey will commence in Autumn 2009.

Report by the Comptroller and Auditor General

Department for Employment and Learning Resource Account 2008-09

1. Introduction

- 1.1 This report explains the basis of the qualified audit opinion I have placed on the 2008-09 Resource Accounts for the Department for Employment and Learning.
- 1.2 The report is divided into two parts as my regularity opinion was qualified for two specific reasons;
- irregular expenditure incurred in respect of funding provided to two Further Education Colleges (FECs) on advisory fees on Public Private Partnerships (PPP) (paragraphs 2.1 to 2.5); and
 - irregularity arising from net cash expenditure in excess of amounts authorised by the Northern Ireland Assembly (paragraphs 3.1 to 3.4).

2. Qualification arising from the irregular expenditure incurred in respect of funding provided to two Further Education Colleges (FECs) on advisory fees on Public Private Partnerships (PPP)

2.1 Background

- 2.1.1 The resource account for the Department for Employment and Learning (DEL) includes expenditure in respect of funding for the six Further Education Colleges (FECs). This year's account includes part funding of expenditure incurred on Public Private Partnerships projects by two FEC colleges. The Colleges are Belfast Metropolitan College (BMC) and the South Eastern Regional College (SERC) which were established in August 2007. Much of the expenditure referred to in this report was incurred by the legacy further education colleges which now form part of BMC and SERC.
- 2.1.2 These large scale procurement projects required the colleges to appoint advisory teams of technical, legal and financial experts. In accordance with the delegated limits for approval of expenditure the colleges sought and received Ministerial and Department of Finance and Personnel (DFP) approval to appoint these experts in 2002 for BMC and 2003 for SERC. The approval limits were up to, but not exceeding, £600,000 for the BMC project and £400,000 for SERC.
- 2.1.3 The Department advised me that the procurement process for the advisory team was managed by the Government Purchasing Agency (now Central Procurement Directorate). The contracts were both on a fixed price basis and the same advisory team was appointed to each project. The advisory teams accepted the overrun risk where the management of that risk was considered to be within its control.

2.1.4 The funding agreement in place between the colleges and DEL stipulated that DEL would reimburse each of the colleges 90% of the expenditure incurred.

2.2 Belfast Metropolitan College

2.2.1 The advisory team appointed was to provide support for the procurement phase of the project to replace the College Square East and Brunswick Street campuses with a new facility at Titanic Quarter.

2.2.2 When the contract was tendered the accepted bid was a total of 340 consultancy days at a discounted cost of £300,000 or half the approved fee ceiling.

2.2.3 As the project was nearing completion, towards the end of 2008, it became apparent that the final cost of the advice provided was in the region of £2,200,000, more than seven times the contracted for amount. Following negotiations between the consultants and BMC this was reduced to £1,500,000, subject to the achievement of the final date for signing off the project. The Department has advised that the financial closure of this project was achieved on 2 April 2009 and no further consultancy costs were incurred.

2.3 South Eastern Regional College

2.3.1 In this case the advisory team was appointed to provide support for a project of new builds in Downpatrick, Ballynahinch, Lisburn and Newcastle.

2.3.2 The accepted bid for the SERC contract was for 423 consultancy days at a cost of £358,000. The final position however revealed that the total costs were, in fact, £1,347,000 or almost four times the contracted for amount.

2.4 Qualified Opinion on regularity of consultancy spend

2.4.1 Once the projects were underway they were both subject to a series of delays and variations. These variations led to further work being carried out on the part of both advisory teams. In both cases the colleges and the Department considered that the reasons for the delays were outside the control of the advisory teams.

2.4.2 Despite the fact that the Department had a representative on the project board of each College it did not contact DFP for approval to the additional costs as they arose but instead waited until the final cost overrun was known. DEL approached DFP for retrospective approval to pay the fees in mid March 2009. It sought approval for the following:

- BMC - an increase from the original approval limit of £600,000 to £1,500,000 (an increase of £900,000); and

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- SERC - an increase from the approval limit of £400,000 to £1,347,000 (an increase of £947,000).

The total increase in the two projects was therefore £1,847,000 with the Department's 90% share of the additional expenditure being £1,662,000.

2.4.3 In its reply to DEL, DFP stated that retrospective approval could only be granted in line with the rules contained in 'Managing Public Money' and as such two conditions needed to be satisfied;

- Approval would have been granted had DFP been approached properly in the first place; and
- DEL was taking steps to ensure there was no recurrence.

2.4.4 With regard to the first condition, DFP interpreted this to mean that a Department had already completed a business case to support the decision to spend, but had neglected to forward it to DFP for approval. With regard to the second condition it interpreted this to mean that specific measures had already been put in place to ensure that the need to seek retrospective approval did not happen again.

2.4.5 Whilst DFP recognised the DEL Minister had asked for a paper to be prepared on the lessons learned from this experience and thus DEL had in part satisfied the second condition, as a business case had not been submitted to support the approval request for either project then the first condition had not been satisfied. DFP could not therefore, grant retrospective approval to the request.

