

**Department for Employment and Learning**

**Resource Accounts**

**For the year ended 31 March 2011**

*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*

*1 July 2011*



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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](http://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 (PSAs) in the PfG, and is a 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);
- CITB–ConstructionSkills 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.

#### **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.

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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 support 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 to describe the values of the Department is PRIDE;

**P**rofessional  
**R**esponsive  
**I**nnovative  
**D**ynamic  
**E**quitable



**HIGHLIGHTS OF OUR SERVICE IN 2010/11**

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 Further Education (FE) and Higher Education (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 - Transforming Futures**

The Department has achieved its target to produce in 2010/11 a revised Skills Strategy for Northern Ireland. The revised and updated Strategy reviews progress to date, looks at the current skills base and examines the skills we will need in the future to grow the Northern Ireland economy (as forecasted by Oxford Economics Report 'Forecasting Future Skill Needs in Northern Ireland'). In order to meet the aspirational scenario forecasted within the Oxford Economics report the following areas are highlighted for action:

- the importance of upskilling the current workforce;
- the need for higher level skills;
- an increased demand for Science, Technology, Engineering and Mathematics (STEM);
- a need for increased Management and Leadership skills; and
- the need to attract skilled people to Northern Ireland.

The Strategy was launched on 25 May and the associated implementation plan will be published by July 2011. This plan will outline costed projects, with measurable outcomes, to be taken forward by the Department over the first phase of delivery.

### **STEM Strategy**

The Department has responded to the Science, Technology, Engineering and Mathematics (STEM) Review. In order to help take forward the recommendations assigned to it in the 'Report of the STEM Review', a Government sub group was established in Spring 2010. The group consists of senior officials from the Department of Education (DE), Department of Agriculture and Rural Development (DARD), Department of Enterprise Trade and Industry (DETI), Department of Health Social Services and Public Safety (DHSSPS) and Department of Culture, Arts and Leisure (DCAL). The sub group produced a draft STEM Strategy which recognises the vital role that STEM will play in growing a dynamic and innovative economy in Northern Ireland, outlines how Government will address potential shortages in the supply of people with skills in STEM subjects and highlights three priority action areas.

The Executive agreed to the publication of the STEM Strategy at its meeting on 22 March 2011. It is anticipated that the final Strategy, 'Success through STEM', will be published in early Summer 2011.

The Department will also consequently produce a STEM implementation plan containing fully costed projects and timescales. These will have their outcomes linked to the recommendations contained in the Strategy and will take account of relevant issues raised during the public consultation. The STEM plan will form part of the implementation for the Department's Skills Strategy, 'Success through Skills – Transforming Futures'.

### **Skills Solutions Service**

The Skills Solutions service is an integral part of the Skills Strategy 'Success through Skills – Transforming Futures' and aims to provide the employers of Northern Ireland with a learning and skills service which identifies and helps meet the training needs of those organisations. This service offers information and support and signposts the employers to the most appropriate solution to meet those needs.

Skills Solutions is a proactive service to local industry and seeks to help companies access all of the services offered by the Department. Companies are given the opportunity to upskill their employees by the provision of bespoke training helping them become more productive and competitive within their sector.

In the 2010/11 financial year, almost 50 projects to upskill almost 1,400 existing staff were completed under Skills Solutions at a cost of just over £1 million. A further £500,000 was invested in 33 Bridge to Employment programmes, where just under 400 unemployed people were given pre-employment training matching the skills required by employers and successfully obtained jobs.

### **Assured Skills**

Assured Skills is a joint pilot project between DEL and Invest Northern Ireland which seeks to ensure the delivery of a range of activities and interventions guaranteeing potential inward investment companies, or existing investment companies wishing to expand, that Northern Ireland has the ability to satisfy their future skills and training needs.

Criteria for the Assured Skills projects include:

- a company will create new jobs in Northern Ireland;
- a company's needs cannot be met by existing Invest Northern Ireland/DEL programmes; and
- the development of project makes significant or strategic contribution to Invest Northern Ireland's strategy for attracting foreign direct investment.

In the 2010/11 financial year, some 17 projects to train over 400 newly recruited staff were completed at a cost of just over £1 million.

### **Future Skills Action Group for Hospitality and Tourism**

During the year the Department continued to work with a range of stakeholders through the Hospitality and Tourism Future Skills Action Group to address three core themes in the sector; skills provision, sector attractiveness and coordination and communication.

In order to consider the best way to take forward the work of the Hospitality and Tourism Future Skills Action Group a dissemination event was held in Hillsborough Castle on 25 March 2011. This event brought together senior representatives from the colleges, universities, government departments and the private sector.

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There was widespread recognition of the positive outcomes that had been achieved by the Group's work, under the leadership of Howard Hastings and latterly Stephen Magorrian of Botanic Inns. It was also agreed that it would be a wasted opportunity if this work was not built on.

It was agreed that People 1st's employer board (known as the 'Spinnaker Group') would be best placed to develop this work going forward.

This is a very positive outcome for this Group and demonstrates the collaborative approach, aided by seed funding from the Department, produces a good platform from which employers can continue to work together to address skill needs within their own sector.

### **Worldskills and Skills Competitions**

It has been a very successful year for Northern Ireland skills competitions. The number of skills competitions in Northern Ireland has expanded, and the portfolio now includes beauty therapy and industrial electronics, in addition to the existing competitions. Registrations to competitions have also increased.

Northern Ireland had 23 medallists in the 2009/2010 WorldSkills UK national competition cycle, 4 of which were gold, 7 silver and 12 bronze. Fourteen competitors from Northern Ireland have been selected to be part of Squad UK for WorldSkills London 2011. This is higher than any other Nation or Region in the UK and represents 16% of the overall squad of 86 members. The Minister hosted a celebrating success event at Stormont in December, which was attended by over 100 people. The Department has been working closely with the Colleges in preparation for WorldSkills London 2011, with the result that 2 new UK Skills training managers have been appointed from Northern Ireland Colleges, and the Colleges have submitted a number of applications to showcase arts, crafts, cookery and media skills at WorldSkills London this October.

### **CITB-ConstructionSkills Northern Ireland**

The majority of the recommendations made in the review of CITB-ConstructionSkills Northern Ireland undertaken by Deloitte have been implemented. The Department made some changes to CITB-ConstructionSkills Northern Ireland's subordinate legislation in September 2010 to remove some sub-sectors from CITB-ConstructionSkills Northern Ireland's scope. In addition, the Department has begun a review of the CITB-ConstructionSkills Northern Ireland legislation and a revision of its Management Statement and Financial Memorandum, so further changes to the body are likely. CITB-ConstructionSkills Northern Ireland is also subject to the Review of Arms Length Bodies and may, therefore, be further affected.

### **UK Commission for Employment and Skills (UKCES)**

The UK Commission for Employment and Skills (UKCES) was established on 1 April 2009, with the aim of helping the UK achieve world class standing in employment, skills and productivity. In 2010, the Cabinet Office Review of Arms Length Bodies agreed to a major

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review of the UKCES, with a view to forming a more focused body and a slimmed-down remit.

This work is now complete and required UKCES to change the way that it functions across the four nations. It will make the transition from being a top down advisory body for government and become a vehicle for sustainable economic growth and social partnership, working with strong sector bodies, employers, trade unions and other partners to give leadership to business on skills. It will apply principles of partnership, business need and impact in developing its programme of work on research, qualifications, labour market intelligence and reform of Sector Skills Councils functions. Against the reformed and refocused remit, sponsor departments have agreed three new strategic objectives for the UK Commission:

- to provide outstanding labour market intelligence which helps businesses and people make the best choices for them;
- to work with businesses to develop best market solutions which leverage greater investment in, and better use of, skills; and
- to maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

The Department will continue to work with the UK Commission and other sponsors to consolidate its new role. We shall also continue to provide the sponsorship role and support for the office of the Northern Ireland Employment and Skills Commissioner/Adviser.

### **Sector Skills Councils (SSCs)**

In 2009, the 25 Sector Skills Councils (SSCs) underwent a rigorous process to determine whether their license from the UK Government and the Devolved Administrations should be renewed. Twenty-two SSCs were successful in retaining their license. Skillfast UK and Lifelong Learning UK did not meet the required standard and the UKCES has made arrangements for their footprint to be covered. Government Skills decided not to go forward as an SSC, but will operate as an agency of Government.

The review of the UKCES and the Comprehensive Spending Review are likely to further impact on the number and work of the SSCs and it is unlikely that the SSC network will be resourced to continue in its present form. SSC funding will move from an equal shares grant basis to a contestable funding model, which will be delivered through three main funding streams:

- **Growth and Innovation Fund** – an England-only fund (the Devolved Administrations may benefit residually from this), which can be accessed by SSCs and any other relevant body;
- **Employer Investment Fund** – a UK-wide fund, available only to SSCs; and
- **Universal Services Fund** – a UK-wide fund to provide funding through SSCs and other bodies, to deliver core work, such as Labour Market Information, the development of National Occupational Standards and Apprenticeships.

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The Department will be working to ensure that the Northern Ireland context is adequately addressed through the relevant funding streams.

Each SSC produces an annual action plan for Northern Ireland which contains key priorities for the sector and Government. These action plans are monitored by the Department, with quarterly performance reviews conducted with each SSC by Sectoral Development Branch. Feedback from the reviews is given on a quarterly basis to the UKCES as part of the overall UK performance monitoring process.

Each SSC is also required to produce an annual UK wide Sector Skills Assessment with tailored national reports for each of the four UK nations which provides high quality, robust assessments of each sector's skills needs.

During the 2010/11 financial year, the Department funded the SSCs to deliver a variety of successful projects. In total 38 projects were delivered, ranging from the promotion of careers attractiveness, to upskilling and raising standards of training. The Department also supported SSCs via Ministerial attendance and/ or senior officials at a variety of SSC skills competitions, launch and celebration events.

**Office of the Northern Ireland Employment and Skills Commissioner/Adviser**

This is a dual role: Bill McGinnis, the Adviser on Employment and Skills, represents Northern Ireland on the UKCES as National Commissioner and also provides advice to the Minister for Employment and Learning in his Adviser role. He has been in post since October 2008 and since then has carried out a wide range of activities, including a leading role with the UKCES in the re-licensing of SSCs, the production of several reports on specific Northern Ireland issues on the employment and skills agenda and work to improve employer engagement.

**Management and Leadership Training and Development**

In 2010/11 the Department has continued to offer 100% funding for its range of Leadership and Management Development programmes. The initiative, introduced in 2009, has resulted in a significantly enhanced uptake of leadership and management development across Northern Ireland companies as evidenced in an external evaluation which is currently in the final stages of completion.

Importantly, emerging evidence shows that 25% of companies using DEL Leadership and Management Development programmes have reported an increase in productivity as a result of participation. This is an especially important finding in the current economic downturn.

The Management and Leadership Development programme has provided bursary support for over 1400 individual managers, covering all levels from supervisory right through to Director. A full range of programme areas has been made available covering key themes identified through employer research. These include Project and Sales and Account management short courses, as well as other formats such as mentoring.

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Over 200 graduates have been assisted in obtaining employment in management disciplines through the INTRO programme. INTRO combines paid graduate level employment, with management training which culminates in the award of an Advanced Diploma in Management Practice. Over 90% of participants continue with their employer in graduate level management positions. The evaluation referred to above also cites very positive outcomes for participating companies.

Additionally, over 200 Small to Medium-sized Enterprises (SMEs) and Social Economy Enterprises have been helped to identify, and to find local solutions for, their own corporate management training needs through the successful Management Analysis and Planning (MAP) programme.

Fluent Technology is a software development company specialising in building complex management information systems. The company participated in the MAP programme, which enabled them to form a relationship with an external professional business advisor, who came on-site and analysed their management and leadership skills gaps. One of Fluent Technology's Directors remarked, "It was particularly useful to have an objective observer survey the business as well as talk to the staff and gather their opinions. Often if you are too close to a project you can become blinkered in your approach to development, so this was really an eye-opener." On the guidance of its MAP advisor, Fluent enlisted all employees on a programme of project and account management. Alongside this they set challenging but realistic skills development objectives for each team member, both in the short and long term.

Other initiatives supported this year include assistance for 23 participants on the Common Purpose Meridian programme, as well as support for the Ulster Business School's Small Business Management Award. Over the course of the year, a total of 122 Social Economy enterprises were individually supported in their Leadership and Management needs as well as liaison and funding for a Management and Leadership event delivered by the Chief Officers of the Third sector (CO3). The Institute of Directors Young Directors' Forum was also supported to develop leadership in its companies.

### **Made Not Born**

The Made Not Born campaign was launched in the autumn of 2009 with a view to raising the profile of Management Development issues and highlighting the importance of good management and leadership practice in improving the productivity of Northern Ireland's SMEs.

Since the launch of the Made Not Born campaign more than 1500 delegates have heard from key note speakers such as Henry Stewart, Emma Wimhurst and Deirdre Bounds. In total ten road shows have been held throughout Northern Ireland. Three regional master classes were also held on topics such as Thinking Digital, Leadership in Tough Times and Unlocking Leadership Talent.

The Made Not Born campaign is based on the proven concept that great leaders and managers are not born, but made and of course it is a little of both. DEL is encouraging Northern Ireland's business community to develop their own leaders and managers of tomorrow. The main purpose of the campaign is to show SMEs that by simply adopting good

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management practices they can achieve tangible business benefits including higher productivity, better returns on capital and more robust growth.

### **Careers Service**

The Department's Careers Service continues to work closely with DE on the implementation of "Preparing for Success" the all age Careers Education, Information, Advice and Guidance Strategy.

### **Partnership with Schools**

During the year new working arrangements were agreed to support the delivery of careers education, information, advice and guidance in schools. DEL appreciates the support of DE, the Education and Library Boards and Schools in developing this important piece of work. Revised Partnership Agreements setting out roles and responsibilities, the menu of services available and information sharing arrangements, were introduced in September 2010 and are now in place in 259 post primary schools across Northern Ireland.

### **Working with Adults**

The Careers Service in Northern Ireland provides free and impartial support to all adults as well as young people. The number of interviews with adults have increased from 3506 during 2009/10 to 8677 in 2010/11. This increase has resulted from heightened demand for careers services and the implementation of a new service delivery model which aims to target support more effectively, through better assessment of need.

Working in collaboration with the Employment Service, the Careers Service has responded to the economic downturn to ensure that people who find themselves out of work are aware of this service. The Department also provides support to harder to reach groups and clients facing redundancy through an agreement with the Educational Guidance Service for Adults.

### **National Careers Awards**

The Careers Service Northern Ireland and Include Youth received a prestigious National Careers Award for their ground breaking work with young people facing social and economic disadvantage. The Award, presented at the Institute of Career Guidance Annual Conference in Belfast, recognised the joint working between the Careers Service and Include Youth.

The former Minister for Employment and Learning, Danny Kennedy said: "Winning this Award is a tribute to the service that is offered by the Careers Service here. It offers a vital life-line to so many who are unsure of which path to take and can give them help, guidance and support at crucial times in their lives".

Two Careers Service clients also received National Careers bursary awards in recognition of their progress following assessment and guidance provided by their careers advisers, Ronan McAteer and Yvonne Lesley, using the MAPS diagnostic assessment tool.





*Institute of Career Guidance Annual Conference in Belfast National Careers bursary awards. Pictured from left to right is Dr Deirdre Hughes, ICG President, Frances O'Hara, Head of Careers Service Operations, Judith Shaw, Head of Careers Policy and Strategy, Ronan McAteer, Careers Adviser, Kirsty Morrow and Angela Davison, bursary award winners and Yvonne Leslie, Careers Adviser.*

### **Training for Success and ApprenticeshipsNI**

The contracts for the delivery of Training for Success and ApprenticeshipsNI which were extended to 31 March 2011 have been given a further extension of three months up to 30 June 2011 to enable the retendering process to take place. That has now been completed and it is expected that the award of contracts will be made in the near future for a period of three years with an option to extend for two one-year periods.

### **Steps to Work**

The Department, following a Case Conference in December 2010, opted to extend the Steps to Work contracts by one year to 31 March 2012 in seven of the ten contract areas. A new procurement exercise is ongoing for the delivery of the programme in the Foyle, South and East Belfast and Antrim contract areas with the expectation that these contracts will commence from 27 June 2011.

### **Analysis of the Quality and Performance of DEL Programmes**

The Department seeks to ensure that the quality and performance of its provision is clearly understood and is of a high standard. Its strategy for quality improvement, 'Success through Excellence', underscores its commitment to raising standards. In order to draw together and strengthen the underpinning evidence, the Department has produced and published a series of quantitative assessments of the quality and performance of DEL programmes and sponsored provision. The latest report published in March 2011 can be found at:

<http://www.delni.gov.uk/es/index/publications/r-and-s-stats/qualityandperformanceanalysis2011.htm>.

This work considers how the Department has been performing against its targets and identifies the key challenges it faces. It sits alongside the more qualitative evidence produced by the Department's Quality Improvement Advisor, based on inspection findings contained in reports published by the Education and Training Inspectorate. The report highlights, for example, how the rigorous implementation of Success Through Excellence is contributing significantly to improvements in quality across the Department's further education, training

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and employment programmes and outlines the support and interventions that have occurred in response to inspection outcomes. It also details the Department's work in implementing and strengthening its teacher education policy across all its funded provision.

## **HIGHER EDUCATION**

### **Development of a Higher Education Strategy for Northern Ireland**

During 2010, work continued on the development of a Higher Education Strategy for Northern Ireland, which will shape the future of higher education here in the period up to 2020.

Five Expert Groups were established to examine the following key themes within higher education:

- Economy
- Finance/Governance
- International
- Learning
- Society/People

The Expert Groups submitted their findings and recommendations to the Steering Group in Summer 2010. A stakeholder event was held on 24 June 2010 in Londonderry. The recommendations of the Expert Groups and feedback from stakeholders helped to inform the development of a consultation document. The public consultation was launched on 20 January 2011 and scheduled to finish on 15 April 2011.

### **Teaching and Learning**

The Department continues to be committed to ensuring a high standard of Teaching and Learning is delivered throughout the Northern Ireland Higher Education Sector. A revised **Quality Assurance Institutional Review** process and the development of a quality assurance management protocol has been developed. The new Institutional Review process will be implemented in Higher Education Institutions in England and Northern Ireland from August 2011.

The Department is responsible for the management of **Higher Education Public Information** through supporting the promotion and enhancement of the National Students Survey, Unistats website and the collation and publication of information on aspects of the student experience for current and prospective students.

The Department is committed to supporting the work of the **Burgess Implementation Steering Group** whose remit is to consider a number of issues relating to measuring and recording student achievement, including degree classification, and academic credit through the production of a **Higher Education Achievement Report (HEAR)**. The University of Ulster is one of 18 Higher Education Institutions throughout the United Kingdom which have participated in initial trialling of the HEAR. It is anticipated that the HEAR will be introduced in the UK for all new undergraduate entrants in the academic year 2011-12.

### **European Higher Education Area**

The Department is fully committed to supporting the **Bologna Process**, an agreement, dating from 1999, aimed at establishing a world-class European Higher Education Area (EHEA).

The Department has been active in promoting the development and use of the **European Diploma Supplement** by Northern Ireland Higher Education Institutions. These supplements are issued to students and are designed to improve international "transparency" and facilitate academic and professional recognition of qualifications.

The Department continues to work towards achieving of the Barroso Task Force Objective 4.1 - Promotion of awareness of, and participation in, the ERASMUS (*European Community Action Scheme for the Mobility of University Students*) programme by Northern Ireland Higher Education Institutions and students.

To achieve this, Higher Education Division has been central to the promotion of participation in ERASMUS at all our local Higher Education Institutions and has worked with UK colleagues to ensure Northern Ireland benefits from ERASMUS initiatives and activities.

In 2010, Queens University Belfast (QUB) was identified as being the 7<sup>th</sup> most successful university across the 31 participating European countries for sending students on mobility programmes and for each of the last two years the ERASMUS Student of the Year has been from Northern Ireland.

Through increased promotion of ERASMUS opportunities the Department has facilitated increased mobility of students and staff at our HE institutions. The Department has successfully raised the profile of our institutions and highlighted their willingness to participate in the programme thereby ensuring that Northern Ireland stands to gain from the economic, social, cultural and academic learning that comes with increased mobility and enhanced European wide learning opportunities. As well as equipping our students, the programme raises the profile of the region.

### **International**

The Department remains committed to promoting and encouraging strategic partnerships and opportunities for international collaboration and mobility in the tertiary education sector. This involves increasing involvement in the development, promotion and provision of support for international higher education programmes and policy initiatives, and both contributing to, and monitoring the international dimension of European and UK higher education policy.

*The Department participates in key policy initiatives such as development and implementation of the UK Border Agency led international student visa regulations, the UK-India Education Research Initiative (UKIERI 2) and the UK-China Partners in Education programme (UKCPIE) which aim to substantially improve educational links between the UK and both India and China respectively.*

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Following the amalgamation of the International Unit and the Europe Unit in 2010, the Department has been represented on the newly formed International and European Strategic Advisory Board (IESAB). The primary function of the IESAB is to provide strategic oversight for the International and Europe Unit (IEU).

In addition to supporting the IEU, the Department is a funding member of the European Coordinating Group (ECG) and the International Coordinating Group (ICG). The primary function of both of these groups is to provide expert input on UK, European and International activities.

Various policies, programmes and initiatives, funded by the Department involve collaboration with global institutions and organisations including the Study USA programme, the Mitchell Scholarships, Study China and Study India.

### **Widening Participation Strategy for Northern Ireland**

The Department is committed to widening participation in Higher Education by learners from those groups which are currently under-represented, in particular, students from disadvantaged backgrounds and students with learning difficulties and disabilities. The widening participation vision is that any individual in Northern Ireland should be able to gain access to the higher education that is right for them, irrespective of their educational or social background.

The former Minister, Danny Kennedy, launched the Consultation on Widening Participation in Higher Education in Glengormley High School on 7 March. The consultation sets out a series of proposals for improvement including:

- a regional awareness campaign to improve understanding of the benefits of Higher Education;
- ways to improve educational attainment to ensure the supply of qualified candidates;
- better outreach to disadvantaged communities; and
- new methodologies to identify individuals in need of support.

The responses received will inform the development of a new regional strategy for widening participation.

### **Review of Variable Fees and Student Finance Arrangements**

Joanne Stuart, the previous chairperson of the Institute of Directors in Northern Ireland, was appointed as independent chairperson of the review which commenced in December 2008. The review was tasked with considering evidence from a range of sources to determine the impact of the current variable fee arrangements on Higher Education Institutions and students and make recommendations in terms of future student finance policy for Northern Ireland.

