

Department for Employment and Learning

Resource Accounts

For the year ended 31 March 2007

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

21 September 2007

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Scope

Departmental accounting boundary

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

Departmental aim

The aim of the Department, as identified in its 2005-08 Corporate Plan, is:

‘To promote learning and skills, to prepare people for work and to support the economy’

Departmental objectives

The Department’s objectives are:

- Promoting economic, social and personal development through high quality learning, research and skills training.
- Helping people into employment and promoting good working practices.

Principal activities

The principal activities of the Department are:

- The funding of higher, further and adult education, student support and other matters related to tertiary education;
- The provision of a comprehensive range of training and employment programmes and of services related to the labour market.

Bodies outside the Departmental boundary

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

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

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Pension liabilities

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

INTRODUCTION

Our Purpose

The Department is one of the key channels through which the Northern Ireland Executive is working towards achieving the vision of a peaceful, inclusive, prosperous, stable and fair society.

It is responsible for further and higher education, training and a range of employment measures, aimed at giving people the skills, knowledge and opportunities for employment while protecting their rights.

Our Values

The values of equity, efficiency and effectiveness underpin the Department's delivery of the commitments in its Corporate Plan. The Department will focus on its key priorities, seeking to provide a first class

service to its customers in an impartial way, striving to improve continually as an organisation and motivating, developing and valuing its staff.

Our Aim

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

Our Objectives

To promote economic, social and personal development through high quality learning, research and skills training; and

To help people into employment and promote good employment practices.

CORPORATE GOVERNANCE AND ACCOUNTABILITY

The Department continues to build upon best practice implemented within its Corporate Governance framework. The framework is described in more detail in the following paragraphs.

