



Department of
Education

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Department of Education

RESOURCE ACCOUNTS
for the year ended 31 March 2007



INVESTOR IN PEOPLE

**Department of Education Resource Accounts
For the year ended 31 March 2007**

*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*

14 September 2007

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DEPARTMENT OF EDUCATION**Accounts for the year ended 31 March 2007**

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DEPARTMENT OF EDUCATION

ANNUAL REPORT

1. Ministerial responsibility

During the year, the following Minister had responsibility for the Department of Education:

Minister with responsibility for Education	Mrs Angela Smith MP (to 2 May 2006)
	Ms Maria Eagle MP (from 8 May 2006)

2. Senior officers

The composition of the Departmental Management Board - the Senior Management Team - during the year was as follows:

Mr Will Haire	Permanent Secretary
Dr Eddie Rooney	Deputy Secretary
Dr Robson Davison	Deputy Secretary (from 3 April 2006)
Ms Marion Matchett	Chief Inspector, Education and Training Inspectorate
Mr Gavin Boyd	Chief Executive Designate, Education and Skills Authority (ESA) (from 1 February 2007)

Heads of Divisions

Mrs Dorothy Angus	Equality, Inclusion and Pupil Support
Dr Mark Browne	Education and Skills Authority Implementation Team (ESAIT) and Strategic Planning (from 3 July 2006) Finance and Strategic Planning (to 2 July 2006)
Mrs Catherine Daly	Finance Director (from 3 July 2006)

Mrs Katrina Godfrey	Resource Allocation
Mr Stanley Goudie	Improving Education (from 3 April 2006)
Mrs Maura McCusker	Corporate Services
Mr Eugene Rooney	Development and Infrastructure
Mr Chris Stewart	Review of Public Administration
Mrs Louise Warde Hunter	Policy Research and Youth
Mr David Woods	Curriculum, Qualifications and Post Primary

Non-executive directors

Dr Roger Platt	(from 1 October 2006)
Mr Kevin Steele	(from 1 October 2006)

3. Senior official appointments

The Permanent Head of the Department of Education took up his present post on transfer from the Department for Employment and Learning. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Deputy Secretary Dr Robson Davison took up his present post on transfer from the Department for Employment and Learning. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Mr Gavin Boyd Chief Executive Designate, ESA was externally recruited from the Northern Ireland Council for the Curriculum, Examinations and Assessment (CCEA). His appointment is set out under the terms of the Senior Civil Service contract until the transfer of his functions from ESAIT to the ESA.

Mrs Catherine Daly took up her present post on transfer from the Department of Finance and Personnel (DFP). Her appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Mr Stanley Goudie took up responsibility for the School Improvement Division from the 3 April 2006 for an indefinite term. He is currently Assistant Chief Inspector within the Education and Training Inspectorate.

Dr Roger Platt and Mr Kevin Steele took up their appointments on a part-time basis for a fixed period from the 1 October 2006 to the 30 September 2008, with the possibility of one extension. The Department and the non-executive directors may terminate the appointment before the expiry of the fixed period by giving three months' notice in writing.

4. Departmental accounting boundary

These accounts have been prepared in accordance with directions given by the Department of Finance and Personnel in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Special Educational Needs and Disability Tribunal. All other associated education and health bodies are outside the accounting boundary defined within the *Government Financial Reporting Manual (FRM)*.

5. Associated bodies

The Department provides funding to a number of public and private sector bodies which are outside the Departmental Resource Accounting boundary. For resource accounts purposes, with the exception of the Special Educational Needs and Disability Tribunal, all of the Non-Departmental Public Bodies (NDPBs) fall outside the Departmental accounting boundary and their results are not therefore consolidated with those of the Department. Financial information in respect of the individual NDPBs may be obtained from their separately published annual report and accounts.

The following list represents those bodies for which the Department had direct funding responsibility during this financial year.

Executive NDPBs:-

Belfast Education and Library Board
 Council for Catholic Maintained Schools
 Northern Ireland Council for Curriculum, Examinations and Assessment
 North Eastern Education and Library Board
 Southern Education and Library Board
 South Eastern Education and Library Board
 Staff Commission for Education and Library Boards
 Western Education and Library Board
 Youth Council for Northern Ireland

Tribunals:-

Special Educational Needs and Disability Tribunal

Public and Private sector bodies:-

Grant Maintained Integrated Schools *
Voluntary Grammar Schools *
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Services Boards

* **Note:** Other schools, maintained and controlled, are funded via the Education and Library Boards.

6. Departmental reporting cycle

The Department's original Estimates for the year were included in the "*Northern Ireland Main Estimates 2006-2007*" publication. These Estimates were subject to in-year revision and revised Estimates were included in the "*Northern Ireland Spring Supplementary Estimates 2006-2007*" publication. Both these publications are available from The Stationery Office.

The Department's Estimates include provision for the Education and Library Boards; the Council for the Curriculum, Examinations and Assessment; the Council for Catholic Maintained Schools; Voluntary and Grant Maintained Integrated Schools; the Youth Council and Youth Services; EU Programme for Peace and Reconciliation funding; Early Years Services; Executive Programme Funds; Departmental administration; miscellaneous education services and community relations.

Key non-financial targets are detailed in the Department's Public Service Agreement, published annually. Progress is monitored on a six monthly basis.

7. Payment of Suppliers

The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year 95.04 % of bills were paid within this standard. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

8. Pension Liabilities

Treatment of pension liabilities is disclosed in accounting policy note 1.12 and in the Remuneration Report.

9. Company directorships

Mr Gavin Boyd was formerly Chief Executive of CCEA and is a director of the Northern Ireland Film and Television Commission from which CCEA receives £1,000 per annum. Mr Boyd has no financial interest in either body.

Dr Roger Platt is a member of the Boards of the Defence Science and Technology Laboratory, a trading fund of the Ministry of Defence, and the Advisory Board of the Central Science Laboratory, an agency of the Department for the Environment, Food and Rural Affairs. Dr Platt has no financial interest in either body.

There are no company directorships or other significant interests held by any of the other members of the Departmental Management Board.

10. Auditor

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Department and reports his findings to Parliament.

The audit of the financial statements for 2006-07 resulted in a notional audit fee of £67,041 and is included in the administration costs in the operating cost statement. No remuneration was paid to the auditors for non-audit work during the year.

MANAGEMENT COMMENTARY

11. Nature, objectives and strategy of the Department

The Vision of the Department of Education is: “To educate and develop the young people of Northern Ireland to the highest possible standards, providing equality of access to all”.

Our mission is to work together as partners in education and youth services to ensure a high standard of education for all children and young people, which will put them at the centre of education, motivate them, build their confidence and enrich their lives, and provide the foundation for a strong and vibrant economy.

To meet this mission the Department has developed the following supporting objectives:

- ◆ Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society; and

- ◆ Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

The primary statutory duty of the Department is to promote the education of the people in Northern Ireland and to ensure the effective implementation of education policy. Its key functions include:

- ◆ advising ministers on the determination of education policy;
- ◆ framing legislation;
- ◆ accounting for the effectiveness of the education system;
- ◆ allocating, monitoring and accounting for resources; and
- ◆ through the Education and Training Inspectorate, evaluating and reporting on the quality of teaching and learning and teacher education.

The Department's main areas of responsibility are in 0-5 provision, recently taken over from the Department of Health, Social Services and Public Safety (DHSSPS), pre-school, primary, post-primary and special education; the youth service; the promotion of community relations within and between schools; and teacher education and salaries.

Key non-financial targets

Key non-financial targets for the period include the following:

Target	Performance*
1. To promote improvement in educational attainment so that:	
By 2008, 80 per cent of primary pupils will achieve level 4 or above in Key Stage 2 in English and 83 per cent in Maths (compared to 76% English and 78% Maths in 2002-03).	2005-06 English 78% Maths 80%
By 2008, 63 per cent of year 12 pupils will obtain 5 or more GCSEs (or equivalent) at grades A* to C (compared to 59% in 2002-03).	2005-06 63%
By 2008, 60 per cent of year 14 pupils will achieve 3+ A levels at grades A to C (or equivalent) (compared to 56% in 2002-03).	2005-06 63%
2. To reduce differentials in educational attainment so that:	
By 2008, 70 per cent of pupils in the most disadvantaged primary schools will achieve level 4 or above in Key Stage 2 in English and in Maths (compared to 63% English and 67% Maths in 2002-03).	2005-06 English 67% Maths 69%
By 2008, 83 per cent of year 12 pupils in secondary schools will obtain 5 or more GCSEs at grades A* to G (or equivalent) (compared to 80% in 2002-03).	2005-06 84%
By 2008, 94 per cent of year 12 pupils in the most disadvantaged post-primary schools will gain 1 or more GCSEs at A* to G (or equivalent) compared to 89% in 2002-03.	2005-06 92%
By the end of 2006, develop and commence implementation of a strategy, with comprehensive plans and associated targets, for a fit for purpose education estate that is modern, meets the changing needs of learners and is cost effective.	Strategy has commenced for the provision of a fit for purpose schools estate. The development of area and strategic investment planning methodologies is ongoing and the utilisation of frameworks for procurement of major and minor works and professional services is due to commence Summer 2007. Asset Management surveys of the estate are ongoing and will provide a basis for investment decisions.
3. To ensure equality of access to Youth Service, promote understanding and tolerance and complement broader education aspirations so that:	
By 2008, 42 per cent of youth population aged 4-18 years to participate in youth activities.	2005-06 36% 2006-07 38%

* For targets 1 and 2, the results for the academic year 2005-06 are the most recent available for publication.

Further details relating to the key non-financial targets and the progress against those targets can be found in the “*Priorities and Budget 2006-08*” and “*Progress in Implementing Priorities and Budget 2005-2008 - Annual Report for 2005-06*” available at www.pfgbudgetni.gov.uk .

Planning framework

The Department’s Strategic Framework is designed to provide clear direction and guide planning. In order to realise our Vision and Mission Statement, the Strategic Framework identifies five strategic themes:

- ◆ valuing education;
- ◆ fulfilling potential;
- ◆ promoting equality and inclusion;
- ◆ resourcing education; and
- ◆ organising for success.

The first four themes relate to the education service as a whole, while the fifth sets out how the Department will organise itself to deliver the preceding four educational themes.

To strengthen strategic business planning and accountability processes across the education sector the Department has developed a 3-year strategic plan for 2005-2008 in collaboration with our education partners. The plan sets out within the Strategic Framework, the actions required over the period 2005/06 – 2007/08 to make progress towards the associated strategic aims and outcomes. The annual business plans of all funded education bodies have been aligned to the Strategic Plan, embedding its use as a planning document and promoting coherence across the sector.