The report of the Stuart review findings was published on 12 October 2010 to coincide with the publication of a similar review in England, chaired by Lord Browne. The Minister, in line with a recommendation in her report, asked Joanne Stuart to provide an update taking

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account of the Browne review, the UK Government response to it and the budget settlement for Northern Ireland following the Comprehensive Spending Review. The update to the Stuart report was published on 8 February 2011.

Taking into account the findings of the update to the Stuart report, the key proposals set out by the UK Government, the Scottish and Welsh proposals, developments in the Republic of Ireland, the views of key stakeholders and the implications of the draft budget for DEL, the Minister published a public consultation document setting out options for tuition fees and associated student finance arrangements on 15 March.

**Consultation on the proposed Discontinuance of Stranmillis University College and its merger with the Queen's University of Belfast**

The Governing Body of Stranmillis University College first announced its decision to merge in principle with Queen's University Belfast in April 2008. Following the development, and approval of, an economic appraisal, and legal advice on certain issues, the proposal to discontinue the College and to merge it with Queen's University was put out to public consultation in March 2011.

**Recurrent Funding**

In terms of recurrent funding, the Department was able to broadly maintain its level of funding to the Higher Education institutions for the 2010/11 academic year, although it was necessary to secure a 1.5% efficiency from the teaching grant. In total, the Department allocated £232.5m in recurrent funding in 2010/11.

**Capital Funding**

During the year a total of £21.5m capital funding was provided to the sector. This was almost £1m greater than the funding provided in the previous year. All of the capital projects that were commenced under the CSR 2007 funding allocation were either completed or nearing completion. The one notable exception to this is the University of Ulster's Jordanstown redevelopment project which is scheduled for completion in 2018. The project will see the university relocating most courses from Jordanstown to a new expanded campus in North Belfast and the creation of a landmark building on the current Interpoint site.

**Student Loans Amendment Bill**

As student loans are paid out of and subsidised by public funds, in the interest of the protection of public money, it was not considered appropriate to allow borrowers to reduce or limit their liability to repay by entering into individual voluntary arrangements (IVAs). It was necessary, therefore, for the Department to bring forward a Student Loans Amendment Bill to align the treatment of student loans in relation to IVAs with that which applies to bankruptcy.

The Department secured Executive agreement to the introduction of the Student Loans (Amendment) Bill to the Assembly on 13 May 2010 and successfully took the Bill through all of its Assembly stages. The Bill received Royal Assent on 25 January 2011 and has now become The Student Loans (Amendment) Act (Northern Ireland) 2011.

### **US-Ireland Research & Development (R&D) Partnership**

The aim of the US-Ireland R&D Partnership is to increase the level of collaborative R&D among leading researchers across Northern Ireland, the Republic of Ireland and the United States that will generate valuable discoveries and innovations which are transferable to the marketplace, or will lead to enhancements in health promotions, disease prevention and healthcare.

In the past year, the number of projects approved for funding has risen from five to eight, representing an investment across the three jurisdictions of circa £13m / €15m. Six of these are supported by DEL (four Queen's University / two University of Ulster) and two by the Health and Social Care R&D Office of DHSSPS.

Awards of funding under this programme are considered highly prestigious. All proposals are subjected to the "gold standard" international peer review processes operated by the United States agencies i.e. the National Science Foundation and National Institutes of Health.

Following an approach from the US-Ireland Steering Group, the Minister agreed to extend the areas for collaboration to include energy/sustainability and telecoms. This decision was announced by the First Minister in the margins of the highly successful Northern Ireland Economic Conference which took place in Washington in October 2010.

### **Strengthening the all-Island Research Base**

In 2008, DEL announced a strategic investment of £17.2m, under the flagship "Funding for Innovation" stream, to allow the two Northern Ireland universities to build additional and sustainable research capacity and capability that will contribute to the development of the 'All Island Research Infrastructure', with the overall aim of creating critical mass in areas of strategic interest to both Governments.

The programme, which completed in March 2011, has enabled Queen's University and the University of Ulster to develop and strengthen links with Republic of Ireland research groups through collaborative research which is socially and economically relevant, both to Northern Ireland and the island of Ireland as a whole.

Twelve projects were supported, (seven Queen's University and five University of Ulster) involving collaborative partnerships with, among others, University College Dublin, Trinity College Dublin, National University of Ireland Galway, University College Cork, University of Limerick, the Institute of Public Health and the Royal College of Surgeons in Ireland.

An eligibility criterion for successful projects was that they should seek to be self sustaining after the cessation of DEL funding, through leveraging additional monies from external funders such as the UK Research Councils, charities, business and the European Commission. To this end, Queen's University has already successfully levered funding of some €1.6m relating to four projects approved under the European Commission's highly competitive "Framework Programme" as part of a total pan-European investment of €9m. This achievement is particularly welcome given the Northern Ireland Executive's commitment under the Barroso

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Taskforce to increase the level of support drawn from EU sources by 20% over the next four years.

**Additional PhD Places**

The Department has met its Programme for Government commitment to “increase by 300 the number of PhD research students at local universities by 2010”.

These additional PhD places are focused on areas of economic relevance as agreed with DETI which is in turn informed by “MATRIX”, the Northern Ireland Science and Industry Panel.

The economic priority areas are : Agri-food, life and health sciences (including behavioural), advanced materials (including clean technologies), engineering, information and communication technologies, electronics, software engineering, construction (including clean technologies), creative media and financial services.

The total cost over three years was approximately £12.2m.

**Student Finance**

During the year the Department committed a total of £317.1m towards supporting Northern Ireland domiciled HE students at UK Universities and Northern Ireland Further Education Colleges, compared with £297.5m in 2009/10.

This included non-repayable grants of £76.8m compared to £69.3m in 2009/10 and Maintenance and Tuition Fee loans totalling £223.7m, compared to £214m in 2009/10.

Through funding of £14.4m, the Department supported a total of 795 postgraduate research posts in 2010/11, compared to £12.3m for 695 posts in 2009/10.

In 2010/11 The Queen’s University, The University of Ulster, St Mary’s University College and Stranmillis University College distributed a total of £2.1m of DEL funding to students experiencing financial hardship.

The Department undertook a joint review with the Department of Education of the Education Maintenance Allowance scheme. The report was completed in December and the findings will be the subject of a consultation in due course.



## **FURTHER EDUCATION (FE)**

### **Accreditation of Post Graduate Certificate of Education (FE)**

In July 2010, the General Teaching Council for Northern Ireland decided to accredit the Post Graduate Certificate of Education (PGCE) (FE) for a period of four years until September 2014. This accreditation recognises the professional suitability of the PGCE (FE) programme. As a result of this accreditation, FE lecturers who successfully complete the course can apply for automatic registration with the Council and be recognised as qualified teachers.

### **Further Education Curriculum and Staff Development Fund**

The Department established a Further Education Curriculum and Staff Development Fund, worth £720k over 2 years, to enhance staff development and drive curricular improvement within the FE Sector in Northern Ireland. Activities provided through this fund include:

- Leadership and Management training;
- Colleges Industry Initiative - an industry standard upskilling project for college staff with an emphasis on Science Technology, Engineering and Maths (STEM) subjects;
- advocacy and support for students with Special Learning Difficulties and Disabilities accessing/attending Further Education; and
- Essential Skills support/development for FE Lecturers.

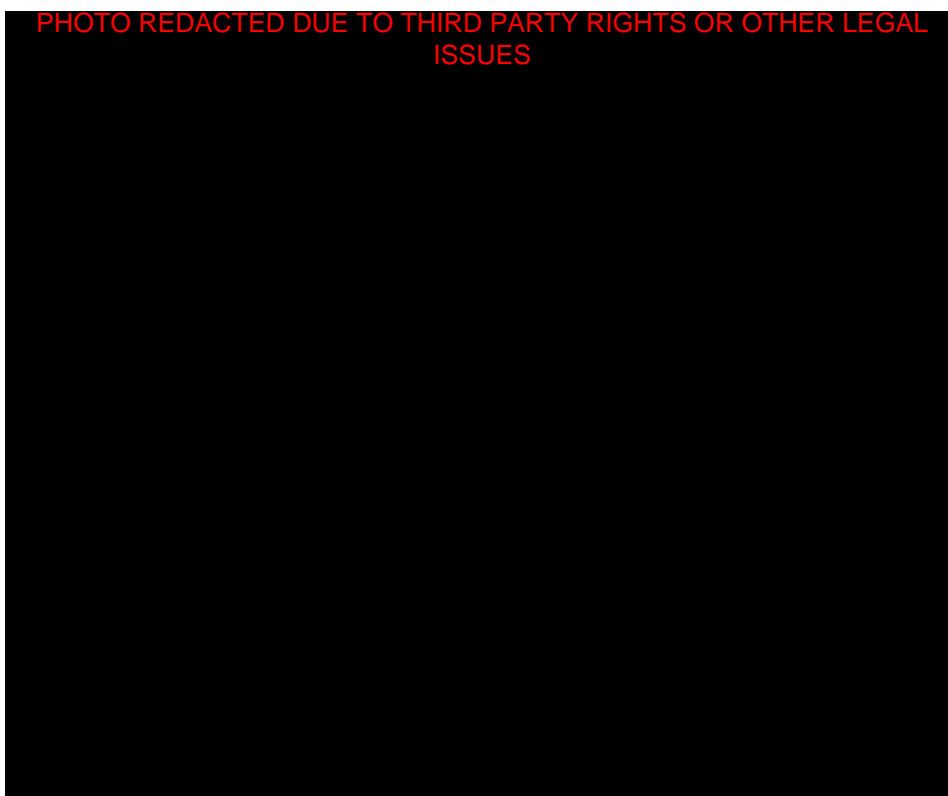
### **Essential Skills**

The Department's PSA Target to support 42,000 adult learners to achieve a qualification by March 2011, was achieved at the end of August 2010. Since the introduction of the Essential Skills Strategy (October 2002), there has been 100,210 qualifications and 85,144 learners, in total. This equates to 57,254 individuals who have received an Essential Skills qualification from an Awarding Organisation.<sup>1</sup>

The current phase of the Strategy is focused on a number of areas including encouraging more employers to get involved in providing Essential Skills training in the workplace (public sector employers such as Health Trusts, local government and the Northern Ireland Civil Service have responded very positively), engaging the hardest to reach people in society, such as the long-term unemployed and family learning. From the start of the strategy to 2009/10 53% of learners have come from the most deprived areas of Northern Ireland. There is also a Northern Ireland Union Learning Fund which encourages learning, particularly Essential Skills in the workplace.

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<sup>1</sup> An individual may do one, two or all three Essential Skills qualifications. The enrolments have produced 100,210 qualifications. The 57,254 individuals doing Maths, English or Information Communication Technology (ICT) equates to 85,144 learners



Pictured at the Essential Skills Awards ceremony in Hillsborough Castle is Marieanne O'Shea, the overall Essential Skills 2011 winner with the BBC's Sarah Travers.

### **Further Education Finance**

For the 2010/11 academic year, £173.3m was allocated to the Further Education Sector in Northern Ireland, consisting of £147m for the recurrent block grant (the colleges' annual running costs) and £26.3m for earmarked funds; this funding provide the infrastructure required to support a number of activities in the FE Sector in terms of curriculum, Information and Communication Technology, qualifications and support for students encountering a range of difficulties. In addition, in December 2010 an additional £1.2m was allocated to support the FE sector with the high demand for places. The 2010/11 recurrent block allocation increased by 2.2% from the 2009/10 allocation (£145m).

### **Vocational Qualifications Reform Programme (VQRP)**

The VQRP was a UK-wide programme introducing changes to vocational qualifications particularly in England, Wales and Northern Ireland. The main outcomes of the programme were the introduction of a credit and unit-based framework for qualifications (the qualifications and credit framework – (QCF)) across the three countries. The new vocational qualifications system, put in place by the Reform Programme, is flexible to the needs of learners, and better meets the needs of employers and learners by involving employer representatives in the qualifications development process.

The Reform Programme was overseen by the UK VQRP Board, which included representatives from all key organisations with a stake in the system. The Programme was

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formally closed in December 2010, having achieved most of its objectives. The transition from the previous framework to the QCF is now 96% complete, with the remaining qualifications to follow in the next few months. The benefits of the Programme for learners and employers continue to be assessed by the UK Commission for Employment and Skills.

In Northern Ireland, the implementation of the Programme was overseen by the Northern Ireland VQRP Board, including representatives from all key stakeholders who were involved in implementing the changes in Northern Ireland. The focus of the VQRP in Northern Ireland was on communicating the changes locally and ensuring that Northern Ireland issues are addressed at UK Board level.

A number of legacy activities have been identified to ensure that the Programme does achieve the proposed benefits, including further communication with learners and employers, further advice and support for learning providers, and continued implementation and promotion of the IT systems underpinning the QCF.

**During 2010/2011 the Northern Ireland VQRP Board oversaw a number of key achievements:**

- completion of the implementation of a VQRP communications strategy;
- delivery of a capacity-building programme for FE colleges, information, advice and guidance providers and training organisations;
- a very successful second conference on Vocational Qualifications reform on 3 June 2010;
- the formal establishment of the Office of Qualifications and Examinations Regulation (Ofqual) as the independent regulator of all vocational qualifications in Northern Ireland;
- completion of the Recognition of Training in Employment Programme pilot, to promote the use of regulated qualifications to employers who deliver their own training; and
- ensuring that learners in Northern Ireland can obtain a unique learner number (ULN) in order to have access to their personal learning record which will store all QCF achievements. By February 2011, 135,000 ULNs were issued to learners with Northern Ireland post codes, 127,000 of which are students in the six FE Colleges.

At the end of 2010, DEL launched a project to assess the extent to which the processes developed under VQ Reform could be used to identify priority qualifications for funding in Northern Ireland.

**College Collaboration with Schools / the Entitlement Framework**

DE and DEL are currently working together on a 14-19 Statement to ensure the effective delivery of their respective policies and provision for 14-19 year olds. Both Departments are committed to the development of a highly skilled, flexible and innovative workforce, which will contribute to the twin goals of economic success and social inclusion.

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Since 2004, DEL and DE have been working closely on collaboration between schools and FE Colleges, initially through the Vocational Enhancement Programme (VEP) and more recently through the pilots for the Entitlement Framework. The Entitlement Framework will mean that at least one third of the curriculum offered in post primary schools will be professional and technical (vocational) in nature, although individual pupils can decide not to take up this offer and follow an exclusively academic route instead. An important issue to be considered is the range of qualifications that can be used as part of the professional and technical element of the curriculum offered under the Entitlement Framework - for example, applied 'A' levels and GCSEs, and qualifications on the Qualifications and Credit Framework. While it does not apply in Northern Ireland, the recommendations of the Alison Wolf review into the use of vocational qualifications in England will be considered in dealing with this issue.

The main outcome will be to ensure that the most flexible and appropriate curriculum offering is available to 14 to 19 year olds, whether they are in school or in further education or training. There are 11,515 Professional/Technical (vocational) opportunities being made available to post primary school pupils in the 2010/11 academic year.

### **FE Capital**

During 2010/11 the following FE projects have been completed:

- an £18m new build and refurbishment at the North West Regional College in Londonderry;
- new build campuses for the South Eastern Regional College (SERC) at Lisburn, Downpatrick and Ballynahinch. This with the already delivered Newcastle campus completes SERC's two Public Private Partnership (PPP) contracts, capital value £45m; and
- a £10m new build and refurbished campus at Newtownabbey for the Northern Regional College, to replace the Felden campus.

Construction is continuing on: Belfast Metropolitan College's PPP campus at Titanic Quarter, capital value £44m, due for completion in August 2011.

Construction commenced on: Belfast Metropolitan College's £16m E3 campus at Springvale, due for completion in February 2012.

### **Review of Further Education Governance**

In line with its objectives for the year, the Department completed a review of governance arrangements in the FE sector. Following consultation with colleges and other interested parties, the review contains proposals regarding the composition, appointment and assessment of governing bodies; it also paves the way for a code of governance that will clarify the roles and responsibilities of key players within the sector and the Department. This renewed emphasis on the governance of colleges reflects the increasing importance of the further education sector and, in particular, the onus placed on it to provide the knowledge and skills that the local economy requires.

## **EMPLOYMENT SERVICE**

### **Helping people to acquire jobs**

One of the main ways that the Department helps people to acquire jobs is through the delivery of its Employment Service, the objective of which is to deliver a high quality employment service, providing support for employers and helping people into work.

The Employment Service does so by assisting people to identify and address barriers to work through its one to one Adviser service, provide detailed information on jobs that are available via the Jobcentre Online website, Jobpoints and job brokerage staff, provide assistance to people who are interested in becoming self-employed, and improve the linkages between employment programmes and skills development

The strategic targets of the Employment Service are to:

- assist 70,000 working age benefit clients to move into employment by March 2011, subject to economic conditions;
- increase by 25% use of e-vacancy by employers by March 2011; and
- deliver a modernised employment service by March 2011.

The Employment Service objective and related Targets are associated with Public Service Agreement 3, Increasing Employment.

The performance against these targets over the period 1 April 2008 to 28 February 2011 is as follows:

- assist 70,000 working age benefit clients to move into employment by March 2011, subject to economic conditions; 93,684 clients have found work with the assistance of the Employment Service;
- increase by 25% use of e-vacancy by employers by March 2011; employers placed 105,437 vacancies with the Employment Service of which 39,323 (37.3%) were placed via the e-vacancy facility; in March 2011, 46.85% of vacancies were placed via the e-vacancy facility; and
- deliver a modernised employment service by March 2011; the Employment Service has met the objectives as described in the PSA target through a combination of Phase 1 programmes/projects aimed at improving provision to customers and through continuing the work of Phase 2 to continuously improve the service delivered by the Employment Service; this Phase 2 work will be mainstreamed into the Division's Business Plan for the coming year.

The Employment Service delivers its service to clients and employers, through a network of Jobs and Benefits Offices and JobCentres. The latest Jobs and Benefits office opened in Andersonstown on 24 May making 27 in total. The Jobs and Benefits service is delivered in partnership with the Social Security Agency. The main functions delivered are an

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Employment Adviser service which includes work-focused interviews and supports provision such as Steps to Work and Pathways to Work, Job Brokerage, and an Employer Service.

**Steps to Work (StW)**

Steps to Work (StW) replaced New Deal as the Department's main adult return to work programme in September 2008. It was rolled-out across Northern Ireland with the exception of the Foyle contract area where Central Procurement Directorate has not been in a position to finalise the contract award. The existing New Deal contracts have been extended until June 2011 to facilitate a completion of a new procurement exercise. Contingency arrangements were put in place to ensure, as far as possible, provision in Foyle replicates what is available in the rest of Northern Ireland.

StW provides access to provision to a wider customer base including those in receipt of Job Seekers Allowance (JSA), 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 this business year unemployment continued to rise as it had done in the latter part of the previous business year. Despite this challenge and that of limited growth in the economy, over the period September 2008 to June 2010 StW assisted 6,975 participants to find work with 5,706 (82%) entering unsubsidised employment. Of those who entered unsubsidised employment 77% sustained employment for 13 weeks or more. Overall 19% of all participants who left the programme in that period sustained employment for 13 weeks or more.

**Employment Services and Strategic Dialogue with Disability Sector**

The Disablement Advisory Service (DAS) has continued to work with the Disability Sector to deliver a range of employment services and programmes, such as local European Social Fund projects and the Workable (NI) programme. Strategic dialogue is also facilitated through the Disability Liaison Group.

**Employer Engagement**

Employers are, and will remain, central to the ambitions of welfare reform, to the Government's aspirational UK 80% employment rate and to the work of the Employment Service. The Employment Service 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.

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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 Employment Service 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 2010/11, 42.41% of all the job vacancies attracted by the Department (i.e. 14,221 out of the 33,532 total) were notified through this medium.

The Employment Service 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.

If an employer makes redundancies the Department will offer a tailored support package to meet the needs of those employees affected by the redundancy. This support is aimed at helping employees cope better with redundancy and assist them in finding alternative employment. The Department will plan, coordinate and deliver the support package agreed with the employer. During the past year, 32 redundancy clinics were held.

#### **Local Employment Intermediary Service (LEMIS)**

The Local Employment Intermediary Service (LEMIS) has been operating over the last four years in areas of high unemployment/low employment, in Belfast, Londonderry and Strabane. 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 delivered by local providers in the community and is designed to complement the services available through the Jobs and Benefits offices 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.

During the past year 1,537 clients were caseloaded (6,085 over the last four years). Of these numbers:

- 451 clients subsequently moved into employment in 2010/11 (1,537 clients into employment over the last four years); and
- a further 69 clients moved onto other DEL programmes in 2010/11 (192 clients over the last four years).

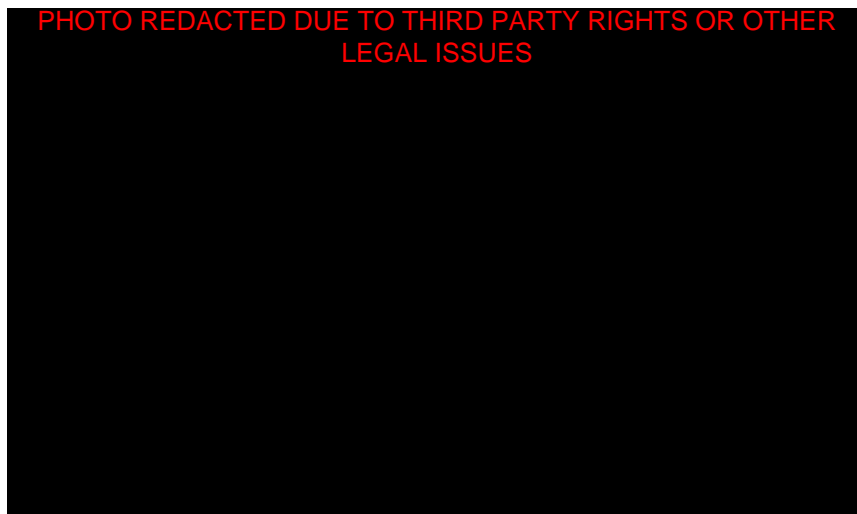
The Department has recently awarded contracts to the current providers to provide the LEMIS service for an initial period of one year with three options to extend for one year each. The LEMIS service will also be extending to three new areas (September 2011), i.e. Newry & Mourne, Moyle and Cookstown pending a successful tendering process.

LEMIS has also subsumed the Department's Progress to Work Programme, which assisted clients with a common employability barrier, e.g. history of drug/alcohol misuse, enter employment. This service is now available through the LEMIS network and will be available

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throughout Northern Ireland once the new areas mentioned above have been awarded contracts.



The former Minister for Employment and Learning, Danny Kennedy pictured at the announcement of a £2 million boost for LEMIS with successful participant Marie Docherty from Belfast. Marie who was previously long-term unemployed benefited from the range of support and training initiatives available under the programme. She now works as a part-time receptionist for East Belfast Mission.

### **Progress2work (NI)**

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.

Following a review it was decided to incorporate this provision into LEMIS.