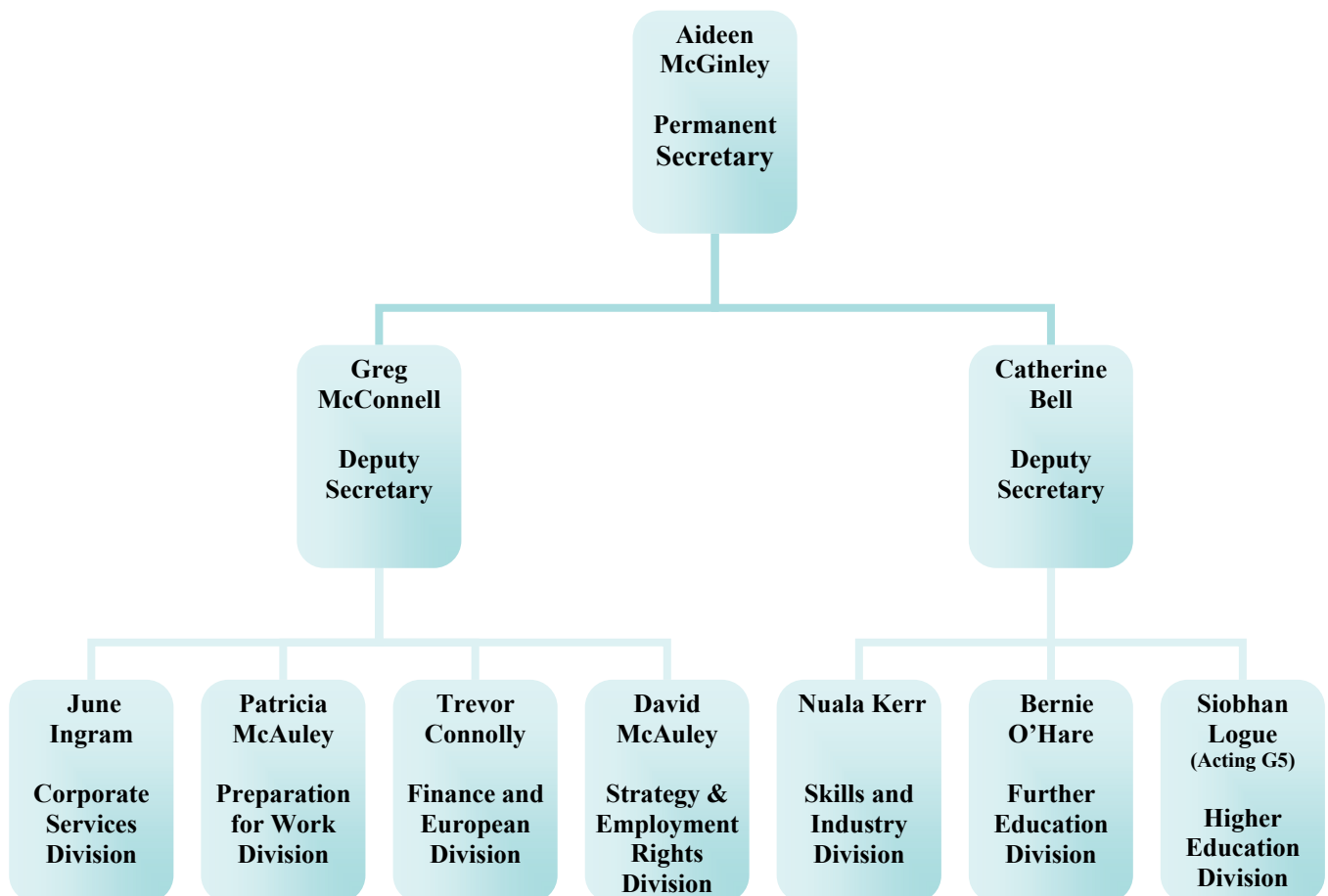
The Permanent Secretary and the Board

The Department is headed by its Permanent Secretary, Aileen McGinley, who is the Accounting Officer and is responsible for advice and guidance to the Minister with responsibility for the Department. The co-ordination of policy, advice and governance

oversight is managed through the Departmental Board. The Board is chaired by the Permanent Secretary and comprises the senior management team, an Assistant Chief Inspector of the Education and Training Inspectorate, Dr Maureen Bennet, and two non executive directors, Mr Fred Gray and Mr Bill McGinnis. The Audit Committee of the Board is chaired by Fred Gray.

The Department's activities are managed through the Senior Management Team:

Senior Management Team



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The Board supports the Accounting Officer and assists the Minister to define strategies, allocate resources, and set and meet PSA targets. The Board meets each month to manage the work of the Department, considering key issues and engaging in short and long term planning. It also regularly reviews the Departmental risk register and assesses current spending levels against the overall Departmental budget.

Board meetings provide the opportunity for all the Senior Management Team to contribute to quality assurance of policy development across the Department, and add coherence to the Department's strategies by:

- setting the Department's agreed strategic aims and objectives standards and values.
- advising on the allocation of its financial and human resources to achieve those aims.
- reviewing and managing the use of Departmental resources and monitoring the achievement of performance objectives.
- assessing and managing risk using the Departmental Risk Register.
- leading and overseeing the process of change, encouraging creativity, innovation and enterprise.

Independent Board Members

The two independent non-executive members provide a constructive challenge function to the Board. Both have considerable experience of working in the private sector, and bring with them a wide range of skills and talents.

Departmental Audit Committee

The Departmental Audit Committee operates as an advisory body to the Accounting Officer. Fred Gray chairs the Audit Committee which meets at least three times a year to review audit work programmes and related assurance reports.

Representatives from the Northern Ireland Audit Office also attend meetings. The structure and membership of the Audit Committee is under review at present to consider what changes are required in line with best practice as set out in DAO (DFP) 15/06.

Management of Arms Length Bodies

The Department provides funding to a number of Arms Length Bodies (ALBs) such as the Further Education Colleges, the Higher Education Institutions, the Education and Library Boards and its Non Departmental Public Bodies (NDPBs). These are the Construction Industry Training Board (CITB), the Labour Relations Agency (LRA) and Ulster Supported Employment Limited. (USEL). A fourth NDPB, Enterprise Ulster (EU) closed on 30th March 2007.

In order to ensure appropriate governance arrangements are in place, dedicated sponsor branches monitor and provide guidance to the ALBs. The Department has appropriate written agreements in place with its ALBs which set out the respective roles and responsibilities of both parties.

The Department receives annual assurance statements from each of its ALBs to confirm that the appropriate systems and controls are in place and are operating effectively within each organisation.

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Freedom of Information

The Freedom of Information Act came into effect in January 2005. During the period covered by this report the Department received 124 requests covering all aspects of its remit.

The requests can be categorised as 30% from staff, 16% from the media, 3% from political

representatives and 51% from the general public.

The policies and procedures regarding Freedom of Information have been modified continually in the light of experience to ensure that the Department meets its obligations under the Act.

HIGHLIGHTS OF OUR SERVICE
IN 2006/07

The Department's 4 key areas are:-

- **enhancing the provision of learning and skills,**
- **increasing the level of research and development,**
- **helping people to acquire jobs,**
- **developing and maintaining the framework of employment rights and responsibilities.**

More details are in the Departmental Corporate Plan 2005-08.
(www.delni.gov.uk)

Other activity within the Department includes:

- the Review of Public Administration (RPA), and
- the management of the Skills and Science Fund.

The following paragraphs highlight some of the important developments which have taken place in each of these four areas of activity.