A key priority for the Department is to support the capacity of young people to learn and this will produce significant benefits through enhanced educational standards – including improved literacy and numeracy – for the pupil population as a whole. It will be accompanied by a particular focus on the disadvantaged and tackling the growing requirements of those with special educational needs. The implementation of a more relevant and flexible curriculum that better meets the varying needs and abilities of children, and the development of co-operation and collaboration among schools and with the further education sector, will increase the range of options open to young people and support them in reaching their full potential. The enhanced curriculum will be delivered harnessing the full potential of Information Communication Technology (ICT) in a modernised schools’ estate.

In recognition of the need to ensure best possible use of available resources the Department will be working to develop programmes and time tabled actions to reduce over capacity and duplication of education provision and administration.

12. Current and future development and performance

The education system in Northern Ireland is facing a period of significant change. Achieving the best outcome for every child must be at the heart of everything we do and we must make sure that the education system will meet the needs of our young people as they make their way within modern society and the workplace.

Public expectations about services have also developed:

- ◆ the public expect essential services to be easily accessible;
- ◆ those using services want them to be of high quality; and
- ◆ taxpayers want cost effective delivery.

As a key public service, all in the education sector, both inside and outside classrooms, must focus on customer service, quality and value for money.

Review of Public Administration (RPA)

On 22 November 2005 the Secretary of State announced a fundamental reform of public services in Northern Ireland. The RPA is about reducing the administrative burden on public services, not about changing the status or ethos of schools. Boards of Governors in schools will continue to make the key decisions about appointing and managing staff. The new Education and Skills Authority (ESA) will ensure that these decisions are made within a consistent framework across all schools. Ownership of maintained and voluntary schools will remain with their trustees, while the ownership of the controlled estate, currently with the Education and Library Boards, will transfer to the ESA. Funding, services and support provided to a school will be provided equitably, regardless of the ownership of the school.

The new ESA will also act as the sole employing authority for teachers and non-teaching staff in all schools. This will create more opportunities for teachers to develop their careers and will allow for common, consistent employment practices such as support for teachers and conditions of service. Parents and young people will also have a stronger voice under the RPA changes as they will have more direct access to Government, for example, through the new Education Advisory Forum, which will provide a direct link between education sectors and the Minister.

Since the announcement of the RPA, the Department has set up a Programme Management Board (PMB) to oversee the implementation of the education aspects of RPA and a number of project teams to help deliver the RPA. The PMB provides leadership and direction for the review and will manage arrangements to ensure the smooth transition to the new structures. The new structures represent a fresh start for governing and delivering education and youth services. The impact of the RPA will not just be a merger of organisations but a new and fundamentally different approach to the way education is administered. The changes will ensure better public services for local people through a modern, accountable system of administration.

In future there will be a clear separation between policy formulation and operational delivery. The Department will undergo significant internal change to enable it to:

- ♦ focus more effectively on setting the strategic direction for education;
- ♦ develop policy; and
- ♦ set priorities and standards for schools and youth services.

The new ESA will take over the functions currently carried out by:

- ♦ the five Education and Library Boards;
- ♦ the Northern Ireland Council for the Curriculum, Examinations and Assessment; and
- ♦ the Regional Training Unit (RTU).

It will also be responsible for the front-line support currently undertaken by:

- ♦ the Council for Catholic Maintained Schools (CCMS);
- ♦ the Northern Ireland Council for Integrated Education (NICIE); and
- ♦ Comhairle na Gaelscolaíochta.

The new ESA will absorb the role of the Staff Commission for Education and Library Boards, which dealt with the recruitment, training and terms and conditions of officers of ELBs, as well as absorbing some of the roles currently performed by the Department. The Youth Council for Northern Ireland will also come under ESA, as will Youth Services administration.

On 1 February 2007 Mr Gavin Boyd was appointed as Chief Executive (Designate) of the ESA and along with the Department's ESA Implementation Team will be working on the development of ESA.

Early Years Policy

Policy responsibility for Early Years transferred from the Department of Health, Social Services and Public Safety to the Department of Education as of 1 November 2006. Up to 1 November 2006 the policy responsibility for Early Years was with the Department of Health, Social Services and Public Safety, with the Department of Education responsible for the Pre-school Expansion Programme. Along with the transfer, the Department of Education began development of a new 0-6 Strategy for Early Childhood Education and Care to give every child the best start in life and the chance to achieve from the earliest stage.

Early Years services are provided in a range of settings with the Early Years Strategy bringing Sure Start, pre-school and the home child care agendas together in a cohesive way to support the integration of service delivery, taking into account all relevant factors and the effect these changes will have on the lives of children and families. The aim of the strategy will be to ensure a solid framework is in place for early childhood to prepare children for life at school whilst recognising the health and broader benefits of Early Years services.

Sustainable schools

The policy on Sustainable Schools and work on area planning of the schools' estate flowing from the Bain Review will help target the funding for investment in education made available through the Investment Strategy for Northern Ireland. This will create a modern, viable schools' estate providing a high quality education with access to the full curriculum. As part of this process of modernising the estate, the Department will determine the most appropriate procurement route including the potential use of Public Private Partnerships (PPP). The Department will ensure that the appropriateness of using PPPs for individual school building projects is fully assessed, taking account of the latest guidance and experiences and the need to ensure value for money.

13. Resources

A key resource available to the Department are its employees. Both staff and managers at all levels of the organisation continue to face a programme of modernisation in order to provide efficient and focused services. A number of Departmental Transformation/RPA projects have been established for the transition period leading up to when the ESA is due to be established. These include an Organisation Design and Implementation Project (ODIP) which will take forward work on areas such as the internal review, human resource issues for Departmental RPA affected staff, human resource communications for Departmental staff, workforce planning and skills development, organisation culture and capability and the structure of the remaining Departmental functions. Staff will be kept fully informed of developments in all these areas as they progress.

Equal opportunities

The Department of Education is an equal opportunities employer and fully endorses the Northern Ireland Civil Service (NICS) Equal Opportunities Policy Statement. It is Departmental policy that people shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for work. Everyone has the right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all workers are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. In order to provide a high quality service the Department needs to recruit, retain and promote the best available people. We aim to foster a culture which encourages every member of staff to develop his or her full potential and which rewards achievement. Creating a working environment where individual differences are valued and respected enables all staff to give of their best and helps us to respond more effectively to the needs of the people we serve.

Full details can be found in the NICS Equal Opportunities Guide for Staff.

Awareness of equal opportunities best practice is promoted throughout the Department by the Personnel and Development Services Branch.

Employment of people with disabilities

The Department of Education follows the Northern Ireland Civil Service Code of Practice concerning the employment of people with disabilities. The Northern Ireland Civil Service is committed to providing equality of opportunity as stated in the Service's Equal Opportunities Policy Statement. The policy states that "all eligible persons shall have equal opportunity for employment and advancement in the Northern Ireland Civil Service on the basis of their ability, qualifications and aptitude for work". The Department aims to provide access to the full range of recruitment and career opportunities for all people with disabilities, to establish working conditions which encourage the full participation of disabled people and seek to ensure the retention of existing staff who are affected by disability through rehabilitation, training and reassignment. As part of this overall policy the Department is committed to ensuring that its policies and practice comply with the requirements of the Disability Discrimination Act.

Full details can be found in the NICS Code of Practice.

Provision of information to employees

Information on matters of interest to employees is provided to them by a number of means such as the internal Intranet, the in-house magazine, issue of circulars and regular team briefings.

The Department has agreed consultation arrangements with the recognised trade union, the Northern Ireland Public Service Alliance (NIPSA), with formal meetings taking place at least six times per year and bi-annual meetings on matters such as equal opportunities and health and safety. In addition, trade union side is regularly consulted on matters relating to employees' terms and conditions.

As well as the formal consultation arrangements with trade union side, the Department seeks to obtain the views of all staff by staff surveys and focus groups. The results of these are published on the internal Intranet and staff are consulted about and contribute to the resultant action.

14. Risks and uncertainties

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. The Department's Risk Management Framework defines the framework and describes the process for identifying and managing risks within the Department. Further details on the Department's capacity to handle risk, the risk and control framework within which the Department operates, and a review of the effectiveness of the Department's system of internal control are provided in the Statement on Internal Control which identifies any significant internal control issues faced by the Department.

15. Relationships

The Department provides funding to a number of executive Non-Departmental Public Bodies (NDPBs) and Public and Private Sector Bodies (detailed in paragraph 5), which have responsibility for the delivery of Educational and Youth Services. The performance of these bodies which directly influences the ability of the Department to achieve its objectives, is monitored by sponsor branches within the Department. Sponsor branches are responsible for governance and accountability issues, budgetary allocation and planning, monitoring and general financial control of income and expenditure by the bodies they sponsor.

16. Financial Position

Comparison of outturn against Estimate

The Department's Net Resource Outturn for the year was £1,706m compared to a total of £1,854m authorised by Parliament. The main factors causing this variance were:

A-6 Early Years

On 1 November 2006, responsibility for the Early Years function transferred from the Department of Health, Social Services and Public Safety. Two staff relating to the delivery of the function were also transferred to the Department on that date. The transfer has been

accounted for using merger accounting principles in accordance with the *FReM*. Accordingly, the results relating to the transferred services have been brought into account from the start of the financial year. Prior year comparative figures in the Operating Cost Statement and related notes have been restated. Details of the transfer and its financial effects are disclosed in note 36. The Statement of Parliamentary Supply for 2006-07 in the Department of Education Resource Accounts includes £16,507,284.25 for expenditure on Early Years in 2006-07. For 2005-06 expenditure of £11,211,648.89 has been recognised in the Operating Cost Statement but has not been recognised in the Statement of Parliamentary Supply for 2006-07 as it was previously reported to Parliament in the 2005-06 Resource Accounts of the Department of Health, Social Services and Public Safety. Responsibility for the expenditure prior to 1 November 2006 remains with the Department of Health, Social Services and Public Safety.

A-10 Education and Library Boards

Schools spent less than their delegated budgets under Local Management of Schools. In addition, there was slippage on infrastructure projects and associated equipment costs, and planned carry over of funding for maintenance work; certain new resource projects started later than expected; and there were lower than expected grant requirements.

A-11 Voluntary and Grant Maintained Integrated Schools

Slippage occurred on a number of infrastructure projects, mainly due to delays in site purchases, planning difficulties and design issues. Costs were also offset by additional income in relation to EU-funded projects.

A-12 CCEA

Provision was not required for certain superannuation liabilities. There was slippage on certain aspects of curriculum development, and lower than expected expenditure in relation to pupil profile development.

A-13 CCMS

Provision was not required for certain superannuation liabilities.

A-15 Integrated Development Fund

New programmes did not start as soon as originally expected.

A-16 Executive Programme Funds

Certain provision carried over from 2005-06 was not required.

B-3 Youth Services

There was slippage on a number of infrastructure projects mainly due to delays in drawing up leases and deeds of covenant.

B-8 Education and Library Boards

There was carry forward of resource provision for youth service budgets, and slippage on infrastructure projects.