### **Pathways to Work**

The Pathways to Work initiative has been in place throughout the whole of Northern Ireland since April 2008; Employment and Support Allowance replaced Incapacity Benefit and Income Support payable for reasons of incapacity or disability in October 2008.

Pathways to Work is aimed at 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 Employment Service Adviser is to work with the client to identify any barriers to work, provide them with individually tailored advice and support and agree an Action Plan to help the client move into work.

Some of the provision available under the Pathways to Work initiative during the past year included:



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- 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;
- New Deal for Disabled Job Brokerage service;
- a Condition Management Programme which will run in partnership with the health service offering clients work-focused rehabilitation to improve their understanding of their health condition and how to manage it safely in a work environment, thereby enhancing their prospects of sustaining employment; and
- Employment Assessments through the Department's Occupational Psychology Service.

Up until now, 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.

### **Incapacity Benefit/Income Support Migration Project**

As part of ongoing Welfare Reform the UK Government has commenced a reassessment of all those who are claiming Incapacity Benefit (IB) or Income Support (IS) on grounds of incapacity. This will take place over a three year period between April 2011 and March 2014.

DEL has statutory obligations under Welfare Reform Legislation to provide work focused support to assist all working age benefit claimants on JSA and ESA. Therefore DEL initiated an IB/IS Migration Project in order to identify and ensure the optimum delivery model of work focused support for those clients who migrate from IB/IS to ESA or JSA. This complements the Department of Social Development (DSD), Social Security Agency (SSA) IB/IS Reassessment project.

The migration of IB clients onto ESA (or JSA) will impact significantly on this Department. The latest information from DSD indicates that in the region of 76,000 clients will be reassessed. DSD began the process of reassessment on 28 February 2011 and it is expected that the Employment Service will begin to carry out Work Focused Interviews from 5 September 2011.

### **European Employment Services (EURES)**



The European Commission proclaimed 2010 as the 'European Year for Combating Poverty and Social Exclusion'. Key objectives were, Recognition of rights, Shared responsibility and participation, Cohesion, Commitment and Concrete Action.

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Supporting the promotion of the 'European Year', EURES participated in several events throughout Northern Ireland, i.e. Jobserve Live and Working Abroad Expo, including job fairs and information days in schools, colleges and universities. EURES provided information and advice on issues of mobility and access to employment opportunities in other European member states. EURES also attended job fairs in the Republic of Ireland and other member states.

As part of a Pilot launched by the Department's Employment Service in December 2010, and with access to the UK National Academic Recognition Information Centre databases, EURES along with Dungannon Jobs and Benefits Office provided non national, Northern Ireland resident clients with information on the UK equivalence of overseas attained qualifications. In the four month period December 2010 – March 2011 EURES had responded to over 100 enquiries.

### **Modernising the Employment Service**

The Employment Service Modernisation Programme continued to develop an 'Internal' (Phase 2) focus this year following on from the 'External' (Phase 1) of modernisation, which delivered flexible citizen focused training provision through Pathways to Work, the Local Employment Intermediary Service and the Steps to Work Programme. The roll-out of the new service delivery model was completed, which improved the skills of frontline advisory staff to enable them to better deal with the individual needs of the Department's customers and help them progress towards work, with special emphasis on those who are more distant from the labour market.

Four Strategic Priorities were identified for the 'internal' phase to provide a strategic framework to progress work against our PSA commitments. They were People, Resources/Partnership, Processes and Business Impact. Out of this work, and in order to build individual and organisational capability to deliver the needs of the current and future Employment Service, a Learning and Development Strategy has been developed. The resultant Action Plan to take forward findings will form part of the 2011/12 Employment Service Business Plan.

The Employment Service Improvement Project (ESIP) was established under the 'Processes' Priority and has been piloted in Newtownabbey Jobs and Benefits Office from 1 November 2010. The ESIP process aims to tailor the content and nature of our service for individual clients and increases our overall capacity to deliver a quality employment service. There will be further development of the ESIP process in the 2011/12 year.

A review of the internal Employment Service organisational structure has also been completed. The new structure, which will be implemented early in 2011/12, will endeavour to ensure that the Employment Service is better placed to deliver its business objectives and targets and fully support frontline service delivery to the customer.

## **STRATEGY AND EMPLOYMENT RELATIONS**

### **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 2010/11, the RPS paid in excess of £8.6m from the Northern Ireland National Insurance Fund, in entitlements referred to above, while in excess of £0.5m was recovered from the assets of solvent/insolvent employers. In addition, just over £1.0m was written-off the debt to the National Insurance Fund as irrecoverable.

The last 3 years have seen a significant increase in the numbers of claims and amounts paid out to qualifying employees; a 62% increase from £3.8m in 2008/09 to £6.1m in 2009/10, and increasing still further by 41% to £8.6m in the current year (2010/11).

### **Employment Law**

DEL maintains and develops policy and legislation in relation to all employment rights and relations here in Northern Ireland which, during 2010/11, has included:

#### *Employment Act 2010*

The Employment Bill received Royal Assent on 2 August 2010, to become the Employment Act (Northern Ireland) 2010. The main provisions of the Act:

- provide the Department with enhanced powers of investigation and prosecution in relation to rogue employment agencies;
- permit the sharing of employment agency inspection information with HM Revenue and Customs;
- provide flexibility in making appointments to the Industrial Court, and extend the right of legal representation to several Industrial Court jurisdictions; and
- allow for compensation for financial loss in cases relating to unlawful deductions from wages.

#### *Dispute Resolution Review*

A comprehensive policy review culminated in the Employment Act (Northern Ireland) 2011, which supports significant changes in the handling of workplace disputes. Statutory requirements relating to workplace grievances have been replaced with a good practice principles-based model defined in a revised Labour Relations Agency Code of Practice. This will create a shift away from a narrow focus on statutory compliance, instead placing the focus firmly on addressing the substantive issues in a dispute. Procedures for dealing with

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disciplinary and dismissal issues will remain largely unaffected. Rules governing time limits for lodging tribunal claims in respect of both discipline and grievance issues have been simplified.

The Labour Relations Agency has introduced a revised pre-claim conciliation service that seeks to identify and resolve disputes early on, before they reach a stage where tribunal proceedings become likely. Indeed, much of the focus of the review has been on promoting early resolution, whether in the workplace itself or by alternative and creative engagement between employers, employees and third parties where appropriate.

However, some cases will always go to a tribunal. To that end, tribunal rules have been streamlined to provide a more efficient service to users. This includes provision for a single tribunal to hear all aspects of a case which includes elements falling within the jurisdictions of both the Fair Employment Tribunal and Industrial Tribunals.

Throughout the review, the Department has benefited from the advice and support of a steering group, constituted by the Minister, consisting of representatives from the Confederation of British Industry, the Federation of Small Businesses, the Equality Commission, the Northern Ireland Committee of the Irish Congress of Trade Unions and the Labour Relations Agency. This group had oversight of the public consultation process and has now been reconstituted as an advisory group on the wider implementation of the review.

*Employment Agency Inspectorate (EAI)*

During the period 1 April 2010 to 31 March 2011, the Department's Employment Agency Inspectorate (EAI) received 14 complaints and carried out 21 inspections (both routine and investigation of complaints). The inspections are to ensure employment agencies in Northern Ireland comply with the Conduct of Employment Agencies and Employment Businesses Regulations (Northern Ireland) 2005. These Regulations were amended during this period to provide extra protections for vulnerable workers in the entertainment and modelling sectors, and to remove unnecessary administrative burdens on employment agencies which place work-seekers with hirers on a permanent basis.

In March 2011, the Department was successful in its first prosecution case against an entertainment agent, for breach of a prohibition order and failure to pay a client in accordance with the Regulations.

As part of a programme to raise the profile of the EAI amongst agency workers, EAI hosted the first of a series of Migrant Workers Seminars alongside the Gangmasters Licensing Authority, the Labour Relations Agency, and the Equality Commission. These seminars are designed to make migrant workers and their representatives aware of their employment rights, as well as the recourse they can take should these rights be infringed.

*Additional Paternity Leave and Additional Statutory Paternity Pay*

In October 2010, the Department, following extensive consultation, brought into operation legislation conferring the right to additional paternity leave and pay. This right allows eligible employees up to 26 weeks' additional paternity leave for the purpose of caring for a

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child under the age of one or, for an adopted child, in the first year after being placed for adoption. It also allows eligible individuals to claim additional statutory paternity pay where their partners have returned to work prior to maternity or adoption pay entitlements coming to an end. The right extends to fathers and partners of those with a child due to be born or placed for adoption on or after 3 April 2011.

*Flexible Working*

The Department made an amendment to the Flexible Working (Eligibility, Complaints and Remedies) Regulations (Northern Ireland) 2003, to extend the right for an employee to ask his or her employer for a contract variation (a flexible working request) to carers of children aged under seventeen. The right continues to apply to carers of certain adult dependants and to parents of disabled children under eighteen.

*Statutory Rules*

In addition to the above, a number of other Statutory Rules were produced in this period. These were:

- The Conduct of Employment Agencies and Employment Businesses (Amendment) Regulations (Northern Ireland) 2010 [S.R. 2010 No. 360];
- The Public Interest Disclosure (Prescribed Persons) (Amendment) Order (Northern Ireland) 2010 [S.R. 2010 No. 361];
- The Public Interest Disclosure (Prescribed Persons) (Amendment No. 2) Order (Northern Ireland) 2010 [S.R. 2010 No. 399]; and
- The Employment Rights (Increase of Limits) Order (Northern Ireland) 2011.

**Office of the Industrial Tribunals and the Fair Employment Tribunal**

The Department provides the administrative service for the Office of the Industrial Tribunals and the Fair Employment Tribunal. 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. The tribunals deal with a wide variety of claims, complaint jurisdictions and appeals, together with the determination of certain disputes and questions relating to compensation which have been delegated to them.

During 2010/11, the Industrial Tribunals registered 3,072 new claims and the Fair Employment Tribunal registered 166 new claims. 1,313 complaints were heard and determined by the Industrial Tribunals and 38 claims were heard and determined by the Fair Employment Tribunal. At 31 March 2011, the Industrial Tribunals had 4,538 live claims and the Fair Employment Tribunal had 147 live claims.

**Labour Relations Agency**

The Labour Relations Agency is 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.

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The Agency 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 relation 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.

### **Industrial Court**

The Department has continued to provide Secretariat support to the Industrial Court ([www.industrialcourt.gov.uk](http://www.industrialcourt.gov.uk)) which has dealt with one case carried over from the previous year and has received one new case which is currently on-going.

### **Guidance**

Information on employment rights and responsibilities remains under continual review, to ensure that it reflects the up-to-date legislative position. The Department also began work in 2010 to consolidate employer/business-facing employment rights guidance on [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk), which is operated by Invest NI.

### **Migrant Workers**

During 2010/11, the Racial Equality Forum's cross-cutting Migrant Workers Thematic Sub-Group (MWTSG), which is facilitated by the Department, met on two occasions. The MWTSG aims to ensure that the employment-related needs of migrant workers, and those who employ and advise them, are met effectively through the 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.

The provision of information and signposting services to migrant workers continues to develop, and the Department is piloting a qualifications equivalency service in two Jobs and Benefits offices as well as through the EURES service, using the UK National Academic Recognition Information Centre (UK NARIC) qualifications databases. A review of the delivery of the service will be undertaken, with consideration being given for potential roll-out.

Relationships continue to be developed 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 continue to take place between enforcement bodies where appropriate. As part of a programme to raise the profile of the EAI amongst agency workers, EAI hosted the first

of a series of Migrant Workers Seminars alongside the Gangmasters Licensing Authority, the Labour Relations Agency, and the Equality Commission.

### **Young People not in Education, Employment or Training (NEET)**

The issue of young people not in education, employment or training (NEET) is a high priority for the Department. In 2010, the Department carried out a key piece of work in the form of a scoping study to learn more about those who are in the NEET category. The Study was published on the Department's website. As the issue is pertinent to the responsibilities of several Northern Ireland Departments, the Study was submitted to the Executive and it was agreed at its meeting in July 2010 that a cross-Departmental mechanism should be put in place to develop a strategic approach to tackle the issue.

A substantial amount of cross-departmental work, and work with the voluntary and community sector through a Forum developed by Barnardos, was taken forward. Parallel to this, the Employment and Learning Assembly Committee also conducted its own enquiry into the issue and launched its report in January 2011. Following publication of the Committee Report, and drawing on the work with Departments and the NEETs Forum including a pre-consultation seminar, a draft high-level consultation document was published which:

- sets out the broad strategic direction;
- includes key actions put forward by Departments as their initial or immediate contribution;
- recommends that delivery actions are further developed under broad themes, likely to be; Better Information, Interventions and Effective Prevention Measures; and
- outlines the shape of the Steering and implementation mechanism.

The draft consultation document was accepted without amendment at the Executive Meeting on 10 March 2011, and permission was given to proceed to consultation. The Department launched a public consultation on the draft strategy for young people in the NEET category on 24 March 2011. The strategy is designed to give young people new opportunities and new hope. It aims to tackle the issues surrounding those who are in the NEET category in a manner that is progressive, sustainable and realistic.

## **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 just over 2,000 staff in all grades across a network of 44 offices. The Department continues to work closely with HRConnect, its Shared Service Centre, in the delivery of a range of transactional HR Services.

### **People Strategy**

The DEL People Strategy (2010 – 2014) was developed and introduced in April 2010 following a process of engagement between HR, management and staff. The Strategy, which was endorsed by the Departmental Board, presents a People Vision for the Department and a number of key themes and associated action plans, spanning a four year period.

The first year of the Action Plan ended on 31 March 2011. A number of significant achievements were made in the past year following publication of the People Strategy, including:

- the implementation of new Workforce Planning process to ensure that accurate management information is available to senior managers and that the Department does not exceed its Target Staffing Level;
- the development of a programme of process and priority reviews agreed by senior management;
- the development of guidance for staff to signpost to career and learning opportunities and assist managers to review the career needs of staff;
- the delivery of pilots of the Condition Management Programme and Mental Wellbeing sessions in Employment Service, aimed at improving attendance;
- Dignity at Work Training was rolled out across the Department to all staff; and
- a Departmental Employee Relations Framework was agreed by management side and Trade Union Side in November 2011 to formalise and clarify Divisional and local level arrangements for consultation.

HR has again consulted the Departmental Board and Trade Union colleagues to seek views on specific priorities or additional actions that have been incorporated into the Year Two Action Plan of the People Strategy, which will be delivered during 2011/12.

### **Attendance Management**

In the last year HR worked closely with line managers, staff and the support services to tackle the sensitive issue of sickness absence and to improve the processes which underpin absence management. In January 2011, corporate and departmental sickness absence targets were agreed up to March 2015. In order to contribute to the overall Northern Ireland Civil Service (NICS) target of 8.5 days, DEL must reduce its absence rate from a baseline of 10.7 days (2009/10) to 7.9 days lost per staff member by the end of the 2014/15 business year. During 2011/12, DEL needs to achieve an absence rate of around 10.1 days if it is to keep on track



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and ultimately meet the 2015 target. If realised, this reduction will ultimately contribute to the overall Departmental efficiency savings.

The theme of Employee Health and Wellbeing and Engagement is one that has attracted significant corporate interest and is highlighted in the NICS HR People Strategy. HR has continued to promote best practice and innovation in the area of absence management through:

- the development of a managing attendance action plan;
- use of pilot programmes;
- facilitating research into the area of communication in relation to mental wellbeing (which was conducted by a Master's research student); and
- its representation on the Corporate Health and Well Being and Engagement Project; for implementation in this financial year and will produce actions.

### **Learning and Development**

DEL is committed to developing the potential of all staff to enable them to achieve business objectives. The investment in learning and development in 2009 – 2010 included financial spend, cost of staff time to attend training and an internal training delivery team focusing on delivery of skills and product knowledge to the Employment Service frontline staff. Learning opportunities were delivered in line with the 2010/11 Balanced Scorecard and its associated Learning and Development priorities. Areas to particularly highlight are the delivery of a very successful internal pilot programme for Information Communication Technology (ICT) Essential Skills, and the launch of a pilot employer led apprenticeship programme being run jointly with the Department of Justice.

### **Investors in People**

As well as promoting the Investors in People (IIP) Framework, the Department has been recognised as meeting the Standard for many years. DEL's IIP Assessor visited the department in May 2010 to consider its performance in relation to the standards expected in the Investors in People Framework. The assessor re-accredited the department with the standard for the period 2010 – 2013.

The assessor highlighted points of strength that included: commitment to people's well-being and development, clarity about objectives, good management, involving of every one and recognition of people's contribution.

### **Celebrating Success Event**

The Celebrating Success event is an annual event for staff in the DEL calendar. Staff who have successfully completed qualifications in the previous year are invited to a morning event to recognise these achievements. Senior staff attended to congratulate staff. The event itself is a mix of recognitions and short addresses from senior managers and a guest speaker. The most recent Celebrating Success event took place on 14 March 2011 at Hillsborough Castle. Achievements celebrated included Awards for achievement of National Vocational

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Qualifications and ICT Essential Skills among many others. The efforts of staff who are involved in various types of volunteering were also highlighted and celebrated at the event.

**Carbon Reduction Commitment (CRC)**

The CRC Energy Efficiency Scheme is part of a mandatory emissions trading scheme to help reduce carbon dioxide emissions caused by energy use from around 4000-5000 large organisations – which contribute almost 10% of the entire UK economy's emissions. The Scheme, which was introduced in April 2010, will help the Executive meet its PfG target to reduce greenhouse gas emissions by 25% by 2025. All Northern Ireland Departments are mandated participants - regardless of the qualification criteria.

DEL has successfully completed the registration process and is actively engaged in the next stage of the process collating evidence to demonstrate achievements and an ongoing commitment to the process together with collecting the information required for the first annual and footprint reports.

**Communications**

In 2010/11, Communications Branch continued to provide a central marketing and Public Relations (PR) function to the whole of the Department. The Branch has responsibility for design and print, event management, exhibitions, PR, and digital communications, including internet, intranet and extranet. From a PR perspective, the branch successfully provided a full range of news and communication services for the Minister and senior officials, responding to media inquiries, including briefing journalists; overseeing the preparation and issue of news releases through Executive Information Service; devising arrangements for media coverage and PR of events, announcements and visits; and providing support to Departmental business areas by way of expertise and advice on communications.

Communications Branch managed the Departmental flagship awards ceremony the National Training Awards (NTA) in conjunction with Programme Management. Communications Branch was also responsible for the organisation and management of a series of NTA information seminars, including the call for entry, workshops, mentoring, awards ceremony and publicity. Other key events for 2010/11 included the Apprentice Awards, Investors in People Awards, Essential Skills Awards, Skills Conference, VQ Awards and Management and Leadership events. Advertising campaigns during the reporting period included Investors In People, Essential Skills, Training for Success, ApprenticeshipsNI and European Social Fund funded projects campaign. In respect of the web team, the new Departmental wide intranet was successfully launched in August 2010. The Department is now fully consolidated onto the NICS citizen-facing website NI Direct.

**Information Assurance**

The Department is committed to maintaining a culture that values, protects and uses information for the public good. This year the Department has continued to develop and refine its approach to Information Security and Assurance. The Department reviewed its associated Framework, which sets out:

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- a. the accountability and governance arrangements which are in place to monitor and control performance and give assurance that information is being handled securely;
- b. the controls and monitoring practices and processes that mitigate against information loss; and
- c. the various information-handling procedures and policies that are in place within the Department.

A number of activities have been undertaken across the Department to raise awareness of the related issues.

**ISO 27001 Certification**

Through the work of ICT and Consultancy Services, the Department has achieved certification to ISO Standard 27001.

This Certification confirms that DEL has effective Information Security Management Systems (ISMS) by way of the policies and security arrangements in place around individual account management and our Line of Business systems such as Client Management System, Trainee Management System, Repay, and applications to the Office of Industrial Tribunals and Fair Employment Tribunals.

It verifies that the Department has robust policies, for example in relation to information security, asset management, IT physical security and business continuity.

Audits of the Department's IT policies and practices against the standard were conducted by an external auditor from the British Standards Institute, and the award is valid for three years subject to successful completion of bi-annual compliance checks.

**Personal Data Related Incidents**

The Department regards the lawful and correct treatment of personal information as essential to its successful operations and to maintaining confidence between the Department and those with whom it transacts business, as well as the public in general.

The Department has in place policies and procedures for reporting and managing Information Security Breaches, in accordance with Information Commissioner's Office guidelines. All incidents involving personal data are investigated in full and consideration is given, in each case, to the need for controls to be updated or disciplinary action to be taken. Significant data losses are reported to the Information Commissioner. In the year ended 31 March 2011, no such notifiable data breaches were reported, however there were five incidents involving personal data:

Number of incidents where personal data was lost:	0
Number of incidents where access to personal data did not comply with Data Protection requirements:	5

### **Information and Communication Technology (ICT) Strategy**

During 2010-11 an Information and Communication Technology (ICT) Strategy and associated work programme has been developed and agreed for the period 1 April 2011 – 31 March 2014.

The key purpose of the DEL ICT Strategy is to support the delivery of the Department's Corporate and Business Plans within the context of the Northern Ireland Programme for Government and ensure that the optimum information systems and communication technologies are in place to help meet those objectives.

The Strategy sets out the Department's planned approach to the delivery of ICT services and initiatives over the next three years. It outlines DEL's key priorities and the associated actions that ICT Services will be taking to ensure that DEL's ICT can support the business in meeting the challenges ahead.

The associated ICT Work Programme 2011-2014 provides an outline of key ICT projects to be implemented over the next 3 years and includes indicative timescales for completion.

The vision is to provide excellent ICT services by embracing sustainable, innovative and value for money ICT solutions.

## **EUROPEAN FUNDING**

The Department is the designated Managing Authority and Certifying Authority for the Northern Ireland European Social Fund (NIESF). The key role is to implement the current programme as set out in the Operating Programme, in accordance with the requirements of the relevant Council and Commission Regulations.

The overall strategic aim of the NIESF Programme 2007-2013 is to help reduce economic inactivity and increase workforce skills. It has two key priorities, which were determined following a robust socio-economic and labour market analysis, and which support regional policy priorities in improving employability and productivity, and promoting social inclusion.

The objective of Priority One is to help people into sustainable employment and reduce economic inactivity. To date, this has been delivered by 73 organisations, mostly from the community and voluntary sector, with ESF funding representing 40% of eligible project costs. Some £50m has been allocated to date for the first call and by March 2010, 19,271 participants had benefited from the programme which is broadly in line with the overall programme target.

The objective of Priority 2 is to develop a skilled and adaptable workforce by increasing the number of workers qualified to level 2 and 3; reducing the number of workers without essential skills; and reducing gender segregation in the workforce. Activities supported under this priority include the Department's ApprenticeshipsNI Programme, and by March 2011 approximately 26,842 participants were part funded by the NIESF Programme. In 2010/11, the Department received €21.85m (£18.43m) from the European Commission in respect of activity supported under the NIESF Programme.

