



Department of Education

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2017

**Department of Education Annual Report and Accounts
For the year ended 31 March 2017**

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DEPARTMENT OF EDUCATION

Annual Report and Accounts for the year ended 31 March 2017

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DEPARTMENT OF EDUCATION ANNUAL REPORT

PERFORMANCE REPORT

1. OVERVIEW

The purpose of this overview section is to outline the Department's purpose; key objectives and the key risks to the achievement of its objectives; and how the Department has performed during the year.

1.1 Statement from the Permanent Secretary

2016-17 was a year of significant change in the Department of Education. In May 2016 the Department took on new responsibilities in relation to services for children and young people, including childcare and lead responsibility for the development and management of the Executive Strategy for Children and Young People. These changes have significantly broadened the Department's role and responsibility in relation to improving the well-being of our children and young people. It has also provided the opportunity for the Department to develop a more holistic service from early years and pre-school through to post-16 secondary education and youth provision. The Department and its arm's length bodies are now developing opportunities to provide more joined-up services to improve further the lives and educational outcomes of all our children and young people.

Following the Assembly election in May 2016, Peter Weir MLA was appointed Minister of Education, a post which he held until the Assembly election in March 2017. I took up the post of Permanent Secretary of the Department in February 2017 following Paul Sweeney's retirement.

Against the background of a challenging budget outcome, the out workings of significant staff reductions through the Northern Ireland Civil Service Voluntary Exit Scheme, and two Assembly elections, the Department maintained a focus on the achievement of its key business goals. The Department fully or substantively achieved 85 of the 103 commitments and actions set out in its 2016-17 Business Plan. 82% of the targets were therefore fully or substantively delivered, with a further 16% likely to be achieved in full, but after the 2016-17 financial year.

However, against this positive message, it should be noted that the Education Authority (EA) reported a £19.3m overspend for 2016-17, largely due to higher than anticipated schools' spending in excess of their 2016-17 allocations, the escalating costs associated with providing special educational needs services and the cost of unplanned emergency school maintenance work. The Department will be working closely with the EA over the coming months to further review the underlying causes and pressures in the system.

Some of the key activities and achievements were as follows:-

The Department continued to implement its key policies and strategies aimed at increasing pupil attainment at each stage of education such as through the school improvement policy, *Every School a Good School*, and DE's strategy for improving outcomes in literacy and numeracy, *Count, Read: Succeed*. It is very encouraging to report that pupil achievement continued to improve across all stages.

Two major international educational studies reported in 2016-17. Data from the 2015 Trends in International Mathematics and Science Study showed that pupils aged 9-10 in Northern Ireland continue to perform very well in maths, with children in only 5 of the 50 countries taking part in the mathematics assessments outperforming those in NI. Achievement in science is also above the international average. The Programme for International Student Assessment, which was coordinated by the Organisation for Economic Co-operation and Development (OECD), surveyed the educational achievement of 15 year olds and found that pupils in Northern Ireland performed above the OECD average in maths, science and reading.

In September 2016 the Education Minister issued new guidance to primary schools regarding the support they could provide to pupils preparing to sit academic selection tests. In November 2016 the Minister also announced a team of academic educationalists appointed to engage with the current selection test providers to simplify the current arrangements, with a particular focus on establishing a common assessment as soon as possible.

The Department maintained its commitment to helping prepare, support and encourage children to learn. 99.9% of children whose parents applied for a pre-school place at the start of the admissions process, and stayed with the process to the end, were offered a funded pre-school place in a setting of their parents' preference by the end of the admissions process.

The Department continued to build on positive working relationships with other government departments and agencies in the development and delivery of the Early Intervention Transformation Programme (a Northern Ireland Executive/Atlantic Philanthropies Delivering Social Change Signature Programme). The Department is leading on the project, helping to engage and empower parents to give their children the best start in life and, in the process, to raise the educational outcomes of Looked after Children.

The Department also worked extensively with a range of statutory and other stakeholders through the Area Planning governance structures on the Area Planning process to implement effectively the Sustainable Schools Policy and improve the network of viable and sustainable schools. A three year regional plan, *Providing Pathways*, was published in April 2017. It sets out the strategic issues and proposed actions across each local government district and is underpinned by the first Annual Action Plan (i.e. for 2017-18).

Almost £57m was invested in major capital works in 2016-17 with four projects completed. Eight projects are currently on site and a further 43 are in planning. A further £43.5m was invested in schools' infrastructure projects through the School Enhancement Programme where 46 projects are now complete or on-site, with 13 of these projects completing during the 2016-17 year. A further 5 projects are expected to move to construction during 2017-18 and two projects are continuing through planning.

During 2016-17 work continued on the 23 projects announced to benefit from Fresh Start funding in March 2016. Of the 23 announced projects, 17 continue to advance in planning with one project on-site and five expected to move to design or construction stages during 2017-18.

The new Arvalee School and Resource Centre opened in September 2016. It was the first of six schools that are due to be completed on the Strule Shared Education Campus. This is a pioneering programme which will help shape the future provision of shared education in Northern Ireland.

The Shared Education Act, which received Royal Assent on 8 May 2016, requires the Department to "encourage, facilitate and promote" Shared Education and consider Shared Education when

developing, adopting, implementing or revising policies, strategies and plans and designing and delivering public services. The target to engage 33% of schools (350) in delivering Shared Education through the Delivering Social Change Shared Education Signature Project was exceeded. Peace IV funding to facilitate implementation of Shared Education in schools with no prior experience and pre-school settings was secured, with delivery expected to commence early in 2017-18.

Miss School=Miss Out: A Strategy for Improving Pupil Attendance was launched in December 2016. The strategy provides an overarching framework for all those involved in managing and improving pupil attendance. Complementing the strategy, the Education and Training Inspectorate also issued a good practice guide and illustrative case studies for schools on how to manage attendance.

In May and October 2016, the Northern Ireland Executive launched public consultations on a draft Programme for Government which set out the priorities the Executive wished to pursue to improve the wellbeing of all citizens and, using an outcomes-based approach, the most significant actions it intended to take to address those priorities. While the Department would have a role to play in various Programme for Government outcomes and indicators, its main focus was on the outcome entitled “*we give our children and young people the best start in life*”.

As part of the consultation process, and to help inform the development of Delivery Plans, the Department undertook extensive and positive engagement with a wide range of stakeholders across the education sector and beyond. Subject to a future Executive’s endorsement, the outcome of those discussions will prove invaluable in determining the Department’s future policy priorities.

Future challenges

The Department looks forward to working with a new Minister in due course and is ready to face the inevitable challenges and opportunities in 2017-18 and beyond. It will be ready to play its part in partnership with other government departments to help deliver on agreed Programme for Government outcomes.

The budgetary environment is likely to remain as constrained as it has been in previous years. As always, our focus will be on finding better and smarter ways of working, working with other departments and other public, private and third sector organisations with the aim of delivering better outcomes for our children and young people.

Now that it is into its third year of operation, the EA will focus on accelerating the regionalisation of services not only to secure greater efficiencies, but more importantly to deliver more effective and consistent services to children and young people regardless of where they live.

In closing, I would like to acknowledge the commitment and dedication of Departmental staff during the year and their drive to deliver better educational outcomes for our children and young people. Throughout the past year they have shown unstinting support to the Minister, to the outgoing Permanent Secretary and to me since my arrival in the Department.

1.2 Purpose, objectives and strategy of the Department

Under normal circumstances a Programme for Government would set out the strategic priorities and key plans of the NI Executive. A Corporate Plan for Education would then flow from and incorporate the commitments in relation to the wellbeing of children and young people, including their education, contained in the Executive’s Programme for Government. This would provide a basis from which the corporate plans for the education sector would be developed. Although there was no agreed Programme for Government covering 2016-17, the Department did publish its Business Plan for 2016-17, which set out the following vision for the education sector:

“All children and young people receive the best start in life to enable them to achieve their full potential at each stage of their development.”

The 2016-17 Business Plan was based on the Department of Education’s existing corporate goals, as follows:

- *Improving the wellbeing of children and young people* – through ensuring that all of our children and young people grow up in a society that provides the support they need to achieve their potential;
- *Raising standards for all* – through high quality teaching and learning, ensuring that all young people enjoy and do well in their education and that their progress is assessed and their attainment recognised, including through qualifications;
- *Closing the performance gap, increasing access and equality* – addressing the underachievement that exists in our education system; ensuring that young people who face barriers or are at risk of social exclusion are supported to achieve to their full potential; and ensuring that our education service is planned effectively on an area basis to provide pupils with full access to the curriculum and Entitlement Framework;
- *Developing the education workforce* – recognising the particular professional role of teachers and school leaders in delivering an effective curriculum and raising standards and also the important role of other education professionals and those who support them;
- *Improving the learning environment* – making sure that strategic investment supports the delivery of the area plans; that the premises in which young people learn are safe, fit for purpose and conducive to learning; and that the environment provides opportunities for sharing and for building a more cohesive society;
- *Transforming the governance and management of education* – ensuring that the arrangements for governing and managing education here are modern, accountable and child-centred and that education services are delivered efficiently and effectively in support of schools; and
- *Discharging our corporate responsibilities effectively* – ensuring that the specific corporate responsibilities that rest with it as a government department are effectively and efficiently discharged.

In December 2016 the Minister of Education reviewed and revised the Department’s vision and corporate goals. The new vision is for “an education system that is recognised internationally for

the quality of its teaching and learning, for the achievements of its young people and for a focus on meeting their needs.”

The following corporate goals have been applied from the beginning of 2017-18:

- Improving the wellbeing of children and young people;
- Raising standards for all;
- Closing the performance gap, increasing access and equality;
- Developing the education workforce;
- Improving the learning environment; and
- Delivering high quality education services.

1.3 Key activities of the Department

To aid achievement of the Department’s key commitments and corporate goals, the main areas of responsibility within the Department link to:

- Children & Young People’s Co-operation Act;
- Curriculum and learning;
- Pupils and parents;
- Teaching staff;
- Non-teaching staff;
- Schools and infrastructure;
- Support and development;
- Statistics and research; and
- Good relations and social change.

The key activities of the Department, which enable it to address these responsibilities, are supported by a clearly defined structure which operates at every level of the Department.

The Department is ultimately accountable through its Minister to the Assembly for the effective delivery of its commitments and goals and for the effective use of the public funds for which it is responsible.

The Department is headed by the Minister of Education. John O'Dowd was the Minister of Education until 25 May 2016. Following the Assembly election Mr Weir was appointed Minister for the Department of Education from 25 May 2016 until 2 March 2017. The Minister's principal advisor is the Permanent Secretary who is supported by three Deputy Secretaries and the Chief Inspector of the Education and Training Inspectorate (ETI).

To promote the highest possible standards of learning, teaching and achievement throughout the education, training and youth services, the ETI provides an unbiased, independent, professional assessment of the quality of learning and teaching, including standards achieved by learners, publishing reports on individual organisations, and summary reports on aspects of the quality of education, training and youth sectors in Northern Ireland.

In addition to the ETI, the Department has twelve Directorates headed by a Grade 5, each of which deals with specific areas of work. The twelve Directorates, and their high level roles and responsibilities are as follows:

Education and children's services policy

- **Children's and Young People's Services Directorate** works in cooperation with Executive departments, agencies (i.e. children's authorities), stakeholders and children and young people in Northern Ireland and is responsible for: monitoring and reporting on adherence to the Children & Young People's Co-operation Act (NI) 2015; as stipulated in the Act developing an overarching NI Executive Children & Young Peoples Strategy that aims to improve the well-being of children and young people; in conjunction with children's authorities and children's providers developing the Play & Leisure Programme; monitoring and reporting on adherence to the United Nations Conventions on the Rights of the Child (UNCRC).

The Directorate also has policy responsibility for the policies of home to school transport, free school meals, food in schools and elective home education.

- **Collaborative Education and Practice Directorate** contributes to the DE vision through encouraging and supporting the development of collaborative practice in education in Integrated, Irish-medium, Community Relations and Shared Education contexts, and also in teacher professional learning. The Directorate is also responsible for sponsorship and oversight of three of the Department's Arm's Length Bodies: the Northern Ireland Council for Integrated Education (NICIE); Comhairle na Gaelscolaíochta (CnaG); and the General Teaching Council for Northern Ireland (GTCNI).
- **Curriculum, Qualifications and Standards Directorate** provides policy development and advice on matters of educational performance. It is responsible for driving cross-departmental delivery of improved educational outcomes and greater equity of performance within the system. It does this primarily through securing the delivery of the curriculum, through maintaining the framework of school evaluation and pupil assessment, and through the delivery of targeted interventions aimed at improving educational outcomes. The Directorate is also responsible for sponsorship and oversight of one of the Department's Arm's Length Bodies: Council for the Curriculum, Examinations and Assessment (CCEA)
- **Youth, Early Years and Childcare** provides policy advice on matters of non-formal and non-compulsory education and development, implements and evaluates agreed policies and associated universal and targeted programmes to complement formal learning in the areas of early childhood education and learning, childcare and youth services. The Directorate is also responsible for sponsorship and oversight of one of the Department's Arm's Length Bodies: Youth Council for Northern Ireland (YCNI).
- **Inclusion and Well-being Directorate** has responsibility for developing and maintaining policies that address a range of barriers to learning (including special educational needs, newcomer pupils, Traveller children, looked after children, school age mothers and young carers); child protection and safeguarding; pupil behaviour; and promotion of pupil emotional health and well-being. The Directorate endeavours to bring a whole child/whole

school approach to building resilience and supporting pupils to reach their full potential. The Directorate is also responsible for sponsorship and oversight of one of the Department's Arm's Length Bodies: Middletown Centre for Autism.

Resources, Reform, Admissions and Shared Campuses

- **Area Planning, Admissions and Shared Campuses Directorate** supports the implementation of the Schools for the Future: A Policy for Sustainable Schools (SSP) through the support for and development of Area Planning governance and processes and the processing of statutory Development Proposals, making recommendations to the Minister on significant changes to schools. The Directorate processes applications for Temporary Variations, reviews approved admissions and enrolment numbers and processes complaint cases. The Directorate is also responsible for taking forward work on the delivery of the Executive's commitment under the Together: Building a United Community (T:BUC) programme to commence 10 shared education campuses by 2018.

The Education Workforce Development Directorate provides the vision and sets the framework which supports an education workforce that is able, trained, qualified, rewarded and motivated to raise standards and close the educational achievement gap through partnership, consultation and the generation of legislation and policy.

The Directorate is responsible for: contributing to local policy on teachers' pay and conditions of service; ensuring that pay and conditions of service for non teaching staff are appropriate; payment of teachers' salaries and pensions on behalf of the employing authorities; and ensuring that a replacement teachers' pension system is successfully introduced in April 2020.

- **The Finance Directorate** is responsible for the delivery and monitoring of balanced annual Resource Budgets; development and preparation for future Resource Budgets; provision of Main and Spring Supplementary Estimates; determining Annually Managed Expenditure (AME) requirements; preparation of Resource and Whole of Government Accounts for the Department and the Teachers' Superannuation Scheme; effective operation of the Common Funding Scheme and ongoing financial governance of the Department budgets. The Directorate also has responsibility for ensuring effective Financial Management and oversight of all aspects of financial governance and accountability and a number of key financial management processes specifically in relation to the Education Authority (EA), Council for Catholic Maintained Schools (CCMS), Council for the Curriculum, Examinations and Assessment (CCEA) and Youth Council for Northern Ireland (YCNI), such as the review and approval of budget plans and monitoring resource expenditure against budget in these bodies, in conjunction with the appropriate Sponsor Teams.
- **The Governance Directorate** has oversight responsibilities for governance, accountability and assurance issues between the Department and its NDPBs and, in liaison with Departmental sponsor teams, for the central administration and co-ordination of related functions/processes. In respect of Ministerial public appointments, it provides advice and guidance to Departmental sponsor teams, liaises with the Office of the Commissioner for Public Appointments, Executive Office and other government departments and administers the key processes for all public appointment competitions. It is also responsible for policy

on school governance which includes the appointment of school governors and approving school schemes of management.

The Directorate's other responsibilities include: administering and monitoring grant support to three sectoral bodies, the Controlled Schools' Support Council (CSSC), the Catholic Schools' Trustee Service (CSTS) and the Governing Bodies Association (GBA); providing advice and support to Interim Boards of Governors (IBOGs) to ensure the establishment of new schools through the amalgamation of existing schools or the controversial creation of a new school; and co-ordinating the Department's policy and role in relation to the implications of the EU referendum.

- **Investment and Infrastructure Directorate** is responsible for strategic oversight of the delivery of the Department's capital works programme. This includes both major and minor capital works; the School Enhancement Programme (SEP); the voluntary youth capital programme; and a programme of investment in shared education campuses and integrated schools which is funded under the Fresh Start Agreement. The Directorate also has responsibility for monitoring the Department's capital budget; the Department's Asset Management Plan; grant claw-back from closed voluntary schools and consideration of leases and licences for the education estate.
- **Human Resources and Corporate Services Directorate** is responsible for HR strategy and policy; co-ordination of the Department's North South work programme; management of the Minister's office, press office and communications; management of information, including IT systems, records management and Freedom of Information Act/Data Protection Act compliance; accommodation and security management, provision of advice on Equality and Human Rights issues; and responsibility for Emergency Management and Planning and Business Continuity.
- **Strule Shared Education Campus Directorate** is responsible for the delivery of the Strule Shared Education Campus (formerly Lisanelly Shared Education Campus) Programme which involves significant capital investment into the construction of six core schools and associated shared education facilities in Omagh.

The Departmental Board operates as a collegiate forum, under the leadership of the Permanent Secretary, to manage the running of the Department. It operates within a wider corporate governance framework.

The Department is supported in delivering its functions by a range of Arm's Length Bodies, each of which is accountable to the Department.

The performance of these bodies, which directly influences the ability of the Department to achieve its objectives, is monitored by sponsor teams within the Department. Sponsor teams 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.

The following list represents those bodies for which the Department had direct funding responsibility during the 2016-17 financial year:

Executive Non-Departmental Public Bodies (NDPBs)

Comhairle na Gaelscoláiochta

Council for Catholic Maintained Schools

Education Authority

General Teaching Council for Northern Ireland

Middletown Centre for Autism

Northern Ireland Council for Integrated Education

Northern Ireland Council for the Curriculum, Examinations and Assessment

Youth Council for Northern Ireland

Tribunals

Exceptional Circumstances Body

Other Public Sector bodies

Grant Maintained Integrated Schools (GMIS)*

Voluntary Grammar Schools (VGS)*

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

From the 1 April 2017 the administrative arrangements of the VG/GMI schools Funding Authority function are to transfer from the Department to the Education Authority.

1.4 The Department's key issues and risks

Overview of risk management in DE

Risk management is the process through which the Department seeks to control the level of risk facing the Department and to reduce its effects. Successful risk management involves:

- identifying and assessing threats and opportunities;
- taking cost-effective action to anticipate or manage them; and
- monitoring risks and reviewing progress in order to establish whether or not any further action may be necessary.

In its approach to risk management the Department adheres to “*The Orange Book: Management of Risk - Principles and Concepts*” (HM Treasury: October 2004). The Departmental Board oversees the development of the DE Corporate Risk Register which involves the identification, assessment and ongoing monitoring of risks significant to the Department. This is monitored and reviewed on a regular basis throughout the year.

1.5 Key risks in 2016-17

Corporate Risks
Risk 1 - The development, design and implementation of Departmental and relevant Executive policies and strategies, including delivery of Programme for Government outcomes, do not adequately contribute to ensuring that we give our children and young people the best start in life.
Risk 2 - The necessary work is not carried out within the Department and the Education Authority (EA) to facilitate the transition of the EA to a fully regional organisation delivering harmonised education services within budget.
Risk 3 –The education infrastructure is not planned and delivered to support the delivery of desired education outcomes.
Risk 4 - Ineffective governance and accountability arrangements for the oversight of the Department’s arm’s length bodies.
Risk 5 - The Department does not take appropriate action to align its resources (including its internal staffing resources) to ensure the delivery of the Executive’s agreed PfG framework and its strategic priorities within budget.
Risk 6 – The ineffective maintenance of, implementation of, and compliance with the comprehensive child protection and safeguarding framework to ensure the ongoing safety of children and young people in the care of education and young providers.
Risk 7 – There are ineffective arrangements for managing major incidents or emergencies.
Risk 8 – Ineffective policies and procedures to protect departmental information from either accidental loss or malicious activities.
Risk 9 – Planned savings from staff reductions or from other non staff based budgets are not realised which means that the Department, and its NDPBs, are unable to deliver a balanced 2016-17 Resource Budget.
Risk 10 – Ineffective Area Planning.
Risk 11 – Underspend in 2016-17 capital budget.
Risk 12 – Some major works projects and the Strule Shared Education campus may be delayed due to lack of certainty around capital budget for 2017-18 and beyond.

1.6 Key issues impacting on DE in 2016-17

During 2016-17 the Department managed a number of significant issues in relation to the areas listed below (more detail on these issues can be found in the 2016-17 Governance Statement):

- EA 2016-17 provisional outturn overspend
- 2017-18 Budget Position
- Transfer of the Executive Strategy for Children and Young People's Services and Childcare Strategy
- Youth Council for Northern Ireland (YCNI)
- Industrial Action by Teacher Unions
- Investing in the Teaching Workforce Scheme
- De La Salle College, Belfast
- Governance Issues in the General Teaching Council for Northern Ireland (GTCNI)
- Governance issues in Comhairle na Gaelscolaíochta (CnaG)
- Computer Based Assessment
- Education Network (NI) Contract extension and replacement
- Data Security Lapses
- Fraud Prevention and Whistle-blowing
- Centre of Procurement Expertise (CoPE) status of the EA
- HR Strategy
- Staff absence
- NIAO Review of Special Educational Needs
- EA's Transition to a Single Regional Authority
- Public Accounts Committee hearing
- Outworking of Area Planning
- IT Contract – Irregular Spend
- End of Key Stage (KS) Assessment
- Strule Programme Delivery Unit

1.7 Future issues which may impact on DE performance

The extent and impact of the key challenges in the coming year(s) is somewhat uncertain and will be dependent upon:

- the future of the devolved political institutions;
- the content and outworkings of a Programme for Government;
- the vision and direction of a new Education Minister;
- continuing the transition of the Education Authority into a single regional organisation; and
- working within a constrained budget and the outworkings of a reduced education workforce due to Voluntary Exit Schemes.

1.8 Going concern

The statement of financial position at 31 March 2017 shows negative taxpayers' equity of £32m. 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 the Northern Ireland Assembly, to meet the Department of Education's Net Cash Requirement. Under the Government Resources and Accounts Act (Northern Ireland) 2001, no money can be drawn from the fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Department's income, must be surrendered to the Fund.

In common with other government departments, it is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the department is supply financed and draws its funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years.