2.4.6 I asked DEL to explain how the failure to obtain appropriate DFP approval for this expenditure had arisen. DEL told me that these procurements had been complex and subject to significant delays which meant that the envisaged timescales of 16 months for each project extended to 5 years for the SERC project and 7 years in the case of BMC. Furthermore DEL explained that given the complexities of the projects it would not have been practicable to change advisers during the procurements. The Department also informed me that during these long procurements, advisory fees were not monitored against approvals and hence it did not seek approval for the increased costs. As part of a "lessons learned" exercise in respect of this procurement DEL has advised it will be taking steps to ensure there is no recurrence of this oversight and full compliance with DFP advice and guidance.

2.5 Conclusion

2.5.1 I am concerned that large contract overruns were incurred in both of the contracts described above. I refer to a recent Public Accounts Committee 'Report on the Use of Consultants'¹ where the Committee made reference to such a circumstance when it said;

¹ Report: 16/07/08R Public Accounts Committee

‘Frequent and large-scale increases in contract costs raise doubts about the standard of project appraisal, management and control; are often non-competitive in nature; and can hinder the achievement of value for money.’

- 2.5.2 As noted above, under the terms of the funding agreement between DEL and the colleges, each college was due to be reimbursed 90% of the expenditure incurred. As the Department accepted that the additional costs were an inescapable commitment for the colleges they, in turn, had an expectation that they would be funded by DEL. As DEL has now recognised this expenditure in its resource account, I consider it to be irregular as it did not conform to the authorities which governed it at the time as DFP did not give retrospective approval. I have qualified my regularity opinion in respect of this matter.
- 2.5.3 I welcome the open and full disclosure of this matter in the DEL Accounting Officer’s Statement on Internal Control

3. Qualified opinion on regularity arising from the net expenditure being in excess of the amounts authorised by the Northern Ireland Assembly.

3.1 Explanation and description of the ‘excess’

- 3.1.1 In 2008-09 the Department for Employment and Learning (DEL) spent more cash than the Northern Ireland Assembly (the Assembly) had authorised it to and by so doing, DEL breached the Assembly’s control over its expenditure. It has therefore incurred what is termed an ‘excess’, for which further Assembly approval is required. I have qualified my opinion on DEL’s resource account on this breach of Assembly control.
- 3.1.2 As part of my audit of DEL’s resource account, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the resource account have been applied to the purposes intended by the Assembly and conform to the authorities which govern them; that is, they are ‘regular’. In doing so, I have had regard to the limits the Supply Estimates, as approved by the Assembly, have set on expenditure.
- 3.1.3 The Assembly authorises and sets limits on expenditure on two bases - ‘resources’ and ‘cash’. Such amounts are set out in the Supply Estimates for which approval and authority is given in the annual Budget Orders.
- 3.1.4 There is a single ‘Net Cash Requirement (NCR)’ for the Department. This represents the maximum amount of cash that may be provided to DEL from the Consolidated Fund to meet its funding requirements.
- 3.1.5 The Statement of Parliamentary Supply included within the DEL resource account for 2008-09 shows that the NCR outturn was £780,947,570.98 which is £15,767,570.98 or 2.1% greater than the Estimate NCR of £765,180,000.00

3.2 The Department's explanation for the Excess Vote

3.2.1 The Department told me that the reasons for the Excess Vote were:

- An adjustment was required to the treatment of Student Loans Interest Receivable as a result of clarification received, post year end, from the Department of Finance and Personnel (DFP) on the correct budgetary treatment. The consequence of this adjustment is that the Net Cash Requirement figure in the Spring Supplementary Estimates was understated by the amount of Student Loans Interest Receivable. The net impact of this adjustment accounts for £10,130,570.98 of the overspend. A detailed reconciliation of Resources to Cash Requirement is given in Note 4 to the Resource Account; and
- Due to an administrative error in Account NI a payment of £5,637,000.00 to the Student Loan Company which was to be paid on the 1 April 2009 was processed on 31 March 2009.

3.3 Action taken by the Department to help prevent a recurrence

3.3.1 I asked the Department what it had done to ensure this situation does not recur and it informed me that:

- Student Loan Interest Receivable will be addressed , in line with the new DFP guidance, during the in-year Annually Managed Expenditure forecasting exercise;
- The Department will review its cash management procedures, against external guidance and in comparison to other Northern Ireland Departments, to ensure they are as robust and effective as possible; and
- Account NI has confirmed that procedures have been enhanced to mitigate against the risk of a recurrence.

3.4 Summary and Conclusions

3.4.1 In forming my opinion on the DEL 2008-09 resource accounts, I am required to confirm whether, in all material aspects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial statements conform to the authorities which govern them. On the basis of my findings above, I conclude that the outturn net cash requirement of £780,947,570.98 was in excess of the £765,180,000 authorised by the Assembly. The excess of £15,767,570.98 is therefore irregular and will require an 'Excess Vote' to be approved by the Assembly. My audit opinion has been qualified in this respect.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2009

4. Conclusion

- 4.1** Except for the irregular expenditure incurred where proper approval was not obtained from DFP and cash expenditure incurred which was in excess of that authorised by the Northern Ireland Assembly, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.



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1 July 2009