An adjustment has been made to the Statement of Parliamentary Supply in respect of a prior period adjustment which arose as a result of implementing DAO (DFP) 05/07, Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. As a result of the change net total resources for 2006-07 decreased by £230,502.00.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2006-07 £000	2005-06 £000
Net Resource Outturn (Estimates)	1,706,407	1,680,207
<i>*Adjustments to additionally include:</i>		
Consolidated Fund Extra Receipts in the OCS	1,254	(7,476)
Adjust for effects of prior period adjustment	231	(231)
Adjustment for transfer of function from DHSSPS	-	11,212
	<u>1,707,892</u>	<u>1,683,712</u>
Net Operating Cost (Accounts)		
<i>*Adjustments to remove:</i>		
Voted expenditure outside the budget	(1,655,126)	(1,646,877)
<i>*Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	(1,254)	7,476
Resource consumption of non-departmental public bodies	1,542,397	1,527,371
Other adjustments	309,286	124,483
Adjustment for transfer of function from DHSSPS	-	(11,212)
	<u>1,903,195</u>	<u>1,684,953</u>
Resource Budget Outturn (Budget) *		
of which		
Departmental Expenditure Limits (DEL)	1,593,612	1,559,989
Annually Managed Expenditure (AME)	309,583	124,964

* 2006-07 figures are provisional outturn; 2005-06 figures are final outturn.

Going concern

The balance sheet at 31 March 2007 shows negative taxpayers' equity of £25.5m. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the Department of Education's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent moneys, including those derived from the Department's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Department of Education's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2007-08 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Contingent liabilities included for Parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

17. Environmental, social and community issues

The Department of Education will contribute to the overall Government objectives on sustainable development in a number of ways. The government estate in Northern Ireland is managed centrally by the Department of Finance and Personnel (DFP). DFP aims to oversee a government estate which:

- ◆ is sustainably procured, operated and managed;
- ◆ leads in the sustainable procurement of works, supplies and services;
- ◆ is resource efficient;
- ◆ makes efficient use of space and ways of working, in buildings that are exemplars of energy, water and carbon efficiency in operation and maintenance;
- ◆ conserves and sustainably manages land and encourages biodiversity; and
- ◆ integrates the principles of sustainability fully into working practices.

A central approach is also taken to procurement and this is led by the Central Procurement Directorate which is also located within DFP.

The DFP led nature of both the management of the government estate and procurement means that a number of key targets are set centrally. These targets relate primarily to the government estate but this Department has a role to play in managing its particular contribution towards those targets for example, in relation to the Schools' Estate and the curriculum for schools.

During 2006-07 the Department developed an Action Plan structured around the six thematic areas for action. The Department will actively monitor progress of this Action Plan by

reviewing each area against baseline data on a quarterly basis and reporting to the Sustainable Development Forum, followed by an annual report to the Departmental Board.

Education for Sustainable Development is a key element throughout the revised curriculum at primary and post-primary level. Sustainable Development and Biodiversity are also explicit parts of the revised curriculum in areas such as geography and science. Pupils will address issues such as environmental change, bio-diversity and managing the human impact on the environment.

The Department has an important role to play in relation to various social and community issues. A key theme of the "*Strategic Plan for Education April 2006 - March 2008*" (www.deni.gov.uk) is the promotion of Equality and Inclusion, which aims to ensure equality of access to education and youth service provision and promote respect for, and value of, diversity, equality and human rights. The achievement of other aims within the Strategic Plan will address a range of other social and community issues.

18. Disclosure of information to auditors

As Accounting Officer I can confirm that I am not aware of any relevant audit information of which the Department's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

CORPORATE GOVERNANCE

19. Operation of the Departmental Board

The Board leads the work of the Department by charting the overall strategic direction, and providing leadership on major operational and management issues. To achieve its objectives the Department is organised into divisions, which together take forward a wide-ranging policy programme, underpinned by a suite of Public Service Agreement targets against which progress and achievement is measured. Each division is represented by a Head of Division on the Department's Board. The composition of the Department's Board during the year is detailed in paragraph 2.

The Board provides corporate leadership to the Department as a whole and meets ten times per year. Minutes of the Board meetings are made available to staff. In July 2006 the Department appointed a professional Head of Finance, Catherine Daly, in line with paragraph 3.3 of the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments (the Code).

20. Independent Board members

Dr Roger Platt and Mr Kevin Steele were appointed as non-executive Board members in October 2006. The appointment process followed the guidance set down in paragraph 2.8 of the Code, including an emphasis on transparency, objectivity and induction. The Board has assured itself of the independence of the non-executive board members.

The role of the non-executive members of the Board is to provide an independent and external perspective on the work of the Board and to bring specific expertise to its discussions.

21. The work of the Departmental Board's Audit and Risk Management Committee

The Audit and Risk Management Committee which is chaired by an independent non-executive director, and includes two Deputy Secretaries and the Head of Resource Allocation Division, meets quarterly. The Committee is supported by the Finance Director, the Head of Accounts Branch and the Head of Internal Audit. Representatives from the Northern Ireland Audit Office attend meetings of the Committee. The Audit and Risk Management Committee is responsible for assisting the Board in discharging its responsibilities in relation to the arrangements for accounting and financial reporting, the standards of internal control, and arrangements for internal audit, risk management and governance.

22. Management of the Department's relationships with arm's length bodies including NDPBs

The Department has written agreements with all arm's length bodies that are currently being revised and agreed with DFP. Mechanisms are in place for performance reporting during the year and at year-end, by the arm's length bodies.

23. Other Corporate Governance arrangements

The Department also has the following Corporate Governance arrangements in place:

- ◆ Statements on Internal Control are completed annually and are discussed with the Audit and Risk Management Committee and discussed and agreed with the Departmental Board;
- ◆ senior managers provide the Accounting Officer annually with signed assurances regarding their areas of responsibility;
- ◆ the Department's Board members possess a range of appropriate business skills and undertake continual professional development; and

- ♦ a system exists for succession management and talent development of the Department's Board members.

24. Developments in the Department's Corporate Governance arrangements

During 2006-07 the Department's Internal Audit branch completed a review of the Corporate Governance arrangements, concluding that the core elements of Corporate Governance are operating within the Department and recommended that improvements in the following areas would enhance the level of Corporate Governance in the Department:

- ♦ The Departmental Board Terms of Reference should be formally agreed with the Minister and a process should be established to record and review actual or perceived conflicts of interest of Board members. In addition, the performance of Departmental Board members should be assessed annually and formally reported upon by the Department;
- ♦ The Terms of Reference for the Audit and Risk Management Committee should be formally agreed and made publicly available. In addition, the independence of the Committee could be more clearly defined by revisiting the current secretariat provision; and
- ♦ The Departmental Board should clearly define responsibility for the oversight and co-ordination of Risk Management actions within the Department. The Risk Management Framework should be reviewed and updated and managers provided with refresher Risk Management training so that the system of Risk Management can be effectively developed and embedded within the Department.

The impact of the Review of Public Administration (RPA) and the establishment of the Education and Skills Authority (ESA) will require further review of the governance arrangements established to oversee the new composite arm's length body. The Department's Internal Audit branch will seek to be involved in providing advice and guidance for the development of such governance arrangements throughout the ESA transitional period.

REMUNERATION REPORT

25. Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay,

pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- ◆ the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- ◆ regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- ◆ Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- ◆ the funds available to departments as set out in the Government's departmental expenditure limits;
- ◆ the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Staff are appraised annually against a set of competencies and individually targeted objectives. The pay award for staff in the Senior Civil Service (SCS) is comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

26. Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's 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 until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

Dr Roger Platt and Mr Kevin Steele were appointed for a fixed period from the 1 October 2006 to 30 September 2008, with the possibility of one extension. The Department and the non-

executive directors may terminate the appointment before the expiry of the fixed period by giving three months' notice in writing.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

27. Remuneration and pension entitlements

The remuneration, pension entitlements and the value of any taxable benefits in kind of the Minister and the most senior officials of the Department of Education were as follows:

Audited	Salary	Benefits in kind (rounded to nearest £100)	Real increase in pension at age 65	Total accrued pension at age 65 at 31 March 2007
	£000	£	£000	£000
2006-07				
Minister				
Ms Maria Eagle MP (from 8 May 2006)	-	-	-	-
Mrs Angela Smith MP (to 2 May 2006)	-	-	-	-
2005-06				
Minister				
Mrs Angela Smith MP (from 17 May 2005)	-	-	-	-
Mr Barry Gardiner MP (to 5 May 2005)	-	-	-	-

Ministers' Remuneration

From 1 April 2006 to 2 May 2006 the Department of Education was under the direction and control of Mrs Angela Smith MP. From 8 May 2006 to 31 March 2007 the Department was under the direction and control of Ms Maria Eagle MP. Their salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Cost Statement in the same way as Devolved Ministers' salaries. Details of Mrs Angela Smith's and Ms Maria Eagle's salary and allowances, will be provided in the 2006-07 Northern Ireland Office Resource Accounts.

Ministerial Pensions

Pension benefits for Westminster Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an "average salary" basis, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary.

Audited	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2007 and related lump sum	Column 5 CETV at 31 March 2006 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2007 or at date of leaving (nearest £000)	Column 7 Real increase in CETV (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover (nearest £100)
	£000	£	£000	£000	£000	£000	£000	£
2006-07 Officials								
Mr Will Haire Permanent Secretary	105-110	-	0-2.5 plus 0-2.5 lump sum	30-35 plus 100-105 lump sum	483	617	13	-
Dr Eddie Rooney Deputy Secretary	85-90	-	0-2.5 plus 0-2.5 lump sum	20-25 plus 70-75 lump sum	350	450	11	-
Dr Robson Davison Deputy Secretary From 3 April 2006	105-110	-	0-2.5 plus 0-2.5 lump sum	40-45 plus 125-130 lump sum	819	996	12	-
Ms Marion Matchett Chief Inspector, Education and Training Inspectorate	95-100	-	0-2.5 plus 2.5-5 lump sum	40-45 plus 125-130 lump sum	714	1,027	21	-
Dr Mark Browne ESAIT and Strategic Planning	65-70	-	0-2.5 plus 0-2.5 lump sum	15-20 plus 45-50 lump sum	218	280	11	-
Mrs Dorothy Angus Equality, Inclusion and Pupil Support	65-70	-	0-2.5 plus 0-2.5 lump sum	20-25 plus 65-70 lump sum	356	479	10	-
Mrs Catherine Daly Finance From 3 July 2006	40-45 <i>(55-60 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	15-20 plus 55-60 lump sum	314	336	2	-