1.9 2016-17 Performance summary

The Department of Education Business Plan for 2016-17 set out the commitments and actions that the Department undertook to deliver on the corporate goals. There were a total of 103 commitments/actions contained in the Business Plan. The Plan included educational attainment targets which are outlined in greater detail in the Performance Analysis section of this report. The table below sets out a summary of performance against 2016-17 Business Plan commitments/actions:

Year-End Status of Business Plan Commitments/Actions	Number	%
Achieved	65	63
Substantially achieved	20	19
Likely to be achieved but with some delay	16	16
Not achieved	2	2
Total	103	100

2 PERFORMANCE ANALYSIS

2.1 The Department's performance management arrangements

The annual Department of Education Business Plan is drafted by senior management for review by the Departmental Board. Once cleared by the Board, the Business Plan is submitted to the Education Minister for comment and approval. Throughout the year, DE officials monitor progress against Business Plan commitments and actions and report to both the Departmental Board and the Minister. Business Plan monitoring primarily focuses on those targets and commitments which have been assessed at 'Red' rating or for which the rating has changed since the last report to the Departmental Board (i.e. both those which report a worsening and an improving position).

2.2 Analysis of 2016-17 performance against targets

The table provided below sets out the latest position, where available, on progress towards achieving attainment targets, including those published long term targets contained in *Count, Read: Succeed – A Strategy to improve outcomes in Literacy and Numeracy (March 2011)* with actual performance updated to reflect latest available data.

	Actual Performance 2015-16 academic year¹	Milestones		Long Term Target
		2014-15	2015-16	
Key Stage 2 Communication (% of pupils at expected level)	78.0	82.2	84.2	90%+
Key Stage 2 Using Maths (% of pupils at expected level)	78.7	82.9	85.1	90%+
Key Stage 3 Communication (% of pupils at expected level)	78.2	76.9	79.3	85%+
<u>Key Stage 3:</u> Using Maths (% of pupils at expected level)	78.7	79.1	80.8	85%+

¹ Due to the effects of Industrial Action, 2015/16 Key Stage data has been weighted to account for non-response bias. The estimates provided in the table represent the mean figures drawn from the sample and are subject to associated confidence intervals.

	Actual Performance 2015-16 academic year	Milestones		Long Term Target
		2014-15	2015-16	2019-20
Proportion of school leavers achieving at least 5 GCSEs A*-C (or equivalent) inc GCSEs in English and Maths	67.7%	66%	67%	70%+
Proportion of school leavers with Free School Meal Entitlement (FSME) achieving at least 5 GCSEs A*-C (or equivalent) inc GCSEs in English and Maths	44.8%	49%	49%	65%+
Proportion of school leavers achieving at least 3 A levels at A*-C (or equivalent)	38.4%	35%+	35%+	
Proportion of school leavers achieving at least 2 A levels at grades A*-E (or an equivalent Level 3 qualification)	57.3%	56%	59.3%	

The Department of Education also sets a number of other quantifiable targets summarised in the table below:

Key Success Indicator/Commitment/Action	Actual levels (academic years)		
Sufficient pre-school places available so that every child can be offered a place	99.9% of children whose parents stayed with the admissions process were offered a funded pre-school place ²		
Work with EA to support areas where schools may not meet statutory requirements under the Entitlement Framework	76% of schools now fully meet the Entitlement Framework requirements at KS4 and 62% fully meet the requirements at post-16 in 2016-17		
Unauthorised absence Reduce the % of half days missed because of unauthorised absence in primary schools by 0.5% ³ and in post primary schools by 0.5%		Primary	Post-primary
	2014-15	1.1%	2.1%
	2015-16	1.3%	2.2%
	Increase	+0.2%	+0.1%
Secure an increase in the overall attendance rate to 94.6% in 2015-16	2014-15		94.6%
	2015-16		94.6%
Secure an increase in the overall attendance rate in schools with currently ⁴ less than 90% attendance ⁵	Of the schools with less than 90% attendance: 68% of schools improved attendance; 16% remained static; and 16% had a decrease in attendance.		

² Measured in October 2016. Funded pre-school places remained available in all areas for children not yet offered a place.

³ The figures for primary school level unauthorised attendance are revised from the publication of February 2017. Any single revision was at the most 0.1 of a percentage point. This revision was due to error in source material from a small number of primary schools.

⁴ Based on 2014-15 data.

⁵ The target reflecting schools with less than 90% attendance refers to changes in these schools only. There were 19 in the year 2014-15. However, the target does not reflect the fact that the actual number of schools with less than 90% attendance has increased to 24 in 2015-16, an increase of five schools (26%).

2.3 Analysis of 2016-17 performance against corporate goals and commitments

The Directorates within the Department all have a role to play in delivering the Department's goals and their key achievements are outlined below.

The Children and Young People's Services Directorate

The Children and Young People's Services Directorate contributed to the Department's goal of improving the well being of children.

The Children and Young People's Services Directorate leads on the implementation of the Children and Young People's Co-operation Act which includes the development and implementation of a Children and Young People's Strategy, Home to School Transport, School Meals and Elective Home Education.

During 2016-17, the Children and Young People's Strategy 2017-2022 was developed and was subject to a three month public consultation. Preparation continued for the introduction of Universal Credit in Northern Ireland, including the revision of eligibility criteria for free school meals and uniform grants, and a proposed way forward was developed, culminating in the launch of a public consultation at the beginning of 2017-18.

Ongoing policy support was delivered to the Education Authority in their provision of home to school transport. This involved work relating to the implementation of operational recommendations from the Independent Review of Home to School Transport, membership of the steering group for the Department for Infrastructure led Integrated Passenger Transport project, facilitation of the purchase of 15 school buses and provision of policy interpretation.

The Directorate also represents the Department on the EA's Project Board for the development of regional guidance on Elective Home Education which is expected to produce guidance by September 2017.

Collaborative Education and Practice Directorate

The Collaborative Education and Practice Directorate contributed to the Department's goals: closing the performance gap; increasing access and equality; improving the learning environment; developing the education workforce; and transforming the governance and management of education.

The Directorate encourages and supports the development of collaborative practice in integrated, Irish-medium, teacher professional learning, shared education and community relations.

The Shared Education Bill received Royal Assent on 9 May 2016. Awareness briefings were held for those organisations referenced in the Act; monitoring and reporting arrangements were developed and implemented.

The Directorate continues to support the implementation of the £25m Delivering Social Change: Shared Education Signature Project. This project provides financial support to improve the educational and reconciliation outcomes in schools working collaboratively.

In addition the Peace IV Shared Education call was issued; liaison with the Special EU Programmes Body continued culminating in the approval of two projects that together fully deliver EU required outcomes.

In September 2016 the Department published an addendum to the Community Relations, Equality and Diversity in Education Policy which reflected the recommendations of the 2014-15 policy review.

The Independent Review of Integrated Education was completed and published on 2 March 2017.

An oversight group has been established to take forward implementation of ‘Learning Leaders’, the Department’s strategy for teacher professional development.

During 2016-17 the Directorate supported DE teams and ALBs in implementing DE’s statutory duties in relation to integrated education, Irish-medium education and shared education. The Directorate also continues to support and collaborate with the Department for Communities in respect of educational related Neighbourhood Renewal projects.

The Directorate ensured that there were effective governance and accountability arrangements in place for sponsored ALBs (NICIE, CnaG, GTCNI), including implementation of special governance measures for CnaG and GTCNI.

Curriculum, Qualifications and Standards Directorate

The Curriculum, Qualifications and Standards Directorate contributed to the Department’s goals: raising standards for all; closing the performance gap; improving the learning environment; and transforming the governance and management of education.

The Directorate maintains the long-term school improvement policy (Every School a Good School) and literacy and numeracy policy (Count, Read: Succeed) and the delivery of the statutory curriculum and the accompanying Entitlement Framework.

During 2016-17, key performance indicators showed an overall improvement around level 1/2 (GCSE + equivalent) and level 3 (A level and equivalent) outcomes, both within the system as a whole, and amongst those entitled to Free School Meals (FSME). The overall system target at level 2 was exceeded, but the FSME target remains a challenge. At level 3, improvement has been more modest, but follows the same pattern. (See section 2.2 for actual performance, milestones and long term targets.)

Uptake of A level STEM subjects showed continuing improvement. Maths was again the most popular A level with local students. Entries in Mathematics rose by 1.4% compared to 2015 driven largely by female entries which saw a 10.4% increase. Computing, Further Maths, Chemistry and Other Sciences all saw increases in entries. At GCSE, entries for STEM subjects increased by 0.3% compared to 2015. This growth means STEM subjects here account for close to one third (31.9%) of all GCSE entries. This was driven by increases in entries for Biology, Chemistry and Computing.

A programme of work specifically to supplement long-term, strategic efforts to improve performance overall has been put in place, including: the Literacy and Numeracy Key Stage 2/3 CPD Project that provides professional development for teachers of English and maths and aims

to address learning-related issues faced by pupils on transition to post-primary school; the West Belfast Community Project which aims to promote improved school-parent and school-community links; and Sharing the Learning which is focused on the wider dissemination of a model of school/community collaboration.

These programmes were delivered alongside existing programmes including Achieving Belfast and Achieving Derry - Bright Futures. Work has also progressed on a North/South level which saw a focus on teacher professional development in the area of educational underachievement.

Under the Entitlement Framework schools are required to offer a minimum of 24 courses at KS4 and 27 at post-16. There has been some improvement in levels of compliance over the past year rising from 66% to 76% at KS4 and from 48% to 62% at post-16. In February 2017 the then Minister for Education announced that, recognising the challenging financial position facing schools, the statutory requirement would be reduced from September 2017 to an offer of 21 courses at both KS4 and post-16.

The Department continues to work with the Department for the Economy in implementing the joint Careers Strategy and supporting the work of the Careers Advisory Forum.

The fifth year of new assessment arrangements at KS1-3 using Levels of Progression was delivered (with the introduction of Using ICT from September 2016).

The Department continues to support and monitor the implementation of the C2k Education Network contract which provides the ICT Managed Service for grant-aided schools. 2016-17 also saw work commencing on the extension of C2k services to 33 EOTAS (Education Other Than At School) settings, ensuring that pupils and teachers in these settings have access to the same ICT tools for learning and teaching as their peers in mainstream schools.

Youth, Early Years and Childcare Directorate

Youth, Early Years and Childcare Directorate contributed to the Department's goals: improving the well being of children and young people; raising standards for all; and closing the performance gap, increasing access and equality.

The Directorate continued to work closely with the EA and a range of statutory and voluntary stakeholders and young people to deliver 'Priorities for Youth' initiatives.

The Extended Schools Programme continued, with almost 550 schools eligible for funding. The Department continued to pilot the Full Service programmes.

Work was also taken forward on the Together: Building a United Community (T:BUC) 2016 Summer Camps programme being led by The Executive Office and managed by the EA; 103 camps received funding in 2016-17.

The commitment to provide a funded pre-school education place for every child in their immediate pre-school year whose parents want it was once again achieved, with 99.9% (almost 23,000) children receiving the offer of a place by the end of the admissions process and places remaining available for those who had not yet received the offer of a place.

The expansion of the Sure Start programme was completed as planned, increasing the geographical provision of Sure Start to the 25% most disadvantaged areas in Northern Ireland. Funding of around £25m was provided to enable provision of Sure Start services to children and families within these areas.

The implementation of Learning to Learn - A Framework for Early Years Education and Learning continued. An additional 149 places in nursery schools and nursery units in primary schools were approved through temporary flexibility in class size. Extended Services funding for eligible voluntary/private pre-schools continued. The pilot Early Years Education Support Clusters were established and became operational. The Department is working with CCEA to update the Pre-School Curricular Guidance.

Getting Ready to Learn (GRtL) was launched in March 2016. GRtL is an application-based programme available to all funded DE pre-school settings (both statutory and non-statutory) to help them support parents of pre-school children to improve their home learning environment.

The Early Years Pathway Fund (£3m) was introduced in April 2016, replacing the former Early Years Fund. Approximately 3,140 children directly benefited from support provided by the fund in its inaugural year.

The Directorate engaged with a range of key stakeholders and delivery partners in relation to draft delivery plans for the Outcome 'We give our children and young people the best start in life', which was contained in the draft Programme for Government published for consultation in 2016.

Following re-organisation of NICS Departments, the childcare policy function successfully transferred from the former OFMDFM to DE in May 2016. The ten year Executive Childcare Strategy is being finalised for Executive approval.

The Department also leads on the Bright Start School Age Childcare (SAC) Grant Scheme - administered by the Health and Social Care Board. Approximately 2,600 childcare places are supported across the three funding rounds in the SAC Grant Scheme. This funding supports approximately 96 settings in areas of disadvantage, on the schools estate and in rural areas.

Inclusion and Well-being Directorate

During 2016-17, the Inclusion and Well-being Directorate contributed to the Department's Corporate Goals: Improving the well-being of children and young people; and closing the performance gap, increasing access and equality.

The Special Educational Needs and Disability Act (NI) 2016 received Royal Assent in March 2016. The Act places new duties on Boards of Governors, the Education Authority (EA) and health and social services authorities in relation to pupils with SEN and provides new rights for parents and children over compulsory school age. Section 6 was commenced on 30 September 2016 and is the first step in reducing the time taken to complete the statutory assessment process.

Targeted stakeholder engagement and a public consultation were held in 2016 on the draft SEN Regulations. Following analysis of the responses a report on the consultation was produced. It is anticipated that the draft SEN Regulations will be made during 2017. Work also continued on the drafting of a revised SEN Code of Practice which will issue for consultation after the making of the Regulations.

The Directorate continues to work with other departments and relevant bodies regarding the implementation of DE specific 2016-17 autism actions, as outlined in the NI Executive's Autism Strategy and Action Plan.

There was little change in pupil attendance levels between 2014-15 and 2015-16. Unauthorised absence in primary and post primary schools rose by 0.1%; however overall absence levels fell by 0.1% over the same period. The overall attendance rate in 2015-16 was 94.6%. The "Miss School = Miss Out: Strategy for Improving Pupil Attendance" was published in December 2016. The strategy was launched alongside the ETI's good practice guide on pupil attendance.

During 2016-17 the Department funded 32 Nurture Groups in primary schools. The Queen's University, Belfast evaluation of Nurture Groups concluded and was formally launched on 22 September. It demonstrated that Nurture Groups are an extremely effective way of meeting the needs of children with attachment issues and the associated costs delivered value for money. The then Minister committed the Department to the development of a new nurture programme and work on a future programme progressed during the year.

The Department is currently working with Department of Health on a joint Looked After Children Strategy. Subject to Ministerial and Executive approval, both Departments are working towards a consultation before the end of 2017.

The Addressing Bullying in Schools Act (NI) 2016 received Royal Assent in May 2016. The Directorate is working to develop guidance for schools, Boards of Governors, pupils and parents on the provisions within the Act with a view to commencing provisions during the 2017-18 school year.

Finally, the Directorate published revised Safeguarding and Child Protection Guidance for Schools to replace the Circular 99/10. This guidance provides comprehensive, practical advice to schools and will be updated on a continuing basis.

Area Planning, Admissions and Shared Campuses Directorate

Area Planning Directorate contributed to the Department's goals: closing the performance gap, increasing access and equality; and improving the learning environment.

The Directorate provided secretariat support to the Area Planning Steering Group (APSG) which endorsed the work of the Area Planning Local Groups and Area Planning Working Group in developing the draft Area Plan for consultation and final Area Plan for publication and the draft Annual Action Plan for publication.

Decisions were made on 28 Development Proposals; 13 of these related to the 32 Development Proposals published during 2016-17.

The Directorate continued to work with the Departmental Solicitor's Office on judicial review cases; two cases remain outstanding at year end.

The programme to implement recommendations arising from the NIAO report on the Sustainability of Schools and the associated PAC Report completed a number of projects and

agreed alternative governance arrangements for outstanding project work relating to school capacity.

The Directorate has continued to engage with Local Government Districts (LGDs) on request on the development of Community Plans and has provided consultee comments on Community Plans published for consultation. The Directorate has liaised with EA and CCMS on their role as statutory community planning partners and the need for visibility and active engagement with LGDs to ensure strategic education priorities are evident in Community Plans. The Ministerial Partnership Panel was briefed on draft Area Plan consultation and Shared Education Campus Programme activity.

The Directorate met organisational targets; the approved admissions and enrolments were set by 31 October 2016; and 609 of the 642 Temporary Variation requests (95%) were processed within 7 working days. Of the 63 complaint cases received, 61 (97%) were processed within 23 working days.

The Directorate continued to support the five projects approved to proceed in planning under the Together: Building a United Community strategy headline action to commence ten campuses by 2018. The Economic Appraisal for the Ballycastle post primary project was approved and an addendum to the Limavady post primary project was approved. Work continues on the Moy, Brookeborough and Duneane/Moneynick primary projects.

A third call for applicant projects was announced in September and closed in January 2017. Eight applications were submitted with five passing the required Gateway checks and are in the process of being assessed.

Education Workforce Development Directorate

The Education Workforce Directorate contributes to the Department's goal of developing the education workforce.

In 2016-17 the Directorate delivered the following key priorities: management of Education Authority, CCEA and CCMS headquarter staff and school based redundancy processes (both teaching and non teaching) to achieve cost reductions within reduced budgets; implementation of teachers' 2015-16 and 2016-17 pay awards; positive progress on the implementation of education sector pay remits for 2016-17; and the development and launch of a Pilot Investing in the Teaching Workforce Scheme.

The Directorate engages with both teaching and non teaching unions contributing to the management of industrial relations. It also provides advice and support on employment related matters in respect of the permanent staffing structure of the Education Authority.

Finance Directorate

The Finance Directorate contributes to the Department's goal of discharging our corporate responsibilities and improving the learning environment.

The Finance Directorate (FD) delivered a balanced 2015-16 DE Resource Budget with an underspend of < 1% and with none of the ALBs overspending.

While the Directorate robustly monitored and challenged the EA's 2016-17 financial position throughout the year through the regular monthly reporting process, the Governance and Accountability Review meetings and specific monthly finance meetings, the EA reported a provisional outturn overspend of £19.3m for 2016-17 (even though savings of £25m were delivered in-year). This was mainly as a result of higher than budgeted spend on Special Education Needs (SEN), schools delegated budgets and essential school maintenance. Further detail is provided in the Governance Statement.

The Directorate prepared the 2015-16 Resource Accounts and Whole of Government Accounts for both the Department and the Teachers' Superannuation Scheme.

On 23 March 2016, the then Minister for Education, John O'Dowd MLA, decided that the administrative arrangements of the VG/GMI schools Funding Authority function would transfer from DE to the EA. The Directorate worked with the EA to ensure that this function transferred, without disruption to business services, as planned on 1 April 2017.

The Directorate continues to operate the Common Funding Scheme which is the mechanism used to calculate each school's share of their funding stream.

The Directorate provides advice and guidance to a wide range of stakeholders including: other business areas in the Department; the Education Authority; and NDPBs.

Throughout the year the Directorate has provided input into procurement policy formulation and briefing for Departmental engagement with the Procurement Board.

Governance Directorate

The Governance Directorate contributed to the Department's goals: transforming the governance and management of education; and discharging our corporate responsibilities effectively.

Through the formal EA Implementation Programme, the Directorate oversaw the programme of work to review and redesign the delivery of key EA services within a single regional structure, focusing on equality of access and consistency in the delivery of Departmental policies. Following the appointment of the five EA Directors in March/April 2016, substantial progress has been made. A Gateway Review undertaken in March 2017 found that the development and implementation of the EA has been delivered and that there are no major issues left to resolve prior to closure of the programme.

The Directorate administered and monitored grant support to the Controlled Schools' Support Council (CSSC), the Catholic Schools' Trustee Service and the Governing Bodies Association.

During 2016-17 the Directorate initiated and completed a composite public appointment competition to fill 11 vacancies across the boards of Comhairle na Gaelscolaíochta (CnaG), Council for the Curriculum, Examinations and Assessment (CCEA) and Council for Catholic Maintained Schools Diocesan Education Committees (CCMS DECs). The Directorate also undertook the administration of the processes to: reappoint for a second 4 year term of office the Chair and five members of CCEA; and secure the appointments of eight political members to the EA Board following the Assembly election on 2 March.

The reconstitution of school Boards of Governors of controlled and maintained schools was completed; whilst the reconstitution process for voluntary grammar and grant maintained integrated schools has been partly completed.

Phase 1 of the governance training project for Irish medium schools, publication of the governance manual for Irish medium schools, was completed. Phase 2 of the project was initiated.

The Directorate co-ordinated an initial analysis of the potential impact of Brexit on the Department and the legislation for which it is responsible and identified issues that may affect education locally.

Investment and Infrastructure Directorate

The Investment and Infrastructure Directorate (IID) contributes to the Department's goal of improving the learning environment.

Throughout the 2016-17 financial year, IID has continued to make significant progress towards the Department's strategic goal of delivering safe, modern, sustainable premises that support delivery of the NI curriculum.

IID has responsibility for the delivery of the Department's capital works programme, which includes major and minor capital works, the School Enhancement Programme (SEP), the voluntary youth capital programme and a programme of shared and integrated capital projects funded under the Fresh Start Agreement (FSA).

The initial 2016-17 gross capital budget was £193.7m and IID met its target of achieving capital expenditure of at least 98% against budget for the 2016-17 financial year.

The Major Works programme involves capital works projects to construct new schools. The Major Works programme continued to progress during the 2016-17 financial year, with four projects completed, eight projects currently on site and 43 projects in planning.

The SEP provides financial support to schools to improve their accommodation standards. Projects included in the SEP have a capital value of between £0.5 million and £4 million. The first SEP call, announced in March 2014, committed a total investment of over £136m across 53 projects; 23 SEP projects are now complete, with 13 of these projects completing during the 2016-17 year. Twenty three projects are currently on site and a further 5 projects are expected to move to construction during 2017-18. Two projects continue to advance in planning. A second call for applications under the SEP was announced in January 2017.

The Minor Works programme is a significant commitment to the improvement of individual school sites and covers capital works projects with a value less than £0.5m. The Minor Works programme saw £68m of investment in 2016-17.

During 2016-17 work continued on the 23 projects announced to benefit from Fresh Start funding in March 2016. These projects include new build integrated schools and shared education campuses. Of the 23 announced projects, 17 continue to advance in planning with one project on-site and five expected to move to design or construction stages during 2017-18.

Human Resources and Corporate Services

The Directorate's work contributes to the Department's goals: transforming the governance and management of education; and discharging our corporate responsibilities effectively.

The HR Director carried out the role of interim Accounting Officer of the GTCNI from March to November 2016 in addition to his Directorate responsibilities.

The Directorate is responsible for HR strategy, policy and practice covering approximately 550 staff; strategic business planning within DE and Department's NDPBs ensuring consistency and alignment across the organisations; and providing advice and guidance of Equality and Human Rights issues.

Under the NICS Voluntary Exit Scheme, over 90 staff left the Department between September 2015 and May 2016. In response, the Directorate led the process of allocating staff resources to business priority posts in order to normalise the department's staffing structure. Considerable progress was made during 2016-17 and action to achieve normalisation will continue in 2017-18.

HRCS led on consultation on the 2016-21 Programme for Government (PfG) with a wide range of education sector stakeholders and DE staff by organising engagement events. As part of the wider reform of the NICS departments the Directorate facilitated in ensuring that the responsibility for children's services transferred to the Department of Education.

The Directorate supports the Minister in respect of the Department's North South work programme through the North South Ministerial Council.

Strule Programme Directorate

Work undertaken by Strule Programme Directorate contributes to the corporate goal of improving the learning environment.