The Object of Priority 3 is to provide technical assistance to help with the implementation of Priority 1 and 2. In that respect, DEL has awarded a contract for the provision of a national support structure, to PROTEUS (N.I.) Ltd, in order that they can work alongside the Department in its delivery of the 2007-2013 NIESF Programme. The total allocation for Priority 3 over the Programme period is €2.9m.

### **PEACE 11 and Building Sustainable Prosperity (BSP) 2000-2006 funded activity**

During 2010/11, the Department worked closely with the Special European Union Programmes Body and DFP, the respective Managing Authorities, to submit the final claims to the Commission within the regulatory deadline of September 2010.

### **Cross Cutting Strategies**

DEL is fully committed to the delivery of the cross cutting themes established in the Executive's Programme for Government through its representation at various interdepartmental steering groups, workshops, seminars and meetings. The Department has established a central policy unit which is responsible for co-ordinating the Department's inputs on a range of cross cutting policy initiatives and which also manages the interfaces with other Government Departments in ensuring delivery of DEL's commitment to all inter-Departmental strategies. The Department is also proactive in facilitating Inter-Divisional co-

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ordination on numerous action plans, consultation documents etc. and ensuring that appropriate linkages and networking with a wide range of stakeholder organisations are developed and maintained.

## **FINANCE, CORPORATE GOVERNANCE AND ACCOUNTABILITY**

The role of Finance 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, and ensure efficiency and value for money in the organisation's activities.

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

### **The Permanent Secretary and the Board**

The Department is headed by its Permanent Secretary, Alan Shannon, who is the Accounting Officer and responsible for advice and guidance to the Department's Minister, formerly Danny Kennedy (who took over as Minister from Sir Reg Empey on 26 October 2010). The co-ordination of policy, advice and governance oversight is managed through the Departmental Board.

The Board is chaired by the Permanent Secretary and also includes the two Deputy Secretaries, and two independent board members. It meets 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 also meets monthly, comprises the two Deputy Secretaries, the Heads of Division (see diagram below) and the Assistant Chief Inspector for Further Education and Training.

### **Departmental Audit Committee Report for 2010/11 Resource Accounts**

The Accounting Officer has established an Audit Committee as a sub-committee of the Departmental Board to support him discharge his responsibilities for issues of risk management, control and governance and associated issues. The Audit Committee was chaired throughout the year by a non-executive Director of the Department. Fred Gray was

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chair until his appointment ended and was replaced by Professor Russel Griggs OBE as non-executive Director of the Department and chair of the Audit Committee on 1 October 2010. Four formal meetings of the Audit Committee were held throughout 2010/11.

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 HM 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 a Deputy Secretary with audit experience from another Department. Audit Committee meetings are normally attended by the Accounting Officer, the two Deputy Secretaries, 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 on a shared service basis by the 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. External Audit is delivered by the 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 would be consulted on any contentious matters.

### **Management of Arms Length Bodies**

The Department provides funding to a number of Arms Length Bodies (ALBs) such as the FE Colleges, the HE Institutions, the Education and Library Boards and its Non-Departmental Public Bodies (NDPBs). These are CITB-ConstructionSkills Northern Ireland (CITB-CSNI), the Labour Relations Agency (LRA) and Ulster Supported 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. 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 NICS Customer Service Principles. These are available on our website at [www.delni.gov.uk](http://www.delni.gov.uk). The aim is to provide staff and customers with a simple, clear message on the standards of



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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 2010/11
To acknowledge correspondence within 2 days of receipt	We acknowledged 97.4% of correspondence within 2 days of receipt
To answer correspondence items within 10 days of receipt	We replied to 96.4% of correspondence within 10 days
To see customers within 10 minutes of their appointment time	We saw 88.4% 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 91.7% of those clients who did not have an appointment within 15 minutes of their arrival
To answer telephone calls within 20 seconds	We answered 86.3% of telephone calls received within 20 seconds

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**SUMMARY OF PERFORMANCE AGAINST DEPARTMENTAL TARGETS**

The Department's performance against the main targets is summarised below. Of the 36 performance targets:

- 30 - Were achieved;
- 5 - Will be likely to be achieved but with some delay; and
- 1 - Is unlikely to be achieved within timescale.

Detailed information on the 2010/11 year's performance targets is shown below:

**Report on Departmental Performance Targets in 2010/11**

<b>Quadrant</b>	<b>No.</b>	<b>Target</b>	<b>Status Descriptor</b>
Customers	1	To meet the DEL customer service standards with a view to improving Departmental compliance by 1% by March 2011.	Target Achieved
Customers	2	To progress reform of citizen-facing services by March 2011.	Target Achieved
Customers	3	Deliver a programme of events by March 2011 to enhance effective communication with external stakeholders.	Target Achieved
People	4	To develop a 3-year People Strategy and implement the associated Year 1 action plan by March 2011.	Target Achieved
People	5	To successfully complete the re-accreditation assessment for the IIP standard by summer 2010.	Target Achieved
People	6	To reduce the average number of days lost per member of staff to 10.1 by March 2011.	Target Achieved
Processes	7	To review the Department's strategic priorities, as required.	Target Achieved
Processes	8	To develop and implement evidence-based, effective policies and services.	Target Achieved
Processes	9	Throughout the year to ensure controls are in place to provide substantial assurance levels of governance and control.	Target Achieved

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<b>Quadrant</b>	<b>No.</b>	<b>Target</b>	<b>Status Descriptor</b>
Processes	10	Throughout the year, to deal with Minister's, Permanent Secretary, Employment & Learning Committee, Northern Ireland Executive and Northern Ireland Assembly's business within required deadlines.	Target Achieved
Processes	11	To achieve the Budget 2008-11 3% cash reducing efficiency target of £59.23m for DEL and the Northern Ireland Executive's additional savings of £28.7m for 2010/11 by March 2011.	Target Achieved
Processes	12	Monitor, review and respond to evidence to ensure DEL programmes and provision meet acceptable quality standards.	Target Achieved
Processes	13	Ensure all work required for the Budget 2011-14, PfG/PSA and Investment Strategy processes, including internal prioritisation, is prepared to the agreed DFP timetables.	Target Achieved
Processes	14	To take forward a review of the processes and priorities across the Department.	Target Achieved
Results	15	To develop a HE Strategy for Northern Ireland by spring 2011.	Target likely to be achieved but with some delay
Results	16	To proceed with the proposed merger of Stranmillis and QUB in line with agreed process.	Target Achieved
Results	17	To develop an integrated regional strategy for Widening Participation in HE by spring 2011.	Target likely to be achieved but with some delay
Results	18	Increase the employment rate from 70% to 75% by 2020 (target numbers 19, 20, 21 in the results quadrant will all contribute to this target subject to economic conditions).	Target Achieved
Results	19	To assist 70,000 working age benefit clients to move into employment by March 2011 subject to economic conditions.	Target Achieved
Results	20	To increase the number of adult learners achieving a qualification in the essential skills of literacy, numeracy and ICT skills by 90,000 by 2015.	Target Achieved
Results	21	Increase the proportion of the working age population who are qualified at skill level 2 and	Target Not Achieved

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<b>Quadrant</b>	<b>No.</b>	<b>Target</b>	<b>Status Descriptor</b>
		above to 80% by 2015. Increase the proportion of the working age population who are qualified at skill level 3 and above to 60% by 2015.	
Results	22	To maintain develop and implement an appropriate framework of employment law in Northern Ireland.	Target Achieved
Results	23	To implement provisions of the Employment Bill (No. 1) by summer 2010.	Target Achieved
Results	24	To have the framework for implementing the outcomes of the Review of Workplace Dispute Resolution procedures in place by spring 2011.	Target Achieved
Results	25	To complete NEET Scoping Study and agree next steps in relation to a cross departmental strategic approach.	Target Achieved
Results	26	To ensure DEL contributes appropriately and effectively to interdepartmental strategies and policies.	Target Achieved
Results	27	To produce a revised Skills Strategy.	Target Achieved
Results	28	In concert with other Departments to respond to STEM Review.	Target Achieved
Results	29	To ensure that the Review of Variable Tuition Fees and student finance arrangements proceeds in line with agreed timetable and is informed by recommendations from the Browne Review in England.	Target Achieved
Results	30	To maintain and develop a responsive programme of activities in the economic context.	Target Achieved
Results	31	To conduct a stocktake of the implementation of the FE Strategy, "FE Means Business" by spring 2011.	Target likely to be achieved but with some delay
Results	32	Jointly with the Department of Education, produce a joint 14 to 19 document, by autumn 2010.	Target likely to be achieved but with some delay
Results	33	To ensure that key stakeholders are ready to implement the Reform of Vocational Qualifications, as it applies to them.	Target Achieved

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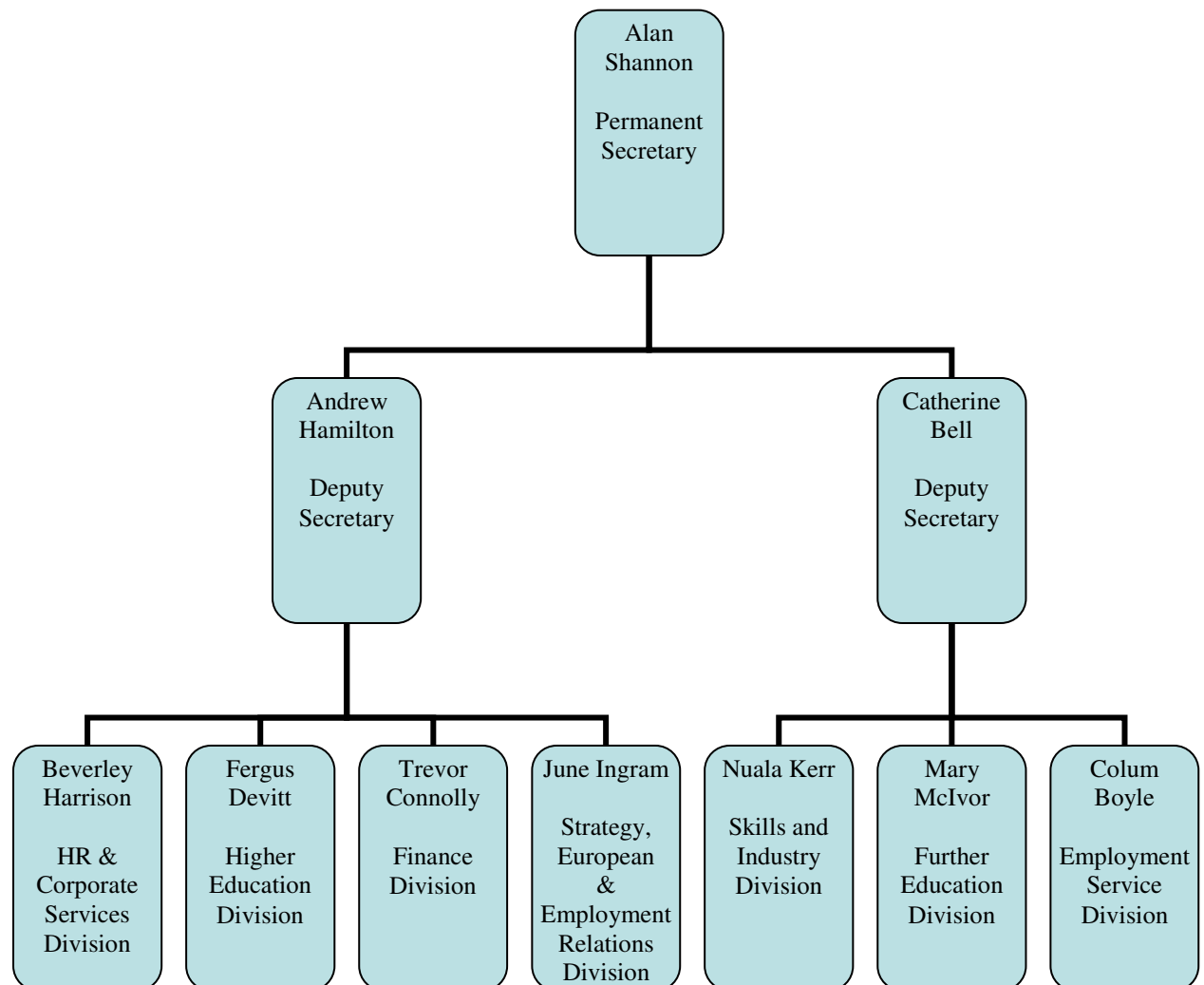
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<b>Quadrant</b>	<b>No.</b>	<b>Target</b>	<b>Status Descriptor</b>
Results	34	To review governance arrangements in the FE sector, and recommend improvements for implementation by autumn 2010.	Target Achieved
Results	35	To initiate and manage a “VQ Reform Funding Priorities” project to support the implementation of the wider VQ Reform Programme of work and the Department’s Skills Strategy.	Target likely to be achieved but with some delay
Results	36	To establish a new interface with employers on skills matter to improve understanding of and access to DEL Skills programmes.	Target Achieved

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**Organisation Structure (March 2011)**



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**MANAGEMENT**

**Ministers**

The Department for Employment and Learning was under the control of Sir Reg Empey until 26 October 2010. On 27 October 2010 Mr Danny Kennedy took office as Minister for the Department for Employment and Learning.

Dr Stephen Farry took office as Minister for the Department for Employment and Learning on 16 May 2011.

**Permanent Head of the Department and the Management Board**

The Permanent Secretary of the Department is Mr Alan Shannon.

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

Mr Andrew Hamilton

Mrs Catherine Bell

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.

**Non-executive Board Members**

Dr Brian Scott

Prof Russel Griggs (replaced Mr Fred Gray on 1 October 2010)

**Expenses for Non-executive Board Members**

Total fees and expenses of £16,734.64 (2009-10: £14,576.86) were paid in respect of the Department's Non-executive directors.

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**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](http://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 Estimates which outline what resources are needed for the current year. These 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 2011, 93% 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 1998.

In November 2008, Finance Minister Nigel Dodds set a target for all Northern Ireland Departments to pay supplier invoices within 10 working days of receipt in order to help local business in the current economic climate. DEL is committed to this target and the year ended 31 March 2011, 81% of invoices from suppliers were paid within this timescale.

**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 provided 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.

## **DEPARTMENTAL REMUNERATION REPORT**

### **Remuneration Policy**

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries pay in line with the annual pay strategy as approved by the Minister of Finance and Personnel. The freeze on pay in 2010-11 and 2011-12 also applies to Permanent Secretaries.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

### **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](http://www.nicscommissioners.org)

### **Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management of the department.

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**Remuneration (Audited)**

Ministers	2010-11		2009-10			
	Salary £	Benefits in kind to nearest £100	Salary £	Benefits in kind to nearest £100		
Danny Kennedy <i>Minister for Employment and Learning</i> 27/10/10-31/3/11	16,106	-	-	-		
Sir Reg Empey <i>Minister for Employment and Learning</i> 1/4/10-26/10/10	21,644	-	37,801	-		
Officials	2010-11		2009-10			
	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)
Alan Shannon <i>Permanent Secretary</i>	120-125	-	-	20-25 (Full year Equivalent 120-125)	-	-
Aideen McGinley <i>Permanent Secretary</i> 1/4/09-7/9/09	-	-	-	50-55 (Full year Equivalent 115-120)	-	-
Andrew Hamilton <i>Deputy Secretary</i>	95-100	-	-	55-60 (Full year Equivalent 95-100)	-	-
Greg McConnell <i>Deputy Secretary</i> 1/4/09-31/12/09	-	-	-	50-55 (Full year Equivalent 65-70)	-	-
Catherine Bell <i>Deputy Secretary</i>	85-90	-	-	45-50 (Full year Equivalent 85-90)	-	-
<i>Acting Permanent Secretary</i> 8/9/09- 31/1/10	-	-	-	40-45 (Full year Equivalent 95-100)	-	-

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**Salary**

‘Salary’ includes gross salary; 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 and any ex-gratia payments.

The Department for Employment and Learning was under the direction and control of Sir Reg Empey and Danny Kennedy during the financial year. Their salaries 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 a Member of the Legislative Assembly (MLA) which are disclosed elsewhere.

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty’s (HM) Revenue and Customs as a taxable emolument. No benefits in kind were awarded to senior officials in respect of 2010-11 and 2009-10.

**Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonuses were awarded to senior officials in respect of 2010-11 and 2009-10.

**Pension Benefits (Audited)**

<b>Ministers</b>	<b>Accrued pension at age 65 as at 31/3/11</b>	<b>Real increase in pension at age 65</b>	<b>CETV at 31/03/11</b>	<b>CETV at 31/03/10 *</b>	<b>Real increase in CETV</b>
	£000	£000	£000	£000	£000
Danny Kennedy <i>Minister for Employment and Learning 27/10/10-31/3/11</i>	0-5	0-2.5	25	18	7
Sir Reg Empey <i>Minister for Employment and Learning 1/4/10-26/10/10</i>	0-5	0-2.5	95	81	14

\* The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year’s report which was calculated using the previous factors.

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**Ministerial pensions**

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (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 "contribution 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 (1/50<sup>th</sup> or 1/40<sup>th</sup>) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 6% or 11.5% of their Ministerial salary, depending on the accrual rate. 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 23.3% of the Ministerial salary.

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

**The Cash Equivalent Transfer Value (CETV)**

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. CETVs are calculated in accordance 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 actuarial factors used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31 March 10 will not be the same as the corresponding figure shown in last year's report.

**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 (Audited)**

Officials	Accrued pension at age 60 as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/11	CETV at 31/03/10 **	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Alan Shannon <i>Permanent Secretary</i>	55-60 Plus lump sum of 165-170	(0-2.5) Plus lump sum of (0-2.5)	1,267	1,241	(5)	-
Andrew Hamilton <i>Deputy Secretary</i>	30-35 Plus lump sum of 100-105	0-2.5 Plus lump sum of 0-2.5	652	597	2	-
Catherine Bell <i>Deputy Secretary</i>	30-35 Plus lump sum of 100-105	0-2.5 Plus lump sum of 0-2.5	751	695	2	-

*\*\* The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.*

**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 (CSP). 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. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Price Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could 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 CPI. For 2011, public service pensions will be increased by 3.1% with effect from 11 April.

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

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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](http://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. CETVs 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 when pension benefits are taken.

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31 March 10 will not be the same as the corresponding figure shown in last year's report.

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**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.



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**Alan Shannon  
Accounting Officer  
24 June 2011**



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**MANAGEMENT COMMENTARY**

**Financial Performance**

Resource Outturn 2010-11 was £850.8m compared to £821.3m for 2009-10, and an allocation of £918.5m in the Estimates.

As a result of the HMT Clear Line of Sight initiative, the accounts include prior period adjustments in relation to the removal of the cost of capital charges, and the related student loans inflation adjustment. In addition, the Education and Library Boards and the Student Loans Company are no longer treated as virtual Non Departmental Public Bodies in the accounts of this Department. Funding provided towards their running costs now appears as grant within the Departmental Expenditure Limit rather than Grant in Aid within Non Budget.

The Department has worked with the Department for Business, Innovation and Skills (BIS) and the other devolved administrations to ensure that the accounting treatment and disclosures for student loans fully reflect International Accounting Standard (IAS) 39 'Financial Instruments Recognition and Measurement' rather than FRAB 30. This has resulted in a prior period adjustment in order to reflect this change of accounting policy.

As part of the overall review of Student Loans, the Department has made a correction to prior year figures as a result of the Base Rate Cap being in operation (see Student Support below). This resulted from new information received from BIS during 2010-11 regarding the Student Loans repayment model.

**Employment and Skills**

**(comprising Lifelong Learning and Employment Services)**

Within Employment and Skills there was an increase in expenditure of £33.5m (9.8%) from £343.1m to £376.6m due to a combination of factors. This Unit of Service comprises Lifelong Learning and Employment Services.

*(i) Lifelong Learning*

Administration costs have risen by £0.2m (3.2%) from £6.3m to £6.5m due to a combination of factors including additional staff, the anticipated 2010 pay award and the impact of the Equal Pay settlement. As a result of this agreement, the salaries of many staff on lower grades were uplifted resulting in increased costs.

Lifelong Learning now includes funding provided to the Education and Library Boards (ELBs) of £10.3m. This represents a change on 2009-10, when such funding was provided to the ELBs as Grant in Aid to a virtual Non Departmental Public Body (NDPB). This meant that the ELBs reported to both this Department and the Department of Education (DE). HMT issued Budgeting Guidance for 2010-11 which states that the ELBs are now solely the NDPBs of DE. As a result, this grant funding now appears under Employment and Skills funding instead of being included separately within Non Budget.

Capital investment in the Further Education (FE) sector fell by £6.4m from £25.8m to £19.4m due to the number of projects and stage of completion. The projects in progress during the year were as follows:

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Northern Regional College	New Build to replace Felden Training Centre
South West College	New Build Accommodation – completed during the period
South Eastern Regional College	New Build Accommodation – nearing completion
North Western Regional College	Extension– nearing completion
South Eastern Regional College	Extension - new campus at Downpatrick
Belfast Metropolitan College	New Build Accommodation
South Eastern Regional College	Unitary Payments

This decrease was offset by an increase of £0.9m, from £164.2m to £165.1m, in recurrent grant funding to the colleges, including Learner Access Engagement activity. FE Access funding fell by £0.6m due the fact that additional funding was provided under FE Awards.

The continuing economic climate has seen further increases in participation in the Training for Success programme and Apprenticeships NI, leading to an overall increase of £7.9m (net total expenditure) to £62.7m. This is after allowing for income from ESF of £12.6m (2009-10 - £8.2m).

Funding for Packages for Innovation, including the FE Foreign Direct Investments (FDI) Employer Support Programmes and Assured Skills, has increased this year by £0.2m (6.1%) to £3.9m. Critical Sector Initiatives rose by £0.7m due to the start of a new pilot programme.

Expenditure on Careers Information Advice and Guidance has increased by £0.2m or 2.7% to £5.9m. The increase has been as a result of the recruitment of seven additional staff, provision for the anticipated 2010 pay award, and the impact of the Equal Pay settlement. Sectoral Development costs have been £0.3m lower than last year. This is due to a decrease in demand due to the economic conditions, and cost saving initiatives.

Bridge to Employment funding rose by £1.2m or 122.8% on 2009-10, from £1m to £2.2m. Skillsafe finished in April 2010 resulting in a reduction of £0.1m. The Bridge to Employment programme itself rose by £0.2m and Upskilling rose by £0.7m, both of which are demand led in nature. Costs in 2010-11 include Skills Solution frontline staffing costs of £0.5m.