ENHANCING THE PROVISION OF LEARNING AND SKILLS

Success Through Skills

Ensuring that individuals have the skills relevant to future employment opportunities is one of the key drivers to achieving the Economic Vision for Northern Ireland. The Department's overarching Skills Strategy, Success Through Skills, is the main vehicle through which this will be delivered.

The strategy is Northern Ireland's first comprehensive framework for the development of skills. It aims to assist the workforce to tap into their individual potential to make the most of their talents and skills.

Success Through Skills consists of four themes:

- Understanding the demand for skills;
- Improving the skills levels of the workforce;
- Improving the quality and relevance of education and training; and
- Tackling the skills barriers to employment and employability.

Careers Information, Advice and Guidance

The Careers Service continues to provide impartial information, advice and guidance, assisting clients of all ages with career planning. This year our website www.careersserviceni.com has developed as a key careers information resource attracting a total of 126,620 hits in 2006/07, an increase of 66% on the previous year.

A key aspect of our work is working with young people vulnerable to social exclusion and this year we have strengthened and developed partnerships with a number of organisations including Include Youth, Voice of Young People

in Care and Northern Ireland Association for the Care and Resettlement of Offenders, to help address barriers to employment faced by these young people.

We continue to strengthen and develop our service. During the year we have worked with the Department of Education to develop a joint all-age independent Careers Education, Information, Advice and Guidance (CEIAG) strategy as recommended in our overarching strategy "**Success Through Skills**". The aim of the CEIAG is to support the development of better informed decision-making, leading to more effective career planners and increased participation in education, training and employment. The strategy will issue for consultation early in the next financial year.

Leading...to Success

The importance of good management and leadership skills to underpin the future development of our economy cannot be overstated. As Northern Ireland strives to develop as an internationally competitive, knowledge-based economy it is a key Departmental objective to encourage and support the development of the management skills necessary to support that growth.

Building on the results from the consultation document **Leading...the way**, and additional consultation work conducted across all sectors, the Department has developed a new comprehensive Management and Leadership Strategy, **Leading...to Success**, that articulates a vision for the future and maps the actions required to deliver it. It draws together a number of existing major strategies and related

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strands of work together with new action programmes that will be implemented in a coordinated way across all sectors. It will be launched in Summer 2007.

Training for Success

Training for Success (TfS) will launch in September 2007 as the Department for Employment and Learning's primary vocational training provision for young people. Comprehensive stakeholder consultation undertaken prior to a managed open tender competition has allowed the Department to award delivery contracts to a range of suitable suppliers. Provision will offer a suite of professional and technical training opportunities for those in the 16-24 age cohorts with quality, flexibility and individuality as the key underpinning principles coupled with progression and a strong and focused emphasis on employment from day one. The provision will cater for the mixed abilities and needs of the young people in the target group through three distinct but interlinked strands; Addressing Barriers to Employment, Level 2 Apprenticeship and Level 3 Apprenticeship.

Addressing Barriers to Employment

A flexible range of personal development and support interventions to enable young people to tackle and overcome any personal barriers they are encountering and prepare them to enter the world of work. Provision will include addressing personal development and employability skills and non NVQ Level 1 and 2 options and qualifications.

Level 2 Apprenticeship's

Young people (16-24 year olds) entering this strand must be in paid employment from day one where they will work towards an industry approved Training Framework based on NVQ Level 2.

Level 3 Apprenticeship's

Young people (16-24 year olds) entering this strand must be in paid employment from day one where they will work towards an industry approved Training Framework based on NVQ Level 3.

Management Training

The Department continues to play a leading role in raising awareness, promoting world-class best practice in Management Development. During the year the Department assisted directly 382 managers to improve their skills levels and obtain relevant qualifications through the Management Development and Leadership Programme. 12 graduate participants commenced the new **Intro** Programme in March 2007. This programme is designed to provide the key "entry to management" skills demanded by businesses, whilst encouraging industry to take the lead in developing management skills in new graduate employees.

A new diagnostic programme, Management: Analysis and Planning (**MAP**), draws on the expertise of professional consultants to work with individual organisations with up to three days free consultancy. Businesses are assisted through the MAP process by consultants and programme managers to ensure a stress free process whilst delivering tangible results. The programme provides an organisation-specific training and development report linked to the achievement of the business' objectives. In addition, advisors can also signpost appropriate quality learning solutions that will address any gaps in management competences. The initiative is already proving a success, with more than 50 companies throughout Northern

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Ireland availing of this new service to boost their leadership and management capability.

Investors in People (IiP) – improving the performance of business in Northern Ireland

Since its introduction in 1994, over 1,300 organisations in Northern Ireland have achieved Investor in People recognition, confirming the Standard's position as a significant contributor to workforce development and consolidating its place as a key element of the Department's Skills Strategy.