The Directorate is responsible for the delivery of the Strule Shared Education Campus (SSEC) Programme which involves significant capital investment into the construction of six core schools and associated shared education facilities.

Throughout the 2016-17 financial year, significant progress has been made across a number of areas, the main highlights being: the opening of the first school on site, Arvalee School and Resource Centre, in September 2016; designs for the remainder of the campus reaching developed design stage; commencement of the procurement process in November 2016 for an Integrated Supply Team to deliver the main building works; appointment of a contractor in February 2017 to take forward site preparation works; signing of a Memorandum of Agreement in May 2016 setting out arrangements for ownership, governance and management of the SSEC; and ongoing work to develop the funding model and educational model for the Campus. While there has been some slippage in delivery of specific activities, this has not impacted on the overall completion date which is still planned for September 2020.

Education and Training Inspectorate

The Education and Training Inspectorate (ETI) provides a wide range of services to support organisations in the education and training sector and the Departmental objectives. As such, their work contributes and extends to all of the Department's goals with a focus on raising standards for all.

The ETI has revised its inspection models and reviewed its resourcing of inspection activities enabling it to meet its strategic objectives with reduced resources. A common framework for inspection and self-evaluation: The Inspection and Self-Evaluation Framework (ISEF), has been effective from January 2017.

The data for completed inspections in 2016-17 follows and includes those impacted by Action Short of Strike since January 2017. The ETI completed 238 whole-school inspections of school and pre-school settings and 9 youth settings. In addition, the ETI completed: 41 inspections of nursery units as part of primary school inspections; 3 baseline visit inspections of pre-school settings, 1 primary baseline monitoring inspection and 1 post-primary baseline monitoring inspection. As a follow through from associated full inspection outcomes, 87 sustaining improvement (pilot and full implementation) inspections of primary, post-primary and special school settings and 57 follow-up inspections of school and pre-school settings, 4 youth settings and 3 nursery units. Available resources allowed the ETI to conduct 45 monitoring inspections of primary and post-primary school settings, (40 primary and 5 post-primary).

In school inspections the ETI ensures that written reports are accompanied by relevant statistics on numbers of pupils in the schools being inspected. The ETI evaluate and report on: attainment levels for all pupils, including pupils from disadvantaged backgrounds; English and communication, mathematics and numeracy/using mathematics across the curriculum; pupil attendance; leadership and management in schools; the quality of provision, including learning and teaching; shared education programmes and projects; and school governance. At post-primary level, the ETI evaluate the extent to which schools are meeting the requirements of the Entitlement Framework and all post-primary inspection reports include: attainment of pupils at GCSE and A level; and statistical data on retention rates and leaver destinations.

Under the inspection of care and welfare, in all pre-school, primary, post-primary, special, EOTAS and youth settings, the ETI has evaluated and reported on issues relating to the holistic development of children, including: the learning environment and relationships for learning; support for all children to overcome barriers to learning and realise their potential; the personal development and preventative education curriculum; attendance, suspensions and expulsions; punctuality and levels of engagement; and opportunities for children to contribute to the life and work of the school and wider community.

Under the inspection of safeguarding, in all pre-school, primary, post-primary, special, EOTAS and youth settings, the ETI has evaluated and reported on issues relating to: the policies and practices for child protection and safeguarding and how these reflect the guidance of DE; and the quality and effectiveness of safeguarding, including in relation to child protection/safeguarding, anti-bullying and behaviour management.

Areas for Improvement identified during inspection are evaluated and reported on, as appropriate, as part of the follow-up inspection process. In addition, school improvement is a key focus of the work undertaken by district inspectors. The ETI have engaged proactively with Area Learning Communities and have continued to contribute positively to the review of the Formal Intervention Process.

During the year the ETI have provided policy advice on various areas across the Department including: the review of special educational needs, inclusion and transitions; early years provision including Learning to Learn and Sure Start; assessment and the curriculum; school accommodation and development proposals.

In addition to inspection reports, the ETI have published the following reports: The Chief Inspector's Report 2014-2016; Relationships and Sexuality Education in Primary and Special Schools; An Interim Report on the Shared Education Signature Project; An Evaluation of the Implementation of the Delivering Social Change: Improving Literacy and Numeracy Signature Programme; Learning Leaders: An Evaluation of DE's strategy on Teacher Professional Learning – Year One 2015-16; Learning Leaders: Teacher Professional Learning – Next Practice Case Studies; Learning Leaders: Lessons on Professional Learning from other professions and other education jurisdictions; Evaluation of Extended Services Funding 2016 (pre-schools); and completed a survey, Attendance in Schools: an ETI Good Practice Report.

The ETI has continued to work collaboratively with other organisations. ETI took part in inspector exchanges with the Department for Education and Skills and the Office for Standards in Education, Children's Services and Skills (Ofsted).

2.4 Summary of the Department's financial performance

Statement of Comprehensive Net Expenditure

A summary of the Statement of Comprehensive Net Expenditure for the year to 31 March 2017 is set out below:

	2016-17 £000	Restated 2015-16 £000	Variance £000	Variance %
Net operating cost for the year ended 31 March	2,175,970	2,129,711	46,259	2.2% 

In 2016-17, the Department paid a total of £2,119m in Grant-in-Aid to its NDPBs to fund recurrent and capital expenditure on schools and youth services. The bulk of this grant funding, £1,659m was paid to the Education Authority. £429m was paid to Voluntary and Grant Maintained Integrated Schools. £2,068m was paid in Grant-in-Aid to NDPBs in 2015-16.

In 2016-17, £39m was paid in grant by the Department to other organisations. £39m was paid in 2015-16.

Total staff costs in 2016-17 amounted to £25.9m of which £25.2m was Resource. Total staff costs in 2015-16 amounted to £32.4m (restated to include £457k for staff who transferred from The Executive Office to the Department) including £3.7m in respect of the Voluntary Exit Scheme (VES). Adjusting for VES results in a figure of £28.7m for staff costs in 2015-16 compared to £25.9m spent on staff costs in 2016-17. The decrease between 2015-16 (adjusted to remove VES costs) and 2016-17 is due to the reduction in staff numbers as a result of 98 staff leaving under VES in 2015-16.

Purchase of goods and services amounted to £6.8m in 2016-17 which is a £2.4m increase from £4.4m in 2015-16 (these figures exclude notional costs which amounted to £3.5m both in 2016-17 and 2015-16). This is largely due to the release of an accrual in 2015-16 relating to the costs of pension reform for the teachers' pension scheme previously accrued in 2014-15. The figure at March 2017 also includes an accrual for investing in Teaching Workforce Scheme and payments in respect of the Pathway fund which was a new fund in 2016-17.

A number of graphs which analyse 'Long-term expenditure trends' for the years 2014-15 to 2016-17 are included in the Performance Report. The graphs are based on budget outturn for 2013-14, 2014-15, 2015-16 and 2016-17.

Statement of Financial Position

A summary of the Statement of Financial Position for the year to 31 March 2017 is set out below:

	2016-17 £000	2015-16 £000	Variance £000	Variance %
Total assets less current liabilities	(31,260)	(40,745)	9,485	23.3 

The Department capitalised spend of £8.5m in 2016-17 in respect of developing the Strule Shared Education Campus in Omagh. £7.6m was capitalised in 2015-16 of which £7.4m was in respect of developing the Strule site.

Trade and other receivables increased from £5.5m at March 2016 to £7.8m at March 2017. This is largely due to an increase of £2.0m in the amount due from the Consolidated Fund in respect of Supply, mainly as result of the Department receiving Atlantic Philanthropies income, which has had to be recognised as CFER income due to the Spring Supplementary Estimate position not being approved.

Trade and other payables increased from £65.5m at March 2016 to £66.2m at March 2017. This is largely due to an increase in the amount due for other taxation and social security costs at March 2017 as a result of the increased national insurance contributions with effect from April 2016.

2.5 Commentary on significant variances between Estimates and outturn

The Department's Net Resource Outturn for the year shows an underspend of £138.1m (6.0%) against the Main Estimate for the year. The 2016-17 Main Estimate opening position did not reflect the Minister's decisions on Budget 2016-17, as highlighted in the 2016-17 Budget Document, nor did it reflect any budget re-alignment decisions that took place during the financial year to address emerging pressures or reductions in planned expenditure. A Spring Supplementary Estimate for 2016-17 was prepared to reflect in year movements that, if approved, would have adjusted the estimate position to £2,245.4m, resulting in an underspend of £64.6m (2.9%). This was mainly due to underspends in the following areas:

- £62.4m underspend due to lower than anticipated drawdown of cash grant in aid by the Department's NDPBs to fund recurrent and capital expenditure on schools and youth services;

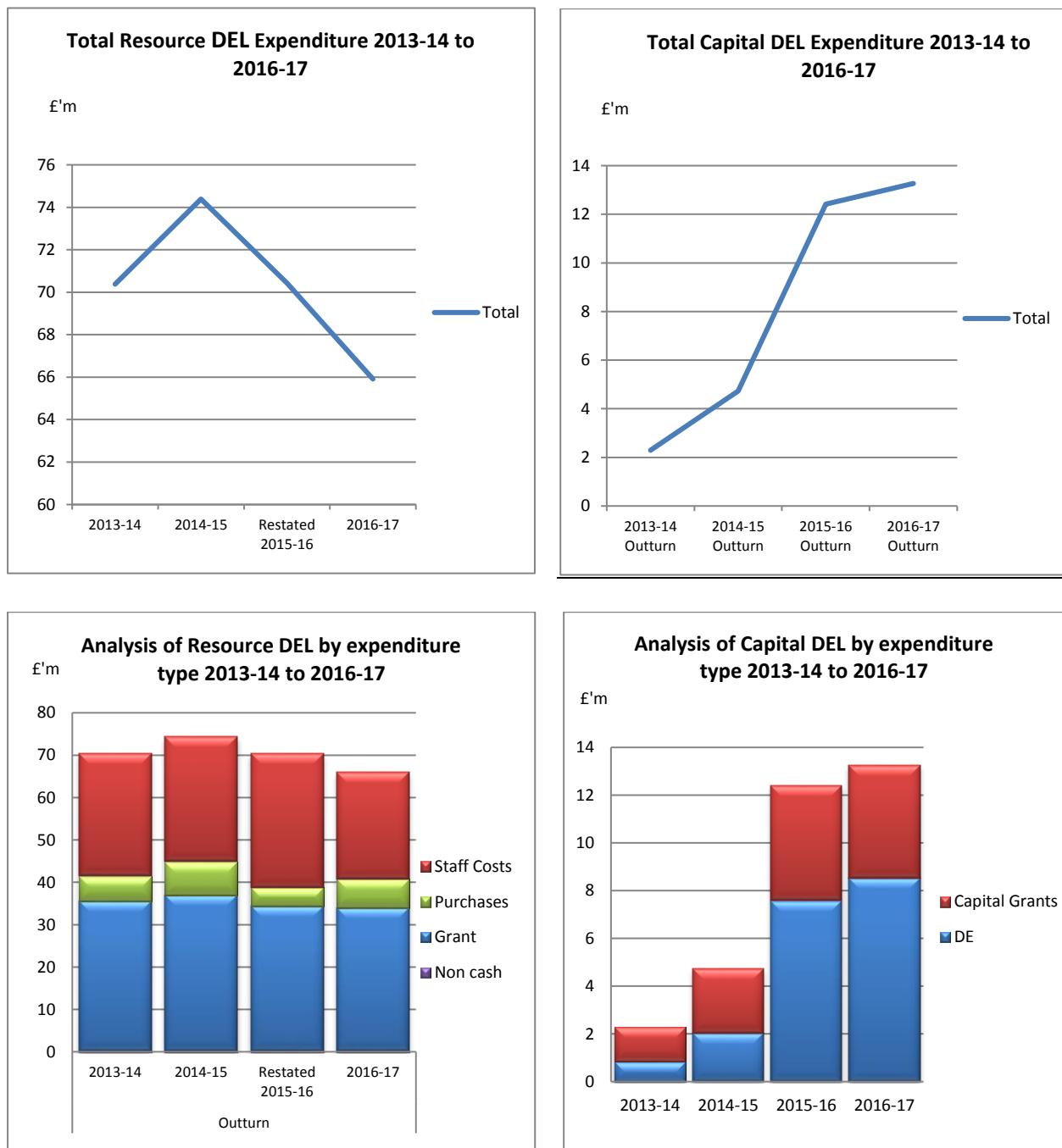
- £1.4m underspend for impairments due to a higher than anticipated valuation for land and buildings; and
- £1.0m underspend on notional charges owing to lower than expected costs for ICT services and other professional services.

The Net Cash Requirement shows a total underspend of £165.9m (7.1%) against the Main Estimate for the year. The 2016-17 Main Estimate opening position was misaligned and did not reflect the Minister's decisions on Budget 2016-17, as highlighted in the 2016-17 Budget Document. A Spring Supplementary Estimate for 2016-17 was prepared to reflect in year movements that, if approved, would have adjusted the estimate position to £2,266.4m, resulting in an underspend of £80.2m (3.5%). This was due to:

- resource outturn being less than the Estimate by £64.6m, as noted above;
- the following non-cash items: depreciation, amortisation and revaluation charge to the SOCNE were £1.4m lower than the Estimate due to a higher than anticipated valuation for land and buildings;
- other non-cash items were £1.0m less than the Estimate due to lower than expected notional costs; and
- changes in working capital balances were less than the Estimate by £18.4m due to a lower than expected decrease in “trade payables”. The decrease in liabilities is mainly due to the timing of both resource and capital grant payments.

2.6 Long term expenditure trends

The graphs below depict 4 years of budget outturn data in relation to the Department's own spending.



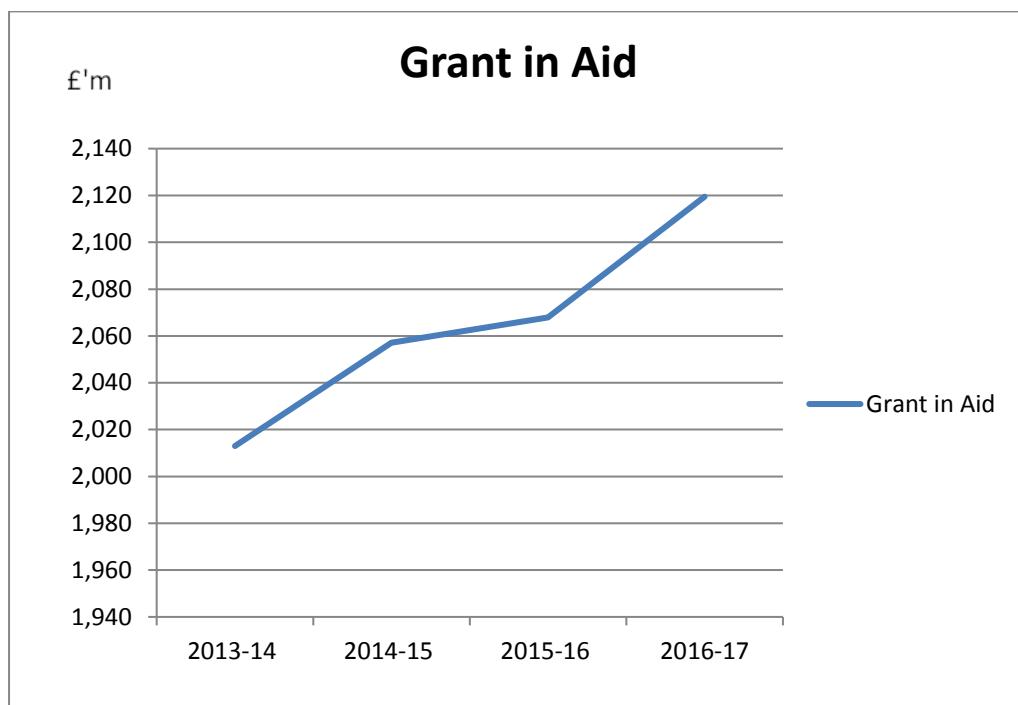
Resource DEL expenditure

Resource DEL expenditure decreased from £70.4m in 2015-16 to £65.9m in 2016-17. The 2015-16 staff costs included £3,748k voluntary exit costs. The remaining reduction in the main is due to the reduction in staff numbers as a result of 98 staff leaving under VES in 2015-16.

Capital DEL expenditure

Capital grant paid by the Department to other organisations, excluding NDPBs, is classified as capital DEL for budget reporting.

Capital expenditure shows an upward trend from £12.4m in 2015-16 to £13.3m in 2016-17 due to the continuing development of the Strule Shared Education Campus project.



Grant-in-Aid

Grant-in-Aid is funding provided to the Department's NDPBs to fund recurrent and capital expenditure and is classified as non budget for budget reporting.

2.7 Future development and performance

The published long term attainment targets are already included in the tables above (in the *Analysis of 2016-17 performance against targets* section of this report). The next Programme for Government will set out other long term targets and commitments for the Department of Education which will be incorporated into future Corporate and Business Planning documents.

A budget for 2017-18 was not agreed prior to the dissolution of the Assembly, although the Permanent Secretary of the Department of Finance authorised the use of cash and resources to departments, under the powers available in the existing legislation, to allow for the continuation of key services in the interim. Further to this, in light of the major funding pressures across all of the Department's programmes in 2017-18, the Department has since reviewed all of the various elements of the education budget and taken decisions as to where savings or reductions need to be made, subject to the views, in-year, of an incoming administration. These decisions have now been communicated to schools and other arm's length bodies.

2.8 Social, community and human rights issues

When preparing or revising policies/decisions, consideration is given to any impact on equality (in accordance with Section 75 of the Northern Ireland Act 1998) and human rights (the Human Rights Act 1998 and United Nations conventions).

United Nations Convention on the Rights of the Child

Following the restructuring of government departments in May 2016, the Department of Education assumed responsibility for coordinating the United Nations Convention on the Rights of the Child (UNCRC) on behalf of the Northern Ireland Executive.

Under the Convention all ratified countries must report every five years to the UN Committee on their work in the area of children's rights. During the reporting cycle the Committee will hold constructive dialogue with each State so that it can make an accurate assessment of the child rights situation in that country.

The UK's (comprising England, Scotland, Wales and Northern Ireland) 5th periodic reporting cycle with the United Nations concluded in June 2016. As part of the reporting process leading up to the examination the Children and Young People's Strategy Team (CYPST) the Department worked closely with other government departments to identify progress on key areas in policies and legislation and highlighting the major areas of work on behalf of the Northern Ireland Executive. In taking this work forward and engaging with UK counterparts, Executive Departments and NGOs from the children's sector, CYPST ensured all views and responses presented to the UN Committee were fully reflective of the position on child rights in Northern Ireland.

The UN Committee scrutinised the UK State Party's progress in implementing the CRC and in July 2016 published their Concluding Observations. To ensure the composite of the UK delegation to Geneva in May 2016 adequately reflected the four jurisdictions' engagement with the UN Committee, senior officials from the Department of Education and the Department of Health (Northern Ireland) took part in the oral examination.

While the UN Committee acknowledged the good progress made across all the four jurisdictions at its oral examination in May 2016, there is a wide range of issues covered in the UN report and it is important that a collective approach across Executive Departments is taken when considering its recommendations.

Children and Young People's Strategy

Both the UNCRC articles and Concluding Recommendations serve as a helpful and important guide to making sure that our policies – whether they hold direct or indirect consequences – consider children. The Executive's new Children and Young People's Strategy will be the main strategic instrument through which Departments will work together to improve the well-being of our children and young people and it will ensure that due regard is given to the rights of children and young people.

The Department of Education is responsible for developing the new Children and Young People's Strategy on behalf of the Northern Ireland Executive. The previous ten year strategy 'Our Children and Young People – Our Pledge' concluded in 2016, and work has been under way since June 2015 to develop a new strategy.

Developed to align with the draft Programme for Government (PfG) and the Children's Services Co-operation (Northern Ireland) Act 2015, the new strategy seeks to outline how the Executive will work collaboratively to improve the lives of children and young people across eight key areas of physical and mental health; play and leisure; learning and achievement; safety and stability; economic and environmental well-being; positive contribution to society; respect for their rights; and good relations and equality of opportunity.

During 2016-17 the Department, through an inclusive co-design process, developed the draft strategy document and obtained Executive approval to launch a public consultation in December 2016. The public consultation for the draft strategy ran from December 2016 to the end of March 2017, and garnered significant interest from a wide range of stakeholders. Analysis of stakeholder responses has begun, and will continue into 2017-18 with the intention that the final strategy will be laid before the Assembly in 2017.

Shared Education

During 2016-17, the Shared Education Bill received Royal Assent and placed new duties in respect of encouraging, facilitating and promoting Shared Education on the Department and the Education Authority along with powers to encourage and facilitate Shared Education on arm's length bodies. Briefing was provided to staff representatives from the various organisations to ensure clarity on the new duties/powers.

Funding to advance Shared Education continued to be made available through the Delivering Social Change: Shared Education project; and awards were made to delivery organisations under the Peace IV call for Shared Education applications. Delivery of Peace IV Shared Education projects is expected to commence early in 2017-18.

As part of the Together: Building a United Community (T:BUC) strategy, the Department leads on a number of commitments, including the commencement of ten shared education campuses (SEC) by 2018. Capital funding was secured under the Fresh Start: Stormont House Agreement and the first two business cases have been approved to proceed; while one other business case is at an advanced stage of development. A further two projects, selected to proceed in planning have commenced their business case preparations. Additional applications to the SEC programme are currently being assessed.

Community Relations, Equality and Diversity

An addendum to the Department's Community Relations, Equality and Diversity in Education (CRED) Policy was published in September 2016 to reflect recommendations from a policy review.

2.9 Other Matters

Environmental issues

The Northern Ireland government estate is centrally managed by the Department of Finance (DoF) (formerly Department of Finance and Personnel (DFP)).

The Department of Education contributes to central targets and has implemented waste management and recycling schemes. Key areas are:

- the use of 100% recycled paper for printing and photocopying;
- cardboard, glass, plastic, polystyrene, paper plates and aluminium are segregated and recycled;
- double sided printing where equipment permits;
- IT equipment and consumables (including monitors, hard drives, peripherals and toner cartridges) are sent for recycling;
- removal of a number of under desk waste bins throughout the Department and the introduction of centralised waste collection areas;
- waste bags filled to the required level to reduce bag wastage;
- staff awareness has contributed to a decrease in waste being produced;
- waste storage on site is now at minimal levels and waste is removed through less frequent collections; and
- daily and nightly checks are made of the office environment in order to ensure that lights and office equipment which are not in use are turned off.

Sustainable Development

The Department is committed to ensuring that sustainable development is incorporated both into the curriculum and also into the design of all its building projects. This fulfils its obligations under Objectives 2.4 and 3.3 of the Executive's "*Sustainable Development Strategy*" (https://www.daera-ni.gov.uk/sites/default/files/publications/ofmdfm_dev/sustainable-development-strategy-everyones-involved.pdf)

Education for Sustainable Development (ESD) is included in the curriculum across all key stages. Through ESD, pupils explore issues such as societal change, including global poverty and inequality, environmental and climate change, bio-diversity and the need to manage the human impact on the environment. The aim is to develop pupils as contributors to the environment so that they come to understand the interdependence of society, the economy and the environment; to develop respect for the needs of both present and future generations; and to act towards promoting an improved environment.