‘Further Education Means Business’, which was published in 2004, sets out the overarching strategy for the NI Further Education Sector. In line with this strategy, the aim of the Department is to ensure that FE is at the heart of lifelong learning, in order to strengthen economic development, enhance social cohesion, and advance the individual’s skills and learning.

In terms of Further Education, the Department is responsible for:

- financing the FE Sector;
- monitoring its financial health and governance;
- developing policy;
- providing a modern fit-for-purpose education estate; and,
- implementing the Essential Skills Strategy.

Jointly with the FE Sector, the Department is undertaking a stocktake of the implementation of ‘FE Means Business’. A progress report has been completed on each of the projects within FE Means Business, and an assessment of the achievement against the key success criteria is almost

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completed. The stock take should be completed in June 2011, and work to date is very positive about the implementation and impact of FE Means Business on the work of colleges.

The Department has also carried out a major review of college governance arrangements. The review makes a number of recommendations grouped around the following themes:

- a Code of Governance to clarify roles and responsibilities;
- the knowledge and skills required of governors;
- the composition of the Governing Body;
- the assessment of colleges' performance;
- the Department's organisation and communication in relation to FE.

Work has begun on implementing the recommendations, in collaboration with the FE Sector.

An evaluation of the previous Employer Support pilot programme, which is currently underway, will inform the focus of this funding tranche.

With regard to Skills, following public consultation and subsequent Executive approval, the Department will publish a revised and updated Skills Strategy for Northern Ireland. The Strategy, 'Success Through Skills - Transforming Futures' and associated implementation plan will be formally launched at the Departmental Skills Conference. The Strategy looks at our current skills base, examines the skills we may need in the future to grow the Northern Ireland economy and highlights areas for action.

The Executive approved the Science, Technology, Engineering and Mathematics (STEM) Strategy, 'Success Through STEM' at its meeting on 22 March 2011. The document and its implementation plan will be published in Autumn 2011. Two sub-groups have been established to take forward its implementation. The Department has led on the work of the STEM Government sub-group and provides the secretariat for the STEM Business sub group.

The Department will continue to develop the Skills Solutions Service. This service will take the lead in providing a link between the Department and Companies on skills matters. The service will continue to have three main features on offer:

- Information, Advice and Guidance on the full range of programmes available from the Department to Employers;
- the Bridge to Employment Programme; and,
- Customised Training Programmes specific to the needs of the employer in question.

The Department will also contribute to the work of Invest NI through the Assured Skills Project.

The Department will also continue its work in partnership with InvestNI to refine the current provision of management and leadership development by both organisations to ensure customer focus, value for money and ongoing relevance thereby helping to improve productivity and the competitiveness of Northern Ireland businesses.

We shall participate in the UK-wide Sector Skills Councils (SSC) reform process and continue to develop the relationship with the UK Commission for Employment and Skills (UKCES), and

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provide sponsorship role and support for the office of the Northern Ireland Employment and Skills Adviser.

*(ii) Employment Services*

Frontline staffing and administration costs for the division rose by £4m (13.1%) from £31.5m to £35.6m. During the year, demands continued to increase upon the frontline service as a result of the economic climate. 2010-11 includes provision for the anticipated pay award, together with the impact of the Equal Pay settlement.

Expenditure on Employment Programmes rose by £0.9m or 42.9% from £1.8m to £2.7m. £0.8m of the increase arose due to the introduction of The Young People's Employment Initiative (YPEI) and the Graduate Internship Scheme. These initiatives have been developed in response to the economic recession.

The Steps to Work programme funding rose by £11.5m from £24.8m to £36.3m. As Steps to Work is a 'demand-led' programme, the continued adverse economic climate has significantly increased demand for places from both mandatory and voluntary participants. This has led to an increase in programme costs. Recent data shows new starts between September 2010 and February 2011 as 14,009, compared to 9,602 during the same period last year – an increase of 46%. Pathways to Work has also experienced an increase of £1.8m (46.4%) from £4m to £5.8m due to an increased take up of the Return to Work Credit by eligible benefit claimants (lone parent and health related).

During 2010-11 the number of individuals claiming Jobseekers Allowance rose to its highest (60,447) in February 11 which continued to significantly impact on the work of the Employment Service, and particularly on staff in the network of Jobs and Benefits Offices (JBOs) and Jobcentres. The seasonally adjusted unemployment rate was 7.2% for the period January to March 2011. The forecasts of around 60,000 unemployed during 2011 will provide significant challenges for the Employment Service during 2011 and in future years. Steps to Work, launched in September 2008, is a key programme which Personal Advisers can offer to assist individuals return to work. Steps to Work offers a flexible, tailored programme of support, including training aimed at assisting the unemployed and economically inactive find work at the earliest opportunity. Opportunities available include Step Ahead which provides fixed-term employment of 26 weeks within the voluntary/community sector for those on benefit for 30 months and provision specifically aimed at out of work graduates (Graduate Acceleration Programme). The Department also completed piloting a paid internship scheme for young unemployed graduates and a temporary employment programme for young unemployed people. One hundred and twenty places were available on these schemes which tested the effectiveness of this type of help for this client group. Important lessons about the effectiveness of this type of labour market initiative and the readiness of graduates for the world of work have been learned. Due to the continued recession, those who are furthest from the workplace, due to disability or serious health conditions, face greater challenges than ever. However the Disablement Advisory Service (DAS) continues to provide programmes and services to support these clients progress towards employment and to stay in work. A decision was taken by the Department to stop one of the specialist disability programmes this year, namely Work Preparation Programme. However this decision was taken after a review of the outcomes achieved, and also taking into consideration alternative provision through Steps to Work and new provision due to be available from August 2011. DAS programmes, which are demand-led, provide longer term, often indefinite, support to

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clients and as a result financial commitments made in the 2011-12 year could have an impact beyond this.

The Department is committed to delivering welfare reform through working jointly with the Social Security Agency (SSA) to complete the Incapacity Benefit/Income Support (IB/IS) to Employment and Support Allowance (ESA) Re-assessment project. We have established an IB/IS Migration Project to identify and ensure implementation of the optimum delivery model for work focused support for clients who following reassessment migrate to ESA. In addition, it will also provide a service on a 'business as usual' basis to those individuals who following reassessment are found fit for work and claim Job Seekers Allowance (JSA).

Approximately 78,000 people will be reassessed between February 2011 and March 2014 with the Department beginning work-focused activity with those claiming ESA in September 2011. It is expected that some 39,000 clients will join the ESA (Work Related Activity Group (WRAG)) over the period in addition to approximately 7,500 joining the JSA 'steady state' business. The Department has been working closely with colleagues from the Department for Social Development to ensure that there will be appropriate advice, support and guidance to assist individuals at every stage through this process.

Departmental officials are currently undertaking research into the characteristics of this client group, which will inform the Employment Service approach and identify any gaps in the provision or support available for them.

### **Higher Education (HE)**

Funding within the HE sector has increased by £18m (7.4%) from £243.6m to £261.6m.

Administration costs rose by £0.6m (47%) to £1.8m mainly due to the incorporation of Student Support branch (instead of under Student Support).

Recurrent grant in aid to the Universities has risen by £9.9m from £205.3m to £215.2m due to a rise in activity levels and demand identified by the universities.

In terms of capital expenditure, funding towards Learning and Teaching capital rose by £2.7m (to £9m) and Capital Investment Funding rose by £0.8m (to 12.4m) due to the progression of the projects. Projects included the School of Management and Medical Health & Life Sciences projects at Queen's University Belfast and the Jordanstown Redevelopment project at University of Ulster.

Related funding from the Department of Business, Innovation and Skills (BIS) fell by £2.7m to £3m this year due to budgetary constraints and the timing of the programme.

Funding to Stranmillis and St Mary's Colleges of Education rose by £0.9m (8%) to £12.4m. This was mainly due to the increase in capital funding under the Strategic Capital Investment Fund.

£8.1m was spent in relation to Strengthening All Ireland Research this year, an increase of £0.4m or 4.7% on last year. Activity also increased on the projects relating to Increase in PhD Provision. Ring fenced funding relating to the Science Research Investment Fund reduced by £0.5m.

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During 2011-12 the Department will be evaluating the responses to the consultation on the proposed merger of Stranmillis University College with Queen's University. The Department will be required to draft enabling legislation for debate within the Assembly if the outcome of the consultation exercise is positive and if the Minister determines that a merger is the appropriate way forward.

The Department will be undertaking a consultation on options for the Education Maintenance Allowance (EMA) scheme following a review of the scheme undertaken in 2010.

In the year ahead the Department will, in conjunction with the other UK HE funding bodies, continue to develop a new framework to measure the quality of higher education research. The Research Excellence Framework will replace the Research Assessment Exercise, the outputs of which are used by the Department to allocate the majority of its research funding to our universities.

The Department will, in collaboration with other relevant government Departments and key stakeholders, develop an integrated Regional Strategy for Widening Participation in Higher Education with the aim of increasing the numbers of learners from currently underrepresented groups.

The Department will continue the development of a Higher Education Strategy for Northern Ireland. A public consultation on the Strategy ended on 15 April 2011 and it is anticipated that the Strategy will be published in Autumn 2011.

### **Student Support**

Expenditure on Student Support has increased by £49.2m (29.7%), from £165.6m in 2009-10 to £214.8m in 2010-11.

A reduction of £0.4m occurred due to the fact that administration costs are now incorporated into overall HE administration costs above.

For Mandatory Awards, there has been an increase of £7.5m or 10.8%, from £69.3m to £76.8m, due to:

- a. an increase of £7.3m in HE Bursaries. This is a means tested demand led grant and the average award rose this year as a result of the continued economic downturn;
- b. supplementary allowances increased by £1.2m – these are demand led and fluctuate from year to year, rising this year due to the economic downturn;
- c. tuition fees expenditure fell by £1m due to the decline in the number of eligible students, with Tuition Fees being replaced by Tuition Fee Loans.

Postgraduate awards have risen by £1.8m to £12.1m due to increased tuition fees and increased stipends.

Elsewhere within Student Support, the Student Loan subsidy charge has increased from £59.5m to £90.3m. Of this total increase of £30.8m (51.8%), £7.3m arose due to the increasing value of loans issued, but £23.5m has been the result of an impairment review which has been conducted on a UK wide basis. Income Contingent loans attract interest based on RPI. However, primary legislation caps the interest applied to these loans at Bank of England base rate + 1%. An

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adjustment has therefore been made to reflect this in the estimate of the cost to government of subsidising the loans. This is to capture the fact that future cash flows will be impaired due to the Base Rate Cap being effective. In addition, prior year figures for 2008-09 and 2009-10 have been amended to reflect the fact that the Base Rate Cap was in operation (see Non Budget below).

Education Maintenance Allowances rose by £2.3m to £26m due to the increased number of eligible students as a result of the economic climate. The Department's funding of 300 additional PhD places continued during the year, with expenditure rising from £2m to £2.3m (£0.3m or 13.3%).

In April 2010, HMT Consolidated Budgeting Guidance changed the relationship between the Department, the Education and Library Boards (ELBs) and the Student Loan Company (SLC). Until then, these organisations were considered to be Non Departmental Public Bodies (NDPBs) of both this Department and DE/BIS (virtual NDPBs). In line with HMT policy, these are now treated solely as NDPBs of the lead Department (DE/BIS). As a result, funding is now shown as grant rather than non budget grant in aid. During the year, £3.7m was incurred in relation to the ELBs, and £3.1m in relation to the SLC.

#### *Non Budget*

Non Budget expenditure last year reflected £13.3m grant in aid funding provided to ELBs and SLC – see above.

A prior period adjustment of £22.8m has been included within non budget, comprising:

- £16.7m to reflect the Base Rate Cap being in operation in 2008-09 and 2009-10; and
- £6.1m from a change in accounting policy as a result of valuing the student loan book using the effective interest method in line with International Accounting Standard 39.

#### *Annually Managed Expenditure*

Annually Managed Expenditure (£71.4m) reflects the interest income in relation to the Northern Ireland loan book (£73.8m), less amounts payable to the Department of Finance and Personnel (DFP) as Consolidated Fund Extra Receipts (£3m), together with unwinding of the provision for debt sale costs (£0.6m). Due to changes in accounting policy arising from the HMT Clear Line of Sight initiative, these are no longer offset by notional charges for cost of capital and inflation.

During 2011-12 the Department will analyse the responses to the consultation on higher education tuition fees and student finance arrangements and seek agreement on the future student finance policy for Northern Ireland. Legislation will be brought forward, if required, to give effect to any changes.

#### **Labour Market Services**

Labour Market Services comprises Corporate Services division together with Strategy, European and Employment Rights division. This Unit of Service has seen a total increase of £3.9m (28.1%) from £13.9m to £17.8m, on 2009-10.

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Administration costs rose from £12.5m to £16.3m (£3.8m or 30.7%).

Salary costs rose by £1.3m (15%), which incorporates both administration and frontline staff. This has arisen due to increasing staff numbers as a result of incorporating EU branches (£0.7m, previously Finance and EU Division), provision for the anticipated 2010 pay award, and the impact of the Equal Pay settlement. Administration costs last year included (£2.9m) relating to Departmental Cost of Capital. Its removal through the HMT Clear Line of Sight initiative has led to a corresponding increase in costs. Expenditure on marketing and research fell by £0.2m due to the level of activities undertaken. Other general running costs fell by £0.2m.

£11.2m was provided for last year for the Equal Pay settlement in line with DFP advice. This provision was calculated using historical staffing data. Whilst it is understood that the overall NI Civil Service cost was in line with these calculations, the charge to this Department was greater than the amount provided due to staff numbers having increased since the time at which the data was extracted. As a result, an additional cost of £1m has been incurred in 2010-11.

Cash based grant funding to the Labour Relations Agency (non budget) fell by £0.6m to £3.1m due to the timing of claims.

In the year ahead, the Department will continue to build on its commitment to implementing key elements of the Government Reform agenda including its work on a Departmental Accommodation Strategy in line with the principles of Workplace NI. DEL is also committed to achieving successful Investors in People (IIP) reaccreditation by November 2011. In association its commitment to the IIP standard the Department's HR team will continue to work with Directors to meet the objectives set out in its Employee Engagement and People Strategy Action Plans, committing to promoting a high performance culture in which people are valued and motivated.

DEL will continue to promote the programmes and policies it offers via a variety of marketing initiatives, public relations, advertising, events and exhibitions as well as utilising e-marketing widely. All citizen facing information will feature on the Government website for people living in Northern Ireland, NI Direct, which will simplify and improve access to public services and information and the Department will also promote employer facing information through the nibusinessinfo website. External communication with media and key stakeholders is proactive and monitored on a regular basis to ensure that communication is effective and two-way.

The Department continues to maintain and develop the Northern Ireland framework of employment law. Significant highlights for 2011-12, subject to approval, will include:

- Implementation of policy decisions reached following the Department's extensive review of systems for resolving workplace disputes. These include: the development, in conjunction with the Labour Relations Agency, of a revised arbitration service designed to provide an alternative to industrial tribunals and the Fair Employment Tribunal; an economic appraisal to establish the feasibility of an Employment Appeal Tribunal for Northern Ireland; and work to establish how guidance and support concerning employment relations issues can be improved. The Department will also consider the implications for Northern Ireland of a consultation in Great Britain on further changes to systems for resolving disputes.



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- A Northern Ireland response to proposed changes in Great Britain relating to a new system of shared parental leave and an extension of the right to request flexible working
- The transposition of the Agency Workers Directive. The Directive provides that the basic working and employment conditions (duration of working time, overtime, breaks, rest periods, night work, holidays and public holidays and pay) of temporary agency workers should be, for the duration of their assignment with a hirer, at least those that would apply if they had been recruited directly by that hirer to occupy the same job.
- Regulations to prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and activists, where the purpose of the list is to discriminate against workers on grounds of trade union membership or activities.
- Amendments to the Working Time Regulations, to take account of recent judgements by the Court of Justice of the European Union.

The Department continues its work relating to Migrant Workers and to facilitate implementation of the Action Plan of the Northern Ireland Migrant Workers Thematic Sub-Group of the Racial Equality Forum. DEL will continue to lead on the development of a cross-departmental strategy to tackle the issues facing young people who are not in education, employment or training (NEET). Consultation on a draft strategy will close in the summer and thereafter a final strategy will be brought to the Executive for approval.

### **European**

Responsibility for EU activities moved from Finance (and European) Division to Strategy, European and Employment Rights Division within Labour Market Services. As a result, administration costs have fallen by £0.6m (19.5%) on 2009-10.

In addition, cost of capital charges are no longer reflected in the accounts due to the HMT Clear Line of Sight initiative – £0.6m in 2009-10.

EU funding was largely in line with expectations. Exchange rate losses, £0.7m in 2009-10, are now included within Annually Managed Expenditure at £2.5m for 2010-11. This cost fluctuates according to the market rates and monetary value of European Commission receipts.

### **Notional Charges**

Notional charges rose by £1.3m, from £9.4m to £10.6m. The Social Security Agency re-instated its policy of levying notional charges in respect of work carried out on behalf of DEL at the Jobs and Benefits Offices (£1.0m).

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**Income**

Income shown in note 11 to the accounts for the period totalled £100.9m, compared to £53.2m for 2009-10.

	2010-11 £'000	2009-10 £'000
Admin	316	98
Programme	891	883
Student Loans – Effective Interest	73,793	28,549
Science Research Investment Fund	3,078	5,820
EU	22,821	17,820
Total	100,899	53,170

Student Loan interest reflects the effective interest on the loan book in line with IAS 39. This has increased due to an increase in the effective interest rate from 3.5% to 6.9% this year together with the increase in the loan book.

In other areas, Science Research Investment Fund income has decreased due to the reduction in funding of the programme by BIS and EU income has increased by £5m due to the overall level of programme activity.

**Statement of Financial Position**

There were no significant movements on Property, Plant and Equipment during the year with the exception of revaluations of property. Market conditions resulted in an overall reduction of £1.5m.

Student Loan movements have included the continued growth in the size of the Student Loan book, with a further £221.7m loans issued during the year, less repayments received of £54.2m. The effective interest was £73.8m and new impairments totalled £107m, including £23.6m in relation to the impact of the Base Rate Cap applied to interest on Income Contingent loans.

Receivables reduced by £6m overall. £1m was due to the amount due from the EU Commission decreasing as a result of the timing of payment of claims. Accounts receivable reduced by £1m due to the timing of payments. The amount due in respect of Supply fell by £4m due to the timing of expenditure and related funding.

Payables have increased by £8.2m to £125.9m. Accruals rose by £8.4m due to timing. Consolidated Fund Extra Receipts (CFERs) payable to DFP in respect of excess Accruing Resources were £4.6m compared to £0.1m last year. This mainly relates to student loan interest. The bank overdraft reduced from £4.6m to £0.2m due to the timing of payments. Other payable balances decreased by £0.3m.

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**Outturn Against Estimate**

The total outturn for the year was £850.8m against an Estimate of £918.5m, resulting in an easement of £67.7m or 7.4%.

In relation to student loans, a UK wide review took place during the year which considered:

- a) the change in accounting policy to value of the student loan book using the effective interest method in line with IAS 39, and
- b) the impairment review required as a result of the Base Rate Cap issue.

As this work was in progress at the time of writing the Estimates, the budget requirements for student loans were based upon an estimated apportionment of projections provided by BIS at that time. Work was ongoing until the end of the year in order to finalise methodologies and calculations relating to Northern Ireland. This resulted in the following variances;

- Notional Loan Subsidy in respect of Base Rate Cap (£26.5m easement);
- Non Budget Prior Year Adjustments in respect of Base Rate Cap and the change in accounting policy (£7.2m easement);
- Annually Managed Expenditure reduced requirement due to finalisation of revised effective interest calculations, including use of revised HMT discount rate (£29m easement)

These easements all occur in ring fenced budget areas.

The remaining easements (total £5m) arose for a range of reasons, including;

- a reduction in earmarked funds within FE Recurrent grant £2.6m;
- pressures arising on Universities recurrent grant £(3.8)m;
- slippage on miscellaneous projects within the HE sector £0.6m;
- notional Loan subsidy - recurrent £1.4m;
- demand for Supplementary Allowances £3.2m;
- demand for EMA (Education Maintenance Allowance)£(2.3)m;
- demand for HE Bursaries £0.4m;
- reduced requirement in SLC funding £0.6m;
- reduced requirement in ELB funding £0.2m.

**Departmental Performance Targets**

Progress in relation to Departmental Performance Targets can be found in the Annual Report.

**Personal Data Related Incidents**

The Department regards the lawful and correct treatment of personal information as essential to its successful operations and to maintaining confidence between the Department and those with whom it transacts business, as well as the public in general.

The Department has in place policies and procedures for reporting and managing Information Security Breaches, in accordance with Information Commissioner's Office guidelines. All

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incidents involving personal data are investigated in full and consideration is given, in each case, to the need for controls to be updated or disciplinary action to be taken. Significant data losses are reported to the Information Commissioner. In the year ended 31 March 2011, no such notifiable data breaches were reported, however there were five incidents involving personal data:

Number of incidents where personal data was lost:	0
Number of incidents where access to personal data did not comply with Data Protection requirements:	5

**Sickness Absence**

The Department monitors and manages sickness absence in line with NICS policy. The Department's trajectory point for 2010-11 was to reduce absenteeism to an average of 10.1 days lost per member of staff in order that the NICS would remain on course to achieve the 2014-15 target of 8.5 days lost. The provisional figures provided by Northern Ireland Statistics and Research Agency (NISRA) based on HRConnect data indicate that DEL achieved an average of 10.1 days. At this stage, this figure has not been validated.

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

**Corporate Social Responsibility**

The Department has taken a structured approach to enabling teams to get involved in employee volunteering since March 2007, much of this in conjunction with the NI Cares Programme run by Business in the Community. During 2010 - 2011, four teams undertook volunteering Team Challenges and 35 members of staff volunteered at the 'Silver Surfers' event that aims to introduce older people to the Internet. A member of staff has been involved in a strategic project with the Northern Ireland Lymphoedema Support Group and 20 members of staff have been volunteering on the Time to Read programme. Various voluntary organisations, schools and environmental projects have benefited from this ongoing commitment to volunteering, and feedback from staff has been very positive in relation to the development opportunities provided through these initiatives.

**Environmental Matters**

The Department has demonstrated commitment to green and environmental matters since the introduction of a Green Policy in March 2005. In March 2011 the Department issued a Sustainability Statement setting out objectives for the next 3 years.

Current initiatives include:

- participation in the Carbon Reduction Commitment (CRC) scheme to reduce greenhouse gas emissions by 25% by 2025;
- increased departmental awareness and sustainable development intelligence building;
- robust governance structures for monitoring and reporting sustainability performance;
- relationship/partnership building to support delivery of Sustainable Development Strategy priorities;
- mainstreaming of sustainable development into decision-making processes; and,
- efficiencies achieved through the application of the principles of sustainable development.