Audited	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2007 and related lump sum	Column 5 CETV at 31 March 2006 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2007 or at date of leaving (nearest £000)	Column 7 Real increase in CETV (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover (nearest £100)
	£000	£	£000	£000	£000	£000	£000	£
2006-07 Officials								
Mr Stanley Goudie Improving Education From 3 April 2006	80-85	-	0-2.5 plus 2.5-5 lump sum	30-35 plus 95-100 lump sum	653	719	17	-
Mr Eugene Rooney Development and Infrastructure	65-70	-	0-2.5 plus 0-2.5 lump sum	15-20 plus 55-60 lump sum	253	321	9	-
Mrs Louise Warde Hunter Policy Research and Youth	55-60	-	0-2.5	0-5	15	31	10	-
Mr David Woods Curriculum, Qualifications and Post-Primary	90-95	-	0-2.5 plus 0-2.5 lump sum	35-40 plus 110-115 lump sum	666	909	-	-
Mrs Maura McCusker Corporate Services	60-65	-	0-2.5 plus 0-2.5 lump sum	25-30 plus 85-90 lump sum	461	605	7	-
Mrs Katrina Godfrey Resource Allocation	60-65	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	137	168	8	-
Mr Chris Stewart Review of Public Administration	60-65	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 40-45 lump sum	164	211	7	-

Audited	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2007 and related lump sum	Column 5 CETV at 31 March 2006 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2007 or at date of leaving (nearest £000)	Column 7 Real increase in CETV (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover (nearest £100)
	£000	£	£000	£000	£000	£000	£000	£
2006-07 Officials								
Mr Gavin Boyd Chief Executive Designate, ESAIT From 1 February 2007	20-25 <i>(145-150 full year equivalent)</i>	-	0-2.5	0-2.5	-	1	1	-
Dr Roger Platt Non-executive Director From 1 October 2006	0-5 <i>(5-10 full year equivalent)</i>	-	-	-	-	-	-	-
Mr Kevin Steele Non-executive Director From 1 October 2006	0-5 <i>(5-10 full year equivalent)</i>	-	-	-	-	-	-	-

Audited	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2006 and related lump sum	Column 5 CETV at 31 March 2005 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2006 or at date of leaving (nearest £000)	Column 7 Real increase in CETV (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover (nearest £100)
	£000	£	£000	£000	£000	£000	£000	£
2005-06 Officials								
Mr Will Haire Permanent Secretary From 3 January 2006	20-25 (95-100 full year equivalent)	-	0-2.5 plus 0-2.5 lump sum	30-35 plus 95-100 lump sum	479	483	3	-
Mr Gerry McGinn Permanent Secretary To 31 December 2005	85-90 (110-115 full year equivalent)	-	0-2.5 plus 2.5-5 lump sum	5-10 plus 15-20 lump sum	67	84	13	-
Dr Eddie Rooney Deputy Secretary	85-90	-	0-2.5 plus 5-7.5 lump sum	20-25 plus 65-70 lump sum	307	350	27	-
Ms Marion Matchett Chief Inspector, Education and Training Inspectorate	90-95	-	0-2.5 plus 2.5-5 lump sum	35-40 plus 115-120 lump sum	656	714	29	-
Dr Mark Browne Finance and Strategic Planning	60-65	-	0-2.5 plus 2.5-5 lump sum	15-20 plus 45-50 lump sum	189	218	18	-
Mrs Dorothy Angus Equality, Inclusion and Pupil Support From 3 October 2005	30-35 (60-65 full year equivalent)	-	0-2.5 plus 0-2.5 lump sum	20-25 plus 60-65 lump sum	345	356	6	-
Mrs June Ingram Equality, Inclusion and Pupil Support To 9 September 2005	25-30 (60-65 full year equivalent)	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	142	156	6	-

Audited	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2006 and related lump sum	Column 5 CETV at 31 March 2005 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2006 or at date of leaving (nearest £000)	Column 7 Real increase in CETV (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover (nearest £100)
	£000	£	£000	£000	£000	£000	£000	£
2005-06 Officials								
Mrs Christine Jendoubi Teachers and School Improvement Division To 6 March 2006	60-65 <i>(70-75 full year equivalent)</i>	-	0-2.5 plus 2.5-5 lump sum	25-30 plus 75-80 lump sum	404	446	20	-
Mr Eugene Rooney Development and Infrastructure	65-70	-	0-2.5 plus 2.5-5 lump sum	15-20 plus 50-55 lump sum	226	253	15	-
Mrs Louise Warde Hunter Policy Research and Youth	50-55	-	0-2.5	0-5	5	15	8	-
Mr David Woods Curriculum and Post-Primary Review	85-90	-	0-2.5 plus 0-2.5 lump sum	35-40 plus 110-115 lump sum	639	666	5	-
Mrs Maura McCusker Corporate Services	60-65	-	0-2.5 plus 2.5-5 lump sum	25-30 plus 80-85 lump sum	420	461	19	-
Mrs Katrina Godfrey Resource Allocation	55-60	-	0-2.5 plus 2.5-5 lump sum	10-15 plus 30-35 lump sum	118	137	12	-
Mr Chris Stewart Review of Public Administration From 1 March 2006	0-5 <i>(55-60 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 40-45 lump sum	163	164	-	-

28. NOTES

Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

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

Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account).

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

DEPARTMENT OF EDUCATION

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Department of Education 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 of Education and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

- ◆ observe the Accounts Direction issued by the Department of Finance and Personnel including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ◆ make judgements and estimates on a reasonable basis;
- ◆ state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- ◆ prepare the accounts on a going concern basis.

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

DEPARTMENT OF EDUCATION
STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Education's 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 *Government Accounting Northern Ireland*.

This includes ensuring that there are appropriate financial and management controls in place within the Department's Non-Departmental Public Bodies (NDPBs).

2. 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. The system of internal control has been in place in the Department of Education for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with the Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high level risks recorded in the Department's risk registers. The Board have procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

Staff within the Department, in particular Heads of Branches, have received training to ensure they understand the purpose and context of the risk management process and their responsibilities within it. Personal responsibility for risk management is emphasised through risk ownership at the appropriate level and a system of stewardship reporting.

4. The risk and control framework

The Department has set out its attitude to risk in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the departmental objectives are identified and evaluated. We have carried out appropriate procedures to ensure that risks associated with the Department's key objectives have been assessed, and determined a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in Department's risk registers. The Department's Risk Management Framework includes guidance which helps ensure consistent evaluation of risk.

5. 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 the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The risk management arrangements currently in place have been assessed by Internal Audit against HM Treasury guidance. This review has confirmed a high level of compliance with the guidance and also indicated some areas for improvement and consolidation, including clarifying the central responsibilities regarding oversight and co-ordination of risk management and providing refresher training for staff.

My review of the effectiveness of the system of internal control is also informed by:

- ◆ regular performance information provided by managers with executive responsibilities;
- ◆ the subsidiary statements of internal control presented by Heads of Branch and Heads of Division within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas;
- ◆ the statements of internal control, and associated documentation, submitted by the Accounting Officers of the Department's NDPBs; and

- ♦ comments made by the external auditors in their management letters and other reports.

In regard to Job Evaluation Schemes in Education and Library Boards (ELBs), an accredited Job Evaluation Scheme in line with a UK agreed process was undertaken by ELBs to address a major risk, i.e. to stem the flow of the growing number of expensive equal pay claims arising in the public sector and to ensure fairness and objectivity in the treatment of staff. To address the risk of affordability I have asked Boards to keep the Department fully informed of the potential costs of any Job Evaluation Schemes and to seek both the Department's and the Department of Finance and Personnel's approval before they conclude a deal with the Trade Unions.

6. Significant internal control issues

The Review of Public Administration will involve a significant programme of legislation. The NI Executive has agreed proposals to phase in the reforms in the education sector. It is planned to bring forward two Bills to secure the phased approach to implementation. The first phase will focus on structural reform. The second Bill will focus on four key areas – area based planning of the schools' estate, the creation of a single employing authority for all schools, the reconstitution of school Boards of Governors and the ownership of publicly owned schools. The temporary arrangements for the first Bill team have been renewed and a second Bill team is currently being put in place.

As ESA can only be implemented once the required legislation is in place, the Education and Skills Authority Implementation Team (ESAIT) is liaising with the Department's Review of Public Administration team regarding the timetable.

During the transitional period through to the creation of ESA, the progress in reducing the deficits of the South Eastern Education and Library Board (SEELB) and the Belfast Education and Library Board (BELB) must not be compromised. In order to address this issue, the Department continues to perform rigorous monitoring of expenditure and has held regular accountability reviews of SEELB and BELB. There is increased scrutiny of financial information from all ELBs and greater focus on the requirement for ELBs to manage school surpluses and deficits, along with the provision of clearer guidance to ELBs on accounting and finance issues.

The Department discovered an error made by one of the ELBs in relation to school census information. A review of internal control arrangements within the ELB concerned was carried out and the findings of this will be disseminated to all ELBs to help reduce the risk of recurrence.

DEPARTMENT OF EDUCATION

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

I certify that I have audited the financial statements of the Department of Education for the year ended 31 March 2007 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

Audit Opinion

In my opinion:

- ◆ the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating

cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;

- ◆ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- ◆ information given within the Annual Report, which comprises the Management Commentary and the Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



J M Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Date **6th September 2007**

Please note: Website Footnote to C&AG Certificate

The maintenance and integrity of the Department of Education's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

DEPARTMENT OF EDUCATION
STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2006-07

Request for Resources	Note							2006-07	2005-06
		Estimate			Outturn			Net total outturn compared with Estimate: saving/ (excess)	Outturn
		Gross expenditure	Accruing Resources	Net total	Gross expenditure	Accruing Resources	Net total		
£000	£000	£000	£000	£000	£000	£000	£000		
Request for Resources A	2	1,857,078	(41,692)	1,815,386	1,708,666	(35,741)	1,672,925	142,461	1,647,353
Request for Resources B	2	41,402	(3,108)	38,294	35,156	(1,674)	33,482	4,812	32,854
Total resources	3	1,898,480	(44,800)	1,853,680	1,743,822	(37,415)	1,706,407	147,273	1,680,207
Non-operating cost Accruing Resource		-	-	-	-	-	-	-	-

Net Cash Requirement 2006-07

	Note	2006-07			2005-06
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	1,849,092	1,709,199	139,893	1,686,068

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).

	Note	Forecast 2006-07		Outturn 2006-07	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	133	9,983	(1,254)	<i>17,450</i>

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

Transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education

The Statement of Parliamentary Supply for 2006-07 in the Department of Education Resource Accounts includes £16,507,284.25 for expenditure on Early Years in 2006-07. For 2005-06 expenditure of £11,211,648.89 has been recognised in the Operating Cost Statement but has not been recognised in the Statement of Parliamentary Supply for 2006-07 as it was previously reported to Parliament in the 2005-06 Resource Accounts of the Department of Health, Social Services and Public Safety.

The notes on pages 45 to 83 form part of these accounts.