All school building contracts include overarching requirements in respect of energy, water and low carbon design to ensure the accommodation is sustainable and energy efficient.

Biodiversity

The Department requires all major works for schools to achieve a Building Research Establishment Environmental Assessment Methodology (BREEAM) rating of ‘excellent’ in new school builds and ‘very good’ for refurbishment projects. An assessment of the impact of construction on ecology and biodiversity is undertaken as part of the BREEAM rating.

The Schools’ Building Handbook specifies that outside space should satisfy the Department’s policy on biodiversity e.g. habitat replacement, bird boxes and bat boxes.

All schools in Northern Ireland are currently registered for the Eco-Schools programme, making it the first region in the world to achieve every school an Eco-School. Eco-Schools is an international environmental education programme which offers a means for schools to take environmental issues from the curriculum and apply them to the day-to-day running of the school.

Climate Change

The Department is represented on the Cross Departmental Working Group on Climate Change (CDWGCC), as well as its mitigation and adaptation subgroups. This ensures a proactive, interdepartmental approach is taken towards achieving greenhouse gas emissions reductions targets, including those in the Climate Change Act 2008.

The Department’s key actions in mitigating climate change are to work with the EA in the implementation of energy efficiency measures in schools and to incorporate sustainable development into the curriculum. In 2014-15 the Department invested £10m in energy efficiency measures across almost 500 schools. This programme included the installation of photovoltaic panels, boiler replacements and conversion of boilers to natural gas. Initial evaluation of the programme has estimated that this may result in a reduction of circa 1,500 tonnes of greenhouse gas emissions.

Alongside mitigation strategies, the CDWGCC has also been developing complementary strategies to adapt to the changing climate. The first Northern Ireland Climate Change Adaptation Programme was laid in the Assembly in January 2014. Under the Programme the Department is committed to ensuring that schools are prepared for flood events. Legislation requires the preparation of a second NI Climate Change Adaptation Programme, which will be published in 2019. The Department has started to consider actions to address the risks identified in the latest Climate Change Risk Assessment (the Northern Ireland summary of which is available at <https://www.theccc.org.uk/wp-content/uploads/2016/07/UK-CCRA-2017-Northern-Ireland-National-Summary.pdf>)

Energy

Although the Department has no specific targets in relation to the promotion of renewable energy, it does give consideration to the use of renewable energy sources, where economically feasible. This included the installation of photovoltaic panels at over 300 schools in 2014-15. Initial evaluation of this project has estimated a payback period of six years and income/savings of circa £850,000 per annum.

In the 2016-17 financial year, the Department and the EA engaged with the Strategic Investment Board in the first phase of an energy programme, which aims to examine procurement, usage, generation, management and governance of energy across Central Government.

Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK scheme aimed at reducing carbon dioxide emissions in large public and private sector organisations. Measures to simplify the scheme were brought into law in Northern Ireland on 20 May 2013, through the CRC Energy Efficiency Scheme Order 2013. The Department complied fully with its commitments under the legislation during 2016-17.

Sustainability in procurement and construction

The Department is committed to the achievement of sustainability in construction procurement. This concerns the procurement and delivery of building, engineering and refurbishment projects that promote environmental, social and economic gains now and for the future. All school projects that receive capital funding from the Department are expected to comply with the requirements detailed in Guidance Notes on sustainability issued by the Central Procurement Directorate (CPD) within DoF.



Signed: _____
Accounting Officer

Date: 26 June 2017

DEPARTMENT OF EDUCATION ANNUAL REPORT

ACCOUNTABILITY REPORT

3. CORPORATE GOVERNANCE REPORT

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Department's governance structures and how they support the achievement of the Department's objectives.

3.1 Directors' report

Ministerial responsibility

Prior to the Northern Ireland Assembly elections on 5 May 2016, the Minister with responsibility for the Department of Education was Mr John O'Dowd MLA.

Following the Northern Ireland Assembly elections Mr Peter Weir MLA was nominated as Minister with responsibility for the Department of Education on 25 May 2016. He held the post until the Northern Ireland Assembly elections held on 2 March 2017.

Senior officers

The Department is headed by the Minister for Education, supported by the Permanent Secretary, three Deputy Secretaries (one of whom was not a member of the Departmental Board during 2016-17 and as such is not listed below. The third Deputy Secretary subsequently became a Board member in 2017-18), a Chief Inspector, two executive directors and two independent non-executive directors. The composition of the Departmental Board during the year was as follows:

Mr Paul Sweeney	Permanent Secretary (until February 2017)
Derek Baker	Permanent Secretary from February 2017
Mrs Julie Thompson	Deputy Secretary (from August 2016)
Mrs Fiona Hepper	Deputy Secretary
Mrs Katrina Godfrey	Deputy Secretary (until July 2016)
Mrs Noelle Buick	Chief Inspector, Education and Training Inspectorate
Mr Trevor Connolly	Finance Director (until December 2016)
Mr Gary Fair	Finance Director (from December 2016)
Mr Barry Jordan	HR Director (until January 2017)
Mrs Barbara Swales	Acting HR Director (from January 2017)

Non-executive directors

Mr John Smyth
Mrs Fiona Keenan

Pension liabilities

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

Financial instruments

Financial instruments are not material for the assessment of the Department's assets, liabilities, financial position and net expenditure (see note 10 in the Financial Statements section).

Company directorships

There are no company directorships or significant interests held by any of the senior management team members which conflict with their management responsibilities. Mrs Fiona Keenan is a director of Keenan HR Consulting Limited and has confirmed that this role has not conflicted with her position as an independent non-executive director of the Department of Education.

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 reports his findings to the Northern Ireland Assembly. He and his staff are wholly independent of the Department.

The audit of the financial statements for 2016-17 resulted in a notional audit fee of £79k which is included in the administration costs in the Statement of Comprehensive Net Expenditure.

Equality statement

The Department in carrying out its functions has a statutory responsibility to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to the above obligation in carrying out its functions the Department is required have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Complaints handling

Details of the Department's complaints procedure are available on the Department's internet site at <https://www.education-ni.gov.uk/complaints-procedure-3>.

In 2016-17, 14 complaints were received under the procedure.

All complaints are analysed and lessons learned compiled into a year-end report which is considered by the Departmental Board. Complaints are centrally monitored for any emerging trends. Any such issues identified are raised with senior management for consideration and resolution.

Personal data related incidents

The Department is required to report personal data related incidents that have occurred during the financial year. A “personal data related incident” is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at risk of harm or distress.

Table: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office (ICO) in 2015-16.

Month of Incident	Nature of Incident	Nature of Data Involved	Number of People potentially Affected	Notification Steps
May 2016	Data was inadvertently disclosed to a member of the public.	Personal Information.	1	Affected person and ICO notified.

Events occurring since the end of the financial year

Voluntary Grammar (VG)/Grant Maintained Integrated (GMI) Schools

The then Education Minister decided, on 23 March 2016, to transfer the administrative arrangements of the VG/GMI schools' funding authority function from the Department to the Education Authority. The necessary legislative amendments were made on 24 March 2016, taking effect from 1 April 2016. However, the then Education Minister agreed that the Department would continue to fund VG/GMI schools during 2016-17, with a handover to the Education Authority on 1 April 2017.

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.

As part of the Northern Ireland Assembly's efforts to support businesses during the current economic circumstances, Accounting Officers were asked to support a commitment to paying invoices within 10 working days.

During 2016-17, 88% (90% 15-16) of invoices were paid within 10 days and 96% (97% 15-16) of invoices were paid within 30 days. The slightly lower figures were due to the impact of restructuring which delayed processing by AccountNI for a short time.

The Department's performance both in terms of paying invoices within 10 days and 30 days, can be viewed on the Account NI website:

http://www.accountni.dfpni.gov.uk/nics_prompt_payment_table_2016-2017_march17.pdf

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Disclosure of information to auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware, and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

3.2 Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance (DoF) 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 and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the DoF, 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 DoF has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. 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 DoF and published in *Managing Public Money Northern Ireland*.

3.3 Governance Statement

3.3.1 Introduction

This Governance Statement is a key feature of the Department's annual report and accounts. It provides details of how I, as Accounting Officer, have ensured effective management and control of resources during the 2016-17 year, and of the action taken to ensure effective risk management and a high standard of corporate governance.

The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year and an opinion on the Department's governance, risk management and internal control system. There were no limited opinions.

In addition, during the period, an NICS wide assurance review of the management of IT security and information risk was performed and a limited opinion was provided. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all departments.

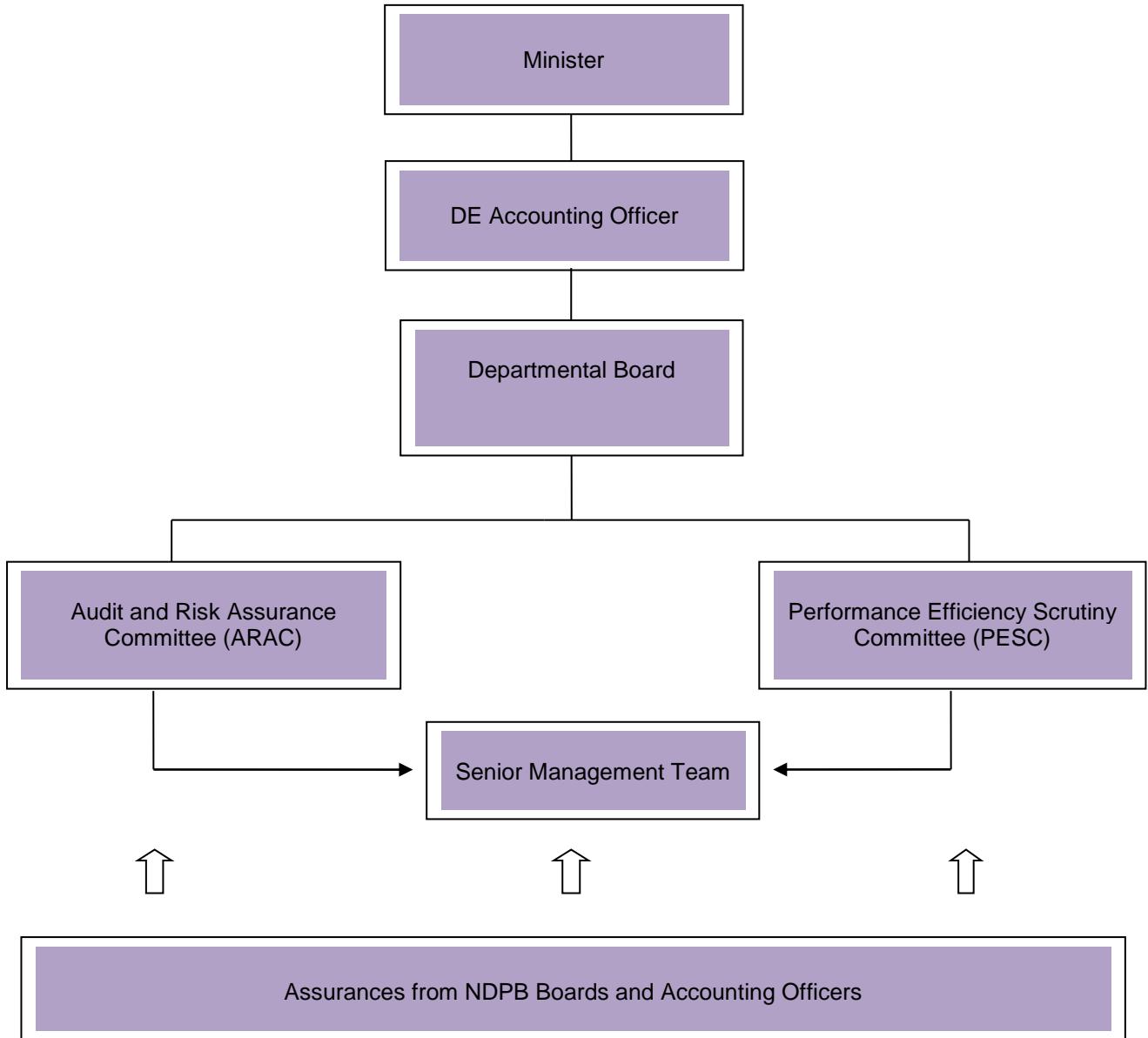
Internal Audit followed up on the eight reviews during this year, including the five which a 'limited' overall opinion was awarded in the 2015-16 year. I am pleased to note that the overall opinions on the Exceptional Circumstances Body, Grant Allocation , Belfast Education Library Board (now Education Authority) Financial Management and, Business Continuity Planning have been raised to 'Satisfactory'. The overall opinions on the Comhairle na Gaelscolaíochta (CnaG) Follow up of The Deloitte Report and the review of School Governance remain as 'limited'. Internal Audit has been assured that management is taking appropriate action to address the issues raised within these two reviews and has scheduled to follow up within the 2017-18 audit plan.

The following statement primarily focuses on the Department, as each of its eight sponsored Non-Departmental Public Bodies (NDPBs) provides an equivalent statement within its published report and accounts.

3.3.2 DE's Governance Framework

The Department of Education (DE) operates under the direction and control of the Minister for Education who is the Head of the Department. The Minister leads the Department and is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary I am the Minister's principal adviser, the administrative head of the Department and the Accounting Officer. As Accounting Officer, I am personally responsible and accountable to the Minister and to the Assembly for the effective management and organisation of the Department, including the use of public money and the stewardship of its assets.

The Department operates a detailed governance and accountability framework designed to help it oversee and hold to account the NDPBs which it sponsors. This is described more fully in section 9 below. In my role as Accounting Officer, I function with the support of the Departmental Board, its committees and my Senior Management Team. This structure is outlined in the following diagram:



The Departmental Board

The Department is managed by a Departmental Board which, within the strategic framework set by the Minister, supports me as Permanent Secretary in the discharge of my role.

The Departmental Board is chaired by me and comprises two Deputy Secretaries; the Chief Inspector of the Education and Training Inspectorate (ETI); the Director of Finance; the Director of Human Resources and Corporate Services; and two independent non-executive directors. The role of the independent non-executive directors is to: provide an independent and external perspective on the work of the Departmental Board; to bring some specific expertise to its discussions; and to provide a constructive challenge across the Departmental Board's business. Other Departmental Directors have been invited to attend meetings where agenda items relevant to their business areas required their attendance to inform discussion. The Departmental Board's work is guided by a Corporate Governance Framework which is reviewed regularly.

During 2016-17, the Departmental Board met on 6 occasions.

Departmental Board Membership and Attendance 2016-17

A list of members is provided below along with details of their individual attendance records:

Board Member	Meetings Attended	Out of a possible
Paul Sweeney (Chair)	5	5
Derek Baker (New Chair February 2017)	1	1
Noelle Buick (Chief Inspector, ETI)	6	6
Katrina Godfrey (Deputy Secretary until July 2016)	2	2
Julie Thompson (Deputy Secretary from September 2016)	3	4
Fiona Hepper (Deputy Secretary)	6	6
Trevor Connolly (Director of Finance until December 2016)	3	4
Gary Fair (Director of Finance from December 2016)	2	2
Barry Jordan (Director of Human Resources and Corporate Services until December 2016)	4	5
Barbara Swales (Acting Director of Human Resources and Corporate Services from January 2017)	1	1
Fiona Keenan Independent Board Member	6	6
John Smyth Independent Board Member and Chair of ARAC	6	6

The Departmental Board's role is set out in the Department's Corporate Governance Framework.

It includes the following elements.

- Taking the lead in communicating a system-wide strategy and vision.
- Leading on the implementation of that strategy and vision through:
 - setting the Department's standards and values;
 - ensuring delivery of the Department's Business Plan objectives;
 - the development of policy, under the direction of the Minister, and the directing of change;
 - and

- the allocation and management of resources.
- Monitoring the implementation of that strategy by:
 - tracking delivery progress against targets and expenditure;
 - holding the Department and its delivery partners to account for this progress;
 - safeguarding against and managing risk; and
 - maintaining internal controls.
- Managing, monitoring and improving the performance of the Department, leading organisational change where necessary.
- Ensuring that there are robust governance arrangements within each of the Department's NDPBs.

During 2016-17, there were five categories of routine Board business. These again reflected the areas set out in the Corporate Governance Framework:

- financial matters and allocations;
- business planning;
- policy and strategy;
- management; and
- risk management and internal controls.

Board sub-committees

During 2016-17 the Departmental Board was supported by two sub-committees: the Audit and Risk Assurance Committee (ARAC) and the Performance Efficiency Scrutiny Committee (PESC).

Audit and Risk Assurance Committee

The ARAC is an independent advisory committee with no executive functions. Its role is to support me in my role as Accounting Officer and to support the Departmental Board in discharging its respective responsibilities for issues of risk, control and governance and associated assurance with the support of a professionally qualified Internal Audit service.

ARAC comprises four independent members. Two members are serving senior civil servants and two are DE Independent Board Members.

During 2016-17 ARAC meetings were also attended by: a number of DE staff, including me as Permanent Secretary (with effect from 27 February 2017) and my predecessor, Paul Sweeney; the Deputy Secretary with responsibility for finance and performance management; the Director of Finance; the Head of Internal Audit; and representation from the Department's external auditors, the NIAO.

Throughout the year the Committee considered the findings from Internal and External Audit activity along with the outcomes of key governance processes such as risk management, Governance and Accountability Review meetings and the bi-annual NDPB governance statements. In addition, the Committee invited various risk owners (Directors) to attend and provide assurance on their areas of responsibility.

Attendance 2016-17

Name	Meetings Attended	Out of a possible
John Smyth Chairperson	5	5
Deborah Brown	3	5
Fiona Keenan	4	5
Colin Lewis	3	5

A key role of the ARAC during 2016-17 was to provide independent advice, scrutiny and challenge on:

- the strategic processes for risk, control and governance and preparation for the Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

Performance Efficiency Scrutiny Committee

During 2016-17, PESC was chaired by the Deputy Secretary with responsibility for Resources, Reform & Infrastructure. Membership also comprised the Deputy Secretary with responsibility for Education and Children's Services; the Director of Finance; the Deputy Director of Finance; the Director of Planning and Performance Management (up to 4 December 2016); the Director of Education Workforce Development; and the Director of Inclusion and Wellbeing. Other senior staff attended PESC meetings to facilitate oversight and/or the carrying out of particular tasks.

Attendance 2016-17

Name and Position	Meetings Attended	Out of a possible
Fiona Hepper Chairperson Deputy Secretary with responsibility for Resources, Reform & Infrastructure	4	5
Katrina Godfrey Deputy Secretary with responsibility for education and children's services (and human resources until July 2016).	1	1 (transferred from DE July 2016)
Julie Thompson Deputy Secretary with responsibility for education and children's services	3	3 (joined DE August 2016)
Trevor Connolly Director of Finance	2	4 (transferred from DE December 2016)
Gary Fair Director of Planning and Performance Management; Director of Finance (from 5 December 2016)	5	5
La'Verne Montgomery Director of Education Workforce Development	3	4 (transferred from DE December 2016)
Barry Jordan Director of Education Workforce Development (from January 2017)	1	1
Caroline Gillan Director of Inclusion and Wellbeing	4	5

The key roles for PESC during 2016-17 were as follows.

- On an ongoing basis, scrutinising and critically reviewing the nature of spending in all areas to ensure effective financial management; to examine the scope for improving value for money, delivery and performance within the Department and across the education sector and to ensure delivery of the savings required to balance the budget.
- Oversight of governance and accountability arrangements and any issues arising in relation to the Department's NDPBs; and monitoring of the operation of revised governance arrangements.
- Following the review of Earmarked Funds, seeking periodic updates from budget holders for those funds which remain earmarked to ensure that appropriate monitoring arrangements are in place and adhered to.

- A focus on outcomes and the evaluation of what is being delivered (policy evaluation). This work was spearheaded by the Data Analysis Project Support (DAPS) team, with a focus on specific areas.
- Establishing a programme of scrutiny of operational expenditure and oversight of the development of appropriate, efficiency-related performance indicators for the Department's NDPBs (including the Education Authority (EA) as services are regionalised) to ensure the Department is an 'intelligent scrutineer' when reviewing the performance of its NDPBs in delivering operational services.

3.3.3 Departmental Board Performance

I consider that the Departmental Board operated effectively during 2016-17, meeting regularly and considering relevant issues at the appropriate time. The Departmental Board fulfilled its role as set out at section 2 above.

2016-17 Review of Board Effectiveness

The annual evaluation of Board effectiveness was due to be conducted in February 2017. Due to three changes in Board membership from September 2016 to February 2017 (highlighted in Section 2) including the Chair, the review was postponed until June 2017. The findings will be presented to the DE Board at its meeting on 29 June.

3.3.4 Highlights of Board Committee Reports

This section provides information on key areas progressed by the Departmental Board's two sub-committees.

A report on key issues discussed at ARAC meetings was provided for each Departmental Board meeting and full minutes were circulated to Departmental Board members when finalised. ARAC is also preparing its annual report for 2016-17, summarising the work of the committee and providing its opinion on the comprehensiveness and reliability of the assurances available to support the Departmental Board and, particularly, to support the DE Accounting Officer in his accountability obligations.

In April 2017 ARAC completed an assessment of its own effectiveness during 2016-17 and the outcome was "satisfactory".

The key areas of focus in 2016-17 were on the continued bedding in of the EA during the year, the delivery of the DE Internal Audit Strategy 2017-2020 and the review of the committee's terms of reference, with particular emphasis on the provision of key information relating to risk management/governance and/or internal control within DE or NDPBs.

During 2016-17 much of the work carried out by PESC was taken forward within the Department through the relevant teams. This included ensuring that internal monitoring mechanisms were in place to monitor the overall outturn position to ensure the delivery of a balanced budget.

A review of the future role of PESC is currently underway. The committee will consider the outcome of the review and the Board will subsequently be asked to consider and approve, or otherwise, the committee's recommendations in light of the paper.

Internal Audit's review of DE's Corporate Governance Framework and Management Information, commissioned by PESC, resulted in the publication of the DE manual 'Governance & Accountability Arrangements for the Oversight of Arm's Length Bodies' in February 2017. Under those arrangements, the Governance Directorate provides central oversight and co-ordination of all aspects of the governance and accountability framework. Finance Directorate plays a similar role on all aspects of financial management, budget allocation and monitoring. Each NDPB also has a nominated Sponsor Team which is generally the main source of advice in relation to the functions and role of the NDPB and is usually the NDPB's primary point of contact with DE.

3.3.5 Corporate Governance

As noted above, the Department has in place a Corporate Governance Framework which aligns with the Corporate Governance in Central Government Departments: Code of Practice NI 2013.

3.3.6 Quality of the data used by the Departmental Board

The Departmental Board relies on four main sources of data to inform its deliberations. These are:

- statistical information (for example, data related to enrolments, attainment, attendance, workforce);
- financial information (including monitoring reports on capital and resource expenditure);
- Human Resources (HR) information, mainly data on attendance management; and
- inspection evidence, mainly data used to compile the Chief Inspector's report and the annual report to the Departmental Board.