The Department is committed to sustainable development and will do this by:

- promoting a vision of a dynamic, innovative and sustainable economy where everyone achieves their full potential;
- incorporating a commitment to sustainable development in its Corporate Plan and the Departmental priorities;
- regularly updating staff on initiatives and achievements via the staff magazine, issued quarterly;

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- its efforts to facilitate access by all to acquire the education and skills to find/retain work and thus contribute to economic development in Northern Ireland;
- having governance arrangements in place to regularly monitor and report progress against the Northern Ireland Sustainable Procurement Action Plan (NI SPAP);
- encouraging the adoption in the NI Higher Education Institutions the Guidelines on Sustainable Development in Higher Education developed by the Higher Education Funding Council for England (HEFCE);
- supporting sustainable development in the Further and Higher Education estate by implementing the environmental assessment method known as BREEAM (Building Research Establishment Environmental Assessment Method). It sets the standard for best practice in sustainable design and has become the de facto measure used to describe a building's environmental performance;
- working with the Central Procurement Division of the Department of Finance & Personnel, the FE Colleges, HE Institutions and contractors to achieve as high a BREEAM rating as possible;
- ensuring a target rating of either 'Very Good' or 'Excellent' is agreed for all of the Department's new colleges and DEL staff attend project Steering Group meetings and Project Boards to monitor progress towards these targets;
- including sustainability as one of the factors considered when allocating capital funding to the HE sector from 2011-12 onwards;
- ensuring environmental issues are addressed proactively internally through our approach to procurement and waste management;
- ensuring sustainable development forms part of departmental considerations when procuring services as demonstrated recently with the award of the new print contract.

Ensuring business areas apply DFP Best Practice guidance to all economic appraisals and business cases including the requirement to 'weigh up non monetary cost & benefits (inc. sustainability)'.

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

	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
		(restated)
<b>Net Resource Outturn - Estimates</b>	<b>850,759</b>	<b>821,319</b>
Adjustments:		
Include non-voted expenditure of Operating Cost Statement	8,558	8,244
Include non-voted income scored as CFERs in Operating Cost Statement	(3,853)	(98)
IFRS adjustment - Prior year	-	(691)
Prior Year Adjustment – Effective Interest and Base Rate Cap	(22,770)	17,696
Prior Year Adjustment – Cost of Capital and Student Loan Inflation	-	(33,184)
<b>Net Operating Cost - Accounts</b>	<b>832,694</b>	<b>813,286</b>
Remove other expenditure/income shown in Estimates under the heading "Other Expenditure Outside DEL"	(8,558)	(8,136)
Less grant-in-aid payable to NDPBs	(3,744)	(21,407)
Add resource consumption by NDPBs	4,120	21,085
Less capital grants	(40,923)	(40,864)
Other Adjustments		
<i>Voted expenditure outside the budget</i>	(1,791)	(1,797)
<i>EU receivable write off</i>	-	(108)
<i>Prior Year Adjustment – Effective Interest and Base Rate Cap</i>	-	(17,696)
<i>Prior Year Adjustment – Cost of Capital and Student Loan Inflation</i>	-	33,184
<i>Other</i>	7	16
Interdepartmental Charges	(10,626)	(9,356)
Add Other Consolidated Fund Extra Receipts	216	98
<b>Resource Budget Outturn - Budgets</b>	<b>771,395</b>	<b>768,305</b>
<i>Of which:</i>		
Departmental Expenditure Limit (DEL)	854,666	768,305
Annually Managed Expenditure (AME)	(83,271)	-



**Alan Shannon**  
**Accounting Officer**  
**24 June 2011**

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**  
**for the year ended 31 March 2011**

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Under the Government Resources and Accounts Act (Northern Ireland) 2001 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, changes in taxpayers' equity 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 Managing Public Money Northern Ireland.



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**STATEMENT ON INTERNAL CONTROL**  
**for the year ended 31 March 2011**

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**DEL STATEMENT ON INTERNAL CONTROL**

**Scope of responsibility**

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 is 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 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 2011 and up to the date of approval of the annual report and accounts, and accords with guidance from the Department of Finance and Personnel (DFP).

**Capacity to handle risk**

The Department's capacity to manage risk is established through the risk and control framework and the increasing experience of managers in the risk management process. The Departmental Board has responsibility for the leadership of the risk management process. 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 Board regularly reviews the Corporate Risk Register at Board meetings and reviews and agrees key risks, risk owners and controls to manage risk identified therein. In addition, risk registers are maintained by individual Directorates and by the Department's arm's length bodies.

**The risk and control framework**

The Department has had a Corporate Risk Register and a Departmental risk management process in place since 2002. 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. This includes the management and control of information risk. The Department's Records Management arrangements are underpinned by internal guidelines on 'The Management

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**STATEMENT ON INTERNAL CONTROL**  
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of Official Records'. Appropriate guidance and processes are in place to govern the retention and disposal of all Departmental paper records. In managing the risks associated with information loss, in addition to ongoing audits of hard copy files, an Information Security and Assurance review of all Departmental information was carried out in early 2011. This exercise highlighted a small number of issues which business areas needed to address to ensure full compliance. These are currently being actioned. A programme of corresponding reviews is planned from 2011/12 onwards. Restrictions exist to protect access to and disposal of electronic records and associated training is mandatory within 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 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 for all expenditure (both revenue and capital) include the following:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board;
- regular reviews by the Departmental Board of monthly management accounts and annual financial reports that indicate financial performance;
- quarterly reviews by the Departmental Board of periodic and annual reports of progress against business plan, Programme for Government and Public Service Agreement targets;
- monthly reviews by the Departmental Board of the Corporate Risk Register;
- 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;

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
STATEMENT ON INTERNAL CONTROL  
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- 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,
- Non Departmental Public Bodies (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.

By the end of March 2011, the Department achieved the following:

- in November 2010, the Department completed a review of governance arrangements within Further Education. Recommendations relating to the role and structure of college governing bodies, the appointment of governing body members and colleges' relationship with the Department were issued to the Further Education sector for consultation and, in most cases, were accepted. The Department is now working with the sector on the implementation of the review's proposals.
- the Department has developed and implemented the Information Security and Assurance Framework - a framework of policies, procedures and controls to provide confidence and manage risks in the Department's information systems; and
- in September 2010, the Department achieved certification to the international standard ISO/IEC 27001 and is in the process of implementing an Information Security Management System (ISMS) based on this standard. The Certification lasts for three years and is subject to six monthly audits by the British Standards Institute to ensure the Department remains compliant with the standard. The first of these was successfully completed in March 2011.
- drawing on extant systems the Department has developed and implemented a Corporate Governance Framework which describes the system of direction and control for the Department and the arrangements which have been established to properly manage its affairs. This was approved by the Departmental Board in June 2010; and
- creation of a dedicated Corporate Governance branch, within the Finance division.

**Significant internal control problems**

Further Education Policy Branch conducted a Policy Audit in April 2011 (for August 2009 to July 2010) to ensure that policy guidelines were being applied consistently across the sector. 12 of the 20 NRC student records examined as a result of this audit indicated Supplementary Learning Agreements had not been completed. An individual Supplementary Learning Agreement is required for each student for whom Additional Support Fund (Basic and Discrete) is being claimed. This Agreement must detail a number of specific issues including the extent of the disability, the likely duration of additional support if the disability is time-bound, the identification of progression routes and the College procedures for regularly reviewing the student's needs to ensure, for example, that the support identified remains appropriate. Completion of the form is a mandatory requirement to enable the College to record the student as a Student with learning difficulties and disabilities on the College Management Information System and draw down funding. The branch is currently considering carrying out a 100% audit of the College's records, which may result in significant clawback of funding paid in respect of these students.

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On the 24 March 2011, the Public Accounts Committee (PAC) published their report and recommendations on “Improving Adult Literacy and Numeracy” following the Department's evidence to a PAC hearing. The PAC identified that the issue of adult literacy was not one of DEL's making. The main issues raised by the PAC report in their examination of the Essential Skills strategy were: the scale of the problem; strategies to address the problem and increasing participation and achievements and costs. The PAC has made a number of recommendations on the Essential Skills strategy and the Department's is formulating a response to each of the recommendations. The Department can report that the current Essential Skills strategy successfully met and exceeded the Public Service Agreement to deliver 42,000 Essential Skills qualifications by 31 March 2011 by 29.5%.

The Department's 2009/10 Statement on Internal Control noted that the Efficiency Review within Belfast Metropolitan College, which had been commissioned as a result of concerns over financial management and control and deteriorating financial performance within the College, had been completed and implementation of its recommendations was being monitored by the Department through regular monthly meetings with the College senior Management Team. The College has now developed, and has commenced implementing, a College Improvement Plan which is addressing the weaknesses identified through the efficiency review and will assist with returning the College to long term financial stability and sustainability. The Department has established a monitoring group to review the implementation of the Plan on a monthly basis.

Ongoing concerns relating to the financial position of Northern Regional College prompted the College Governing Body to commission a Business Improvement Plan for the period 2010 to 2016. The objective of the Business Improvement Plan is to identify those actions that would allow the College to reach financial stability. A formal response to the Business Improvement Plan was given by the Department in April 2011 and the Department has established a monitoring group to review the implementation of the Plan.

Each year, the Department, in line with the Further Education (Northern Ireland) Order 1997, specifies a date by which all Further Education audited accounts must be submitted to the Department. For the 2008/09 college financial year, the Department requested accounts to be submitted by 30 November 2009. At that date, one college, Belfast Metropolitan College (BMC), had not submitted their final audited accounts for 2008/09 nor had the accounts from the previous year been submitted. BMC has now submitted its 2007/08 and 2008/09 audited accounts. Similarly, the College Accounts for 2009/10 were required to be provided to the Department by the end of November 2010. The Accounts for BMC for that year are still outstanding.

The Northern Ireland Audit Office (NIAO) carries out the external audit of Further Education College's Annual Statements. As a result of its review for the 2009/10 year, the following key control issues were highlighted.

- The review of Northern and Southern Regional Colleges' Statements on Internal Control for the year ended 31 July 2010 noted that recommendations raised by the internal auditors should be addressed and implemented by management on a timely basis to ensure the control environment within the College remains strong.
- The review of North West Regional College identified that the College was not adhering to its own procurement procedures in all cases.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT ON INTERNAL CONTROL**  
**for the year ended 31 March 2011**

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During the year, each Further Education College carries out a programme of internal audit reviews in line with their audit needs assessments which are carried out on a risk based approach and are performed by an externally appointed provider which operates in accordance with Government Internal Audit Standards. The Colleges have advised the following areas where their audit reviews have received assurance opinions which are less than satisfactory:

- Belfast Metropolitan College received an overall “limited” assurance from its Internal Audit Service for the 2009/10 year. During the year, the College had reviews conducted of its financial controls, with a focus on month end procedures, safeguarding of assets and compliance with data protection and Freedom of Information requirements, all of which received a limited opinion.
- South Eastern Regional College had a review conducted of its management arrangements and application processes in respect of Student Support Fund which received a limited opinion. In addition, the College’s internal auditors carried out a review of a proposed system for on-line enrolments. While this system received limited assurance, it should be noted that the review took place prior to the system “going live” and the College will be implementing all recommendations before introducing the system. In addition, the assurance rating reflected concerns over the use of electronic signatures which have now been resolved.

In line with normal procedures, the Department has followed up these issues with the relevant Colleges, which have subsequently provided the Department with details as to how the recommendations are being implemented.

In addition to internal audit reviews, FAST carry out reviews on behalf of the Department. In the course of their reviews during 2010/11 they had provided limited assurance over the administration of one area relating to discrete funding in Northern Regional College as a result of missing documentation. Accordingly, the College had an amount deducted from its next discrete funding allocation.

During 2010/11 the Further and Higher Education sectors reported ten / two suspected frauds respectively. In each case an investigation was carried out and where relevant any recommendations forthcoming are being implemented and policies and procedures updated. There were two suspected frauds reported by the Employment Service in 2010/11 – one in the Shaftsbury Square Jobs & Benefit Office and the other in the Andersonstown Jobs & Benefit Office. Both have been fully investigated by Internal Audit and relevant further action, including investigation by the Police Service for Northern Ireland, is being undertaken as required.

During 2010/11 there were no significant internal control issues identified in the Higher Education sector with the exception of the University of Ulster’s ICT control environment, within which a number of significant issues previously noted during the 2008/09 year remained. The University has developed a new ICT Strategy which was approved in April 2011 and implementation of fully costed, priority programmes and projects has commenced. The Strategy is being validated by external ICT specialists.

The Department was alerted to a potential breach of its Financial Memorandum with Southern Regional College (SRC) by the College Principal in May 2010. The Department appointed its Internal Audit Service (IAS) to review the potential breach. IAS concluded that there had been a number of significant shortcomings and weaknesses amounting to a clear breach of the agreed

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT ON INTERNAL CONTROL**  
**for the year ended 31 March 2011**

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process. The College has since implemented an action plan to address each of the failings identified.

As a result of allegations made to the Department by the University and Colleges' Union in relation to the administration of certain programmes, the Governing Body of South Eastern Regional College has commissioned its Internal Audit Service to carry out an independent review.

DFP Internal Audit has provided an overall satisfactory level of assurance on Enterprise Shared Services (ESS) for 2010/11. Within ESS they have provided a satisfactory level of assurance on Account NI, HR Connect, IT Assist and the Centre for Applied Learning.

Although FAST gave the Department an overall satisfactory assurance, it specifically gave a 'Qualified Assurance' opinion in relation to the Steps to Work Programme because of significant issues identified in four out of nine inspections of Lead Contractors. All of the issues identified have been addressed, through a variety of measures.

Across the Department, the number of incidents where access to personal data did not comply with Data Protection requirements was five. These included:

- the release of client data to a family member;
- two third parties data breaches;
- an accidental release of data in a document; and
- incorrectly addressed client data.

On each occasion a full and thorough investigation took place and corrective measures put in place to mitigate against future occurrences.

During the course of the year the Information Security Incidents Reporting procedures were reviewed and refined to the effect that client records mislaid within offices should not be regarded as security breaches.

During 2010/11 the Labour Relations Agency failed to comply with some aspects of DFP procurement procedures. These issues were identified internally and the Department provided the Agency with timely advice and guidance to help them redress their noncompliance. Additionally, the Department directed and guided the Agency to various procurement policy documents and to its own Management Statement and Financial Memorandum to help embed a fuller understanding of procurement policy and procedures and asked the Agency to review its procedures to ensure there is no future repetition. There is still one area where remedial action is required relating to the contract for Information Services (IS) Support Services. This contract is currently delivered by a third party supplier on the basis of a single tender process. An Outline Business Case for IS Support is about to be submitted for Departmental approval. The LRA have been advised by the Department of the need to comply with established public sector procurement rules.

In March following disclosures in the local press, the Minister concluded that the position of his special adviser had become untenable and consequently dismissed him. He subsequently announced an independent review of the Department's decision making processes to determine whether there was any evidence of inappropriate influence on these processes by the Adviser. This review is ongoing.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT ON INTERNAL CONTROL**  
**for the year ended 31 March 2011**

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Amendments are required to the Trade Union and Labour Relations (Northern Ireland) Order 1995 which is currently not compliant with a European Court of Human Rights judgement. The Department has been advised by the Northern Ireland Office (NIO) that the amendments may only be achieved through primary legislation at Westminster. The NIO has engaged with Whitehall Departments in order to identify a suitable alternative legislative vehicle but this has not proved possible to date. However, the issue will continue to be considered by the NIO in line with Westminster's forthcoming legislative programme.



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**Alan Shannon**  
**Accounting Officer**  
**24 June 2011**

**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 2011**

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**DEPARTMENT FOR EMPLOYMENT AND LEARNING**

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

I certify that I have audited the financial statements of the Department for Employment and Learning for the year ended 31<sup>st</sup> March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity, 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**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

**Opinion on Regularity**

In my opinion, 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.



**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 2011**

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**Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31<sup>st</sup> March 2011 and of its net cash requirement, net resource outturn, net operating cost, cash flows, changes in taxpayers' equity and net operating costs applied to departmental strategic objectives for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Director's Report and Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

**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 2011**

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**Report**

I have no observations to make on these financial statements.

*KJ Donnelly  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU*

*28 June 2011*

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
STATEMENT OF PARLIAMENTARY SUPPLY  
for the year ended 31 March 2011**

**Summary of Resource Outturn 2010-11**

								2010-11 £000	2009-10 £000
Request for Resources	Note	Estimate			Outturn			Net total outturn compared with Estimate: saving/(excess)	Outturn  Net Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
A	2	955,316	(36,865)	918,451	887,610	(36,851)	850,759	67,692	821,319
<b>Total resources</b>	<b>2</b>	<b>955,316</b>	<b>(36,865)</b>	<b>918,451</b>	<b>887,610</b>	<b>(36,851)</b>	<b>850,759</b>	<b>67,692</b>	<b>821,319</b>
<b>Non-operating cost Accruing Resources</b>		-	<b>(53,500)</b>	<b>(53,500)</b>	-	<b>(53,500)</b>	<b>(53,500)</b>	-	<b>(43,894)</b>

**Net Cash Requirement 2010-11**

								2010-11 £000	2009-10 £000
	Note	Estimate		Outturn		Net total outturn compared with Estimate: saving/ (excess)		Outturn	
Net cash requirement	4	1,042,593		966,583		76,010		914,253	

**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).

		2010-11 £000 Forecast		2010-11 £000 Outturn	
	Note	Income	Receipts	Income	Receipts
Total	5	-	-	4,594	916

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

The notes on pages 93 to 131 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**for the year ended 31 March 2011**

				<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
	<i>Note</i>	<b>Staff Costs</b>	<b>Other Costs</b>	<b>Income</b>	
<b>Administration Costs:</b>					
Staff costs	8	17,060	-	-	16,180
Other administration costs	9	-	18,223	-	17,247
Operating income	11	-	-	(316)	(98)
<b>Programme Costs:</b>					
<b>Request for resources A</b>					
Programme costs	8, 10	43,283	855,027	-	833,029
Income	11	-	-	(100,583)	(53,072)
<b>Totals</b>		<b>60,343</b>	<b>873,250</b>	<b>(100,899)</b>	<b>813,286</b>
<b>Net Operating Cost</b>	<i>3.1</i>			<b>832,694</b>	<b>813,286</b>

The notes on pages 93 to 131 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**OTHER COMPREHENSIVE EXPENDITURE**  
**for the year ended 31 March 2011**

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	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>
Net gain/(loss) on revaluation of property, plant and equipment	(848)	26
Net gain/(loss) on revaluation of intangibles	8	11
Net gain/(loss) on revaluation of available for sales financial assets	-	-
<b>Total Comprehensive Expenditure for the year ended 31 March</b>	<b>(840)</b>	<b>37</b>

The notes on pages 93 to 131 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2011**

		2011 £000	2010 £000	2009 £000
	<i>Note</i>		(restated)	(restated)
<b>Non-current assets:</b>				
Property, plant and equipment	12	4,185	5,341	5,248
Intangible Assets	13	176	333	-
Financial Assets – Student loans	14.1	1,203,499	1,052,606	924,806
Financial Assets – Other	14.2	2,338	2,338	2,338
<b>Total non-current assets</b>		<b>1,210,198</b>	<b>1,060,618</b>	<b>932,392</b>
<b>Current assets:</b>				
Trade and other receivables	16	45,065	50,828	43,600
Cash and cash equivalents	17	11	24	19
<b>Total current assets</b>		<b>45,076</b>	<b>50,852</b>	<b>43,619</b>
<b>Total assets</b>		<b>1,255,274</b>	<b>1,111,470</b>	<b>976,011</b>
<b>Current liabilities:</b>				
Trade and other payables	19	(125,875)	(117,681)	(126,570)
<b>Total current liabilities</b>		<b>(125,875)</b>	<b>(117,681)</b>	<b>(126,570)</b>
<b>Non-current assets less net current liabilities</b>		<b>1,129,399</b>	<b>993,789</b>	<b>849,441</b>
<b>Non-current liabilities:</b>				
Provisions	20	(66)	(11,271)	(210)
Other payables	19	(481)	(481)	(510)
Financial Liabilities	14.3	(24,131)	(25,047)	(26,001)
<b>Total non-current liabilities</b>		<b>(24,678)</b>	<b>(36,799)</b>	<b>(26,721)</b>
<b>Assets less liabilities</b>		<b>1,104,721</b>	<b>956,990</b>	<b>822,720</b>
<b>Taxpayers' equity:</b>				
General fund		1,104,388	955,554	821,300
Revaluation reserve		333	1,436	1,420
<b>Total taxpayers' equity</b>		<b>1,104,721</b>	<b>956,990</b>	<b>822,720</b>

**Signed**



**Accounting Officer**  
**24 June 2011**

The notes on pages 93 to 131 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2011**

	<i>Note</i>	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
<b>Cash flows from operating activities</b>			
Net operating cost	<i>3.1</i>	(832,694)	(813,286)
Adjustments for non-cash transactions	<i>8,9,10,11</i>	27,529	62,612
Decrease/(Increase) in trade and other receivables	<i>16</i>	5,763	(7,227)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,024)	7,835
Increase/(decrease) in trade payables	<i>19</i>	12,585	(201)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(7,472)	(6,748)
Use of provisions	<i>14.3,20</i>	(11,544)	(573)
<b>Net cash outflow from operating activities</b>		<b>(806,857)</b>	<b>(757,588)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(195)	(17)
Purchase of intangible assets		(21)	(441)
Loans to other bodies	<i>14.2</i>	-	-
Student Loan Funding	<i>14.1</i>	(221,937)	(205,238)
Repayments from other bodies – Student Loans	<i>14.1</i>	54,338	43,087
<b>Net cash outflow from investing activities</b>		<b>(167,815)</b>	<b>(162,609)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		965,595	909,705
From the Consolidated Fund (Supply) – prior year	<i>16</i>	4,548	15,768
From the National Insurance Fund		9,005	5,966
<b>Net financing</b>		<b>979,148</b>	<b>931,439</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year before adjustments for receipts and payments to the Consolidated Fund</b>			
		<b>4,476</b>	<b>11,242</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(98)	(2,520)
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustments for receipts and payments to the Consolidated Fund</b>			
		<b>4,378</b>	<b>8,722</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<i>17</i>	<b>(4,550)</b>	<b>(13,272)</b>
<b>Cash and cash equivalents at the end of the period</b>	<i>17</i>	<b>(172)</b>	<b>(4,550)</b>

The notes on pages 93 to 131 form part of these financial statements

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**for the year ended 31 March 2011**

	<i>Note</i>	<b>General Fund £000 (restated)</b>	<b>Revaluation Reserve £000</b>	<b>Total Reserves £000 (restated)</b>
<b>Balance at 31 March 2009</b>		<b>826,374</b>	<b>1,420</b>	<b>827,794</b>
Prior period adjustment – Base Rate Cap		(5,074)	-	(5,074)
<b>Restated balance at 31 March 2009</b>		<b>821,300</b>	<b>1,420</b>	<b>822,720</b>
Net Parliamentary Funding – drawn down		909,705	-	909,705
National Insurance Fund		8,136	-	8,136
Supply (payable)/receivable adjustment		4,548	-	4,548
Excess Vote – Prior Year		15,768	-	15,768
CFERs payable to the Consolidated Fund		(98)	-	(98)
Comprehensive Expenditure for the Year		(828,774)	-	(828,774)
Prior period adjustment		104	-	104
<b>Non-Cash Adjustments</b>				
Non-cash charges – notional		9,236	-	9,236
Non-cash charges – auditor's remuneration		120	-	120
<b>Movement in Reserves</b>				
Transfers between reserves		21	(21)	-
Net (loss)/gain on revaluation of property, plant and Equipment		-	26	26
Net (loss)/gain on revaluation of intangible assets		-	11	11
<b>Balance at 31 March 2010</b>		<b>940,066</b>	<b>1,436</b>	<b>941,502</b>
Prior period adjustment – Base Rate Cap		(11,602)	-	(11,602)
Change in accounting policies	<i>3.1</i>	27,090	-	27,090
<b>Restated balance at 31 March 2010</b>		<b>955,554</b>	<b>1,436</b>	<b>956,990</b>
Net Parliamentary Funding – drawn down		965,595	-	965,595
National Insurance Fund	<i>3.1</i>	8,558	-	8,558
Supply (payable)/receivable adjustment	<i>16</i>	988	-	988
CFERs payable to the Consolidated Fund	<i>19</i>	(4,594)	-	(4,594)
Comprehensive Expenditure for the Year	<i>3.1</i>	(832,694)	-	(832,694)
Prior period adjustment		92	-	92
<b>Non-Cash Adjustments</b>				
Non-cash charges – notional	<i>8, 9</i>	10,516	-	10,516
Non-cash charges – auditor's remuneration	<i>9</i>	110	-	110
<b>Movement in Reserves</b>				
Transfers between reserves		263	(263)	-
Net (loss)/gain on revaluation of property, plant and equipment		-	(848)	(848)
Net (loss)/gain on revaluation of intangible assets		-	8	8
<b>Balance at 31 March 2011</b>		<b>1,104,388</b>	<b>333</b>	<b>1,104,721</b>

The notes on pages 93 to 131 form part of these financial statements



**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**STATEMENT OF OPERATING COSTS BY DEPARTMENTAL STRATEGIC**  
**OBJECTIVES**  
**for the year ended 31 March 2011**

		2010-11 £000		2009-10 £000 (restated)
	Strategic Objective 1	Total	Strategic Objective 1	Total
<b>Gross Expenditure</b>	933,593	<b>933,593</b>	866,456	<b>866,456</b>
<b>Income</b>	(100,899)	<b>(100,899)</b>	(53,170)	<b>(53,170)</b>
<b>Net Expenditure</b>	832,694	<b>832,694</b>	813,286	<b>813,286</b>
<b>Total Assets</b>	1,255,274	<b>1,255,274</b>	1,111,470	<b>1,111,470</b>

The Department's objective in 2010-11 was 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 and helping people into employment and promoting good working practices.