DEPARTMENT OF EDUCATION

Operating Cost Statement

for the year ended 31 March 2007

	Note	2006-07			2005-06		
		Staff costs £000	Other costs £000	Income £000	Restated Staff costs £000	Restated Other costs £000	Restated Income £000
Administration costs:							
Staff costs	8	22,157	-	-	21,237	-	-
Other administration costs	9	-	5,209	-	-	5,175	-
Operating income	11	-	-	(5)	-	-	(3)
Programme costs:							
Request for resources A							
Staff costs	8	389	-	-	330	-	-
Programme costs	10	-	1,682,131	-	-	1,638,644	-
Less: Income from EU (DE principal)	11	-	-	(20,021)	-	-	(4,994)
Less: Income	11	-	-	(14,472)	-	-	(6,179)
Request for resources B							
Programme costs	10	-	34,167	-	-	31,821	-
Less: Income from EU (DE principal)	11	-	-	(1,420)	-	-	(2,305)
Less: Income	11	-	-	(243)	-	-	(14)
Totals		22,546	1,721,507	(36,161)	21,567	1,675,640	(13,495)
Net operating cost	3, 12			1,707,892			1,683,712

All income and expenditure are derived from continuing operations.

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

	Note	2006-07	2005-06
		£000	£000
Net gain on revaluation of tangible fixed assets	13	13	11
Net gain on revaluation of intangible fixed assets	14	7	4
Recognised gains and losses for the financial year		20	15

The notes on pages 45 to 83 form part of these accounts.

DEPARTMENT OF EDUCATION

Balance Sheet

as at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	13	440		497	
Intangible assets	14	191		177	
Investments	15	<u>1,560</u>		<u>1,560</u>	
			2,191		2,234
Current assets:					
Debtors	16	16,839		26,640	
Cash at bank and in hand	17	<u>4,071</u>		<u>12,733</u>	
		20,910		39,373	
Creditors (amounts falling due within one year)	18	<u>(48,545)</u>		<u>(71,663)</u>	
Net current liabilities			<u>(27,635)</u>		<u>(32,290)</u>
Total assets less current liabilities			<u>(25,444)</u>		<u>(30,056)</u>
Provisions for liabilities and charges	19		<u>(43)</u>		<u>(87)</u>
			<u>(25,487)</u>		<u>(30,143)</u>
Taxpayers' equity					
General fund	20		(25,574)		(30,216)
Revaluation reserve	21a		<u>87</u>		<u>73</u>
			<u>(25,487)</u>		<u>(30,143)</u>

Signed:  Date: 4th September 2007
Accounting Officer

The notes on pages 45 to 83 form part of these accounts.

DEPARTMENT OF EDUCATION

Cash Flow Statement

for the year ended 31 March 2007

	Note	2006-07 £000	2005-06 £000
Net cash outflow from operating activities	22a	(1,691,490)	(1,670,865)
Capital expenditure and financial investment	22b, 22c	(249)	(135)
Payments of amounts due to the Consolidated Fund		(17,593)	(14,705)
Financing	22d	1,700,670	1,694,093
(Decrease)/increase in cash in the period	22e	(8,662)	8,388

The notes on pages 45 to 83 form part of these accounts.

DEPARTMENT OF EDUCATION

Consolidated Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2007

Aim: To educate and develop the young people of Northern Ireland to the highest possible standards, providing equality of access to all.

	2006-07			2005-06		
	Gross £000	Income £000	Net £000	Restated Gross £000	Income £000	Restated Net £000
Objective 1	1,708,897	(34,498)	1,674,399	1,664,353	(11,176)	1,653,177
Objective 2	35,156	(1,663)	33,493	32,854	(2,319)	30,535
Net operating costs	1,744,053	(36,161)	1,707,892	1,697,207	(13,495)	1,683,712

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

The Department's objectives were as follows:

Objective 1

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Objective 2

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

See Note 23.

The notes on pages 45 to 83 form part of these accounts.

DEPARTMENT OF EDUCATION
ANNUAL REPORT AND ACCOUNTS 2006-07

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2006-07 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Parliamentary/Assembly Grant to match current liabilities recorded within the balance sheet. Under FRS 18, such a closing balance sheet position which shows a surplus of liabilities over assets requires the Accounting Officer to make an assessment of the viability of the Department as a going concern. However, no material uncertainties affecting the Department's ability to continue as a going concern have been assessed and these accounts have therefore been prepared under the going concern principle.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and the Special Educational Needs and Disability Tribunal which falls within the Departmental boundary as defined in the *FReM* (chapter 1.5) issued by the Department of Finance and Personnel. Transactions between entities included in the consolidation are eliminated.

As the results of the Core Department are not materially different from those of the Consolidated Department, the results of the Special Educational Needs and Disability Tribunal have not been separately disclosed on the Operating Cost Statement, Balance Sheet and supporting notes.

A list of all those entities within the Departmental boundary is given at Note 33.

On 1 November 2006, responsibility for the Early Years function transferred from the Department of Health, Social Services and Public Safety. The staff relating to the delivery of the function were also transferred to the Department on that date. The transfer has been accounted for using merger accounting principles in accordance with the *FReM*. Accordingly, the results relating to the transferred services have been brought into account from the start of the financial year. Prior year comparative figures have been restated.

1.3 Tangible fixed assets

Tangible fixed assets are initially recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use.

At each annual reporting date, tangible fixed assets are stated at valuation, determined as follows:

- ◆ Land and Buildings excluding Dwellings

Title to land and buildings excluding dwellings shown in the accounts is held by the Department of Education. Land and buildings are restated to current value using a professional valuation, which is provided every five years and appropriate indices in intervening years.

- ◆ Other Tangible Fixed Assets

Transport equipment and information technology have been stated at current cost using appropriate indices. The minimum level for capitalisation is £1,000. PCs (including laptops) and network equipment are grouped for all assets utilised in connection with the Departmental Local Area Network.

1.4 Depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis by reference to current values and to the remaining economic useful lives of assets and their estimated residual value. Freehold land is not depreciated.

Asset lives are reviewed annually and are normally within the following ranges:

Buildings excluding dwellings	25 years
Information Technology	3 to 10 years
Transport Equipment	4 years

Tangible fixed assets, other than land and buildings excluding dwellings are re-valued annually on the basis of the latest available indices. Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment as per FRS 11 and charged in full to the Operating Cost Statement.

Impairment reviews of fixed assets are performed annually and additionally where there is an indication of an impairment as defined by FRS 11.

1.5 Intangible fixed assets

Purchased computer software licenses are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped fixed asset. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the shorter of the term of the licence and their useful economic life.

1.6 Investments

In 2004-05 the Department invested in the “Middletown Centre for Autism (Holdings) Limited”, which is a company registered in Northern Ireland and limited by guarantee. The Company is a joint venture between the Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland and is funded equally by each department.

The primary object of the company is the establishment, development and management of a centre located at Middletown, Co Armagh, Northern Ireland for the purpose of supporting the promotion of excellence throughout Northern Ireland and Ireland in the development and harmonisation of education and allied services to children and young people with autistic spectrum disorders.

An Oversight Committee of four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland each appoint two members to the committee.

Although categorised as a joint venture in line with FRS 9, the company is deemed by the Department in agreement with the Department of Finance and Personnel to fall outside the Departmental boundary and has therefore been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

1.7 Stocks

The accounting policy in respect to recognition of stocks is that they are not deemed to be material, and are expensed to the Operating Cost Statement as purchased.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises, contributions from the European Union but also includes other income such as that from the sale of tangible fixed assets. It includes both operating Accruing Resources and income to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of VAT.

1.9 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set 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. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for liabilities for amounts to be surrendered to the Consolidated Fund, where the charge is nil.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency and which are covered by a related forward contract are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.12 Pensions

The Department is covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The scheme is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Department meets the cost of pension cover provided for staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

1.13 Early departure costs

DE Employees

The Department meets the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in current or previous years. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote. The amount provided is shown net of any such payments.

Teachers

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs are borne by the scheme and are therefore not included as a cost within the Departmental Resource Accounts.

1.14 Leases

All leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants payable

In line with the *FReM*, the Department recognises grant on the basis of the underlying activity of the recipient as follows:

- ◆ The extent of the grant liability in relation to the Education and Library Boards (ELBs) and other Non-Departmental Public Bodies (NDPBs) for both recurrent and capital expenditure is equal to their expenditure to the extent that the latter has been properly incurred. Expenditure in this context is when the ELBs/NDPBs make the payments which are due to be funded by the Department. This is equivalent to grant issued by the Department.
- ◆ Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding as at 31 March each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.
- ◆ Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of capital project funding is recognised based on the payments actually made plus accruals for valid grant claims in the possession of the Department.
- ◆ Other grant payments are recognised on an accruals basis where such information is available or on the basis of the extent of the grant issued or approved for payment as at 31 March each year.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary 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 Parliament in accordance with the requirements of *Government Accounting Northern Ireland*.

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

1.18 Value Added Tax

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

1.19 Third party assets

The Department holds as custodian or trustee certain assets belonging to third parties. These are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

1.20 Change in Accounting Policy

Comparative figures have been restated to reflect a change in accounting policy. In prior years, supply monies were made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative), and departments were required to add the interest on those supply monies to the cost of capital. In accordance with Dear Accounting Officer letter, DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing issued on 16 March 2007, departments are no longer required to include the RRI interest charges in the Resource Accounts. As a result, comparative figures have been restated to reflect the prior period adjustment arising from this change in accounting policy. The effect of the change of policy on the Operating Cost Statement is to reduce the net operating cost by £230,502.00. Comparative figures in the Statement of Parliamentary Supply have not been restated as, for the purposes of Parliamentary Control, these figures are indelible. Details of the prior period adjustment which is treated as current year income in the Statement of Parliamentary Supply, are shown in note 3(a) Reconciliation of Outturn to Net Operating Cost.