All statistics produced by the Department are designated as 'Official Statistics' and some are designated as 'National Statistics'. As such, they are produced in line with the 8 principles and 3 supporting protocols set out in the UK Statistics Authority's Code of Practice for Official Statistics. Accordingly, the Departmental Board considers that it can take assurance as regards the quality of the statistical data it uses to monitor performance and inform decision-making.

The Finance data presented to the Departmental Board are prepared from internal and external finance systems, which are supported by internal control frameworks. These are subject to both internal and external audit scrutiny, across the education sector.

The inspection data presented to the Departmental Board are prepared from the ETI's Management and Recording System (MARS). A MARS record is completed for each inspection and is subject to internal scrutiny and annual audit by designated ETI inspectors.

Information on attendance management is sourced from official reports provided by the Northern Ireland Statistics and Research Agency (NISRA).

3.3.7 Ministerial Directions

Arrangements exist to respond to a situation where an Accounting Officer believes that he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. During 2016-17 no Ministerial Directions were sought or given.

3.3.8 Risk Assessment

The Departmental Board has responsibility for ensuring that an effective risk management process is in place and is regularly reviewed. In discharging this responsibility, it is supported by the ARAC and the Department's Internal Audit Team. The Chair of ARAC is a non-executive Director on the Departmental Board and is privy to discussions in relation to Departmental risk at Departmental Board meetings. This arrangement, in conjunction with written and oral updates provided at each meeting, ensures that the ARAC is kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

The DE Risk Management Framework (RMF) sets out the Department's approach to risk and the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. The RMF was last revised in March 2017 when minor amendments were made.

The RMF requires that any Directorate residual risk that is assessed as "Red" must be reported to the Departmental Board and the Minister should also be informed. Contingency plans should also be developed and tested.

Risk Management

The Departmental Board agrees the risks to be included in the Department's Corporate Risk Register (CRR) and agrees ownership of each risk. The risk management process is integrated with normal management processes and informs the annual business planning cycle so as to link risk management and internal control with the Department's ability to fulfil its business objectives.

During 2016-17 the Departmental Board identified twelve corporate risks to the Department's ability to deliver progress in key priority areas. The areas of risk related to educational attainment, child protection and safeguarding, governance, resources and business continuity. The Departmental Board reviewed its corporate risks regularly throughout the year, identifying changes that needed to be made to ensure effective categorisation and management of risk. The Departmental Board particularly ensured that risks were reviewed in the context of progress in delivering business plan commitments within the challenging environment of tightening economic and budgetary constraints and uncertainty.

New risks were identified during 2016-17 in relation to: governance and accountability arrangements for the oversight of the Department's arm's length bodies (NDPBs); potential underspend in the 2016-17 capital budget (both Executive and Fresh Start funded budgets); and potential delay in major works projects and construction of the Strule Education campus due to lack of certainty around the capital budget for 2017-18 and beyond.

A new risk regarding the Department's failure to deliver Departmental obligations in relation to the Programme for Government was included in the CRR. However, after further consideration, this was later merged with an existing more general risk relating to the development, design and implementation of Departmental and relevant Executive policies and strategies not adequately contributing to ensuring that children in her are given the best start in life. An existing risk relating to the Department not taking the appropriate action to align its resources to ensure the delivery of strategic priorities in education was also amended to reflect the need to deliver the agreed Programme for Government framework.

An existing risk relating to education sector staff pay increases being awarded and paid in the absence of appropriate approvals was removed from the CRR as it was deemed that sufficient controls are now in place to manage the risk.

Additionally, each directorate/business area was required by the Departmental Board to have in place appropriate arrangements for managing risk at a lower level.

Significant issues arising during 2016-17

During 2016-17 the Department managed a number of significant issues in relation to:

- EA 2016-17 Provisional Outturn Overspend
- 2017-18 Budget Position
- Transfer of the Executive Strategy for Children and Young People's Services and Childcare Strategy
- Youth Council for Northern Ireland (YCNI)
- Industrial Action by Teacher Unions
- Investing in the Teaching Workforce Scheme
- De La Salle College, Belfast
- Governance Issues in the General Teaching Council for Northern Ireland (GTCNI)
- Governance issues in Comhairle na Gaelscolaíochta (CnaG)
- Computer Based Assessment
- Education Network (NI) Contract Extension and Replacement
- Data Security Lapses
- Fraud Prevention and Whistle-blowing
- Centre of Procurement Expertise (CoPE) status of the EA
- HR Strategy
- Staff absence
- NIAO Review of Special Educational Needs

EA 2016-17 Provisional Outturn Overspend

While the Department robustly monitored and challenged the EA's financial position throughout the year through the regular monthly reporting process, the Governance and Accountability Review meetings and specific monthly finance meetings, the EA reported a provisional outturn overspend of £19.3m for 2016-17. While the EA successfully delivered savings of £25m in-year in 2016-17, the year-end overspend was a consequence of a number of in-year pressures resulting from either unsuccessful or only partially successful bids being met in the early part of 2016-17, or bids that remained unmet as a result of the stalled January Monitoring Round process. Although the EA highlighted and bid for these pressures throughout the year, the Department was

given regular assurances that, while there were significant risks, the Authority was focused on seeking, as far as possible, to manage those pressures in-year. It should be noted that the lack of full management information reporting functionality following the implementation of the EA's new financial system in December 2016, severely inhibited the EA's ability to accurately forecast expenditure coming up to year end. I have since written to the Interim Chief Executive of the EA seeking an assurance about the timeliness and quality of management information produced by the new financial system.

The main causes of the overspend were higher than budgeted spend on Special Education Needs (SEN), schools delegated budgets and essential school maintenance.

A substantial element of SEN expenditure is statutory based akin to legally enforceable contracts. The overspend on SEN of £6.8m reflected the unmet element of a January Monitoring bid for £10m. DE allocated the balance throughout the year through internal easements. These pressures were highlighted by the EA throughout 2016/17, and indeed recent trends show that there is an expectation that SEN pressures are rising by up to £13m year-on-year.

Unfunded pay pressures for the last 2 years led to more schools accessing surpluses (as they are entitled to do) or more schools incurring or increasing deficits in 2016-17. Both scenarios had to be funded by the EA in the absence of in-year monitoring round bids being met (£7.8m of the £19.3m). This is an area of particular concern to the Department and therefore the decision was taken, in discussion with the EA, to commission DE's Internal Audit to undertake an urgent review of the EA's systems and capacity to monitor schools' spend, to identify the underlying causes of escalating schools' spend and to produce a set of recommendations for the Department's early consideration. The EA has given an assurance that it will co-operate fully with this review. The expectation is that the review may expose systemic problems to which a future administration may wish to give consideration. DE's Internal Audit will liaise closely with the NIAO to avoid duplication, as the NIAO is also taking forward a review of schools' spending in 2017-18. On a wider point, as the EA is currently in the process of recruiting a Head of Internal Audit, the Department may also consider extending the involvement of DE Internal Audit in EA matters, as deemed appropriate, in the interim.

There is a significant backlog of maintenance work required across the schools estate, and, as a result, the EA overshot its in-year budget for this by £3.9m. This is a difficult area of spend for the EA to manage as there is an ongoing risk of legal challenge relating to health, safety and welfare issues if the EA does not meet its statutory responsibilities in respect of maintenance and emergency response maintenance requirements, not to mention the actual risk to pupils.

The Department continues to challenge the EA on the robustness of its 2017-18 forecast cost pressures, particularly in relation to schools' spend.

As part of the longer-term transformational agenda, the Department will continue to engage closely with the EA in 2017-18, particularly in relation to:

- overseeing the implementation of the three year regional area plan, "*Providing Pathways*", which was published in April 2017;
- ensuring that SEN services are delivered as effectively and efficiently as possible over the coming years; and
- ensuring that, in conjunction with all relevant stakeholders, and subject to any required public consultation, all proposals for change will be given due consideration and, where possible, implemented as soon as possible.

2017-18 Budget Position

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Given the need for schools to plan ahead for the new academic year, including making difficult choices where necessary, schools were provided with full year indicative cash figures for 2017-18 in March 2017, calculated using the 2016-17 opening budget position adjusted for any demographic changes between 2016-17 and 2017-18.

Transfer of the Executive Strategy for Children and Young People's Services and Childcare Strategy

With the reorganisation of government departments, under the Departments (Transfer of Functions) Order Northern Ireland 2016, a number of functions were transferred to DE from the former OFMdFM in May 2016. Responsibility for the Strategy for Children and Young People's Services and for the Childcare Strategy now rests with DE.

YCNI

Responsibility for regional youth services funding and support transferred from the Youth Council for Northern Ireland (YCNI) to the EA on 1 April 2016. Directions related to the changes were issued by the Department to YCNI in March and June 2016. YCNI no longer has any executive staff. As Departmental Accounting Officer I have assumed the YCNI Accounting Officer role and the YCNI Board is supported by a small secretariat within DE. YCNI spend requires departmental approval and the Department is also providing Internal Audit and finance services (including preparation of the YCNI 2016-17 Annual Financial Statements to the Chair and Board of the Council) to the YCNI Board. An agreed Memorandum of Understanding (MOU) and Service Level Agreement (SLA) are in place for the revised arrangements.

Industrial Action by Teacher Unions

During the year the Teacher Unions escalated industrial action, including action short of strike in relation to disputes about pay and workload. Detailed engagement with the Unions is continuing in an effort to resolve the matters at issue.

Although four of the teaching unions which make up the Northern Ireland Teachers' Council (NITC) have declared industrial action in relation to a pay dispute, this includes non-co-operation with the Education and Training Inspectorate (ETI). The ETI inspects on behalf of the Department and has a statutory duty to monitor, inspect and report on the quality of education under Article 102 of the Education and Libraries (Northern Ireland) Order 1986. Therefore, inspections have proceeded and the evaluations based on the evidence as made available at the time of the inspection have been reported. However, owing to the impact of the action short of

strike being taken by the staff, under these circumstances the ETI has been unable to assure parents/carers, and the wider school community and stakeholders of the quality of education (and safeguarding in some circumstances) being provided for the children.

If a school does not provide evidence that satisfactory arrangements are in place for safeguarding learners, the ETI returns to the school within six weeks to monitor and report on the arrangements for safeguarding; if there are significant areas for improvement identified in relation to safeguarding under these circumstances, the Department seeks assurance from the EA (and/or employing authority) that they are working with the school to address the issues.

If action short of strike prevents a school in the follow-up process from demonstrating the necessary improvements, and under normal circumstances a lack of improvement would have resulted in external support being provided through the Formal Intervention Process, the ETI is reporting accordingly and the Department is seeking assurance from the EA (and/or employing authority) that they are working with the school to address the issues.

Investing in the Teaching Workforce Scheme

The Investing in the Teaching Workforce Scheme launched on 5 September 2016 on a pilot basis for the 2016-17 year. The primary aim of the Scheme is to refresh and re-profile the teaching workforce, whilst providing job opportunities for those teachers who have experienced the greatest difficulty in securing meaningful employment.

The Scheme will assist in refreshing the teaching workforce by enabling up to 120 teachers aged 55 years and over to avail of early retirement from the teaching profession, at their request, providing job opportunities for up to 120 recently qualified teachers, who have qualified in the years from 2012 up to, and including, 2016. 120 conditional offers were made to teachers wishing to exit the profession under the terms of the Scheme, out of 460 expressions of interest. 98 of the 120 conditional offers were accepted by teachers.

The Department received a legal challenge in relation to the Scheme in the form of a Judicial Review. The legal challenge relates to the Scheme stipulation that applications for replacement teaching positions are open to Recently Qualified Teachers.

Given the need to plan and deliver the Scheme in a manner which delivers certainty and minimises disruption for schools and pupils, the Department took the decision to pause the Scheme until the outcome of the Judicial Review was determined.

The Judicial Review hearing took place on 3 May and on 19 May the High Court determined that the terms of the Investing in the Teaching Workforce Scheme were lawful.

The Department is consulting further with Employing Authorities to determine the appropriate timing for the implementation of the pilot Scheme and will bring forward proposals to progress the conditional offers already made to teachers as soon as possible.

De La Salle College, Belfast

In April 2016, the Minister commissioned an independent investigation to determine the circumstances in regard to a serious situation at De La Salle College where there were very high absence rates amongst teaching staff and concerns had been raised about the impact on teaching and learning within the school. An independent panel undertook the investigation and subsequently submitted its report to the Minister in August 2016. The Panel's report contains

some 40 recommendations, implementation of which is being taken forward by the Board of Governors of De La Salle College, CCMS and the EA. Twenty two of the 40 recommendations are due to be implemented no later than 1 September 2017, with the remaining 18 implemented no later than 1 September 2018. A small Project Board chaired by a senior DE official and comprising representatives from DE, CCMS and the EA was set up to monitor and report on the implementation of the Panel's report. The Project Board met on three occasions during 2016-17 and will continue to meet during 2017-18. A senior DE representative continues to attend Board of Governor meetings in observer status.

Governance Issues in the GTCNI

In June 2016, the GTCNI Council endorsed a revised corporate governance framework and proposals for revised committee structures to address the recommendations of the Board Effectiveness Review Report completed by DoF's Business Consultancy Service.

The range of special measures for the GTCNI introduced by DE on 22 December 2015 remains under review. This has included the removal of all delegations and the secondment of a senior Departmental official as the interim Accounting Officer on a temporary basis from March 2016. A new interim Accounting Officer, seconded from the Department, was appointed in November 2016.

In the GTCNI Governance Statement, the new interim Chief Officer/Accounting Officer has reported that substantial progress has been made and that the Department has accepted that the Council's work on corporate governance has addressed the issues raised in the Board Effectiveness Review report. The newly constituted Council is focused on the importance of continuing to implement and monitor the improvements made to date. Combined with constructive support from the Department to help address areas of concern, the new Council has provided a level of stability and determination to oversee positive progress across all areas of the business. The new interim Chief Officer believes that the Council is moving to a position where reasonable assurance can be provided that the organisation is operating effectively.

The Department commissioned an organisational review of the GTCNI in February 2017. The overall aim of the assignment is to conduct a fundamental review of the administration, management and operation of the GTCNI. The review has been welcomed by the Council with members showing their commitment to engage with the service provider. A draft report was received in May 2017 and the final report is expected in due course.

Governance Issues in CnaG

Since 2013, a number of reports have highlighted significant weaknesses in governance and organisation within CnaG. Notably, DE commissioned Deloitte to carry out a review of governance and organisation in CnaG. The review concluded that CnaG was no longer fit for purpose and made a series of recommendations for change. As a result, in early 2016, a number of measures were introduced to strengthen the governance framework for DE oversight of CnaG. In September 2016 a follow-up review by DE Internal Audit concluded that, despite some improvements, an overall opinion of 'limited assurance' in regards to governance and organisation in CnaG remains. Consequently, additional governance measures remain in place until September 2017.

Given the absence throughout the year of a permanent Chief Executive, the role of the Accounting Officer was undertaken by the Chief Finance Officer. A recruitment competition to appoint a new Chief Executive has now commenced.

Computer Based Assessment (CBA)

As part of the statutory CBA arrangements, primary schools are required to carry out diagnostic assessment in literacy and numeracy during the autumn term for pupils in Years 4 to 7. In December 2016, an error was encountered with the Northern Ireland Numeracy Assessment (NINA). This was associated with a third party supplier which the Council for Curriculum, Examinations and Assessment (CCEA) uses. The Department was content that the CCEA contingency plans promptly dealt with the issue and ensured that controls were in place to avoid a similar occurrence in the future. The existing contracts for NINA and the Northern Ireland Literacy Assessment (NILA) end in August 2017. In January 2017, the then Education Minister announced that the existing contracts for NINA and NILA should not be renewed for the 2017/18 academic year.

Education Network (NI) Contract Extension and Replacement

The main period of the current contract to provide the IT Managed Service for the school system (that is, C2k) ended at the end of March 2017. A risk in relation to failure to secure a contract extension for the service was identified and escalated to the DE Board in December 2016. Liaison was intensified with the EA (the risk owner) in order to secure the necessary business case approvals. These were secured and the business case for the contract extension was approved by DoF in March 2017. Approval was made conditional upon the EA undertaking as a matter of urgency the work necessary to replace the current contract by the end of March 2019.

Data Security Lapses

On 31 May 2016 the Department notified the Information Commissioner's Office (ICO) of a potential data security breach regarding an inadvertent disclosure to a member of the public. The ICO investigated the circumstances of the incident and concluded on 4 January 2017 that no further action was necessary on this occasion. In response to the incident, Departmental staff were reminded of their legal obligations under the Data Protection Act (DPA). In addition, refresher DPA training is being developed for all DE staff to be delivered via e-Learning.

Fraud Prevention and Whistleblowing

The Department's fraud and whistleblowing arrangements were reviewed and it was concluded that they are fully compliant with current best practice.

Fraud monitoring and reporting arrangements have been effectively maintained throughout the year. There were four frauds reported within the Department during 2016-17, none of which involved a financial loss to the Department.

Centre of Procurement Expertise (CoPE) status of the EA

An independent review on the EA CoPE Accreditation was carried out and a report produced on 13 February 2017. The findings from the report were that the EA did not fully meet the requirements of the CoPE Accreditation Model. A number of recommendations were made in the report and an action plan developed. The EA has set up a CoPE Accreditation Review Working Group to take forward the recommendations. The Department is working closely with the EA on

this to ensure implementation, working towards reaccreditation sometime in 2018. In the meantime, the Central Procurement Directorate has agreed with the Department and the EA that the EA will maintain its CoPE status.

HR Strategy

The Department employs around 550 employees (557 at 31 January 2017) who play an important role in the delivery of services to the Minister, the education sector and citizens. The Board has therefore given a significant time commitment at meetings throughout 2016-17 to the Department's strategic management approach in this area. The Board agreed a HR Action Plan for 2016-17, the third and final year of DE's HR Strategy 2014-2017, recognising that improvement across all aspects of the Department's approach to people management needed a sustained focus. The Board has monitored the considerable progress that has been made during 2016/17 to normalise the staffing structure following the exit of over 90 staff under the NICS Voluntary Exit Scheme (VES) by 31 May 2016.

The Board is keen to sustain momentum in this area, not least because of the considerable people management challenges presented by the reductions to the Department's staffing budget, the loss of a significant number of staff under VES and the need to ensure continuity of service provision.

Staff absence

Final validated staff absence figures for 2016-17 will not be available until autumn 2017, although provisional information from NISRA estimates that the Department will record 11.2 days lost per full time equivalent member of staff for 2016-17. The 2015-16 outturn position was 8.8 days. It is particularly disappointing that the continuation of the same approach and management focus that was adopted in 2015/16 yielded very different results in 2016/17. This merits further consideration of the additional factors influencing attendance for 2016/17, which shall be given attention. The overall sickness absence throughout the NICS in 2016-17 was estimated to be 12.4 days lost per full time equivalent member of staff.

NIAO Review of Special Educational Needs

The NIAO commenced its review of Special Educational Needs (SEN) in April 2016. The aim of the review was to assess the effectiveness of the Department's strategy for supporting pupils with SEN.

The Department co-operated fully with the NIAO in regard to the work associated with the Review which was largely taken forward in the 2016/17 financial year. The resulting NIAO report, which focuses on SEN provision in mainstream schools, evaluates whether the current arrangements for meeting the SEN of children deliver value for money and the best outcomes for children. The report is expected to be published in June 2017.

Update on other prior year significant issues

The remaining prior year significant issues were as follows:

- EA's Transition to a Single Regional Authority
- Public Accounts Committee hearing
- Outworking of Area Planning
- IT Contract – Irregular Spend

- End of Key Stage (KS) Assessment
- Strule Programme Delivery Unit

EA's Transition to a Single Regional Authority

The Change Management programme initiated by DE to dissolve the Education and Library Boards and create EA continued during 2016-17 with a focus on the programme of work to review and redesign the delivery of key EA services within a single, regional structure. A follow-up “Gate 0” Gateway Review was undertaken in March 2017 with external experts reviewing the delivery of the objectives of the change programme and making recommendations. The review team found that the development and implementation of the EA has been delivered and that there are no major issues left to resolve prior to closure of the formal Implementation Programme.

The Department will now undertake an exercise to determine what, if any, activity remains to be completed prior to the formal closure of the Programme.

Public Accounts Committee hearings (Pupil Attendance and Sustainability of Schools)

The Department has continued throughout the year with its aim to reduce unauthorised attendance and increase attendance levels in schools. The “Miss School = Miss Out: Strategy for Improving Pupil Attendance” was published in December 2016 identifying school leadership, effective early intervention, tailored support for pupils and effective collaboration and engagement as the key themes that are most successful in managing attendance. The Strategy was launched alongside the ETI’s good practice guide on pupil attendance. A comprehensive progress update was issued to the Public Accounts Committee in December 2016.

Outworking of Area Planning

The Department continued working with the EA, the Council for Catholic Maintained Schools and sectoral bodies through the Area Planning Governance Structures in supporting the development of the draft Area Plan. The draft strategic priorities by Local Government District were agreed at the five Area Planning Local Groups and endorsed Area Planning Working Group and Area Planning Steering Group (APSG). The Minister endorsed the draft Area Plan for public consultation and Area Planning Policy Team officials provided an overview of the Sustainable Schools Policy, Area Planning and Development Proposal processes at consultation information events with local councillors and school representatives. The Minister was briefed on the consultation outcomes and the final draft of the Area Plan and, at the APSG meeting on 2 March 2017, he endorsed the Area Plan, along with the 2017-18 Annual Action Plan, for publication by 31 March 2017. The EA was unable to comply with this timeline as the appropriate approvals had not been secured from the EA Education Committee and Board. However, approvals were received in April and the new Area Plan for 2017-2020 and supporting Annual Action Plan for 2017-18 were published on 28 April 2017. Thirty two Development Proposals were published in 2016-17, a decrease from the previous year. These resulted in 13 decisions and included a number of complex cases involving multiple schools. Area Planning guidance was revised and reissued and a Communications Strategy was agreed. A complex Judicial Review concluded in the Department’s favour and two protracted cases remain outstanding.

IT Contract – Irregular Spend

In 2015-16 DoF did not approve increased expenditure on an IT contract relating to the Teachers’ Pension administrative system amounting to £507,000. For 2016-17 irregular spend of £275,000

will be reflected in the Departmental Accounts pending the regularisation of expenditure from 2017-18 onwards.

End of KS Assessment

2016-17 was the fifth year of revised statutory arrangements for assessing pupils' progress in Communication and Using Mathematics (with the introduction of Using ICT from September 2016) at the end of each Key Stage from KS1-3. While the Department remains satisfied that the policy approach is in line with international best practice and puts assessment arrangements in place which complement and support the statutory curriculum, there continues to be union and wider professional opposition. Over the past number of years, the Department has listened to the views and concerns of the NI Teachers' Council and has taken steps to address their concerns. Whilst progress has been made, Teacher Unions continue to express concerns on behalf of their members. Despite this, it has been possible to measure system-level performance on a sampling basis.

Strule Programme Delivery Unit

The Department has continued to ensure that the Strule Shared Education Campus Programme adheres to governance controls that are appropriate to a programme of its significance and scale. Throughout the 2016-17 financial year, significant progress has been made across a number of areas, the main highlights being: the opening of the first school on site, Arvalee School and Resource Centre, in September 2016; designs for the remainder of the campus reaching developed design stage; commencement of the procurement process in November 2016 for an Integrated Supply Team to deliver the main building works; appointment of a contractor in February 2017 to take forward site preparation works; signing of a Memorandum of Agreement in May 2016 setting out arrangements for ownership, governance and management of the SSEC; and ongoing work to develop the funding model and educational model for the Campus. While there has been some slippage in delivery of specific activities, this has not impacted on the overall completion date which is still planned for September 2020.