Further details of resources by Departmental strategic objectives are given in Note 21.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2011**

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**1. Statement of Accounting Policies**

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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 Employment and Learning for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Employment and Learning are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, 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 Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Changes in Accounting Policies in relation to prior period adjustments (PPAs) are dealt with at 1.20 below.

**1.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories and certain financial assets and liabilities.

**1.2 Property, plant and equipment and intangible assets**

Expenditure on property, plant and equipment of over £1,000 is capitalised.

Software and associated licenses costing greater than £1,000 are capitalised under intangible assets.

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition. Items classified as "under construction" are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

All property, plant and equipment and intangible assets are carried at fair value.

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of land and buildings are undertaken every five years by Land and Property Services

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2011**

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(LPS). The last valuation took place at 31 March 2010. They are revalued annually, between professional valuations, using indices provided by LPS, an executive agency within DFP. Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs.

With the exception of the above and items under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics (ONS).

Subsequent expenditure on an asset that meets the criteria in compliance with IAS 16 is capitalised, otherwise it is written off to revenue.

### **1.3 Depreciation**

Property, plant and equipment and intangible 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	4 -10 years
Computer equipment and software	3 -10 years

Valuations of property, plant and equipment and intangible assets are based on a review of values as at the reporting 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.

The overall useful life of the Department's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on these assets at the same rate as if separate components had been identified and depreciated at different rates.

### **1.4 Impairments**

At each reporting period end, the Department checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

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If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Statement of Comprehensive Net Expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**1.5 Investments**

Financial interests in bodies that are outside the Departmental boundary are treated as non-current 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 have been included within Financial Assets.

**1.6 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.

Operating income is stated net of VAT.

**1.7 Administration and programme expenditure**

The Statement of Comprehensive Net Expenditure 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 *FReM* by the Department of Finance and Personnel.

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.

**1.8 Financial assets**

The Department measures and presents financial instruments in accordance with IAS 32, IAS 39 and IFRS 7 as modified by the *FReM*. The Department holds financial assets in the form of loans to students, loans to Ulster Supported Employment Limited

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as well as trade receivables, cash and cash equivalents. Financial assets which are due to be repaid within one year are shown within current assets on the Statement of Financial Position.

**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 receivables supplied by the Student Loan Company Limited on the Northern Ireland share of the relevant balances and transactions.

In accordance with IAS 39, student Loans are classified as Loans and Receivables and are recorded in the Accounts at amortised cost.

Student loans are currently issued under Section 22 of the Teaching and Higher Education (THE) Act 1998. They were first issued in 1990-91. The Department initially issued mortgage style loans, which required borrowers to repay a fixed amount each year until the loan was repaid with repayments being collected by the Student Loans Company. From 1998-99 onwards the Department has issued income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (currently £15,000) and are collected by HMRC through the tax system.

*Measurement and carrying values*

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the HMT discount rate.

The value of student loans issued is also reduced based on an estimate of the future cost of policy write offs (“deferment and default impairment”). This reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of the student.

The Department considers that the carrying value as described above is a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm’s length transactions. A valuation technique is used to estimate the present value of future cash flows, and the outputs of this modelling provide the basis for the net present value calculations and the estimate of irrecoverable amounts due to policy decisions.

Income Contingent 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 Base Rate Cap’). The Department estimates the future cash flows arising from repayments, and discounts these at 2.2% plus RPI to represent the Government’s cost of borrowing and therefore to determine the current value of the loans. The Department increases the accumulated amortisation based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions.

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

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Department each year and the amounts provided reflect the Department's current estimate.

*Impairment of future cash flows*

During 2010-11, an adjustment was made to the figures generated by the model, in order to reflect the fact that the future cash flows have been permanently impaired due to the Base Rate Cap being effective. The amounts are impaired because the interest received will be lower than the RPI forecast. The effect of this change has been to recognise an impairment charge of £40.2 million. Of this total adjustment, £16.7m has been treated as a prior period adjustment as a result of the correction of a material error in 2008-09 and 2009-10.

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

**1.10 Employee Benefits including Pensions**

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using data held on the payroll system.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS (NI)) which are described in Note 8. The defined benefit scheme is unfunded and is 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 (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI).

The Department is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and this is binding on the Department.

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**1.11 *European Union(EU) income***

All income from the EU is separately identified and is released to the Statement of Comprehensive Net Expenditure in the period in which the underlying activity takes place.

**1.12 *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.

**1.13 *Value Added Tax***

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. VAT is recoverable on a Departmental basis.

**1.14 *Private Finance Initiative (PFI) transactions***

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by DEL. The underlying assets are recognised as property, plant and equipment at their fair value. An equivalent financial liability is recognised in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Net Expenditure.

PFI contracts that do not transfer any of the risks and rewards associated with ownership of the asset to DEL are treated in the same way as an operating lease i.e. rental payments are charged to the Statement of Comprehensive Net Expenditure in equal annual amounts over the lease term.

**1.15 *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.

**1.16 *Provisions***

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the

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expenditure required to settle the obligation where this can be determined. As shown in note 20 this includes:

- The cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.
- The cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the year the announcement is made.
- The Department's expected share of the settlement payment in relation to Equal Pay.
- The closure costs of Enterprise Ulster.

**1.17 *Contingent liabilities***

In addition to contingent liabilities disclosed in accordance with IAS 37, 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 IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

**1.18 *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.

**1.19 *Foreign Exchange***

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. At the end of the reporting period monetary items are translated at the closing rate applicable at the reporting date.

**1.20 *Prior Period Adjustments***

**1.20.1 *Cost of Capital***

As a result of the HMT Clear Line of Sight Initiative, the Cost of Capital charges and related Student Loan Inflation adjustments are no longer required. This represents a change in accounting policy and has resulted in a prior period adjustment (PPA) of £33,184k.

In line with Department of Finance and Personnel advice, PPAs arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could



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have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009-10 are shown in below. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

*Impact on 2009-10 Supply Outturn*

The removal of the cost of capital charge has the following effect on Resource outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	<b>2009-10</b> <b>£000</b>
<b>Net Resource Outturn (Statement of Parliamentary Supply)</b>	<b>821,319</b>
Removal of the cost of capital charge	(19,569)
Removal of related Student Loan Inflation charge	(13,615)
	<hr/>
<b>Adjusted Net Resource Outturn</b>	<b><u><u>788,135</u></u></b>

**1.20.2 Student Loans – Effective Interest**

In line with IAS 39, Student Loans are now measured at amortised cost using the effective interest method. This represents a change in accounting policy and has resulted in a prior period adjustment of (£6,094k).

**1.20.3 Student Loans – Base Rate Cap**

As described at 1.8.1 above, an adjustment has been made to reflect the fact that future cash flows have been permanently impaired due to the Base Rate Cap being effective. As the Base Rate Cap was in place in 2008-09 and 2009-10, corrections have been made to the amounts shown in the accounts for those years as prior period adjustments.

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**2. Analysis of net resource outturn by section**

							2010-11 £000	2009-10 £000		
							Outturn	Estimate		
							Net Total Estimate	Net Total compared with Estimate	Prior Year Outturn	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total				
<b>Request for Resources A:</b>										
<i>Promoting economic, social and personal development through high quality learning, research and skills training</i>										
Employment and Skills	7,782	40,705	340,924	389,411	(12,800)	376,611	379,497	2,886	343,100	
Higher Education	1,732	78	263,129	264,939	(3,302)	261,637	258,425	(3,212)	243,599	
Student Support	-	90,363	124,400	214,763	-	214,763	245,265	30,502	165,666	
Labour Market Services	12,614	5,178	305	18,097	(347)	17,750	17,139	(611)	13,853	
ESF Payments - Public and Private Sector	2,529	-	15,977	18,506	(9,817)	8,689	8,975	286	9,368	
EU Community Initiatives	-	-	-	-	-	-	-	-	-	
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	652	
EU Cost of Capital	-	-	-	-	-	-	-	-	660	
Equal Pay	-	1,090	-	1,090	-	1,090	1,090	-	11,170	
<b>Annually Managed Expenditure</b>										
Student Support	-	-	(60,768)	(60,768)	(10,585)	(71,353)	(42,241)	29,112	-	
EU Exchange Rate Loss/(Gain)	-	2,533	-	2,533	-	2,533	2,600	67	-	
Provisions	-	37	(41)	(4)	-	(4)	99	103	-	
Revaluations	-	112	-	112	-	112	116	4	-	
<b>Non Budget</b>										
Teachers' Premature Retirement - on-going liabilities	-	-	1,791	1,791	-	1,791	1,791	-	1,797	
Education and Library Boards	-	-	-	-	-	-	-	-	13,293	
Construction Industry Training Board	-	-	-	-	-	-	1	1	-	
Student Loans Company	-	-	-	-	-	-	-	-	3,798	
Ulster Supported Employment Limited	-	-	634	634	-	634	755	121	621	
Labour Relations Agency	-	-	3,110	3,110	-	3,110	3,465	355	3,695	
IFRS Prior Period Adjustments	-	-	-	-	-	-	-	-	691	
Prior Year Adjustments	-	-	22,770	22,770	-	22,770	30,000	7,230	-	
Notional Charges	10,626	-	-	10,626	-	10,626	11,474	848	9,356	
<b>Resource Outturn</b>	<b>35,283</b>	<b>140,096</b>	<b>712,231</b>	<b>887,610</b>	<b>(36,851)</b>	<b>850,759</b>	<b>918,451</b>	<b>67,692</b>	<b>821,319</b>	

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**Explanation of the variation between Estimate and Outturn (2010-11)**

The total outturn for the year was £850.8m against an Estimate of £918.5m, resulting in an easement of £67.7m or 7.4%.

In relation to student loans, a UK wide review took place during the year which considered;

- a) the change in accounting policy to value of the student loan book using the effective interest method in line with IAS 39, and
- b) the impairment review required as a result of the Base Rate Cap issue.

As this work was in progress at the time of writing the Estimates, the budget requirements for student loans were based upon an estimated apportionment of projections provided by BIS at that time. Work was ongoing until the end of the year in order to finalise methodologies and calculations relating to Northern Ireland. This resulted in the following variances;

- Notional Loan Subsidy in respect of Base Rate Cap (£26.5m easement);
- Non Budget Prior Year Adjustments in respect of Base Rate Cap and the change in accounting policy (£7.2m easement);
- Annually Managed Expenditure reduced requirement due to finalisation of revised effective interest calculations, including use of revised HMT discount rate (£29m easement).

These variances all occur in ring fenced budget areas.

The remaining easements (total £5m) arose for a range of reasons, including;

- A reduction in earmarked funds within FE Recurrent grant £2.6m
- Pressures arising on Universities recurrent grant £(3.8)m
- Slippage on miscellaneous projects within the HE sector £0.6m
- Notional Loan subsidy - recurrent £1.4m
- Demand for Supplementary Allowances £3.2m
- Demand for EMA (Education Maintenance Allowance)£(2.3)m
- Demand for HE Bursaries £0.4m
- Reduced requirement in SLC funding £0.6m
- Reduced requirement in ELB funding £0.2m

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**2. Analysis of net resource outturn by section (continued)**

						2009-10 £000	2008-09 £000		
						Outturn	Estimate		
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total Estimate	Net Total Estimate	Prior Year Outturn
<b>Request for Resources A:</b>									
<i>Promoting economic, social and personal development through high quality learning, research and skills training</i>									
Employment and Skills	7,561	35,281	308,883	351,725	(8,625)	343,100	347,874	4,774	301,933
Higher Education	1,155	77	248,281	249,513	(5,914)	243,599	243,917	318	228,480
Student Support	448	59,490	105,728	165,666	-	165,666	165,214	(452)	150,680
Labour Market Services	11,765	2,096	319	14,180	(327)	13,853	15,280	1,427	15,028
Integrated Development Fund	-	-	-	-	-	-	-	-	(74)
ESF Payments - Public and Private Sector	3,142	-	15,883	19,025	(9,657)	9,368	12,783	3,415	12,842
EU Community Initiatives	-	-	-	-	-	-	-	-	-
EU Programme for Peace and Reconciliation	-	652	-	652	-	652	700	48	2,186
EU Cost of Capital	-	660	-	660	-	660	1,000	340	538
Settlement of NICS Equal Pay Claims	-	11,170	-	11,170	-	11,170	11,170	-	-
<b>Annually Managed Expenditure</b>									
Student Support	-	38,809	(15,999)	22,810	(22,810)	-	-	-	-
<b>Non Budget</b>									
Teachers' Premature Retirement - on-going liabilities	-	-	1,797	1,797	-	1,797	1,799	2	1,713
Teachers' Premature Retirement - new liabilities	-	-	-	-	-	-	-	-	-
Education and Library Boards	-	-	13,293	13,293	-	13,293	13,789	496	11,811
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Student Loans Company	-	-	3,798	3,798	-	3,798	4,367	569	3,762
Enterprise Ulster	-	-	-	-	-	-	-	-	-
Ulster Supported Employment Limited	-	-	621	621	-	621	670	49	655
Labour Relations Agency	-	-	3,695	3,695	-	3,695	3,695	-	3,200
IFRS Prior Period Adjustments	-	691	-	691	-	691	691	-	-
Notional Charges	9,356	-	-	9,356	-	9,356	10,232	876	7,801
<b>Resource Outturn</b>	<b>33,427</b>	<b>148,926</b>	<b>686,299</b>	<b>868,652</b>	<b>(47,333)</b>	<b>821,319</b>	<b>833,182</b>	<b>11,863</b>	<b>740,555</b>

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**Request for Resource A** is promoting economic, social and personal development through high quality learning, research and skills training, and helping people into employment and promoting good working practices.

Under the previous budgetary structure 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.

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

#### 3.1 Reconciliation of net resource outturn to net operating cost

				2010-11 £000	2009-10 £000 (restated)
	<i>Note</i>	<b>Outturn</b>	<b>Supply Estimate</b>	<b>Outturn compared with Estimate</b>	<b>Outturn</b>
Net Resource Outturn	2	850,759	918,451	(67,692)	821,319
IFRS Adjustment		-	-	-	(691)
Prior Period Adjustments:					
Effective interest & Base Rate Cap	2	(22,770)	(30,000)	7,230	17,696
Cost of capital & student loan inflation	1.20	-	-	-	(33,184)
Non-supply income (CFERs)	5	(3,853)	-	(3,853)	(98)
Non-supply Expenditure:					
Redundancy Fund Payments	10	8,558	7,635	923	8,136
EU Receivable write-off		-	-	-	108
<b>Net operating cost</b>		<b>832,694</b>	<b>896,086</b>	<b>(63,392)</b>	<b>813,286</b>

#### 3.2 Outturn against final Administration Budget

		2010-11 £000	2009-10 £000
	<b>Budget</b>	<b>Outturn</b>	<b>Outturn</b>
Gross Administration Budget	24,833	24,657	24,071
Income allowable against the Administration Budget	-	-	-
<b>Net outturn against final Administration Budget</b>	<b>24,833</b>	<b>24,657</b>	<b>24,071</b>

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**4. Reconciliation of net resource outturn to net cash requirement**

	<i>Note</i>	<b>Estimate £000</b>	<b>Outturn £000</b>	<b>Net total outturn compared with Estimate saving/(excess) £000</b>
Resource Outturn	2	918,451	850,759	67,692
<b>Capital</b>				
Acquisition of property, plant and equipment	12	540	443	97
Acquisition of intangible assets	13	-	(7)	7
Investments	14.2	-	-	-
Investments – student loans funding	14.1	226,133	221,704	4,429
<b>Non-operating Accruing Resources</b>				
Student loan repayments applied		(53,500)	(53,500)	-
<b>Accruals adjustments</b>				
Non-cash items	8, 9, 10, 11	(88,803)	(30,542)	(58,261)
Prior year adjustment	3.1	(30,000)	(22,770)	(7,230)
Changes in working capital other than cash		57,764	(11,048)	68,812
Changes in payables falling due after more than one year	18	-	-	-
Use of provisions & financial liabilities	14.3, 20	12,008	11,544	464
<b>Net cash requirement</b>		<b>1,042,593</b>	<b>966,583</b>	<b>76,010</b>

The variance against outturn has arisen as a result of the easement against the Estimate and assumptions made when projecting the receivables and payables at the year end.

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

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

	<i>Note</i>	<b>Forecast 2010-11 £000</b>		<b>Outturn 2010-11 £000</b>	
		<b>Income</b>	<b>Receipts</b>	<b>Income</b>	<b>Receipts</b>
Operating income and receipts – excess Accruing Resources		-	-	3,637	624
Other operating income and receipts not classified as Accruing Resources		-	-	216	292
		-	-	<b>3,853</b>	<b>916</b>
Non-operating income and receipts – excess Accruing Resources	7	-	-	741	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>4,594</b>	<b>916</b>

**6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

	<i>Note</i>	<b>2010-11 £000</b>	<b>2009-10 £000</b>
Operating income	11	100,899	53,170
Adjustments for transactions between RfRs		-	-
Gross income	11	100,899	53,170
Income authorised to be Accruing Resources		97,046	53,072
<b>Operating income payable to the Consolidated Fund</b>	3.1	<b>3,853</b>	<b>98</b>

**7. Non-operating Income – Excess Accruing Resources**

	<b>2010-11 £000</b>	<b>2009-10 £000</b>
Student Loan repayments	741	-
<b>Non-operating income – excess Accruing Resources</b>	<b>741</b>	<b>-</b>

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**8. Staff numbers and related costs**

Staff costs comprise:

	2010-11 £000				2009-10 £000
	Total	Permanently Employed Staff	Others	Minister	Total
Wages and salaries*	48,191	48,100	53	38	44,489
Social security costs	3,960	3,944	11	5	2,948
Other pension costs	9,095	9,086	-	9	7,377
<b>Subtotal</b>	<b>61,246</b>	<b>61,130</b>	<b>64</b>	<b>52</b>	<b>54,814</b>
Less recoveries	(903)	(903)	-	-	(831)
<b>Total net costs</b>	<b>60,343</b>	<b>60,227</b>	<b>64</b>	<b>52</b>	<b>53,983</b>

\*Permanently Employed Staff includes the cost of the Department's special adviser who is paid in the pay band £40k - £45k (2009-10: £60,000 - £65,000 from 01/4/09 to 23/1/10 and £45,000 - £50,000 for period 26/1/10 to 31/3/10 due to a change in Personnel). The cost in relation to the Minister of £52k (2009-10: £52k) is a notional charge.

The Principal Civil Service Pension Scheme (PCSPS) (Northern Ireland) is an unfunded multi-employer defined benefit scheme, 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 2007 and details of this valuation are available in the PCSPS (Northern Ireland) resource accounts.

For 2010-11, employers' contributions of £9,086k were payable to the PCSPS (Northern Ireland) (2009-10: £7,368k) at one of four rates in the range 18% to 25% (2009-10 were between 16.5% and 23.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12, the rates will be in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £3,741.57 (2009-10: £993.00) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2009-10: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2009-10: 3%) of pensionable pay. In addition, employer contributions of £342.95 (2009-10: £122.17), 0.8% of pensionable pay, 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. Contributions due to the partnership pension providers at the reporting date were nil. Contributions prepaid at that date were nil.



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5 persons (2009-10: 7 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,708 (2009-10: £10,336).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk).