Feedback received by the Northern Ireland Investors in People Quality Centre, and by Investors in People UK, shows even greater levels of employer satisfaction and endorsement of the latest version of the Standard. Subject to cyclical 3 year reviews, the Investors in People Standard will continue to evolve during 2007/08 to reflect the changing needs of employers in today's work environment, ensuring that employee knowledge, skills and ability continue to match organisational needs.

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Manager of the Northern Ireland IiP Centre Paul Bryans and Managing Director of Allied Bakeries Alan Hempton celebrate the milestone of 1300 organisations receiving IiP Recognition throughout Northern Ireland

Workforce Development

The International Skills Expert Group was established in 2006 to advise and make recommendations to the Department for Employment and Learning, (and other government departments and agencies), on matters affecting the skills supply underpinning the development of the Northern Ireland economy.

The Group includes local representation from trade unions, employer bodies, Invest NI, and both the Further and Higher Education sectors. International expertise is provided by distinguished experts from the United States, Great Britain and the Republic of Ireland.

Six employer-led **Workforce Development Forums (WDF)** have also been established across Northern Ireland to help to develop a new Regional Employment and Skills Action Plan. The locally based Workforce Development Forums are based, for administrative purposes, on the geographical regions covered by each of the six new Further Education Colleges. The purpose of the Forums is to make an assessment of the short to medium term skills needs on a sub-regional basis, and to develop a strategic response to meet those identified needs from within existing resources.

Success Through Excellence, A Quality Improvement Strategy

The Department's Quality improvement strategy, Success Through Excellence was launched in January 2007. Implementation of the strategy will ensure that quality standards and benchmarks are defined across the Department's funded education and training provision, that lessons are drawn from inspection and addressed

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appropriately and coherently, and that a range of support and capacity building activities aimed at improving performance are provided in an appropriate way. Key linkages are with the Learning and Skills development Agency Northern Ireland (LSDA (NI)), the Education and Training Inspectorate (Inspectorate), Lifelong Learning UK (LLUK), universities, colleges and training organisations.

There will be a focus on contract management, particularly the relevant tendering and procurement processes, monitoring of providers' performance in relation to compliance with procedures, and meeting performance standards set out in the appropriate education and training contracts. The aim will be to develop regular, consistent and robust reviews of providers' performance to ensure consistently high standards and outcomes, and value for money.

Widening Participation

The Department recognised the need to ensure that financial help continues to be available for those students who need it most. In addition to the introduction of fee loans, the Department raised the levels of maintenance loan available and income assessed maintenance grants have increased from a maximum £2,000 to £3,200.

Furthermore, institutions charging higher fees are required to play their part in promoting access to those from lower income backgrounds by providing students with bursaries under an access agreement approved by the Department.

In tandem with the changes from Academic Year 2006/07, the Department, in partnership with the Education and Library Boards and Student Loans Company (SLC), implemented a student finance modernisation programme. This is aimed at improving efficiency, transparency and customer service through improved Information, advice and guidance under a new "student financeni" brand; a new customer website

www.studentfinanceni.co.uk; and on-line applications.

Following the passage of the Higher Education (Northern Ireland) Order 2005, the Department increased the level of funding available to higher education in Northern Ireland.

From September 2006, universities are able to charge variable tuition fees of up to £3000 a year (capped, apart from inflationary increases, until 2010). However, these may be deferred through a fee loan and repaid later on the basis of graduates' ability to pay rather than by the students or their families during their course of study.

The Department has been guided by two essential principles: first, that a larger share of the cost of higher education should fall to graduates as the direct beneficiaries of higher education; and, secondly, that a first rate system of higher education should continue to be available, in Northern Ireland, to all who are able to benefit.

Widening Participation – Step-Up Belfast

The University of Ulster's "Step-Up" programme, which is funded by the Department has been identified by Universities UK as "an outstanding example of best practice in the provision of educational opportunity". It aims to provide an opportunity for disadvantaged pupils, who have potential but low attainment levels and relatively low expectations, to gain entry to and complete preparatory programmes of study at the University of Ulster, with a view to developing their education skills and encouraging them to enter higher education.

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Following the success of the initiative at the Magee Campus in Londonderry, the initiative was extended to Belfast in September 2006, with approximately 100 pupils recruited from 14 secondary schools in disadvantaged areas of Belfast.

The Step-Up Belfast programme is one of the Department's key projects under the Renewing Communities budget and has been allocated ring fenced funding of £1.59m over the period 2006/07 – 2012/13.