Subsidiary Directorate Governance Statements

Subsidiary Governance Statements were prepared and signed by all Directors and have been used to prepare the DE Governance Statement.

3.3.9 NDPB Governance Framework

The chief executive of each of the Department's NDPBs is designated by the Departmental Accounting Officer as the Accounting Officer for his or her organisation. The allocation of accounting officer responsibilities is set out in the Statement of Accounting Officers' Responsibilities on page 40.

During 2016-17 the Department adopted a robust framework for ensuring effective governance within its existing NDPBs and to provide the Accounting Officer with assurance that designated accounting officers were fulfilling their responsibilities. Key features of this framework included:

- a requirement to ensure compliance with statute and with the body's Management Statement and Financial Memorandum;

- arrangements to ensure that NDPB business plans reflected and supported the delivery of the Education Minister’s strategic priorities, particularly those related to raising standards and closing the attainment gap;
- monitoring of progress in delivering agreed business plan targets;
- regular, formal Governance and Accountability Review meetings chaired by the Permanent Secretary and attended by the respective chief executives and chairs;
- the completion of mid-year governance statements which provided confirmation (and, where necessary, evidence) that required processes were being followed;
- regular engagement between DE directors and senior NDPB counterparts; and
- the regular attendance of a senior DE member of staff as an observer at meetings of each NDPB’s audit committee and routine and timely feedback from these meetings.

Following an internal audit review of ALB oversight arrangements, a revised governance framework ‘Governance and Accountability Arrangements for the Oversight of Arm’s Length Bodies’ was developed during 2015-16 and implemented in the Department from March 2016. These arrangements are reviewed, at least annually, and the next review is scheduled for the end of June 2017.

NDPB governance statements

The DE Governance Statement needs to reflect and be informed by the content of the Governance Statements of the NDPBs for which the Department is accountable. Accordingly, the Department requested sight of the draft Governance Statements from all of its executive NDPBs.

As a first step, in order to ensure good standards of governance in its NDPBs and in consideration of the guidance on compliance and content contained in Annex 3.1 of Managing Public Money NI, the related fact sheet provided by NIAO and previous years’ feedback provided by DE, the Department carried out an analysis of the initial draft Governance Statements which were submitted by each NDPB within the required deadline and provided feedback accordingly. Most of the initial draft statements complied with the above guidance and had taken on board the previous year’s feedback. Some minor suggestions for improvement, including a small number of factual inaccuracies, were provided to a small number of bodies.

Bodies were also asked to submit their final draft Statements to DE by 5 May. Four bodies (EA, GTCNI, CnAG and YCNI) requested and were granted extensions to that deadline to enable further consideration by their respective audit committees. A subsequent analysis by DE indicated that the feedback provided had largely been taken account of by the bodies in the final draft Statements. The Department also used its analysis of the draft Governance Statements to ensure that its own statement captures all relevant significant issues (see section 8).

3.3.10 CONCLUSION

In conclusion, it is my assessment that the Department of Education operates an appropriately rigorous system of governance and accountability which I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are

deployed effectively and appropriately. Where significant issues have arisen that could affect the principles of regularity, propriety or value for money I am satisfied that appropriate action is being taken to address these.

4. REMUNERATION AND STAFF REPORT

The remuneration and staff report sets out the Department's remuneration policy for Ministers and the Senior Management Board of Directors of the Department, reports on how that policy has been implemented and sets out the amounts awarded to them and where relevant the link between performance and remuneration. In addition the report provides details on remuneration and staff that the Assembly and other users see as key to accountability.

Remuneration Report

4.1 Remuneration policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

4.2 Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

4.3 Salary and pension entitlements

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

4.4 Remuneration (including salary) and pension entitlements (Audited)

Minister	2016-17			2015-16		
	Salary £000	Pension Benefits* £000	Total £000	Salary £000	Pension Benefits* £000	Total £000
Mr John O'Dowd MLA (to 5 May 2016)	4	1	5	38	13	51
Mr Peter Weir MLA (from 25 May 2016)	29	4	33	-	-	-

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual).

The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Officials	2016-17			2015-16		
	Salary £000	Pension Benefits* £000	Total £000	Salary £000	Pension Benefits* £000	Total £000
Mr Paul Sweeney	105-110	(43)	60-65	115-120	58	175-180
Permanent Secretary To 26 February 2017	(115-120 full year equivalent)					
Mr Derek Baker	5-10	(4)	0-5	-	-	-
Permanent Secretary From 27 February 2017	(110-115 full year equivalent)					
Mrs Katrina Godfrey	20-25	9	30-35	85-90	50	135-140
Deputy Secretary To 4 July 2016	(85-90 full year equivalent)					
Mrs Julie Thompson	60-65	19	80-85	-	-	-
Deputy Secretary From 24 August 2016	(100-105 full year equivalent)					
Mrs Fiona Hepper	85-90	32	115-120	85-90	33	115-120
Deputy Secretary						
Mrs Noelle Buick	95-100	54	150-155	95-100	39	135-140
Chief Inspector						
Mr Trevor Connolly	45-50	19	65-70	65-70	34	100-105
Director To 4 December 2016	(70-75 full year equivalent)					
Mr Gary Fair	20-25	9	30-35	-	-	-
Director From 5 December 2016	(70-75 full year equivalent)					
Mr Barry Jordan	50-55	11	60-65	65-70	(124)	(55)-(60)
Director To 2 January 2017	(70-75 full year equivalent)					
Mrs Barbara Swales	15-20	45	60-65	-	-	-
Director From 3 January 2017	(65-70 full year equivalent)					
Mr Gavin Boyd** Interim Chief Executive EA	145-150	-	145-150	145-150	49	195-200
Mr John Smyth*** Non-executive director	5-10	-	5-10	5-10	-	5-10

Officials	Salary £000	Pension Benefits* £000	2016-17		Salary £000	Pension Benefits* £000	2015-16	
			Total £000				Total £000	
Mrs Fiona Keenan*** Non-executive director	5-10	-	5-10		5-10	-	5-10	
Band of Highest Paid Director's Total Remuneration	115-120			115-120				
Median Total Remuneration	29,716			30,258				
Ratio	4.0			3.8				

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

**Mr Boyd is not a member of the DE Board. He is the interim Chief Executive of the Education Authority. Mr Boyd chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

***The Department and non-executive directors may terminate the appointment by giving three months notice in writing.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Department of Education in the financial year 2016-17 was £115,000 - £120,000 (2015-16: £115,000 - £120,000). This was 4.0 times (2015-16: 3.8 times) the median remuneration of the workforce which was £29,716 (2015-16: £30,258).

In 2016-17, 1 employee (2015-16: 1 employee) received remuneration in excess of the highest paid director. This employee is Mr Boyd who is not a member of the DE Board but is the interim Chief Executive of the Education Authority. Currently his salary is paid by the Department but it is anticipated that on appointment of a permanent Chief Executive this salary cost will transfer to the Education Authority. Remuneration ranged from £10,000 to £146,000 (2015-16: £10,000 to £146,000).

4.5 Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex gratia payments.

The Department of Education was under the direction and control of Mr John O'Dowd MLA from 1 April 2016 to 5 May 2016 and Mr Peter Weir MLA from 25 May 2016 to 2 March 2017. Their salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in these accounts. These amounts do not include costs relating to the Ministers' roles as MLAs which are disclosed elsewhere.

4.6 Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no such benefits in kind made in 2015-16 and 2016-17.

4.7 Pension Benefits – Ministers (Audited)

	Accrued pension at pension age as at 31 March 2017 £000	Real increase in pension at pension age £000	CETV at 31 March 2017* £000	CETV at 31 March 2016** £000	Real increase in CETV £000
Mr John O'Dowd MLA (to 5 May 2016)	0.5	0.2.5	47	47	-
Mr Peter Weir MLA (from 25 May 2016 to 2 March 2017)	0.5	0.2.5	23	17*	3

*CETV at 31 March 2017 or date of leaving, if earlier.

** CETV at 31 March 2016 or date of joining, if later.

4.8 Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011 the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) establishing a Panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016 the Independent Financial Review Panel issued The Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. Existing members born on or before 1 April 1960 retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The new scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016 and replaces the 2012 scheme.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for Ministers under transitional protection arrangements are provided on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 9% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 14.4% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

4.9 The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

4.10 The real increase in the value of the CETV

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

4.11 Pension Entitlements – Officials (Audited)

	Accrued pension at pension age as at 31 March 2017 and related lump sum £000	Real increase /(decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2017*	CETV at 31 March 2016**	Real increase /(decrease) in CETV £000	Employer contribution to partnership pension account (nearest £100)
Mr Paul Sweeney Permanent Secretary To 26 February 2017	45-50 plus lump sum of 305-310	(7.5)-(10) plus lump sum of 142.5-145	1,223	1,248	(22)	-
Mr Derek Baker Permanent Secretary From 27 February 2017	50-55 plus lump sum of 160-165	(0)-(2.5) plus lump sum of (0)-(2.5)	1,240	1,242	(4)	-
Mrs Katrina Godfrey Deputy Secretary To 4 July 2016	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	507	500	5	-
Mrs Julie Thompson Deputy Secretary From 24 August 2016	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	484	458	7	-
Mrs Fiona Hepper Deputy Secretary	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	703	644	28	-
Mrs Noelle Buick Chief Inspector	35-40	2.5-5	744	685	53	-
Mr Trevor Connolly Director To 4 December 2016	15-20 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	301	280	9	-

	Accrued pension at pension age as at 31 March 2017 and related lump sum £000	Real increase /(decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2017* £000	CETV at 31 March 2016** £000	Real increase /(decrease) in CETV £000	Employer contribution to partnership pension account (nearest £100)
Mr Gary Fair	25-30	0-2.5	561	550	8	-
Director From 5 December 2016	plus lump sum of 80-85	plus lump sum of 0-2.5				
Mr Barry Jordan	30-35	0-2.5	701	664	10	-
Director To 2 January 2017	plus lump sum of 95-100	plus lump sum of 0-2.5				
Mrs Barbara Swales	25-30	0-2.5	641	595	44	-
Director From 3 January 2017	plus lump sum of 85-90	Plus lump sum of 5-7.5				
Mr Gavin Boyd*** Interim Chief Executive EA	-	-	-	446	-	-
Mr John Smyth	-	-	-	-	-	-
Non-executive director	-	-	-	-	-	-
Mrs Fiona Keenan	-	-	-	-	-	-
Non-executive director	-	-	-	-	-	-

*CETV at 31 March 2017 or date of leaving the board, if earlier.

** CETV at 31 March 2016 or date of joining the board, if later.

***Mr Boyd chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

4.12 Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit arrangements (classic, premium and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were reviewed in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is a ‘Career Average Revalued Earnings’ (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a ‘Career Average Revalued Earnings’ (CARE) arrangement in which members accrue pension

benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 – 31 March 2018 are as follows:

4.13 Scheme Year 1 April 2017 to 31 March 2018

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to alpha	Contribution rates – All other members
From	To	From 1 April 2017 to 31 March 2018	From 1 April 2017 to 31 March 2018
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

4.14 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

4.15 Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

4.16 Compensation for loss of office

The Department incurred no compensation for loss of office in 2016-17.

Staff Report

4.17 Staff costs (Audited)

Staff costs comprise:

	Permanently employed staff* £'000	Others £'000	Ministers £'000	2016-17 Total £'000	Restated 2015-16 Total £'000
Wages and salaries***	18,128	1,607	33	19,768	25,903
Social security costs	1,905	-	4	1,909	1,697
Other pension costs	4,192	-	5	4,197	4,759
Total net costs**	24,225	1,607	42	25,874	32,359

	2016-17 £'000	Restated 2015-16 £'000
Analysed as:		
Administration costs	13,601	18,169
Minister's costs (notional)	42	50
Total administration costs	13,643	18,219
Programme costs	11,551	13,514
Total charged to the Statement of Comprehensive Net Expenditure	25,194	31,733
Capitalised	680	626
Total net costs	25,874	32,359

*Permanently employed staff includes the cost of the Department's two Special Advisers, one of whom was in post from 1 April 2016 to 5 May 2016 and the other in post from 1 July 2016 to 2 March 2017. The 2016-17 pay award for Special Advisers is outstanding. The Special Advisers were paid in accordance with the 2015-16 pay bands of (1)£59,627-£91,809 and (2)£37,794-£52,816 respectively (2015-16 comparative: £59,627-£91,809).

**Of the total, £680k has been charged to capital.

***The 2015-16 wages and salaries include voluntary exit costs of £3,748k.

The 2015-16 staff costs have been restated to include £457k for staff who transferred to the Department of Education from The Executive Office.

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes 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 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2017.

For 2016-17, employers' contributions of £4,186,519.53 were payable to the NICS pension arrangements (2015-16: £4,753,983.13, restated) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding

valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017-18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,384.89 (2015-16: £5,309.73) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015-16: 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £225.36, 0.5% (2015-16: £314.70, 0.5%) of pensionable pay, were payable to the NICS pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

During 2016-17, five individuals (2015-16: three individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £13,405.03 (2015-16: £7,605.51).

4.18 Average number of persons employed (Audited)

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

Activity	Permanently employed staff		Ministers	Special advisers	2016-17 Total Number	Restated 2015-16 Total Number	
	Number	Others Number				Number	Number
Education EA	382	35	1	1	419	479	
Education Other	117	11	-	-	128	138	
Youth EA	9	1	-	-	10	10	
Youth Other/ Community Relations	1	-	-	-	1	3	
Staff engaged on capital projects	11	-	-	-	11	10	
Total	520	47	1	1	569	640	

The above disclosure relates to the core department, split proportionately across the operating segments detailed in Note 2 in the Financial Statements section. The staff numbers are apportioned on the basis of the total net costs of each segment. The Department does not have any agencies. The 2015-16 staff numbers have been restated to include staff who transferred to the Department of Education from The Executive Office.

4.19 Number of senior civil service staff by grade (Audited)

The number of senior civil service staff employed as at 31 March 2017 was as follows:

Grade (including Analogous Grades)	Number
Grade 2	2
Grade 3	4
Grade 5	13*

* The above Grade 5 figures do not include two staff who were on temporary promotion to Grade 5 at 31 March 2017.

4.20 Staff composition - breakdown of employees by gender (Audited)

The analysis of the Department's employees by gender at 31 March 2017 was as follows:

	Male	Male %	Female	Female %	Total	Total %
Executive Directors	2	33.33	4	66.66	6	100
Non-executive Directors	1	50	1	50	2	100
Total Directors*	3	37.5	5	62.5	8	100
Senior Managers**	6	40	9	60	15	100
Other employees	200	37.3	336	62.7	536	100
Total ***	209	37.4	350	62.6	559	100

*Directors include members of the DE Board as at 31 March 2017.

**Senior managers include members of staff at Senior Civil Service level.

Note: this table is based on the number of staff in post rather than full time equivalents, and excludes those on career break.

*** Paragraph 4.18 shows the average number of staff employed by the Department during the financial year. The table above reports the actual number of staff employed by the Department at 31 March 2017.

4.21 Reporting of compensation and exit packages for all staff (Audited)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2016-17		Number of compulsory redundancies	Number of other departures agreed	2015-16	
			Total number of exit packages by cost band	Total number of exit packages by cost band			Total number of exit packages by cost band	Total number of exit packages by cost band
Less than £10,000	-	1	1	1	-	5	5	5
£10,000 - £25,000	-	1	1	1	-	29	29	29
£25,000 - £50,000	-	-	-	-	-	43	43	43
£50,000 - £100,000	-	-	-	-	-	21	21	21
£100,000- £150,000	-	-	-	-	-	1	1	1
Total number of exit packages	-	2	2	2	-	99	99	99
Total resource cost	£nil	£15,224	£15,224	£15,224	£nil	£3,747,772	£3,747,772	£3,747,772

In 2016-17, the Special Advisers received an exit package in accordance with the Code Governing the Appointment of Special Advisers issued under the Civil Service (Special Advisers) Act (Northern Ireland) 2013.

The above disclosure relates to the core department. The department does not have any agencies.

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

4.22 Sickness absence

Information available from the Northern Ireland Statistics and Research Agency estimates that for the period April 2016 to March 2017 the Department will record an average of 11.2 days lost per full time equivalent member of staff (in 2015-16, the outturn was 8.8 days). The overall sickness absence throughout the NICS in 2016-17 is estimated to be 12.4 days lost per full time equivalent member of staff.

It is important to note that these figures are provisional and are subject to change between now and the publication of the Financial Year Northern Ireland Civil Service (NICS) absence report for the year 2016-17 in autumn 2017. Historically, though, changes between provisional and final figures have been minimal.

A sustained management focus in this area has been in place throughout 2016-17 together with a Health and Well Being Programme for staff – this will continue in 2017-18.

4.23 Staff policies

At 31 March 2017, the Department employed 559 staff (includes 2 non executive directors) who play an important role in the delivery of services to the Minister, the education sector and citizens. In June 2016 the HR Action Plan was launched for 2016-17, which is the third and final year of the Department's HR Strategy for the period 2014-2017. The Action Plan built on the improvements to people management made during 2014-15 and 2015-16. Due to the centralisation of HR Services in April 2017, the HR Strategy is being rolled forward in 2017-18 with a focus on improvements in staff engagement and communication.

Equal opportunities

The Department is an Equal Opportunity employer and fully endorses the Northern Ireland Civil Service (NICS) Equal Opportunities Policy Statement.

The policy statement is that all eligible persons shall have equal opportunity for employment and advancement in the NICS on the basis of their ability, qualifications and aptitude for the work. Everyone has a 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. This right is protected in many instances by legislation.

We aim to foster a culture that encourages every member of staff to develop their 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.

Employment of people with disabilities

The NICS Equal Opportunities Policy and the Code of Practice on the Employment of People with Disabilities provide the framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that the consideration and the implementation of reasonable adjustments are undertaken to ensure staff with a disability can make full use of their skills and abilities.

Health and safety

To comply with the Health and Safety at Work (NI) Order 1978, the Department has a duty to ensure the health, safety and welfare of its employees. The Department is fully committed to the pursuit of its obligations in this area.

4.24 Expenditure on consultancy

External consultancy spend during 2016-17, based on provisional outturn figures, is currently recorded as £101k on 8 individual projects (final outturn figures for 2016-17 will not be available until August 2017, following agreement of overall DE final outturn with DoF).

Final external consultancy outturn figures for 2015-16 noted overall spend of £107k on 3 individual projects.

4.25 Temporary staff

Departmental temporary staff costs in 2016-17 amounted to £1,607k (2015-16: £1,439k). The majority of these costs are for staff on loan from DoF working in the specialist areas of Statistics and Building Advisory Team. The remainder of the costs were spent on agency workers and secondees.

The 2016-17 expenditure on temporary staff is 12% more than in 2015-16. The main reason for this is that the Department has undertaken a staffing review to re-align staffing levels and key work areas since the impact of the Voluntary Exit Scheme. Additional agency workers were recruited on a temporary basis in certain priority areas until the new Departmental structure could be appropriately resourced.

4.26 Off-payroll engagements

There were no ‘off-payroll’ engagements at a cost of over £58.2k per annum in place during 2016-17.

DEPARTMENT OF EDUCATION ANNUAL REPORT

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

The Assembly accountability and audit report brings together the key Assembly accountability documents within the annual report and accounts. It comprises a Statement of Assembly Supply and supporting notes, regularity of expenditure, Assembly accountability disclosures and the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

5 STATEMENT OF ASSEMBLY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department of Education to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

As a result of departmental restructuring during 2016-17, the prior year comparative figures in the IFRS-based primary statements have been restated in accordance with FReM accounting requirements. However, the prior year comparatives for the Statement of Assembly Supply have not been restated as this statement is indelible.

5.1 Summary of Resource Outturn 2016-17

Request for Resources	Note	Estimate			Outturn			Net total outturn compared with Estimate: saving/(excess) £000	2015-16 Outturn
		Gross expenditure £000	Accruing Resources £000	Net total £000	Gross expenditure £000	Accruing Resources £000	Net total £000		
Request for Resources A	SOAS1	2,283,995	(15,207)	2,268,788	2,151,862	(14,050)	2,137,812	130,976	2,089,544
Request for Resources B	SOAS1	50,009	-	50,009	42,924	-	42,924	7,085	42,650
Total resources	SOAS2	2,334,004	(15,207)	2,318,797	2,194,786	(14,050)	2,180,736	138,061	2,132,194
Non-operating cost		-	-	-	-	-	-	-	-
Accruing Resources		-	-	-	-	-	-	-	-

5.2 Net Cash Requirement 2016-17

		2016-17	2015-16
		Net total outturn compared with Estimate: saving/ (excess) £000	Outturn £000
	Note	Estimate £000	Outturn £000
Net cash requirement	SOAS3	2,352,122	2,186,195
		165,927	2,150,115

5.3 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 2016-17		Outturn 2016-17	
	Income £000	Receipts £000	Income £000	Receipts £000
Total	SOAS4.1	-	-	4,766
				4,766

Explanations of the variances between Estimate and outturn are given in note SOAS1 and in the Performance Report.

The notes on pages 92 to 121 form part of these accounts.