2. Analysis of net resource outturn by section

	Outturn						2006-07 Estimate	2005-06	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Net total	Net total outturn compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A									
Departmental Expenditure in DEL:									
Section 1									
Education and Library Boards - Departmental overheads	15,741	295	-	16,036	-	16,036	17,103	1,067	15,014
Section 2									
Non-Departmental Public Bodies - Departmental overheads	735	14	-	749	-	749	828	79	727
Section 3									
Voluntary and Grant Maintained Integrated Schools - Departmental overheads	6,290	121	-	6,411	-	6,411	6,762	351	6,377
Section 4									
Miscellaneous Educational Services	1,074	2,233	3,417	6,724	-	6,724	7,049	325	5,482
Section 5									
EU Programme for Peace and Reconciliation	-	-	2,431	2,431	(1,401)	1,030	1,228	198	2,512
Section 6									
Early Years Services	-	-	16,364	16,364	-	16,364	9,652	(6,712)	-
Section 7									
Executive Programme Funds Repayment of Loan Interest	-	114	-	114	-	114	120	6	312
	-	-	-	-	-	-	-	-	231
Annually Managed Expenditure (AME):									
Section 8									
Education Maintenance Allowance Scheme - School Support	-	-	297	297	-	297	320	23	481
Non-Budget:									
Section 9									
Notional Charges - Department of Education	2,501	-	-	2,501	-	2,501	2,699	198	2,568
Section 10									
Education and Library Boards	-	-	1,301,843	1,301,843	(26,267)	1,275,576	1,392,023	116,447	1,274,111
Section 11									
Voluntary and Grant Maintained Integrated Schools	-	-	330,321	330,321	(8,073)	322,248	348,423	26,175	298,644
Section 12									
Council for the Curriculum, Examinations and Assessment (CCEA)	-	-	19,930	19,930	-	19,930	22,605	2,675	14,966
Section 13									
Council for Catholic Maintained Schools (CCMS)	-	-	4,251	4,251	-	4,251	4,769	518	3,765
Section 14									
Staff Commission for Education and Library Boards	-	-	341	341	-	341	437	96	335
Section 15									
Integrated Development Fund	-	-	472	472	-	472	1,130	658	-
Section 16									
Executive Programme Funds	-	-	112	112	-	112	238	126	21,804
E-Government Fund	-	-	-	-	-	-	-	-	24
Adjust for effects of prior period adjustment*	-	(231)	-	(231)	-	(231)	-	231	-
Total	26,341	2,546	1,679,779	1,708,666	(35,741)	1,672,925	1,815,386	142,461	1,647,353

	Outturn						2006-07 Estimate	2005-06	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Net total	Net total outturn compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources B									
Departmental Expenditure in DEL:									
Section 1 Education and Library Boards - Departmental overheads	331	6	-	337	-	337	386	49	346
Section 2 Youth Council - Departmental overheads	61	1	-	62	-	62	88	26	74
Section 3 Youth Services	186	3	1,941	2,130	-	2,130	2,876	746	1,352
Section 4 Voluntary Bodies and Other Services supporting Community Relations	302	6	1,693	2,001	-	2,001	2,109	108	1,891
Section 5 EU Programme for Peace and Reconciliation	-	-	2,475	2,475	(1,436)	1,039	1,129	90	3,072
Section 6 Executive Programme Funds	-	-	-	-	-	-	35	35	403
Non-Budget:									
Section 7 Notional Charges - Department of Education	93	-	-	93	-	93	103	10	105
Section 8 Education and Library Boards	-	-	24,062	24,062	(238)	23,824	27,302	3,478	21,284
Section 9 Youth Council	-	-	3,875	3,875	-	3,875	4,103	228	3,472
Section 10 Integrated Development Fund	-	-	73	73	-	73	150	77	-
Section 11 Executive Programme Funds	-	-	48	48	-	48	13	(35)	855
Total	973	16	34,167	35,156	(1,674)	33,482	38,294	4,812	32,854
Resource Outturn	27,314	2,562	1,713,946	1,743,822	(37,415)	1,706,407	1,853,680	147,273	1,680,207

* The 2005-06 figures in the operating cost statement were restated to implement DAO (DFP) 05/07, Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures in the operating cost statement. Net resource outturn for 2005-06 has not been restated as for the purposes of Parliamentary Control this figure is indelible.

The prior year figures for Voluntary and Grant Maintained Integrated Schools have been reanalysed over Request for Resources A sections 3 and 11, in line with the 2006-07 Spring Supplementary Estimates. Prior to 2006-07, the resource outturn for the Voluntary and Grant Maintained Integrated Schools was included wholly within Request for Resources A section 3.

The Statement of Parliamentary Supply for 2006-07 in the Department of Education Resource Accounts includes £16,507,284.25 for expenditure on Early Years in 2006-07. For 2005-06 expenditure of £11,211,648.89 has been recognised in the Operating Cost Statement but has not been recognised in the Statement of Parliamentary Supply for 2006-07 as it was previously reported to Parliament in the 2005-06 Resource Accounts of the Department of Health, Social Services and Public Safety.

Explanation of variance between Estimate and outturn

Request for Resource A

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards, lower than expected grant requirements in respect of Education and Library Boards, and carry forward of capital provision in respect of Voluntary and Grant Maintained Integrated Schools.

Request for Resource B

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards and carry forward of voluntary youth capital provision.

Detailed explanations of the variances, the prior period adjustment and the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education are given in the Management Commentary.

Key to Request for Resources

Request for Resource A

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Request for Resource B

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

3. Reconciliation of outturn to net operating cost and against administration budget

3(a) Reconciliation of net resource outturn to net operating cost

	Note	2006-07			2005-06
		Outturn	Supply Estimate	Outturn compared with Estimate	Restated Outturn
		£000	£000	£000	£000
Net resource outturn (Note a)	2	1,706,407	1,853,680	147,273	1,680,207
Non-supply income (CFERs)	5	1,254	(133)	(1,387)	(7,476)
Adjust for effects of prior period adjustment	2	231	-	(231)	(231)
Adjustment for transfer of function from DHSSPS	20	-	-	-	11,212
Net operating cost (Note a)		1,707,892	1,853,547	145,655	1,683,712

Note a - Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate.

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

3(b) Outturn against final administration budget

	2006-07		2005-06
	Budget	Outturn	Outturn
	£000	£000	£000
Gross administration budget	26,052	24,720	23,503
Income allowable against the administration budget	(1)	-	-
Net outturn against final administration budget	26,051	24,720	23,503

4. Reconciliation of resources to cash requirement

	Note	2006-07			2005-06
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Prior -year outturn
		£000	£000	£000	£000
Resource outturn	2	1,853,680	1,706,407	147,273	1,680,207
Capital:					
Acquisition of fixed assets	13,14	631	249	382	135
Investments	15	-	-	-	-
Non-operating Accruing Resources					
Proceeds of fixed asset disposals	22(b)	(26)	-	(26)	-
Accruals Adjustments					
Non-cash items	9	(5,110)	(2,431)	(2,679)	(2,673)
Changes in working capital other than cash		-	4,655	(4,655)	8,323
Changes in creditors falling due after more than one year	18	-	-	-	-
Use of provision	19	215	88	127	76
Other adjustment		(298)	-	(298)	-
Adjust for the effects of prior period adjustment	2	-	231	(231)	-
Net cash requirement		1,849,092	1,709,199	139,893	1,686,068

Explanation of variance between Estimate and net cash requirement

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards, lower than expected grant requirements in respect of Education and Library Boards, carry forward of capital provision in respect of Voluntary and Grant Maintained Integrated Schools, and movements on amounts due to the Consolidated Fund.

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).

	Note	Forecast 2006-07		Outturn 2006-07	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Other operating income and receipts not classified as Accruing Resources	6	133	9,983	(1,258)	17,446
Non-operating income - excess accruing resource	7	-	-	4	4
Total income payable to the Consolidated Fund	20	133	9,983	(1,254)	17,450

Due to the write off of a pre 1 April 2006 EU debtor in accordance with DAO (DFP) 16/06 (Introduction of the EU Negative DEL Regime from 2006-07 onwards - Accounting and Budgeting Impacts) and FD (DFP) 10/06 (Negative DEL - Accounting for EU debtor balances), the total income payable to the Consolidated Fund is an expense.

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2006-07	2005-06
		£000	£000
Operating income	11	36,161	13,495
Gross income		36,161	13,495
Income authorised to be Accruing Resource	2	(37,415)	(6,019)
Non-operating income - excess accruing resource	7	(4)	-
Operating income payable to the Consolidated Fund	5	(1,258)	7,476

7. Non-operating income - Excess Accruing Resource

	2006-07	2005-06
	£000	£000
Profit on disposal of fixed assets	4	-
Non-operating income - excess accruing resource	4	-

8. Staff numbers and related costs

Staff costs comprise:

	2006-07					2005-06
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Restated Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	18,346	16,844	1,502	-	-	17,547
Social security costs	1,273	1,273	-	-	-	1,240
Other pension costs	2,994	2,994	-	-	-	2,908
Sub total	22,613	21,111	1,502	-	-	21,695
Less recoveries in respect of outward secondments	67	67	-	-	-	128
Total net costs*	22,546	21,044	1,502	-	-	21,567
These costs are shown in the Operating Cost Statement as:						
Administration Costs	22,157	20,698	1,459	-	-	21,237
Programme Costs	389	346	43	-	-	330
Total net costs	22,546	21,044	1,502	-	-	21,567
Analysis by Objective						
Objective 1	21,739	20,237	1,502	-	-	20,725
Objective 2	807	807	-	-	-	842
Total net costs	22,546	21,044	1,502	-	-	21,567

* No staff costs have been charged to capital.

The 2005-06 figures have been restated to include expenditure of £145,000.00 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

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

For 2006-07, employers' contributions of £2,992,486.40 were payable to the PCSPS(NI) (2005-06: £2,908,577.54) at one of four rates in the range of 16.5 to 23.5 per cent of pensionable pay, based on salary bands. From 1 April 2007, the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued in a period, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1,768.42 were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 3 to 12.5 per cent of pensionable pay.

Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £185.85, 0.8 per cent of pensionable pay, were payable to the PCSPS(NI) 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 partnership pension providers at the balance sheet date were £33.23 (2005-06: £61.93). Contributions prepaid at that date were £nil (2005-06: £nil).

Two persons (2005-06: five persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £4,533.51 (2005-06: £7,254.85).

Average number of persons employed

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

Objective	2006-07					2005-06
	Number	Number	Number	Number	Number	Restated Number
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
1	660	624	36	-	-	702
2	31	31	-	-	-	26
Total	691	655	36	-	-	728

9. Other administration costs

	2006-07			2005-06	
	Note	£000	£000	Restated £000	Restated £000
Rentals under operating leases			61		41
Non-cash items (Note a)					
Depreciation		192		233	
Amortisation		106		99	
Loss on revaluation of fixed assets		14		13	
Cost of capital charges		(519)		(289)	
Auditors' remuneration and expenses		67		76	
Accommodation and other notional charges		2,527		2,597	
Provisions provided for in-year	19	44	2,431	(65)	2,664
Other expenditure (Note b)			2,717		2,470
Total			5,209		5,175

Note a - the total of non-cash transactions included in the reconciliation of resources to net cash requirement in Note 4 and in the reconciliation of operating costs to operating cashflows in Note 22 comprises:

	2006-07	2005-06
	£000	Restated £000
Other administration costs - non-cash items (as above)	2,431	2,664
Total non-cash transactions (Note 22)	2,431	2,664
Adjust for the effects of prior period adjustment	-	231
Adjust for the effects of prior period adjustment	-	(222)
Total non-cash transactions (Note 4)	2,431	2,673

Note b - "Other expenditure" comprises:

	2006-07	2005-06
	£000	£000
Travel and subsistence	417	436
DRC - Telephone, printing and stationery	561	732
DRC - Accounting and information technology	480	501
DRC - Other general	1,259	801
Total	2,717	2,470

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of RRI interest from the 2005-06 figures (£230,502.00 on an accruals basis and £221,733.98 on a cash basis).