Learning & Teaching Capital Investment

In 2006-07 financial year the Department funded a wide range of capital projects to support and enhance a high quality learning and teaching environment across the higher education sector in Northern Ireland. A total of £23.9m was made available which includes an amount of £7.3m Reform and Reinvestment Initiative funding. Examples of supported capital investment include:

- **Stranmillis University College – Orchard Project**

The £6.5m project, which is scheduled for completion by December 2007, includes the demolition and replacement of two existing buildings with a teaching block and sports hall block. The new build will provide exemplar design accommodation for the Art, Technology and Design, Physical Education and Health and Leisure Departments.

- **Queens University Belfast – New Library Project**

This £43m capital investment project is part funded to a maximum of £10.3m over two years by the Department. The new Library, which is a high quality sustainable building, will enhance the University campus and

wider locality. It replaces the existing Physics and David Bates buildings, both of which had exceeded their useful lives. The Library is designed to accommodate 1.5m volumes and 2000 reader spaces in a combination of group and individual study areas. A Library café and reading rooms will complete the flagship building. The project is scheduled for completion by March 2008.

- **University of Ulster – Belfast Campus**

The Belfast Campus Project is an ambitious three phase capital investment project totalling in excess of £30m. In 2006/07 Phase One of the project was completed, having been supported by the Department over a two year period to a total of £10.3m. Completion of Phase One of this project has resulted in the creation of a landmark building featuring exciting design features, combining modern materials and techniques with traditional materials appropriate to St. Anne's Cathedral and the Cathedral Quarter Conservation Area.

Further Education (FE)

The "*Further Education Means Business*" strategy outlines the vision for the FE sector in Northern Ireland. It positions FE at the heart of lifelong learning in order to strengthen economic and workforce development, to enhance social cohesion and to advance the individual's skills and learning. The FE strategy continues to deliver key elements of the Department's wider skills strategy. It will also make a significant contribution to the delivery of the Northern Ireland Economic Vision, which identifies the importance of

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increasing the skills and qualifications of the Northern Ireland workforce at all levels.

Key activities completed during 2006/07 are outlined briefly below.

College Re-structuring

One of the fundamental projects underpinning delivery of the “*Further Education Means Business*” strategy is the size and structure of the FE sector. The 16 FE Colleges are now merging into 6 larger area-based groupings. Whilst the number of College campuses delivering courses locally will not change, the larger Colleges will help to enhance the sector’s profile as a deliverer of high-quality services, will improve their ability to influence local and regional economic planning, and will strengthen the Colleges’ ability to provide a co-ordinated approach to the delivery of courses at all levels. Colleges are currently working on the practical arrangements to merge, a process that will be completed by the start of the 2007/08 academic year.

Essential Skills

The Department has met its target, of supporting 18,500 qualifications by March 2007. By February 2007 21,777 qualifications had been gained.

The 16 Further Education colleges played a major role in the achievement of the targets through engaging and supporting learners to upskill their levels of Literacy and Numeracy. In addition to their mainstream provision they made a significant contribution through the delivery of Essential Skills courses to Jobskills, New Deal and Peace II participants, in a wide range of settings throughout Northern Ireland.

In September 2006 a pilot was launched by the Department in conjunction with the Council for the Curriculum, Examinations and Assessment and City and Guilds to develop and test a new

assessment and accreditation regime at Levels 1 and 2 for the introduction of Information and Communication Technology (ICT) as a third Essential Skill in Northern Ireland.

The main objective of the pilot is to develop and implement a new assessment and accreditation regime for ICT at Levels 1 and 2 which supports quality in teaching and learning in ICT and enables the learner to apply their ICT skills effectively.

To date over 300 learners have been engaged through 20 providers. The pilot will be monitored and evaluated to determine the quality of teaching and the quality of the qualifications.

Findings from the evaluation of the pilot will be available from summer 2007 and will be used to inform any future expansion of the pilot which may be introduced from September 2007.

An interim review of the Essential Skills Strategy carried out by “Frontline” consultants, was very positive. It showed the Strategy is having a significant impact in assisting learners to get employment, improve their employment prospects while in work and improve the general quality of their lives.

Governance Issues

The governing bodies of the newly-merged FE colleges will play a central role in ensuring success in delivering the implementation of the *Further Education Means Business* strategy. Accordingly, appointing governors who possess the appropriate knowledge, skills and experience is one of the most critical aspects of the merger process in order to ensure the governing bodies provide effective management of the college and

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set and monitor progress against its strategy, particularly in ensuring the skills needs of local business are met.

The Department has run two competitions, which have been administered in line with guidelines set out by the Office of the Commissioner for Public Appointments (NI), to appoint chairs and members of the new bodies. The Minister appointed chairs (designate) for each of the six new colleges during the year and the Department has been working closely with them in their role as chairs of the temporary executive committees, which are made up of members of the current college governing bodies, to prepare for the mergers which will be effective from 1 August 2007. The Department has also held competitions to select members of the governing bodies.