5.4 SOAS1. Analysis of net resource outturn by function

										2016-17	2015-16
						Outturn	Estimate				
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000		Net total £000	Net total outturn compared with Estimate £000	Net total outturn compared with Estimate, adjusted for virements £000	Prior- year outturn £000
Request for Resources A											
Departmental Expenditure in DEL:											
1. Education Authority – Departmental overheads	8,011	12,732	-	20,743	(520)	20,223	133,954	113,731	112,286	25,229	
2. Non-Departmental Public Bodies – Departmental overheads	662	14	-	676	-	676	821	145	145	711	
3. Voluntary and Grant Maintained Integrated Schools – Departmental overheads	4,725	127	-	4,852	-	4,852	5,953	1,101	1,101	5,083	
4. Centrally Financed Services	785	3,589	6,172	10,546	-	10,546	11,880	1,334	1,334	10,856	
5. Early Years Services	138	5	28,005	28,148	-	28,148	26,703	(1,445)	-	26,981	
6. Further Education and Student Support	-	-	-	-	(13,530)	(13,530)	(14,861)	(1,331)	(1,331)	(13,850)	
Annually Managed Expenditure											
7. Provisions	52	(25)	-	27	-	27	175	148	148	35	
8. Impairments	-	1,052	-	1,052	-	1,052	2,000	948	948	-	
Non-Budget:											
9. Education Authority	-	-	1,621,891	1,621,891	-	1,621,891	1,664,248	42,357	14,884	1,604,843	
10. Voluntary and Grant Maintained Integrated Schools	-	-	429,298	429,298	-	429,298	402,756	(26,542)	-	395,445	
11. Council for the Curriculum, Examinations and Assessment	-	-	24,735	24,735	-	24,735	23,990	(745)	-	24,115	
12. Council for Catholic Maintained Schools	-	-	3,903	3,903	-	3,903	3,770	(133)	-	4,194	
13. General Teaching Council for Northern Ireland	-	-	-	-	-	-	81	81	81	-	
14. Comhairle na Gaelscolaíochta	-	-	829	829	-	829	776	(53)	-	769	
15. Northern Ireland Council for Integrated Education	-	-	626	626	-	626	700	74	74	638	

							Outturn	Estimate			2016-17	2015-16
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	Net total £000	Net total £000	Net total outturn compared with Estimate, adjusted for virements £000	Prior-year outturn £000	
16. Middletown Centre for Autism Ltd	-	-	1,226	1,226	-	1,226	1,566	340	340		1,181	
17. Notional Charges	3,310	-	-	3,310	-	3,310	4,276	966	966		3,314	
Total	17,683	17,494	2,116,685	2,151,862	(14,050)	2,137,812	2,268,788	130,976	130,976		2,089,544	
Request for Resources B												
Departmental Expenditure in DEL:												
1. Education Authority – Departmental overheads	421	-	-	421	-	421	408	(13)	4		577	
2. Youth Council – Departmental overheads	92	-	-	92	-	92	93	1	1		98	
3. Youth and Other Children's Services	247	547	4,392	5,186	-	5,186	518	(4,668)	3		5,104	
4. Voluntary Bodies and Other Services supporting Community Relations	-	-	-	-	-	-	285	285	3		-	
Non-Budget:												
5. Education Authority	-	-	36,942	36,942	-	36,942	43,200	6,258	1,852		32,326	
6. Youth Council for Northern Ireland	-	-	47	47	-	47	5,200	5,153	5,153		4,371	
7. Notional Charges	236	-	-	236	-	236	305	69	69		174	
Total	996	547	41,381	42,924	-	42,924	50,009	7,085	7,085		42,650	
Resource Outturn	18,679	18,041	2,158,066	2,194,786	(14,050)	2,180,736	2,318,797	138,061	138,061		2,132,194	

Explanation of variance between Estimate and outturn

Request for Resources A

Request for Resources A shows a total underspend of £131.0m (5.8%) against the Main Estimate for the year. The 2016-17 Main Estimate opening position did not reflect the Minister's decisions on Budget 2016-17, as highlighted in the 2016-17 Budget Document, nor did it reflect any budget re-alignment decisions that took place during the financial year to address emerging pressures or reductions in planned expenditure. A Spring Supplementary Estimate for 2016-17 was prepared to reflect in year movements, that if approved, would have adjusted the estimate position to £2,196.9m, resulting in a variance of £59.1m. The variance was due to lower than anticipated drawdown of cash grant-in-aid by the Education Authority in respect of schools and by Voluntary and Grant Maintained schools.

Request for Resources B

Request for Resources B shows a total underspend of £7.1m (14.2%) against the Main Estimate for the year. The 2016-17 Main Estimate opening position did not reflect the Minister's decisions on Budget 2016-17, as highlighted in the 2016-17 Budget Document, nor did it reflect any budget re-alignment decisions that took place during the financial year to address emerging pressures or reductions in planned expenditure. A Spring Supplementary Estimate for 2016-17 was prepared to reflect in year movements, that if approved, would have adjusted the estimate position to £48.5m, resulting in a variance of £5.6m. The underspend was due to lower than anticipated drawdown of cash grant-in-aid by the Education Authority in respect of youth.

Detailed explanations of the variances between Estimate and outturn are given in the Performance Report.

Key to Request for Resources

Request for Resources 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 Resources B

Promoting, through the youth service and children's services, 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. Encouraging children and young people to develop mutual understanding and promote recognition of, and respect for cultural diversity, human rights, equality of opportunity and social inclusion.

5.5 SOAS2. Reconciliation of net resource outturn to net operating cost

			2016-17	2015-16
			Outturn compared with Estimate £000	
	Note	Outturn £000	Supply Estimate £000	Outturn £000
Net resource outturn	SOAS1	2,180,736	2,318,797	138,061
Non-supply income (CFERs)	SOAS4.1	(4,766)	-	4,766
Machinery of Government (MOG) transfer from TEO	20	-	-	573
Net expenditure for the year in the Statement of Comprehensive Net Expenditure		2,175,970	2,318,797	142,827
				2,129,711

Net expenditure for the year is the total of expenditure and income appearing in the statement of comprehensive net expenditure. Net resource outturn is the total of those elements of expenditure and income that are subject to Assembly approval and included in the Department's Supply Estimate.

The notes on pages 92 to 121 form part of these accounts.

5.6 SOAS3. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2016-17 Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	SOAS1	2,318,797	2,180,736	138,061
Capital:				
Acquisition of property, plant and equipment and intangible assets	6, 7	20,253	8,516	11,737
Non-operating Accruing Resources				
Net book value of asset disposals	SOAS6	-	-	-
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items:</i>				
Depreciation, amortisation and impairment charges	3.1	(2,172)	(1,236)	(936)
New provisions, and adjustments to previous provisions	3.1	(175)	(27)	(148)
Other non-cash items	3.1	(4,581)	(3,546)	(1,035)
<i>Adjustments to reflect movements in working capital balances</i>				
Increase in receivables	13	-	233	(233)
Decrease in payables falling due within one year	14	20,000	1,413	18,587
Use of provision	15	-	106	(106)
Net cash requirement		2,352,122	2,186,195	165,927

Detailed explanations of the variances between Estimate and outturn are given in the Performance Report.

The notes on pages 92 to 121 form part of these accounts.

5.7 SOAS4. Income payable to the Consolidated Fund

SOAS4.1 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 2016-17		Outturn 2016-17	
	Income £000	Receipts £000	Income £000	Receipts £000
Other operating income and receipts not classified as Accruing Resources	-	-	4,766	4,766
SOAS5	-	-	4,766	4,766
Non-operating income and receipts – excess Accruing Resources	SOAS6	-	-	-
Total income payable to the Consolidated Fund		-	4,766	4,766

SOAS4.2 Consolidated Fund Income

The Department did not collect any amounts where it was acting as agent for the Consolidated Fund rather than as principal.

5.8 SOAS5. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

Note	2016-17		2015-16	
	£000	£000	£000	£000
Operating income	5	18,816		17,049
Gross income		18,816		17,049
Income authorised to be Accruing Resources	SOAS1	(14,050)		(13,993)
Operating income payable to the Consolidated Fund	SOAS4.1	4,766		3,056

5.9 SOAS6. Non-operating income – Excess Accruing Resources

	2016-17	2015-16
	£000	£000
Proceeds on disposal of assets	-	-
Non-operating income – excess Accruing Resources	-	-

The notes on pages 92 to 121 form part of these accounts.

5.10 OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURE NOTES

Departmental accounting boundary (Audited)

These accounts have been prepared in accordance with directions given by the Department of Finance in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Exceptional Circumstances Body.

For resource accounts purposes, with the exception of the Exceptional Circumstances Body, all other Non-Departmental Public Bodies (NDPBs) fall outside the Departmental accounting boundary, defined within the *Government Financial Reporting Manual (FReM)*, 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

Education Authority
Comhairle na Gaelscoláiochta
Council for Catholic Maintained Schools
General Teaching Council for Northern Ireland
Middletown Centre for Autism
Northern Ireland Council for Integrated Education
Northern Ireland Council for the Curriculum, Examinations and Assessment
Youth Council for Northern Ireland

Tribunals

Exceptional Circumstances Body

Other public bodies

Middletown Centre for Autism (Holdings) Limited
Grant Maintained Integrated Schools (GMIS)*
Voluntary Grammar Schools (VGS)*

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

From the 1 April 2017 the administrative arrangements of the VG/GMI schools Funding Authority function are to transfer from the Department to the Education Authority.

The notes on pages 92 to 121 form part of these accounts.

Losses and special payments (Audited)

Losses statement

There were no losses in 2016-17 or 2015-16.

Special Payments

2016-17 Number of cases	2016-17 £000	2015-16 Number of cases	2015-16 £000
114	38	147	974

No individual cases in 2016-17 exceeded £250,000.

During 2015-16 one special payment was in excess of £250,000. A company undertook a legal challenge against the Department in relation to a procurement framework. The Court ordered the Department to reimburse the company an amount of £720,000.

Other notes

Details of any losses and special payments made by the Department's executive NDPBs will be reported in the accounts of those bodies.

Remote contingent liabilities (Audited)

In addition to contingent liabilities reported within the meaning of IAS37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. The Department has no contingent liabilities to report for the purpose of Northern Ireland Assembly reporting and accountability.



Signed: _____
Accounting Officer

Date: 26 June 2017

The notes on pages 92 to 121 form part of these accounts.

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 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply and the related notes and the information in the Remuneration and Staff Report and Other Assembly Accountability Disclosure Notes that is described in that report and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2017 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Other Assembly Accountability Disclosure Notes to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Other Assembly Accountability Disclosure Notes to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



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

27 June 2017

DEPARTMENT OF EDUCATION

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

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

	Note		2016-17 £000	Restated 2015-16 £000
Other operating income	5		(18,816)	(17,049)
Total operating income			(18,816)	(17,049)
Staff costs	3.2		25,194	31,733
Purchase of goods and services	3.2		10,263	7,908
Depreciation, impairment charges and profit on disposal of non-current assets	3.2		1,236	152
Provision expense	3.2		27	35
Other operating expenditure	3.2		2,158,066	2,106,932
Total operating expenditure			2,194,786	2,146,760
Net operating expenditure			2,175,970	2,129,711
Net expenditure for the year			2,175,970	2,129,711
Other comprehensive net expenditure				
Items that will not be reclassified to net operating costs:				
Net (gain)/loss on revaluation of property, plant and equipment	6		(438)	1,465
Net gain on revaluation of intangible assets	7		-	(1)
Machinery of Government – transfer of the Education Authority Implementation Team from the Department to the Education Authority			-	(116)
Comprehensive net expenditure for the year			2,175,532	2,131,059

All income and expenditure are derived from continuing operations. The 2015-16 figures have been restated to include expenditure of £573k relating to the transfer of functions from The Executive Office to the Department of Education. Details of the restatement are included in Note 20.

The notes on pages 92 to 121 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Financial Position as at 31 March 2017

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

	Note	£000	2017 £000	Restated 2016 £000	Restated 2015 £000
Non-current assets:					
Property, plant and equipment	6	26,582	18,838	12,795	
Intangible assets	7	45	71	205	
Financial assets	11	565	565	565	
Total non-current assets		27,192		19,474	13,565
Current assets:					
Trade and other receivables	13	7,788	5,520	4,867	
Cash and cash equivalents	12	-	-	-	
Total current assets		7,788		5,520	4,867
Total assets		34,980		24,994	18,432
Current liabilities:					
Trade and other payables	14	(66,171)	(65,549)	(79,063)	
Provisions	15	(69)	(190)	(197)	
Total current liabilities		(66,240)		(65,739)	(79,260)
Total assets less current liabilities		(31,260)		(40,745)	(60,828)
Non-current liabilities:					
Provisions	15	(342)	(300)	(319)	
Total non-current liabilities		(342)		(300)	(319)
Total assets less total liabilities		(31,602)		(41,045)	(61,147)
Taxpayers' equity and other reserves:					
General fund		(32,078)	(41,091)	(62,678)	
Revaluation reserve		476	46	1,531	
Total equity		(31,602)		(41,045)	(61,147)

The 2015-16 and 2014-15 figures have been restated for the transfer of functions from The Executive Office to the Department of Education. Details of the restatement are included in Note 20.

D A Baker

Signed: _____

Date: 26 June 2017

Accounting Officer

The notes on pages 92 to 121 form part of these accounts.

DEPARTMENT OF EDUCATION
Statement of Cash Flows
for the year ended 31 March 2017

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

	Note	2016-17 £000	Restated 2015-16 £000
Cash flows from operating activities			
Net expenditure for the year	SOAS2	(2,175,970)	(2,129,711)
Adjustments for non-cash transactions	3.1	4,809	3,769
Increase in trade and other receivables	13	(2,268)	(660)
<i>movements in receivables relating to items not passing through the statement of comprehensive net expenditure</i>	13	2,035	1,160
Decrease in trade and other payables excluding bank overdraft	14	(118)	(13,897)
<i>movements in payables relating to items not passing through the statement of comprehensive net expenditure</i>	14	(1,625)	(581)
Use of provisions	15	(106)	(61)
Net cash outflow from operating activities		(2,173,243)	(2,139,981)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(8,160)	(7,185)
Purchase of intangible assets	7	(26)	(4)
Proceeds of disposal of property, plant and equipment		-	6
Net cash outflow from investing activities		(8,186)	(7,183)
Cash flows from financing activities			
From the Consolidated Fund (supply) – current year		2,179,726	2,146,201
From the Consolidated Fund (supply) – prior year	13	4,434	3,274
Net financing		2,184,160	2,149,475
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		2,731	2,311
Payments of amounts due to the Consolidated Fund		(3,471)	(2,872)
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12	(740)	(561)
Cash and cash equivalents at the beginning of the period	12	(963)	(402)
Cash and cash equivalents at the end of the period	12	(1,703)	(963)

The 2015-16 figures have been restated for the transfer of functions from The Executive Office to the Department of Education. Details of the restatement are included in Note 20.

The notes on pages 92 to 121 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the Department of Education, analysed into “general fund reserves” (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation reserve (property, plant & equipment) £000	Revaluation reserve (intangible assets) £000	Taxpayers' equity £000
Balance at 31 March 2015		(62,616)	1,502	29	(61,085)
Transfer of functions from TEO	20	(62)	-	-	(62)
Restated balance at 1 April 2015		(62,678)	1,502	29	(61,147)
Net Assembly funding – drawn down		2,146,201	-	-	2,146,201
Supply receivable adjustment	13	4,434	-	-	4,434
CFERs payable to the Consolidated Fund		(3,056)	-	-	(3,056)
Comprehensive expenditure for the year		(2,129,711)	(1,465)	1	(2,131,175)
Non-cash charges – accommodation and other charges	3, 3.1	3,494	-	-	3,494
Non-cash charges – auditor's remuneration and expenses	3, 3.1	88	-	-	88
Transfer of the EAIT from the Department to the Education Authority		117	(1)	-	116
Transfers between reserves		20	-	(20)	-
Balance at 31 March 2016		(41,091)	36	10	(41,045)
Net Assembly funding – drawn down		2,179,726	-	-	2,179,726
Supply receivable adjustment	13	6,469	-	-	6,469
CFERs payable to the Consolidated Fund	SOAS4.1	(4,766)	-	-	(4,766)
Comprehensive expenditure for the year	SOAS2	(2,175,970)	438	-	(2,175,532)
Non-cash charges – accommodation and other charges	3, 3.1	3,467	-	-	3,467
Non-cash charges – auditor's remuneration and expenses	3, 3.1	79	-	-	79
Transfers between reserves		8	-	(8)	-
Balance at 31 March 2017		(32,078)	474	2	(31,602)

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, £10,717,000.00 (2015-16: £7,506,000.00) is deemed paid to Departments from the Northern Ireland Consolidated Fund through the normal supply process.

The notes on pages 92 to 121 form part of these accounts.

DEPARTMENT OF EDUCATION

ANNUAL REPORT AND ACCOUNTS 2016-17

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Education for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department of Education are described below. They have been applied consistently in dealing with items considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Assembly Grant to match net liabilities recorded within the statement of financial position. Under International Accounting Standard (IAS) 1 (revised), *Presentation of Financial Statements*, such a closing financial 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. These accounts have 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 property, plant and equipment and intangible assets.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department), and the Exceptional Circumstances Body which falls within the Departmental boundary as defined in the *FReM*, interpreted for Northern Ireland. 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 Exceptional Circumstances Body have not been separately disclosed on the Statement of Comprehensive Net Expenditure, Statement of Financial Position and supporting notes.

A list of all those entities within the Departmental boundary is given at note 19.

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The 9-departmental model constitutes a Machinery of Government change. The name of the Department of Education did not change and on 8 May 2016 the Department received additional functions from The Executive Office (TEO), including policy responsibility and a range of services for children and young people and policy responsibility for the Childcare Strategy. Staff working in the affected areas moved with the function. The transfer has been accounted for using merger accounting principles in accordance with the FReM. Prior year comparative figures have been restated, details of which are included in Note 20.

1.3 Property, plant and equipment

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

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

At each annual reporting date, property, plant and equipment are stated at fair value, determined as follows:

- Land and Buildings

Title to land and buildings shown in the accounts is held by the Department of Education. Land and buildings are stated at current value in existing use. Land is valued in the year of purchase and buildings in the year in which they are brought into use, using a professional valuation provided by Land and Property Services (LPS), an agency of the Department of Finance, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (January 2014) incorporating the International Valuation Standards, published in association with the Institute of Revenues Rating and Valuation (IRRV). Subsequently, a full professional valuation is made by LPS every five years and in the intervening years interim valuations are obtained from LPS. The basis of the valuation for each of the property types are as follows:

PROPERTY TYPE	ASSET CATEGORY	BASIS/METHOD OF VALUATION
School buildings & other associated structures	Land & buildings owner occupied for the purposes of the undertaking Specialised: operational	Current Value in existing use Depreciated Replacement Cost
Land supporting existing school buildings	Lands owner occupied for the purposes of the undertaking Non-Specialised: operational	Current Value in existing use Existing Use Value (as defined by RICS UK VS 1.3)
Land for ongoing and future development of school campus	Lands owner occupied for the purposes of the undertaking Non-Specialised non-operational	Current Value in existing use Existing Use Value (as defined by RICS UK VS 1.3)

- Assets under construction are carried at cost.
- Other assets

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

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.

Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment in accordance with IAS 36, *Impairment of Assets*, and charged in full to the Statement of Comprehensive Net Expenditure.

Impairment reviews of property, plant and equipment are performed annually and additionally where there is an indication of impairment as defined by IAS 36.

1.4 Depreciation

Depreciation of property, plant and equipment 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 and assets under construction are not depreciated.

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

Buildings	50 years
Transport equipment	3 to 5 years
Information technology	3 to 10 years
Plant and machinery	3 to 5 years

1.5 Intangible assets

Software and associated licences are capitalised as intangible assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped asset.

Assets under construction are carried at cost. Other intangible assets are measured at depreciated replacement cost using suitable indices compiled by the ONS.

Assets under construction are not amortised. Software licences are amortised over the shorter of the term of the licence and their useful economic life. Other intangible assets are amortised over three years.

1.6 Assets funded by government grants

Government grants to fund capital assets are recognised in the Statement of Comprehensive Net Expenditure as income. They are recognised when receivable unless there are conditions on their use which, if not met, would mean the grant is repayable. In such cases, the income is deferred and released when the obligations are met. Where grants have restricted use and there are no

conditions on their use, the income is recognised immediately as income in the Statement of Comprehensive Net Expenditure.

1.7 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 Skills in the Republic of Ireland and is funded equally by each department.

The primary object of the company is to purchase, acquire and hold the property 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.

A Board of Directors comprising four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Skills in the Republic of Ireland each nominate two members to the Board.

The investment falls outside the departmental accounting boundary and in accordance with paragraph 9 of FD (DoF) 01/17 has been valued at historical cost less impairment, within the Department’s Statement of Financial Position.

1.8 Inventories

Inventories are not deemed to be material, and are expensed to the Statement of Comprehensive Net Expenditure as purchased.

1.9 Operating income

Operating income is income which relates directly to the operating activities of the Department. It includes funding from the Department for the Economy for co-funded NDPBs and other income such as that from the sale of property, plant and equipment by NDPBs. It includes both operating Accruing Resources and income payable to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of Value Added Tax (VAT).

1.10 Administration and programme expenditure

The classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Department of Finance. 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.

1.11 Foreign exchange

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

in foreign currency at the reporting period date are translated at the rates ruling at that date. These translation differences are dealt with in the Statement of Comprehensive Net Expenditure.

1.12 Employee Benefits including Pensions

Under the requirements of IAS 19, *Employee Benefits*, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been calculated using untaken annual leave balances from the payroll system and untaken flexi-leave balances from the results of a survey. It is not anticipated that the level of untaken leave will vary significantly from year to year.

Past and present employees are covered by the provisions of the Northern Ireland Civil Service Pension arrangements. The defined benefit schemes are multi-employer unfunded schemes, which produce their own resource accounts, but the Department of Education is unable to identify its share of the underlying assets and liabilities. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Northern Ireland Civil Service Pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Northern Ireland Civil Service Pension arrangements. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.13 Early departure costs

DE employees

The Department meets the additional cost of benefits beyond the normal Northern Ireland Civil Service Pension arrangements in respect of employees who retire early by paying the required amounts annually to the Northern Ireland Civil Service Pension arrangements over the period between early departure and normal retirement date (or, in the case of Injury Awards, between early departure and estimated life expectancy). 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 or, to the estimated life expectancy in respect of Injury Awards. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance Superannuation Vote. The amount provided is shown net of any such payments.

Teachers

The Teachers' Premature Retirement Compensation Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs fall within the remit of 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 Statement of Comprehensive Net Expenditure 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 EA and other 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 EA/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 each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.
- Grant issued to Voluntary 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 reporting period 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 minus 2.70 per cent for general provisions and plus 0.24 per cent for early departure provisions).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.18 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 expenditure is recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is derecognised when, and only when, it is extinguished.

The Department has financial instruments in the form of an investment in the Middletown Centre for Autism (Holdings) Limited, trade receivables and payables and cash and cash equivalents.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the investment in the Middletown Centre for Autism (Holdings) Limited is classified as “held to maturity” and trade receivables, cash and cash equivalents and trade payables are classified as “loans and receivables”. The investment held to maturity is measured at historical cost less any impairment. Loans and receivables are recognised and carried at fair value. Financial liabilities are recognised and carried at fair value, net of transaction costs.

The Department assesses at each reporting period date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired.

The Department measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the Statement of Comprehensive Net Expenditure to the extent that a provision was not previously recognised.

1.20 Third party assets

Third party assets are assets for which the Department acts as custodian or trustee but in which neither the Department nor government more generally has a direct beneficial interest. Third party assets are not public assets, and hence are not recorded in the primary financial statements. In the interests of general disclosure and transparency, details of the Department's third party assets are provided in note 18.

1.21 Currency and rounding

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

1.22 New accounting standards that have been issued but are not yet effective

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

The IASB issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards were effective with EU adoption from 1 January 2014.

Accounting boundary IFRSs are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in Northern Ireland, which will bring Northern Ireland departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

2. Statement of Operating Costs by Operating Segment

The Department's activities are carried out to fulfil a vision for education that is designed to ensure that all young people can achieve to their full potential.

The vision is of an education system that is recognised internationally for the quality of its teaching and learning and for the achievements of its young people and of an education service that has at its centre a focus on the needs of children and young people.

The key areas are the education and youth sectors.

Operating segment criteria set out in IFRS 8, *Operating Segments*, were applied to the key areas and all criteria met.

The financial information reported to the Departmental Board is also focused on these key areas of activity.

Education Sector attracts funding for pre-school education and schools.

Youth Sector attracts funding for the youth service, children's services and community relations measures for young people.

A further split is applied to the education sector between those that are carried out by the Education Authority and Others which primarily includes Voluntary Schools and Grant Maintained Integrated Schools.