10. Programme costs

	Note	2006-07	2005-06
		£000	Restated £000
Current grants and other current expenditure		1,711,392	1,664,880
EU expenditure		4,906	5,585
Staff costs		389	330
		1,716,687	1,670,795
Less: Programme income	11	(36,156)	(13,492)
Total		1,680,531	1,657,303

The 2005-06 figures have been restated to include expenditure of £11,066,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

11. Income

	2006-07			2005-06
	RfRA	RfRB	Total	Total
	£000	£000	£000	£000
Administration income:				
Administration fees	5	-	5	3
	<u>5</u>	<u>-</u>	<u>5</u>	<u>3</u>
Programme income:				
Contribution from European Union - DE acting as principal for EU	20,021	1,420	21,441	7,299
Sale of land and buildings (NDPBs)	14,402	238	14,640	6,019
Other income	70	5	75	174
	<u>34,493</u>	<u>1,663</u>	<u>36,156</u>	<u>13,492</u>
Total operating income	<u>34,498</u>	<u>1,663</u>	<u>36,161</u>	<u>13,495</u>

12. Analysis of net operating cost by spending body

	2006-07		2005-06
	Estimate	Outturn	Restated Outturn
	£000	£000	£000
Spending body:			
Core department	1,853,346	1,707,705	1,683,586
Other bodies	201	187	126
	<u>1,853,547</u>	<u>1,707,892</u>	<u>1,683,712</u>
Net operating cost	<u>1,853,547</u>	<u>1,707,892</u>	<u>1,683,712</u>

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

13. Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Transport Equipment	Information Technology	Plant & Machinery	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2006	158	47	1,033	69	1,307
Additions	-	-	133	3	136
Donations	-	-	-	-	-
Disposals	-	(34)	(37)	-	(71)
Revaluations	13	-	(67)	(3)	(57)
At 31 March 2007	171	13	1,062	69	1,315
Depreciation					
At 1 April 2006	5	39	710	56	810
Charged in year	4	3	179	6	192
Disposals	-	(34)	(37)	-	(71)
Revaluations	-	-	(53)	(3)	(56)
At 31 March 2007	9	8	799	59	875
Net book value at 31 March 2007	162	5	263	10	440
Net book value at 31 March 2006	153	8	323	13	497
Asset financing					
Owned	162	5	263	10	440
Finance leased	-	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-	-
PFI residual interests	-	-	-	-	-
Net book value at 31 March 2007	162	5	263	10	440

Note a - Land and Buildings excluding Dwellings are usually revalued on a quinquennial basis by the Valuation and Lands Agency for Northern Ireland (VLA). During intervening years, they are revalued on the basis of the latest available indices. For the purpose of the 2006-07 resource accounts land was revalued at 31 December 2006. Land was revalued on the basis of existing use value by the VLA and buildings were revalued on the basis of depreciated replacement cost. Other tangible assets were revalued on the basis of the latest available indices.

14. Intangible Fixed Assets

Intangible fixed assets comprise purchased software licences for the Department.

	Total
	£000
Cost or valuation	
At 1 April 2006	722
Additions	113
Donations	-
Disposals	-
Revaluation	34
	<u>869</u>
At 31 March 2007	869
Amortisation	
At 1 April 2006	545
Charged in year	106
Disposals	-
Revaluation	27
	<u>678</u>
At 31 March 2007	678
Net book value at 31 March 2007	191
Net book value at 31 March 2006	177

15. Investments

	Middletown Centre for Autism (Holdings) Limited
	£000
Balance at 1 April 2006	1,560
Additions	-
Disposals	-
Revaluations	-
	<u>1,560</u>
Balance at 31 March 2007	1,560

In the year to 31 March 2005 the Department invested in the "Middletown Centre for Autism (Holdings) Limited" as a joint venture with the Department of Education and Science in the Republic of Ireland. Both parties fund the company equally.

Although categorised as a joint venture in line with FRS 9, the company is deemed by the Department, in agreement with the Department of Finance and Personnel, to fall outside the departmental boundary and therefore has been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

15. Investments (continued)

The Department's share of the net assets and results of the above body for the year ended 30 June 2006 are summarised below.

	Middletown Centre for Autism (Holdings) Limited	Middletown Centre for Autism (Holdings) Limited
	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Net Assets at 30 June 2006	6	15
Turnover	57	89
(Loss)/surplus for the year	(9)	14

16. Debtors

16(a) Analysis by type

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
Trade debtors	16,705	26,453
Other debtors	35	54
Prepayments and accrued income	99	133
	<u>16,839</u>	<u>26,640</u>

Included within trade debtors is £3,644,592.92 (2005-06: £22,358,912.63) that will be due to the Consolidated Fund once the debts are collected.

16(b) Intra-government balances

	Amounts falling due within one year	
	2006-07	2005-06
	£000	£000
Balances with other central government bodies	276	1,352
Sub total: intra-government balances	276	1,352
Balances with bodies external to government	16,563	25,288
Total debtors at 31 March	<u>16,839</u>	<u>26,640</u>

17. Cash at bank and in hand

	2006-07	2005-06
	£000	£000
Balance as at 1 April	12,733	4,345
Net change in cash balances	(8,662)	8,388
Balance at 31 March	4,071	12,733
The following balances at 31 March were held at:		
Commercial banks and cash in hand	4,071	12,733
Balance at 31 March	4,071	12,733

18. Creditors**18(a) Analysis by type**

	2006-07	2005-06
	£000	£000
Amounts falling due within one year		
Other taxation and social security	16,164	15,829
Trade creditors	14,739	19,343
Other creditors	7,761	299
Accruals and deferred income	2,165	1,100
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,062	12,591
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	9	142
receivable	3,645	22,359
	48,545	71,663

In 2005-06 all EU grant income was classified as CFER income and remitted to the Consolidated Fund on receipt. From 2006-07 EU income is classified as an Accruing Resource where it supports expenditure incurred. This has led to a reduction in the CFER creditor of £18,704,367.91.

18(b) Intra-government balances

	Amounts falling due within one year	
	2006-07	2005-06
	£000	£000
Balances with other central government bodies	32,018	51,451
Balances with Voluntary Grammar and Grant Maintained Integrated Schools	13,497	18,946
Balances with local authorities	3	3
Balances with public corporations and trading funds	3	10
Sub total: intra-government balances	45,521	70,410
Balances with bodies external to government	3,024	1,253
Total creditors at 31 March	48,545	71,663

Balances with Voluntary Grammar and Grant Maintained Integrated schools have been separately disclosed, as these organisations have been classified as public sector bodies for budgetting purposes from 1 April 2006. The 2005-06 balances have been reanalysed to ensure that comparative figures are appropriately stated.

19. Provisions for liabilities and charges

	Early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2006	7	80	-	87
Provided in the year	64	13	20	97
Provisions not required written back	-	(53)	-	(53)
Provisions utilised in the year	(48)	(40)	-	(88)
Balance at 31 March 2007	23	-	20	43

19.1 Early departure costs

The Department is required to meet the costs of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age, and must provide in full for the cost of meeting pensions resulting from such early retirement schemes. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote.

19.2 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 28.

19.3 Other

Eligible teachers in Northern Ireland are entitled to have their General Teaching Council Northern Ireland (GTCNI) annual fee reimbursed in full. The majority of the fees are deducted/reimbursed at source from the teacher payroll system early in the financial year. Teachers who are outside this process must pay their fee to the GTCNI and claim their reimbursement from the Department. The provision reflects the Department's estimate for claims outstanding at the year end.

20. General fund

The general fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2006-07	2005-06
	£000	Restated £000
Balance at 1 April	(30,216)	(38,475)
Net parliamentary funding drawn down	1,700,670	1,694,093
Year end adjustment		
Supply creditor - current year	(4,062)	(12,591)
Settlement of supply creditor - prior year	12,591	4,344
Net transfer from operating activities		
Net operating cost	(1,707,892)	(1,683,712)
CFERS repayable to Consolidated Fund	1,254	(7,476)
Non-cash charges		
Cost of capital	(519)	(289)
Accommodation and other charges	2,527	2,597
Auditors' remuneration	67	76
Transfer from revaluation reserve	6	5
Adjustment for transfer of function from DHSSPS	-	11,212
Balance at 31 March	(25,574)	(30,216)

Under the Reinvestment and Reform Initiative, loans are made available to the Northern Ireland Block. The loans are financed by borrowing from the National Loans Fund and the funding is paid directly to the Northern Ireland Consolidated Fund. The associated cash, £5,742,000 for 2006-07 (2005-06: £3,851,000) is paid to Departments from the Northern Ireland Consolidated Fund through the normal supply process.

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

21. Reserves

21(a) Revaluation Reserve

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

	2006-07	2005-06
	£000	£000
Balance at 1 April	73	63
Arising on revaluation during the year (net)	20	15
Transferred to General Fund in respect of realised element of Revaluation Reserve	(6)	(5)
Balance at 31 March	87	73

21(b) Donated Asset Reserve

The Department does not have any Donated Assets.

22. Notes to the consolidated cash flow statement

22(a) Reconciliation of operating cost to operating cash flows

	Note	2006-07	2005-06
		£000	Restated £000
Net operating cost	12	(1,707,892)	(1,683,712)
Adjustments for non-cash transactions	9	2,431	2,664
Decrease in debtors		9,801	6,440
Decrease in creditors		(23,118)	(6,375)
<i>less movements in creditors relating to items not passing through the OCS</i>		27,376	(1,018)
Use of provisions	19	(88)	(76)
Adjustment for transfer of function from DHSSPS	20	-	11,212
Net cash outflow from operating activities		(1,691,490)	(1,670,865)

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures for "net operating cost" and "adjustments for non-cash transactions".

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36.

22(b) Analysis of capital expenditure and financial investment

	Note	2006-07	2005-06
		£000	£000
Tangible fixed assets additions	13	(136)	(72)
Intangible fixed assets additions	14	(113)	(63)
Net cash outflow from investing activities		(249)	(135)

22(c) Analysis of capital expenditure and financial investment by request for resources

	Capital expenditure	Loans etc.	Accruing Resources	Net total
	£000	£000	£000	£000
Request for resources A	249	-	-	249
Total 2006-07	249	-	-	249
Total 2005-06	135	-	-	135

22(d) Analysis of financing

	Note	2006-07	2005-06
		£000	£000
From the Consolidated Fund (supply) - current year	20	1,700,670	1,694,093
Net financing		1,700,670	1,694,093

22(e) Reconciliation of net cash requirement to (decrease)/increase in cash

	Note	2006-07	2005-06
		£000	£000
Net cash requirement	4	(1,709,199)	(1,686,068)
From Consolidated Fund (supply) - current year	22(d)	1,700,670	1,694,093
Amounts due to the Consolidated Fund - received in a prior year and paid over		(142)	(1)
Amounts due to the Consolidated Fund - received and not paid over	18	9	142
Adjust for the effects of prior period adjustment		-	222
(Decrease)/increase in cash in the period		(8,662)	8,388

23. Notes to the consolidated statement of operating costs by departmental aim and objectives

Net operating costs have been allocated as follows:

	2006-07			2005-06		
	Objective 1	Objective 2	Total	Restated Objective 1	Objective 2	Restated Total
	£000	£000	£000	£000	£000	£000
Programme grants and other current expenditure	1,682,131	34,167	1,716,298	1,638,644	31,821	1,670,465
Staff costs	21,739	807	22,546	20,725	842	21,567
Other administration costs	5,027	182	5,209	4,984	191	5,175
Income	(34,498)	(1,663)	(36,161)	(11,176)	(2,319)	(13,495)
Net operating cost	1,674,399	33,493	1,707,892	1,653,177	30,535	1,683,712

The 2005-06 figures have been restated to implement DAO (DFP) 05/07 Changes to the Accounting Treatment of Reinvestment and Reform Initiative (RRI) Borrowing. This has resulted in the removal of £230,502.00 of RRI interest from the 2005-06 figures.