Curriculum Policy Development

Currently around £128m is allocated to support the curriculum offer within the sector. This funding does not include support provided for Foundation Degrees, Essential Skills and a range of other specific activities. It mainly relates to learner support for those individuals attending the college in either a full or part time capacity.

As part of the implementation of FE Means Business the Department has analysed the curriculum offer within the FE Sector. Equal consideration was given to the needs of both employers and individual learners. Analysis and research has focussed on the extent and type of services FE currently provides, or could provide for the employers in Northern Ireland and, the extent and type of curriculum on offer to individual learners. We have assessed the extent to which that offer would require re-alignment and have, also, considered the social inclusion and widening access agendas in relation to individual learners.

The aim is to develop new curriculum policies which meet the needs of all types of learners,

employers and the economy. Accordingly, a balanced approach has been adopted and has been based on the following principles:

- currency of provision, particularly in terms of provision on the National Qualifications Framework;
- progression routes for all learners, whether in full time study or in work; and
- a flexible approach to meeting employers' needs.

As part of this evidence based policy making process, the Department conducted a detailed analysis of the colleges' current curriculum provision, in terms of provision addressing Northern Ireland's priority skills, provision at levels 1, 2 and 3, professional and technical provision, the extent to which provision is on the National Qualifications Framework, the curriculum for 16 to 19 year olds, and an assessment of the achievement rates of students across the curriculum offering.

Based on the analysis carried out to date, the Department has developed draft high level policy proposals relating to the curriculum offer and performance targets and how they will be linked to funding in the future. These draft proposals will be subject to a full public consultation and Equality Impact Assessment, before the final curriculum policies are implemented, in the main, from the start of the 2008/09 academic year.

FE Estates

To enable FE Colleges to fulfil their role as the primary agent for delivering lifelong learning in Northern Ireland it is crucial that the standard of accommodation is suitable for the delivery of a forward-

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looking modern curriculum. Over recent years the Department has supported a number of high profile college developments. Capital projects continue to be funded through both conventional procurement and Public Private Partnerships (PPP) contracting arrangements and total funding of £23.5m has been invested in 2006/07.

Within the past year progress, on this programme of development, has been sustained with the completion of major College projects using PPP in Omagh and Dungannon - combined capital value £35m. A £2m capital conventional campus has also been delivered in Cookstown in partnership with a Department of Culture Arts and Leisure/Southern Education and Library Board library.

In addition significant progress has been made on PPP projects in Lisburn, East Down (Downpatrick/Ballynahinch/ Newcastle) and Belfast. In late 2006 the Minister announced the Belfast proposal, which is for a new 20,000m² campus on a single site in Belfast's historic Titanic Quarter area, to replace existing ageing accommodation at the Institute's Brunswick Street and College Square East Campuses. With a capital value of £44m this proposed major investment will create a stimulating educational and training environment for all the people of Belfast. The Lisburn and East Down projects have an estimated capital value in excess of £40m.

Work is also progressing on a number of conventionally procured projects, these include: the £13m innovative Workforce and Economic Development Centre at Springvale, North West Institute - £12m, North Down and Ards - £10m, Fermanagh - £8m and East Antrim £7m.

Also in 2006/7 a total of £7.3m was invested to meet health and safety requirements, accessibility improvements for students with learning difficulties/disabilities and minor works programmes including capital equipment and ICT.

European Programmes

Building Sustainable Prosperity (BSP)

The Department is responsible for the implementation of European Social Fund (ESF) Measures under Priority 2 (Employment) of the Programme for Building Sustainable Prosperity. ESF assistance of approximately £10.6m was provided to 98 projects, with 7,900 participants during 2006/07. These projects offer training to people disadvantaged from entering the labour market and those seeking further skills when in employment.

The BSP Programme has run from July 2000 and cumulatively almost 59,000 annual participants have received training at various levels achieving 26,000 qualifications. Some 6,000 unemployed people, who have been trained under the programme, have entered employment.

Peace II

Under the Peace II programme the Department is accountable for ESF assistance of £74m which from 2000 to date supported a total of 364 projects mostly in the voluntary and community sectors. In 2006/2007 £9.1m was paid by DEL to SEUPB.

Equal Community Initiative Programme

The Department is responsible for the management and implementation of the EQUAL Community Initiative Programme, which tests and promote new means of combating all forms of discrimination and inequalities in the labour market. ESF assistance of £8.2m is supporting 19 Development Partnerships

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for the period 2000 – 2008. In 2006/2007 £1.66m was paid to 13 Development Partnerships.