The youth sector is further split between the Education Authority and Others which includes the Youth Council.

2016-17	Youth Other/				
	Education EA £000	Education Other £000	Youth EA £000	Community Relations £000	Total £000
Gross expenditure	1,621,891	494,799	36,942	4,439	2,158,071
Income	(15,347)	(1,104)	-	-	(16,451)
Net expenditure	1,606,544	493,695	36,942	4,439	2,141,620

2015-16	Youth Other/				
	Education EA £000	Education Other £000	Youth EA £000	Community Relations £000	Total £000
Gross expenditure	1,604,843	460,562	32,326	9,213	2,106,944
Income	(16,190)	(693)	(16)	-	(16,899)
Net expenditure	1,588,653	459,869	32,310	9,213	2,090,045

The total assets, total liabilities and net assets are not disclosed as they are not reported separately to the Departmental Board.

2.1 Reconciliation between Operating Segments and the Statement of Comprehensive Net Expenditure

2016-17	Note	Education	Education	Youth	Community	Youth Other/	Total
		EA £000	Other £000	EA £000	Relations £000	Total £000	
Total net expenditure reported for operating segments	2	1,606,544	493,695	36,942	4,439	2,141,620	
Reconciling items:							
Departmental Overheads						34,350	
Total net expenditure per the statement of comprehensive net expenditure	SOAS2					2,175,970	

2015-16	Note	Education	Education	Youth	Community	Youth Other/	Restated
		EA £000	Other £000	EA £000	Relations £000	Total £000	
Total net expenditure reported for operating segments	2	1,588,653	459,869	32,310	9,213	2,090,045	
Reconciling items:							
Departmental Overheads						39,666	
Total net expenditure per the statement of comprehensive net expenditure						2,129,711	

3. Other administration costs

	Note	£000	2016-17 £000	2015-16 £000	Restated 2015-16 £000
Staff costs*					
Wages and salaries		10,388		14,641	
Social security costs		1,016		936	
Other pension costs		2,239		2,642	
			13,643		18,219
Purchase of goods and services					
Rentals under operating leases	9		7		
Travel and subsistence		83		124	
Other staff related costs		183		137	
Accommodation costs		21		31	
Office services		300		301	
Contracted out services		628		564	
Other professional fees		86		34	
Managed services – information technology		30		30	
Other expenses		128		(589)	
			1,468		639
Non-cash items (Note 3.1)					
Depreciation	10		10		
Amortisation	2		2		
		12		12	
Profit on disposal of non-current assets			-		(6)
Notional charges					
- auditor's remuneration and expenses		79		88	
- accommodation		1,616		1,197	
- others		1,809		2,247	
		3,504		3,532	
Provision provided for in-year	15	58		57	
Provision not required written back	15	(6)		(9)	
		52		48	
Total			18,679		22,444

*Further analysis of staff costs is located in the Staff Report within the Accountability Report.

During the year the Department paid £6,064.00 to the Northern Ireland Audit Office for the completion of non-audit work relating to the National Fraud Initiative.

3.1 Non-cash transactions included in the reconciliation of resources to net cash requirement in note SOAS3 and the Statement of Cash Flows

	£000	2016-17 £000	£000	Restated 2015-16 £000
Depreciation and amortisation (Note 3)	12		12	
Depreciation, amortisation and revaluation charge to SOCNE (Note 4)	<u>1,224</u>		<u>146</u>	
		1,236		158
New provisions, and adjustments to previous provisions (Note 3)	52		48	
New provisions, and adjustments to previous provisions (Note 4)	<u>(25)</u>		<u>(13)</u>	
		27		35
Other non-cash items				
Notional charges (Note 3)	3,504		3,532	
Notional Minister's salary*	<u>42</u>		<u>50</u>	
		3,546		3,582
Total non-cash transactions (Note SOAS3)		4,809		3,775
Profit on disposal of non-current assets (Note 3)		-		(6)
Total non-cash transactions (Statement of Cash Flows)		4,809		3,769

*The notional Minister's salary is disclosed in the Staff Report within the Accountability Report.

3.2 Analysis of notes 3 and 4 for the Statement of Comprehensive Expenditure

	Other administration costs (Note 3) £000	Programme costs (Note 4) £000	2016-17 £000	Restated 2015-16 £000
Staff costs	13,643	11,551	25,194	31,733
Purchase of goods and services (including notional charges)	4,972	5,291	10,263	7,908
Depreciation, impairment charges and profit on disposal of non-current assets	12	1,224	1,236	152
Provision expense	52	(25)	27	35
Other operating expenditure	<u>-</u>	2,158,066	2,158,066	2,106,932
	18,679	2,176,107	2,194,786	2,146,760

4. Programme costs

	Note	£000	2016-17 £000	2015-16 £000	Restated 2015-16 £000
Staff costs*					
Wages and salaries		8,865		10,790	
Social security costs		840		719	
Other pension costs		1,846		2,005	
			11,551		13,514
Other operating expenditure					
Grants			2,158,066		2,106,932
Purchase of goods and services					
Rentals under operating leases		95		92	
Travel and subsistence		330		325	
Other staff related costs		60		81	
Accommodation costs		17		28	
Office services		1,609		924	
Contracted out services		42		27	
Other expenses		3,138		2,260	
			5,291		3,737
Non-cash items (Note 3.1)					
Depreciation		122		9	
Amortisation		50		137	
Revaluation charge to SOCNE		1,052		-	
			1,224		146
Provision provided for in-year	15	-		37	
Provision not required written back	15	(25)		(50)	
			(25)		(13)
Total			2,176,107		2,124,316

*Further analysis of staff costs is located in the Staff Report within the Accountability Report.

5. Income

	RfRA £000	RfRB £000	2016-17 Total £000	2015-16 Total £000
Further Education and Student Support (from Department for the Economy)	13,530	-	13,530	13,850
Sale of property, plant and equipment (NDPBs)	2,921	-	2,921	3,049
Shared Education (from Atlantic Philanthropies)	1,783	-	1,783	-
Other income	582	-	582	150
	18,816	-	18,816	17,049

6. Property, plant and equipment

	Land £000	Buildings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation							
At 1 April 2016	5,745	-	25	143	82	13,023	19,018
Additions	-	1,152	-	5	-	7,333	8,490
Disposals	-	-	-	(1)	(7)	-	(8)
Reclassifications	-	8,910	-	-	-	(8,910)	-
Revaluation charge to SOCNE	-	(1,165)	-	-	-	-	(1,165)
Revaluations	435	-	-	5	1	-	441
At 31 March 2017	6,180	8,897	25	152	76	11,446	26,776
Depreciation							
At 1 April 2016	-	-	8	98	74	-	180
Charged in year	-	113	8	9	2	-	132
Disposals	-	-	-	(1)	(7)	-	(8)
Revaluation depreciation	-	(113)	-	-	-	-	(113)
Revaluations	-	-	-	2	1	-	3
At 31 March 2017	-	-	16	108	70	-	194
Carrying amount at 31 March 2017	6,180	8,897	9	44	6	11,446	26,582
Carrying amount at 31 March 2016	5,745	-	17	45	8	13,023	18,838
Asset financing							
Owned	6,180	8,897	9	44	6	11,446	26,582
Carrying amount at 31 March 2017	6,180	8,897	9	44	6	11,446	26,582
Fair value of assets funded by government grant	5,880	-	-	-	-	1,577	7,457

Land comprises a site at Strule (formerly Lisanelly), Omagh, which was transferred from the Ministry of Defence to the Department of Education on 15 April 2011. This land was “gifted” under the Hillsborough Agreement 2010, made 5 February 2010. The Department also owns land

at Ormeau Road, Belfast which was purchased in July 2015. Buildings relate to the Strule Shared Education Campus (SSEC).

Land and buildings are stated at current value in existing use. Land is valued in the year of purchase and buildings in the year in which they are brought into use, using a professional valuation provided by Land and Property Services (LPS), an agency of the Department of Finance. Subsequently, a professional valuation is made by LPS every five years and in the intervening years interim valuations are obtained from LPS. The last full professional valuation of the land at Strule was undertaken by LPS as at 31 March 2013. A full inspection was carried out on Arvalee School buildings and associated structures (part of SSEC) in September 2016, on commission of the asset. All other assets are re-valued using indices.

	Land £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation						
At 1 April 2015	7,000	58	247	85	5,651	13,041
Additions	210	-	-	-	7,372	7,582
Transfer to EA	-	-	(104)	-	-	(104)
Disposals	-	(33)	-	(3)	-	(36)
Revaluations	(1,465)	-	-	-	-	(1,465)
At 31 March 2016	5,745	25	143	82	13,023	19,018
Depreciation						
At 1 April 2015	-	33	138	75	-	246
Charged in year	-	8	9	2	-	19
Transfer to EA	-	-	(49)	-	-	(49)
Disposals	-	(33)	-	(3)	-	(36)
At 31 March 2016	-	8	98	74	-	180
Carrying amount at 31 March 2016	5,745	17	45	8	13,023	18,838
Carrying amount at 31 March 2015	7,000	25	109	10	5,651	12,795
Asset financing						
Owned	5,745	17	45	8	13,023	18,838
Carrying amount at 31 March 2016	5,745	17	45	8	13,023	18,838
Fair value of assets funded by government grant	5,500	-	-	-	1,577	7,077

7. Intangible assets

	Information technology £000	Software licences £000	Asset under construction £000	Total £000
Cost or valuation				
At 1 April 2016	1,278	22	-	1,300
Additions	-	-	26	26
Disposals	(3)	(3)	-	(6)
Revaluations	19	-	-	19
At 31 March 2017	1,294	19	26	1,339
Amortisation				
At 1 April 2016	1,209	20	-	1,229
Charged in year	50	2	-	52
Disposals	(3)	(3)	-	(6)
Revaluations	19	-	-	19
At 31 March 2017	1,275	19	-	1,294
Carrying amount at 31 March 2017	19	-	26	45
Carrying amount at 31 March 2016	69	2	-	71
Asset financing				
Owned	19	-	26	45
Carrying amount at 31 March 2017	19	-	26	45

	Information technology £000	Software licences £000	Total £000
Cost or valuation			
At 1 April 2015	1,271	39	1,310
Additions	-	4	4
Transfer to EA	-	(21)	(21)
Disposals	(8)	-	(8)
Revaluations	15	-	15
At 31 March 2016	1,278	22	1,300
Amortisation			
At 1 April 2015	1,066	39	1,105
Charged in year	137	2	139
Transfer to EA	-	(21)	(21)
Disposals	(8)	-	(8)
Revaluations	14	-	14
At 31 March 2016	1,209	20	1,229
Carrying amount at 31 March 2016	69	2	71
Carrying amount at 31 March 2015	205	-	205
Asset financing			
Owned	69	2	71
Carrying amount at 31 March 2016	69	2	71

8. Impairments

The Department has incurred the following impairments to non-current assets during the financial year.

	Impairment taken through the revaluation reserve £000	Impairment charged to the Statement of Comprehensive Net Expenditure £000
Property, plant and equipment	-	1,052
Impairment charged for the year ended 31 March 2017	-	1,052
Impairment charged for the year ended 31 March 2016	1,500	-

9. Capital and other commitments

9.1 Capital commitments

	2017 £000	2016 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	8,164	8,808
	8,164	8,808

9.2 Commitments under leases

9.2.1 Operating leases

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

	2017 £000	2016 £000
Other		
Not later than one year	6	6
Later than one year and not later than five years	8	12
	14	18

In addition to the above, the Department has leased Arvalee School (on the Strule Shared Education Campus) to the Education Authority for a peppercorn rent. The lease runs from 1 September 2016 to 31 August 2020.

9.2.2 Finance leases

The Department does not have any finance leases.

9.3 Other financial commitments

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

The payments to which the Department is committed at 31 March are as follows.

	2017 £000	2016 £000
Not later than one year	1,131	3,765
Later than one year and not later than five years	1,075	1,044
	2,206	4,809

10 Financial Instruments

International Financial Reporting Standard 7 (IFRS 7), *Financial Instruments: Disclosures*, requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the 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.

Classification of financial instruments

The Department's investments are measured at historical cost less any impairment, while all other financial instruments are measured at fair value. The Department's financial assets include investments which are classified as held to maturity, trade and other receivables and cash and cash equivalents which are classified as loans and receivables. The Department's financial liabilities are classified as loans and receivables and comprise payables and accruals, excluding tax liabilities. The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

The following table shows the net gains/losses recognised through the Statement of Comprehensive Net Expenditure by measurement category:

	From interest £000	From subsequent measurement			Net (gain)/loss	
		At fair value £000	Currency translation £000	Impairment /(reversal of impairment) £000	2016-17 £000	2015-16 £000
Loans and receivables	-	-	-	2	2	17
Total	-	-	-	2	2	17

Risk management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk and manages its exposure via credit risk management policies which require review of the credit history of the organisations that the Department wishes to trade with. Publicly available credit information from recognised providers is utilised for this purpose where available. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the Statement of Financial Position.

Liquidity risk

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

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Department receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a receivable when it is initially paid to grant recipients. However, only when the Department submits claims to the EU is the relevant portion of the receivable subject to exchange rate risk.

The Department does not have the authority to manage currency risk through hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

11 Investments in other public bodies

	Middletown Centre for Autism (Holdings) Limited £000
At 1 April 2016	565
At 31 March 2017	565
At 31 March 2015	565

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 Skills in the Republic of Ireland. Both parties fund the company equally.

The investment falls outside the departmental accounting boundary and in accordance with paragraph 9 of FD (DoF) 01/17 has been valued at historical cost less impairment, within the Department's Statement of Financial Position.

12 Cash and cash equivalents

	2016-17 £000	2015-16 £000
At 1 April 2016	(963)	(402)
Net change in cash and cash equivalents	(740)	(561)
At 31 March 2017	(1,703)	(963)
The following balances at 31 March were held at:		
Commercial banks and cash in hand	(1,703)	(963)
At 31 March 2017	(1,703)	(963)
The balance comprises:		
Bank overdraft	(1,703)	(963)
	(1,703)	(963)

13 Trade receivables, financial and other assets

	2016-17 £000	2015-16 £000	2014-15 £000
Amounts falling due within one year:			
VAT	251	663	434
Trade receivables	240	183	193
Other receivables	70	75	106
Prepayments and accrued income	758	165	860
	1,319	1,086	1,593
Amounts due from the Consolidated Fund in respect of Supply	6,469	4,434	3,274
	7,788	5,520	4,867

There are no amounts within trade receivables (2015-16: £nil; 2014-15: £415,000.00) that will be due to the Consolidated Fund once the debts are collected.

There are no amounts falling due after more than one year at 31 March 2017, 31 March 2016 or 31 March 2015.

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

	2016-17 £000	2015-16 £000	2014-15 £000
At 1 April 2016	58	41	65
Impairment losses recognised on trade receivables	2	17	7
Amounts written off as uncollectable	-	-	(31)
At 31 March 2017	60	58	41

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

No interest is charged on the trade receivables. The Department has provided for trade receivables over six months old where there have been no cash receipts in the six months prior to the year end because historical experience is such that trade receivables that are past due beyond six months are generally not recoverable. The following table shows the ageing of receivables past due but not impaired; no provision has been made as there has not been a significant change in credit quality and the Department believes that the amounts are still fully recoverable:

	2016-17 £000	2015-16 £000	2014-15 £000
Neither past due nor impaired trade receivables			
Less than 1 month	132	68	60
1 to 3 months	2	18	28
3 to 6 months	26	29	23
Past due but not impaired trade receivables	80	68	82
Impaired trade receivables	60	58	41
Gross carrying value	300	241	234
Less: impairment	(60)	(58)	(41)
Net carrying value	240	183	193

14 Trade payables and other current liabilities

	2016-17 £000	Restated 2015-16 £000	Restated 2014-15 £000
Amounts falling due within one year:			
Bank overdraft (Note 12)	1,703	963	402
Other taxation and social security	17,352	15,487	15,699
Trade payables	34,192	36,651	48,797
Other payables	710	713	679
Accruals and deferred income	7,448	8,264	10,199
	59,702	61,115	75,374
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
received from other sources	4,766	3,471	2,872
receivable from other sources	-	-	415
	4,766	3,471	3,287
	66,171	65,549	79,063

There are no amounts falling due after more than one year at 31 March 2017, 31 March 2016 or 31 March 2015.

15 Provisions for liabilities and charges

	Early departure costs £000	Legal claims £000	Total £000
At 1 April 2016	314	176	490
Provided in the year	58	-	58
Provisions not required written back	-	(31)	(31)
Provisions utilised in the year	(15)	(91)	(106)
At 31 March 2017	357	54	411

Analysis of expected timing of cash flows

Not later than one year	15	54	69
Later than one year and not later than five years	58	-	58
Later than five years	284	-	284
At 31 March 2017	357	54	411

	Early departure costs £000	Legal claims £000	Total £000
At 1 April 2015	349	167	516
Provided in the year	1	93	94
Provisions not required written back	(9)	(50)	(59)
Provisions utilised in the year	(27)	(34)	(61)
At 31 March 2016	314	176	490

Analysis of expected timing of cash flows

Not later than one year	14	176	190
Later than one year and not later than five years	55	-	55
Later than five years	245	-	245
At 31 March 2016	314	176	490

	Early departure costs £000	Legal Claims £000	Total £000
At 1 April 2014	375	1,175	1,550
Provided in the year	33	129	162
Provisions not required written back	(6)	(11)	(17)
Provisions utilised in the year	(53)	(1,126)	(1,179)
At 31 March 2015	349	167	516

Analysis of expected timing of cash flows

Not later than one year	30	167	197
Later than one year and not later than five years	61	-	61
Later than five years	258	-	258
At 31 March 2015	349	167	516

15.1 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 (or, in the case of Injury Awards estimated life expectancy), 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 Superannuation Vote. The Treasury discount rate of 0.24 per cent in real terms has been applied to early departure provisions where the time value of money is significant.

15.2 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. A discount rate has not been applied to the provisions for legal claims as the time value of money is not significant.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 16.

16 Contingent liabilities and contingent assets

16.1 Contingent liabilities

The Department has a contingent liability estimated at £13k for a legal challenge for personal injuries, loss and damages by reason of negligence and breach of duty/contract.

In addition to the above, the Department has entered into a number of guarantees, indemnities or provided letters of comfort, but the possibility of these crystallising is considered to be too remote to require disclosure.

16.2 Contingent assets

The following contingent assets at 31 March 2017 have not been included in the financial statements:

Nature	Number of cases	Value £000
Probable recoupment of monies from school trustees following closure	19	6,118

17 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

Education Authority
Comhairle na Gaelscolaíochta
Council for Catholic Maintained Schools
General Teaching Council for Northern Ireland
Middletown Centre for Autism
Northern Ireland Council for Integrated Education
Northern Ireland Council for the Curriculum, Examinations and Assessment
Youth Council for Northern Ireland

Tribunals

Exceptional Circumstances Body

Other public bodies

Middletown Centre for Autism (Holdings) Limited
Grant Maintained Integrated Schools*
Voluntary Grammar Schools*
Health and Social Care Board in respect of the Sure Start programme

* Note: Other schools, maintained and controlled, were funded via the Education Authority.

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.

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

18 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 Statement of Financial Position. The assets held at the reporting period 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 below.

	31 March 2017 £000	31 March 2016 £000
Monetary assets such as bank balances	14	18
Listed securities	743	646
Total	757	664

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

19 Entities within the departmental boundary

The entities within the boundary during 2016–17 were as follows:

Supply-financed agencies: None

Non-executive NDPBs: Exceptional Circumstances Body

Other entities: None

20 Machinery of Government

Transfer of functions from The Executive Office to the Department of Education

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The 9-departmental model constitutes a Machinery of Government change. The name of the Department of Education did not change and on 8 May 2016 the Department received additional functions from The Executive Office (TEO), including policy responsibility and a range of services for children and young people and policy responsibility for the Childcare Strategy. Staff working in the affected areas moved with the function.

The transfer has been accounted for using merger accounting principles in accordance with the FReM. Prior year comparative figures have been restated.

The tables below summarise the overall impact of the transfer on the corresponding amounts in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	2015-16		
	Published Resource Accounts	Transfer from TEO	Restated 2015-16
	£000	£000	£000
Other operating income	(17,049)	-	(17,049)
Total operating income	(17,049)	-	(17,049)
Staff costs	31,276	457	31,733
Purchase of goods and services	7,792	116	7,908
Depreciation, impairment charges and profit on disposal of non-current assets	152	-	152
Provision expense	35	-	35
Other operating expenditure	2,106,932	-	2,106,932
Total operating expenditure	2,146,187	573	2,146,760
Net operating expenditure	2,129,138	573	2,129,711
Net expenditure for the year	2,129,138	573	2,129,711
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
Net loss on revaluation of property, plant and equipment	1,465	-	1,465
Net gain on revaluation of intangible assets	(1)	-	(1)
Machinery of Government – transfer of the Education Authority Implementation Team from the Department to the Education Authority	(116)	-	(116)
Comprehensive net expenditure for the year	2,130,486	573	2,131,059

Statement of Financial Position as at 31 March 2016

	2015-16 Published Resource Accounts £000	Transfer from TEO £000	Restated 2015-16 £000
Non-current assets:			
Property, plant and equipment	18,838	-	18,838
Intangible assets	71	-	71
Financial assets	565	-	565
Current assets:			
Trade and other receivables	5,520	-	5,520
Cash and cash equivalents	-	-	-
Current liabilities:			
Trade and other payables	(65,528)	(21)	(65,549)
Provisions	(190)	-	(190)
Non-current liabilities:			
Provisions	(300)	-	(300)
Total assets less total liabilities		(41,024)	(21)
Taxpayers' equity and other reserves:			(41,045)
General fund	(41,070)	(21)	(41,091)
Revaluation reserve	46	-	46
Total equity		(41,024)	(21)
			(41,045)

Statement of Financial Position as at 31 March 2015

	2014-15 Published Resource Accounts £000	Transfer from TEO £000	Restated 2014-15 £000
Non-current assets:			
Property, plant and equipment	12,795	-	12,795
Intangible assets	205	-	205
Financial assets	565	-	565
Current assets:			
Trade and other receivables	4,867	-	4,867
Cash and cash equivalents	-	-	-
Current liabilities:			
Trade and other payables	(79,001)	(62)	(79,063)
Provisions	(197)	-	(197)
Non-current liabilities:			
Provisions	(319)	-	(319)
Total assets less total liabilities	(61,085)	(62)	(61,147)
Taxpayers' equity and other reserves:			
General fund	(62,616)	(62)	(62,678)
Revaluation reserve	1,531	-	1,531
Total equity	(61,085)	(62)	(61,147)

21 Events after the reporting period

Voluntary Grammar (VG)/Grant Maintained Integrated (GMI) Schools

The previous Education Minister decided, on 23 March 2016, to transfer the administrative arrangements of the VG/GMI schools' funding authority function from the Department to the Education Authority. The necessary legislative amendments were made on 24 March 2016, taking effect from 1 April 2016. However, the previous Education Minister agreed that the Department would continue to fund VG/GMI schools during 2016-17, with a handover to the Education Authority on 1 April 2017.

There are no other events after the reporting period relating to the 2016-17 financial year.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 27 June 2017.

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