The 2005-06 figures have also been restated to include expenditure of £11,211,648.89 relating to the transfer of the Early Years function from the Department of Health, Social Services and Public Safety to the Department of Education. The impact of this transfer on the 2006-07 and 2005-06 Operating Cost Statements has been disclosed in note 36. All of the expenditure on Early Years relates to objective 1.

The Department of Education's capital is deemed to be employed exclusively for the achievement of Objective 1, on the basis of materiality.

Administration costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

Notional costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

The cost of capital charge is apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

24. Capital commitments

	2006-07	2005-06
	£000	£000
Contracted capital commitments at 31 March 2007 for which no provision has been made	-	-

25. Commitments under leases

25.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2006-07	2005-06
	£000	£000
Obligations under operating leases comprise:		
Land and Buildings		
Expiry within 1 year	-	13
Expiry after 1 year but not more than 5 years	57	-
	<u>57</u>	<u>13</u>
Other		
Expiry after 1 year but not more than 5 years	22	21
	<u>22</u>	<u>21</u>

25.2 Finance leases

The Department has a finance lease which has not been capitalised, as such capitalisation would not have a material effect on these accounts. Such treatment is permissible under SSAP 21. Rental obligations for the lease have been included in the table above.

26. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of security, facilities management, evaluation and other services.

The payments to which the Department is committed during 2007-08, analysed by the period during which the commitment expires are as follows.

	2006-07	2005-06
	£000	£000
Expiry within 1 year	434	48
Expiry within 2 to 5 years	142	43
	<u>576</u>	<u>91</u>

27. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Department of Education is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months from the balance sheet date have been omitted from the currency profile.

27.1 Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. The Department of Education is not therefore exposed to significant liquidity risks.

27.2 Interest rate risk

One hundred per cent of the Department's financial assets and liabilities carry nil or fixed rates of interest and the Department of Education is not therefore exposed to interest rate risk.

27.3 Interest rate profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.

Financial liabilities

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Fixed rate financial liabilities		Non-interest bearing financial liabilities
					Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
					£000	£000	£000
At 31 March 2007							
Sterling	3	-	-	3	-	-	1.2
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross financial liabilities	3	-	-	3	-	-	1.2
At 31 March 2006							
Sterling	-	-	-	-	-	-	-
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross financial liabilities	-	-	-	-	-	-	-

Financial assets

Currency	Total	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets (Note a)	Fixed rate financial assets		Non-interest bearing financial assets
					Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average term
					%	Years	Years
At 31 March 2007							
Sterling	4,071	-	-	4,071	-	-	Note a
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	4,071	-	-	4,071	-	-	-
At 31 March 2006							
Sterling	12,733	-	-	12,733	-	-	-
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	12,733	-	-	12,733	-	-	-

Note a - The Department's non-interest bearing financial assets comprise cash at bank and in hand (£4,071,508.40). Cash at bank and in hand is available on demand.

27.4 Foreign currency risk

The Department's exposure to foreign currency risk is not significant. There is no foreign currency income and foreign currency expenditure at less than 1 per cent of total expenditure is not significant.

27.5 Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2007.

	Book Value	Fair Value	Basis of Fair Valuation
	£000	£000	
Primary financial instruments			
Financial assets			
Cash at bank	4,071	4,071	Note a
Financial liabilities			
Provisions	3	3	Note b

Note a - Will be cleared as cash is drawn from the Consolidated Fund on an ongoing basis, and fair value is not different to book value.

Note b - Likely to be paid within 1 - 2 years so fair value is not significantly different from book value.

28. Contingent liabilities disclosed under FRS 12 and contingent assets

28.1 Contingent liabilities

The following contingent liabilities at 31 March 2007 have not been accrued.

Nature	Number of cases	Value £000
Personal injury claims	2	25
Personal injury claim	1	Unable to quantify
Cases relating to discrimination	2	70
Cases relating to discrimination	3	Unable to quantify
Case relating to unlawful deduction from wages	1	20
Judicial review	2	60
Judicial review	2	Unable to quantify
Cases relating to debt recovery	1	Unable to quantify
Comhairle na Gaelscolaíochta (CnaG) - Membership of NILGOSC Pension Scheme	1	60

28.2 Contingent assets

The following contingent assets at 31 March 2007 have not been accrued.

Nature	Number of cases	Value £000
Probable recoupment of monies from insurance companies in respect of staff injured in road traffic accidents	5	7
Probable recoupment of monies from school trustees following closure	7	1,322

29. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

30. Losses and special payments**30(a) Losses statement**

	2006-07		2005-06	
	Number of Cases	£000	Number of Cases	£000
Exchange rate fluctuations	2	168	-	-
Losses of pay, allowances and superannuation	68	28	27	1
Losses arising from overpayments	6	91	5	44
Total	76	287	32	45

30(b) Special Payments

For 2006-07 and 2005-06 expenditure on special payments was below the reporting threshold of £250,000.

30(c) Losses incurred by managing agents

The Department of Education uses managing agents to distribute funds of public monies to final recipients. Had these funds been distributed directly by the Department no additional losses would have been recognised.

30(d) Other notes

Details of any losses and special payments made by the Education and Library Boards, the Northern Ireland Council for the Curriculum, Examinations and Assessment, the Youth Council for Northern Ireland, the Council for Catholic Maintained Schools and the Staff Commission for Education and Library Boards will be reported in the Accounts of those bodies.

31. Related party transactions

The following list represents those bodies for which the Department had direct funding responsibility during this financial year. These bodies are regarded as related parties with which the Department has had material transactions during the year.

Executive NDPBs:-

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for the Curriculum, Examinations and Assessment
North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals:-

Special Educational Needs and Disability Tribunal

Public and Private sector bodies:-

Grant Maintained Integrated Schools *
Voluntary Grammar Schools *
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Services Boards

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

The Department of Education has had a small number of transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Department of Finance and Personnel.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

32. Third party assets

The Department administers the Endowment and Miscellaneous Trust Funds on behalf of a number of Royal Schools. These are not Departmental assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and listed securities. They are set out in the table immediately below.

	31 March 2006	Gross inflows (Note a)	Gross outflows (Note a)	31 March 2007
	£000	£000	£000	£000
Monetary assets such as bank balances	2	25	(25)	2
Listed securities	595	-	-	609

Note a - The inflow and outflow figures do not equal the change in the value of listed securities over the year, because movements caused by revaluation to 31 March prices are not reflected in the inflows and outflows figures.

The Department also holds legal title to a number of Turbary rights (the right to extract peat) and associated land which is held in Trust.

In accordance with FRS5, *Reporting the substance of transactions*, these assets are not included within the Departmental accounts on the grounds that the legal basis of the trusts involved ensures that the Department cannot obtain economic benefit from these assets.

33. Entities within the departmental boundary

The entities within the boundary during 2006-07 were as follows:

Supply-financed agencies:	None
Non-executive NDPBs:	Special Educational Needs and Disability Tribunal
Other entities:	None

34. Post balance sheet events

There were no post balance sheet events relating to the financial year 2006-07.

35. Premature retirement compensation

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs are borne by the scheme and are therefore not included as a cost within the Departmental resource accounts.

The Department is responsible as compensating authority for Voluntary Grammar Schools, Grant Maintained Schools and a number of smaller bodies.

The number of compensation cases, for which the Department is compensating authority, for the current year and in total broken down by employer group are:

Total number of teachers retiring on grounds of premature retirement in the year to 31 March 2007

	Efficient discharge	Redundancy
Voluntary Grammar Schools	3	64
Other Grant Maintained Schools	1	2
Other Bodies	-	4
Total	4	70

Total number of teachers retired on grounds of premature retirement as at 31 March 2007

	Efficient discharge	Redundancy
Voluntary Grammar Schools	164	499
Other Grant Maintained Schools	6	7
Other Bodies	30	77
Total	200	583

The Combined Financial Statements of the Teachers' Pension Scheme for Northern Ireland and the Teachers' Premature Retirement Scheme for Northern Ireland provides complete information on premature retirement compensation. The statements are available on request from the Department.

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36. Transfer of function from the Department of Health, Social Services and Public Safety

On 1 November 2006, responsibility for the Early Years function transferred from the Department of Health, Social Services and Public Safety. The staff relating to the delivery of the function were also transferred to the Department on that date. The transfer has been accounted for using merger accounting principles in accordance with the *FReM*. Accordingly, the results relating to the transferred services have been brought into account from the start of the financial year. Prior year comparative figures have been restated.

The share of the net operating cost for the year attributable to the transferred function was £16.5m.

Analysis of the operating cost statement between the function transferred from the Department of Health, Social Services and Public Safety and other functions for the year ended 31 March 2007

	2006-07			2005-06		
	Function transferred from DHSSPS	Other	Total	Restated Function transferred from DHSSPS	Restated Other	Restated Total
	£000	£000	£000	£000	£000	£000
Administration costs:						
Staff costs	144	22,013	22,157	145	21,092	21,237
Other administration costs	-	5,209	5,209	-	5,175	5,175
Operating income	-	(5)	(5)	-	(3)	(3)
Programme costs:						
Request for resources A						
Staff costs	-	389	389	-	330	330
Programme costs	16,364	1,665,767	1,682,131	11,067	1,627,577	1,638,644
Less: Income from EU (DE principal)	-	(20,021)	(20,021)	-	(4,994)	(4,994)
Less: Income	-	(14,472)	(14,472)	-	(6,179)	(6,179)
Request for resources B						
Programme costs	-	34,167	34,167	-	31,821	31,821
Less: Income from EU (DE principal)	-	(1,420)	(1,420)	-	(2,305)	(2,305)
Less: Income	-	(243)	(243)	-	(14)	(14)
Net operating cost	16,508	1,691,384	1,707,892	11,212	1,672,500	1,683,712



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