**Average Number of Persons Employed**

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

Departmental Strategic Objective	2010-11 Number		Others	Minister	Special Advisers	2009-10
	Total	Permanently Employed Staff				Total
1	1,956	1,922	32	1	1	1,870
Staff engaged on capital projects	-	-	-	-	-	-
<b>Total</b>	<b>1,956</b>	<b>1,922</b>	<b>32</b>	<b>1</b>	<b>1</b>	<b>1,870</b>

**8.1 Reporting of Civil Service and other compensation schemes – exit packages**

	Number of compulsory redundancies	Number of other departures agreed	2010-11	2009-10
			Total number of exit packages by cost band	Total
<£10,000	-	2	2	-
£10,000 - £25,000	-	1	1	3
£25,000 - £50,000	-	5	5	2
£50,000 - £100,000	-	1	1	1
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
<b>Total number of exit packages by type</b>	<b>-</b>	<b>9</b>	<b>9</b>	<b>6</b>
<b>Total resource cost/£</b>	<b>-</b>	<b>280,871</b>	<b>280,871</b>	<b>177,191</b>

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Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

**9. Other Administration Costs**

	<i>Note</i>	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>
Other expenditure		7,649	7,922
<b>Non-cash items:</b>			
Auditors' remuneration and expenses		110	120
Early Retirement Provision	20	-	21
Accommodation costs (DFP)		6,162	6,355
Other notional costs		4,302	2,829
<b>Total</b>		<b>18,223</b>	<b>17,247</b>

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**10. Programme Costs**

	<i>Note</i>	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
Current grants and other current expenditure		755,773	705,198
Non-voted expenditure	3.1	8,558	8,244
<b>Non-cash items:</b>			
Depreciation	12,13	298	263
Impairment of property, plant and equipment		612	-
Loss on disposal of property, plant and equipment	12,13	-	2
Student loan balance transfer	14.1	(15)	-
Provisions provided for / released in year	20	(4)	11,170
Financial liability and impairments provided for	14.1a, 14.1b, 14.3	89,254	69,777
Unwinding of discount on financial liability	14.3	551	572
<b>Total</b>		<b>855,027</b>	<b>795,226</b>

**11. Income**

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
Administration	316	98
Programme	891	883
Student Loan – Effective Interest	73,793	28,549
Science Research Investment Fund	3,078	5,820
EU	22,821	17,820
<b>Total</b>	<b>100,899</b>	<b>53,170</b>

Income includes the following amounts that will be due to the Consolidated Fund once the funds are received:

- Administration income £316k (2009-10: £98k);
- Student Loan Effective Interest £3,013k (2009-10: £nil);
- EU income £524k (2009-10: £nil).

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**12. Property, plant and equipment**

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2010	2,495	2,545	69	608	5,717
Additions	-	-	305	138	443
Disposals	-	-	(14)	(49)	(63)
Revaluations	(755)	(785)	-	(5)	(1,545)
<b>At 31 March 2011</b>	<b>1,740</b>	<b>1,760</b>	<b>360</b>	<b>692</b>	<b>4,552</b>
<b>Depreciation</b>					
At 1 April 2010	-	-	53	323	376
Charged in year	-	84	4	52	140
Disposals	-	-	(14)	(49)	(63)
Revaluations	-	(84)	-	(2)	(86)
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>324</b>	<b>367</b>
<b>Net book value at 31 March 2011</b>	<b>1,740</b>	<b>1,760</b>	<b>317</b>	<b>368</b>	<b>4,185</b>
<b>Net book value at 31 March 2010</b>	<b>2,495</b>	<b>2,545</b>	<b>16</b>	<b>285</b>	<b>5,341</b>
<b>Asset financing</b>					
Owned	1,740	1,760	317	368	4,185
Finance Leased	-	-	-	-	-
<b>Net book value at 31 March 2011</b>	<b>1,740</b>	<b>1,760</b>	<b>317</b>	<b>368</b>	<b>4,185</b>

Information Technology and Furniture and Fittings are valued using indices.

Land and Property Services carried out an interim valuation of Land and Buildings at 31 March 2011 based on the last full valuation at 31 March 2010.

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**12. Property, plant and equipment (continued)**

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2009	2,495	2,605	91	466	5,657
Reclassification	-	-	(6)	-	(6)
Restated at 1 April 2009	2,495	2,605	85	466	5,651
Additions	-	-	13	173	186
Disposals	-	-	(32)	(39)	(71)
Revaluations	-	(60)	3	8	(49)
<b>At 31 March 2010</b>	<b>2,495</b>	<b>2,545</b>	<b>69</b>	<b>608</b>	<b>5,717</b>
<b>Depreciation</b>					
At 1 April 2009	-	-	89	320	409
Reclassification	-	-	(4)	-	(4)
Restated at 1 April 2009	-	-	85	320	405
Charged in year	-	79	-	35	114
Disposals	-	-	(32)	(36)	(68)
Revaluations	-	(79)	-	4	(75)
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>323</b>	<b>376</b>
<b>Net book value at 31 March 2010</b>	<b>2,495</b>	<b>2,545</b>	<b>16</b>	<b>285</b>	<b>5,341</b>
<b>Net book value at 31 March 2009</b>	<b>2,495</b>	<b>2,605</b>	<b>2</b>	<b>146</b>	<b>5,248</b>
<b>Asset financing</b>					
Owned	2,495	2,545	16	285	5,341
Finance leased	-	-	-	-	-
<b>Net book value at 31 March 2010</b>	<b>2,495</b>	<b>2,545</b>	<b>16</b>	<b>285</b>	<b>5,341</b>

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**13. Intangible Assets**

	Software License £000	Externally Developed Software £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2010	35	457	492
Additions	(7)	-	(7)
Disposals	(6)	-	(6)
Revaluations	1	20	21
<b>At 31 March 2011</b>	<b>23</b>	<b>477</b>	<b>500</b>
<b>Amortisation</b>			
At 1 April 2010	6	153	159
Charged in year	6	152	158
Disposals	(6)	-	(6)
Revaluations	-	13	13
<b>At 31 March 2011</b>	<b>6</b>	<b>318</b>	<b>324</b>
<b>Net book value at 31 March 2011</b>	<b>17</b>	<b>159</b>	<b>176</b>
<b>Net book value at 31 March 2010</b>	<b>29</b>	<b>304</b>	<b>333</b>
<b>Asset financing</b>			
Owned	17	-	17
Finance leased	-	159	159
<b>Net book value at 31 March 2011</b>	<b>17</b>	<b>159</b>	<b>176</b>

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**13. Intangible Assets (continued)**

	Software License £000	Externally Developed Software £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2009	-	-	-
Reclassification	6	-	6
Restated at 1 April 2009	<b>6</b>	-	<b>6</b>
Additions	28	441	469
Disposals	-	-	-
Revaluations	1	16	17
<b>At 31 March 2010</b>	<b>35</b>	<b>457</b>	<b>492</b>
<b>Depreciation</b>			
At 1 April 2009	-	-	-
Reclassification	4	-	4
Restated at 1 April 2009	<b>4</b>	-	<b>4</b>
Charged in year	2	147	149
Disposals	-	-	-
Revaluations	-	6	6
<b>At 31 March 2010</b>	<b>6</b>	<b>153</b>	<b>159</b>
<b>Net book value at 31 March 2010</b>	<b>29</b>	<b>304</b>	<b>333</b>
<b>Net book value at 31 March 2009</b>	-	-	-
<b>Asset financing</b>			
Owned	29	-	29
Finance leased	-	304	304
<b>Net book value at 31 March 2010</b>	<b>29</b>	<b>304</b>	<b>333</b>

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**14. Investments – Financial Instruments**

**14.1 Student Loans**

	<i>Note</i>	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)	<b>2008-09</b> <b>£000</b> (restated)
<b>Total value of loans outstanding at 1 April</b>		<b>1,052,606</b>	<b>924,806</b>	<b>776,364</b>
Adjustment to opening account estimate		-	(4)	-
Additional loan funding		221,704	214,010	187,925
Repayments		(54,241)	(43,894)	(44,175)
New Impairments				
Deferment and Default	<i>14.1a</i>	(23,057)	(18,336)	(16,237)
Interest Subsidy	<i>14.1b</i>	(67,321)	(40,923)	(36,457)
Prior Period Adjustment – Base Rate Cap		-	(11,602)	(5,074)
Balance Transfer	<i>10</i>	15	-	(34)
Effective Interest		73,793	22,455	62,494
Prior Period Adjustment		-	6,094	-
<b>Total value of loans at 31 March</b>		<b><u>1,203,499</u></b>	<b><u>1,052,606</u></b>	<b><u>924,806</u></b>

The Student Loans Company Limited issues loans on behalf of DEL for Northern Ireland, the Department for Business, Innovation 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.

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the HMT discount rate. In 2010/11 the effective interest rate was 6.9% (2009-10: 3.5%).

As outlined on the Statement of Cash Flows, student loan cash advances for the period were £221,937k (2009-10: £205,238k) and repayments were £54,338k (2009-10: £43,087k).



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**14.1a Movements on Deferment and Default Impairment**

	2010-11 £000	2009-10 £000	2008-09 £000
<b>Balance at 1 April</b>	<b>141,121</b>	<b>119,091</b>	<b>96,171</b>
Increase in the year	23,057	18,336	16,237
Loans Written off	(441)	(471)	(815)
Unwinding	9,739	4,165	7,498
<b>Balance at 31 March</b>	<b>173,476</b>	<b>141,121</b>	<b>119,091</b>

The student loan deferment and default impairment reflects 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 other causes. Each year the Department estimates the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loans Company.

**14.1b Interest Subsidy Impairment**

	2010-11 £000	2009-10 £000 (restated)	2008-09 £000 (restated)
<b>Balance at 1 April</b>	<b>165,041</b>	<b>122,420</b>	<b>116,834</b>
Increase in the year	67,321	40,923	36,457
Prior Period Adjustment – Base Rate Cap	-	11,602	5,074
Prior Period Adjustment – Effective Interest	-	6,094	-
Utilisation in the year	(80,173)	(20,103)	(45,056)
Unwinding	10,239	4,105	9,111
<b>Balance at 31 March</b>	<b>162,428</b>	<b>165,041</b>	<b>122,420</b>

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.

The estimates underpinning these impairments are based on a forecasting model (the Student Loan Repayment model) which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimates the likely repayments of student loans. The valuation is based on a set of simulated borrower profiles, derived from a

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complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these Accounts.

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate as at 31 March 2011.

*Key assumptions used to calculate the student loan balance at 31st March 2011*

The key assumptions that impact on the value of the loan book are the discount rate used, and assumptions made about graduate earnings.

*Discount rate*

To value the future cash flows, the Department has used the HM Treasury's long-term discount rate of 2.2% plus RPI, 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 this rate - reflecting the buyers' cost of capital and assessment of risk.

*Graduate earnings and employment*

The Student Loan Repayment model assumes future real earnings growth (net of RPI inflation) to be 2 percentage points, as this is HMT's long-term forecast. If this fell it would lead to a reduction in the value of the loan.

*Other assumptions*

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book. It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

**14.2 Other Financial Assets – Ulster Supported Employment Limited Loan**

	2010-11 £000	2009-10 £000	2008-09 £000
<b>Balance at 1 April</b>	2,338	2,338	2,338
Additions	-	-	-
<b>Balance at 31 March</b>	2,338	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.

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**14.3 Financial Liabilities**

	<b>Debt sale £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2010</b>	<b>25,047</b>	<b>25,047</b>
Provisions not required written back	(1,124)	(1,124)
Provisions utilised in the year	(343)	(343)
Unwinding of discount	551	551
<b>Balance at 31 March 2011</b>	<b>24,131</b>	<b>24,131</b>
<b>Balance at 1 April 2009</b>	<b>26,001</b>	<b>26,001</b>
Provisions not required written back	(1,083)	(1,083)
Provisions utilised in the year	(443)	(443)
Unwinding of discount	572	572
<b>Balance at 31 March 2010</b>	<b>25,047</b>	<b>25,047</b>

*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.

**15. Impairments**

	<b>2010-11 £000</b>	<b>2009-10 £000</b>	<b>2008-09 £000</b>
Charged direct to the Statement of Comprehensive Net Expenditure	612	-	-
Taken through the revaluation reserve	840	-	231
<b>Property, plant and Equipment impairment charge for the year</b>	<b>1,452</b>	<b>-</b>	<b>231</b>

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**16. Trade receivables and other current assets**

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>
<b>Amounts falling due within one year:</b>			
Trade Receivables	1,795	2,456	3,570
Deposits and advances	1,643	4,159	4,035
Other receivables:			
VAT	444	629	715
EU receivables	33,902	34,877	27,503
Due from National Insurance Fund	2,643	2,858	692
Prepayments & accrued income	3,650	1,301	7,085
Amounts due from the consolidated fund in respect of supply	988	4,548	-
	<u>45,065</u>	<u>50,828</u>	<u>43,600</u>

Included within the balance above are the following amounts that will be due to the Consolidated Fund once the funds are received:

- EU receivables £2,653k (2009-10: £2,520k); and,
- Trade receivable £741k (2009-10: £76k).

The following table shows the impairment of trade receivables through the bad debt provision account at the reporting date:

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>
<b>At 1 April</b>	122	123	123
Impairment losses recognised on trade receivables	-	-	-
Amounts written off as uncollectable	(8)	(1)	-
<b>At 31 March</b>	<u>114</u>	<u>122</u>	<u>123</u>

In determining the recoverability of a trade receivable, the Department considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

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**16.1 Intra-Government Balances**

	Amounts Falling Due Within One Year			Amounts Falling Due After More Than One Year		
	£000 2010-11	£000 2009-10	£000 2008-09	£000 2010-11	£000 2009-10	£000 2008-09
Balances with other central government bodies	4,897	8,042	3,899	-	-	-
Balances with local authorities	-	-	7	-	-	-
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	112	220	7,875	-	-	-
<b>Subtotal: intra-government balances</b>	<b>5,009</b>	<b>8,262</b>	<b>11,781</b>	-	-	-
Balances with bodies external to government	40,056	42,566	31,819	-	-	-
<b>Total receivables at 31 March</b>	<b>45,065</b>	<b>50,828</b>	<b>43,600</b>	-	-	-

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**17. Cash and cash equivalents**

	2010-11 £000	2009-10 £000	2008-09 £000
Balance at 1 April	(4,550)	(13,272)	(435)
Net change in cash balance	4,378	8,722	(12,837)
<b>Balance at 31 March</b>	<b>(172)</b>	<b>(4,550)</b>	<b>(13,272)</b>

	2010-11 £000	2009-10 £000	2008-09 £000
The following balances at 31 March were held at:			
Commercial banks	(183)	(4,574)	(13,291)
Cash in hand	11	24	19
<b>Balance at 31 March</b>	<b>(172)</b>	<b>(4,550)</b>	<b>(13,272)</b>

**18. Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	<i>Note</i>	2010-11 £000	2009-10 £000
Net cash requirement	4	(966,583)	(914,253)
From the Consolidated Fund (Supply) – current year		965,595	925,473
From the Consolidated Fund (Supply) – prior year		4,548	-
Amounts due to the Consolidated Fund received and paid over		(22)	(2,520)
Amounts due to the Consolidated Fund received and not paid over		840	22
<b>Increase/(decrease) cash</b>		<b>4,378</b>	<b>8,722</b>

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**19. Trade payables and other current liabilities**

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>
<b>Amounts falling due within one year</b>			
Trade payables	5,993	6,669	8,543
Accruals and deferred income	112,220	103,820	99,584
Other payables:			
Consolidated Fund extra receipts due to be paid to the Consolidated Fund in respect of EU - Receivable	2,653	2,520	2,628
Consolidated Fund extra receipts due to be paid to the Consolidated Fund in respect of excess accruing resources:			
Received	840	22	2,520
Receivable	3,754	76	-
Amounts due to National Insurance Fund	232	-	4
Bank overdraft	183	4,574	13,291
	<u><b>125,875</b></u>	<u><b>117,681</b></u>	<u><b>126,570</b></u>
<b>Amounts falling due after more than one year</b>			
Other payables, accruals and deferred income	481	481	510
	<u><b>481</b></u>	<u><b>481</b></u>	<u><b>510</b></u>

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**19.1 Intra-Government Balances**

	Amounts Falling Due Within One Year			Amounts Falling Due After More Than One Year		
	£000	£000	£000	£000	£000	£000
	2010-11	2009-10	2008-09	2010-11	2009-10	2008-09
Balances with other central government bodies	9,325	5,369	7,936	-	-	-
Balances with local authorities	67	6	251	-	-	-
Balances with NHS Trusts	11	-	-	-	-	-
Balances with public corporations and trading funds	197	311	27,152	-	-	-
<b>Subtotal: intra-government balances</b>	<b>9,600</b>	<b>5,686</b>	<b>35,339</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	116,275	111,995	91,231	481	481	510
<b>Total payables at 31 March</b>	<b>125,875</b>	<b>117,681</b>	<b>126,570</b>	<b>481</b>	<b>481</b>	<b>510</b>

**20. Provisions for Liabilities and Charges**

	Equal Pay £000	Early Departure £000	Enterprise Ulster £000	Total £000
Balance at 1 April 2010	11,170	58	43	11,271
Provided in the year	-	37	-	37
Provisions release	-	-	(41)	(41)
Provisions utilised in year	(11,170)	(29)	(2)	(11,201)
<b>Balance at 31 March 2011</b>	<b>-</b>	<b>66</b>	<b>-</b>	<b>66</b>
Balance at 1 April 2009	-	150	60	210
Provided in the year	11,170	21	-	11,191
Provisions release	-	-	-	-
Provisions utilised in year	-	(113)	(17)	(130)
<b>Balance at 31 March 2010</b>	<b>11,170</b>	<b>58</b>	<b>43</b>	<b>11,271</b>



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*Equal Pay*

This provision represented the Department's expected share of the settlement payment made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

As over 13,000 staff were affected, each with their own personal circumstances, implementation of the settlement was a major administrative exercise and took several months to fully complete. The exact amount to be paid depended on a number of factors, including the number of staff who agree to the settlement and the amount that HMRC calculated as due from Departments to discharge taxation obligations. All liabilities in this respect have been settled or accrued within the year.

*Early departure costs*

The Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (Northern Ireland) benefits in respect of employees who retire by paying the required amounts annually to the Principal Civil Service Pension Scheme (Northern Ireland) over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 % in real terms.

*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 provided for the costs associated with the closure of the organisation. All remaining costs have now been settled.

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**21. Notes to the Statement of Operating Costs by Departmental Strategic Objectives**

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

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
Objective 1	898,310	833,029
<b>Total</b>	<b>898,310</b>	<b>833,029</b>

Capital Employed by Departmental Strategic Objectives at 31 March:

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b> (restated)
Objective 1	1,104,721	956,990
<b>Total</b>	<b>1,104,721</b>	<b>956,990</b>

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.

**22. Capital Commitments**

	<b>2010-11</b> <b>£000</b>	<b>2009-10</b> <b>£000</b>
Contracted capital commitments at 31 March not otherwise included in these financial statements	-	-

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**23. Commitments under leases**

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

	<b>2010-11</b> £000	<b>2009-10</b> £000
<b>Obligations under operating leases comprise:</b>		
<i>Buildings</i>		
Not later than one year	26	26
Later than one year and not later than five years	54	80
Later than five years	-	-
	<hr/>	<hr/>
	<b>80</b>	<b>106</b>
	<hr/>	<hr/>
<i>Other</i>		
Not later than one year	12	27
Later than one year and not later than five years	4	17
Later than five years	-	-
	<hr/>	<hr/>
	<b>16</b>	<b>44</b>
	<hr/>	<hr/>

**24. Commitments under PFI contracts**

*Charge to the Statement of Comprehensive Net Expenditure and future commitments*

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-Statement of Financial Position PFI transactions was £nil (2009-10: nil).

Payments to which the Department is committed during 2010-11, analysed by the period during which the commitment expires, are as follows:

	<b>2010-11</b> £000	<b>2009-10</b> £000
Expiry within two to five years	-	-
Expiry within six to ten years	-	-
	<hr/>	<hr/>
	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

**25. Financial Instruments**

The Department measures and presents financial instruments in accordance with IAS 32, IAS 39 and IFRS 7 as interpreted by the *FReM*. IFRS 7 (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.

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Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, IAS 39 and IFRS 7 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 Statement of Financial Position, 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.

***Financial Assets at carrying value***

Student loans, trade receivables, 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***

Trade payables, 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 (2009-10: £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 2011, 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

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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.

As disclosed in Note 14 and the accounting policy Note 1.8, 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 Business, Innovation and Skills (BIS) 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 BIS 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. The Accounting Officers of HMRC and the SLC report quarterly to BIS's Accounting Officer on progress towards the agreed targets and performance indicators.

***Interest rate risk***

Income contingent loans are repayable at the same interest rate as the RPI as at March each year, with the proviso that the interest rate can never be more than 1% above the Bank of England base rate nor can it be less than 0%. The amount of student loan interest repayable is therefore subject to the fluctuations in the market interest rate. This can lead to a risk in forecasting the amount of interest payable. Furthermore, if the UK continues to experience interest rates that are lower than RPI and, therefore, the interest rate cap reoccurs with frequency, the future cash flows will be impaired as the modelling assumes, in the long term, that interest is added in line with RPI.

***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

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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 2011, with a 10% weakening or strengthening of sterling against the euro, the outturn for the year would have increased by £1.8m or decreased by £1.8m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated creditors.

**26. Contingent Liabilities as disclosed under IAS 37**

**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. 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, Innovation and Skills proposed to amend legislation to give the unions this full autonomy on whether or not to expel individuals. However during the passage of the GB bill the “expulsion” of individuals became a contentious issue, and specific circumstances and safeguards were included.

The Department's legal advice is that, to comply with the judgement, Northern Ireland must implement provisions corresponding to GB, but to do so would be outside the legislative competence of the Northern Ireland Assembly. Therefore we have removed the ASLEF provisions from the NI Employment Act, with the intention of legislating on this matter using the Westminster route; however this may take some time, and responsibility for this lies ostensibly with the Northern Ireland Office.

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.

**c. Litigation cases**

There are fifty-five outstanding litigation cases as at 31 March 2011. The estimated potential liability is less than £500k.

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**27. Losses and Special Payments**

**27(a) Losses Statement**

	No of cases	2010-11 £000	2009-10 £000
Cash losses	282	225	34
Claims abandoned	-	-	-
Administrative write-offs	-	-	-
Fruitless Payments	-	-	-
Stores losses	-	-	-
<b>Total</b>	<b>282</b>	<b>225</b>	<b>34</b>

**27(b) Special Payments**

	No of cases	2010-11 £000	2009-10 £000
	1	0.3	-
<b>Total</b>	<b>1</b>	<b>0.3</b>	<b>-</b>

**28. Related-party Transactions**

The Department sponsors the Labour Relations Agency, Ulster Supported Employment Limited and CITB - ConstructionSkills Northern Ireland. 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 DE, 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 no 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 2011, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £25,475k (2009-10: £18,423k).

**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 CITB - ConstructionSkills Northern Ireland (a Statutory Training Organisation), all of which are sponsored by the Department, are 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. Events after the Reporting Date**

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

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 28 June 2011.