ESF Paying Authority

As the ESF Paying Authority for Northern Ireland during the course of the year the Department submitted four claims across three EU Programmes to the European Commission to the value of £49m. Receipts in respect of seven claims for seven Northern Ireland Departments (including claims made in previous years) to the value of £91m were received from the European Commission during the same period, for disbursement to the relevant Departments.

The New Programme

In 2006/2007 the Department made significant progress in the development of the new Northern Ireland European Social Fund (ESF) Programme 2007-2013. With the Department of Finance and Personnel the Department was involved in the preparation of the UK National Strategic Reference Framework for spending the new round of Structural Funds, the allocation of ESF funding to Northern Ireland and the twelve week public consultation on the new ESF programme document which ended on 14 March 2007. The Department plans to reach agreement with the European Commission on the new Northern Ireland ESF Programme by September 2007.

INCREASING THE LEVEL OF RESEARCH AND DEVELOPMENT

Special Funding Initiatives

During 2006-07 financial year the Department continued to fund the development of the Northern Ireland universities' research strategies, capacity and infrastructure via the Support Programme for University Research (SPUR) and the Science Research Investment Fund (SRIF).

Most notable were the official opening of the FEI Centre for Advanced Imaging at the University of Ulster and the completion of the Centre for Climate, the Environment and Chronology (CHRONO).

The £1.3m FEI Centre for Advanced Imaging, funded under the third round of the SRIF, was

developed in association with the US-based company FEI and will provide a suite of electron microscopes for all major research areas within the university's Biomedical Sciences Research Institute. It will also support academic research from other faculties within the university and beyond, including industrial research and development for the university's industrial partners within the region.

Based at the Coleraine campus it is part of the university's drive to become a world leader in the study of nanoparticle toxicology.

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The FEI Centre for Advanced Imaging was officially opened by Mr Henry Bisharat, Deputy US Consul (NI) (second right). Looking on are Gavin Campbell and Dr Linda Bradley from the Department and Professor Alan Sharp, Provost of the Coleraine Campus.

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The £6m SPUR funded Centre for Climate, the Environment & Chronology project saw the completion of a new building to adjoin the existing Palaeoecology building on Fitzwilliam Street Belfast, to form an up to date research facility.

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QUB's Centre for Climate, the Environment and Chronology

Most recently as part of this project Queen's have just acquired a state-of-the-art Accelerator Mass Spectrometer costing £1.4m. It is the only machine of its kind in Ireland and one of only four in the UK.¹

Higher and Further Education Collaboration Fund

Following extensive consultations with the business community and the Higher and Further Education sectors, the Department has developed a new "*Higher and Further Education Collaboration Fund*" to enable the

HE and FE sectors to identify and meet, in a coordinated and holistic fashion, the knowledge transfer needs of businesses in particular, and also the wider community.

Collaboration between the FE sector and the Universities is firmly grounded in the recommendations of the Regional Innovation Strategy as well as being in keeping with the Department's over arching Skills Strategy "*Success through Skills*".

The programme, which is the first of its kind in the UK, will run for three years from April 2007 with an annual budget of approximately £1m. It will be delivered by Queen's University Belfast and the University of Ulster, in partnership with the Association of Northern Ireland Colleges.

¹ The AMS can measure carbon in very small samples with minimal damage to the artefact and the precision will be on the order of + or – 25 years for samples around 5,000 years old. With the oldest age measurable in the region of 50,000 to 55,000 years.

HELPING PEOPLE TO ACQUIRE JOBS

New Deal

Registered unemployment within the two main New Deal target groups (18 to 24 year olds unemployed for 6 months or more and those aged 25 or over unemployed for 18 months or more) reduced by 520 over the year. Since the introduction of New Deal in 1998, Northern Ireland has recorded the highest percentage decreases in unemployment within these groups across the twelve UK regions.

From 24 April 2006 those aged 50 or over who are claiming Jobseeker's Allowance (JSA) for 18 months or more have been required to participate on the New Deal 25+ programme. This extended the help and support to find work available through New Deal to older people and has created parity within all age groups. Since the introduction of this additional help the number of people aged 50 or over on the JSA register who meet the New Deal eligibility criteria has fallen by 23%.

An independent evaluation of the New Deal for Musicians carried out during the year provided broadly positive feedback regarding the programme with only minor recommendations for improvement. The evaluation report found that of the 100 past participants surveyed 37% were in employment, either as employees or on a self-employed basis, at the time of the survey.

Steps to Work

The Department recognises that more needs to be done to tackle the high rate of economic inactivity. It also acknowledges that whilst looking towards future economic labour force requirements and potential skill shortages, it

must look to address the wider range of multiple and often complex, barriers faced by both those remaining unemployed or economically inactive.

In addressing these issues and as part of the Employment Service Modernisation Programme, the Department has been working on the development of a flexible, menu-based, modular structure to its employment and training provision that can be tailored to each individual's needs.

Through this initiative the Department will extend the availability of its employment and training provision to a wider group of clients not previously targeted for such assistance. These include: Income Support and Incapacity Benefit claimants; Jobseekers Allowance claimants in receipt of benefit for at least 3 months; and those economically inactive not in receipt of benefit who are looking for work.

The concept has been branded 'Steps to Work' (StW) and has been designed to give a fresh image combined with a revised method of delivery. The flexible menu-based approach has now been developed to the stage that it can be tested as a pilot for one year in four Jobs and Benefits offices (Lisburn, Limavady, Knockbreda and Conor Buildings) from 2 April 2007. If successful outcomes are achieved, the initiative will be rolled out during 2008, subject to resource availability.

Strategic Dialogue with Disability Sector

The Department consulted with the disability sector about the Department's programmes and services for people with disabilities through a

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Steering Group nominated by the Disability Liaison Group (DLG). The Steering Group presented its final report to the Departmental Board in September 2006. The Department will be issuing a formal response to the DLG shortly. Departmental staff will be working with the DLG to implement changes to programmes and services to better meet the vocational and pre-vocational needs of people with disabilities.

Employer Engagement

Employers are, and will remain, central to the ambitions of welfare reform and to the Government's aspirational UK 80% employment rate. The Department offers a recruitment service to all employers in Northern Ireland and, year on year, reports increases in the numbers of job vacancies notified. Often, however, job opportunities do not match the skills and aspirations of the Department's priority client groups i.e. individuals in receipt of working age benefits and the economically inactive. When engaging with employers the Department's public Employment Service is, therefore, seeking to attract greater numbers of vacancies better suited to our client groups while at the same time continuing to provide a vacancy service to all employers.

New and much more focused formal employer engagement planning arrangements now ensure our employer contacts are managed in a co-ordinated, consistent and targeted manner. Supported by the appointment of Employer Contact Managers, dedicated to proactively engage with employers, the Department is now better positioned to provide improved services to employers and at the same time increase the job opportunities available to priority client jobseekers. It is especially pleasing to see more and more employers are making use of our

Employersonline website, which allows them to notify and manage their job vacancies electronically. In fact, 25% of all the job vacancies attracted by the Department during 2006/07 (ie 11,258 out of the 45,047 total) were notified through this medium.

Notable successes during the year include the innovative Jobs Take Away event. This Belfast city-centre based initiative brought together hundreds of job seekers with employers, many of whom were able to offer job starts on the day. The Bridgewater Project near Banbridge, one of the largest retail developments in the UK and scheduled to open in April 2007, is also an example of how the local Employment Service planned and delivered a fast, comprehensive and professional recruitment service to a large number of nationally and internationally recognised employers concurrently. Feedback from this customised recruitment service has been extremely positive. The Department is confident that both of these exercises will result in a significant number of clients moving off welfare and into work and that the quality of service given by our local teams to those employers throughout the recruitment process will result in significant repeat business.

Targeted Initiatives (TIs)

Over the past 5 years the Department has been piloting a range of labour market measures, collectively known as 'Targeted Initiatives' (TIs), which were designed to engage with, encourage and help those with significant barriers move closer to finding a job. Delivery of the measures has involved a unique partnership between the Department and community interests in the targeted areas of high unemployment i.e. West Belfast, the Greater Shankill, Londonderry and Strabane.

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An interim evaluation of the Initiative took place in 2005 and a number of the innovations and features were subsequently rolled out across Northern Ireland. An Adviser Discretionary Fund, providing individuals with important financial help to get them started in a job, and support for undertaking essential skills training, are now available province-wide. The Disablement Advisory Service (DAS) “Work Preparation Programme” is being taken forward in conjunction with the Department’s Pathways to Work Initiative for those on Incapacity Benefits.

A final evaluation was carried out in 2006 and the report concluded that trust and relationship building between government and local communities were critical success factors within the TI approach. Other key findings indicated:

- The Job Assist Centres (JACs) concept had successfully engaged unemployed clients from appropriate client groups and in particular with individuals who would not normally seek help from the public Employment Service.
- The Transitional Employment Programme (TEP) was shown to be an effective means of achieving employment outcomes with clients that had not managed to secure employment through New Deal.
- The Stakeholders Forums had provided a useful monitoring function, served to integrate the various TI components and fostered a sense of local ownership within the pilots.

Labour Market Intermediaries (LMIs)

LMIs have been operating in pilot form in South, East and North Belfast and offer very similar services to the Job Assist Centres in that they are also community based and provide a range of tailored support to assist unemployed clients find a suitable job. They too were evaluated in 2006 and the Consultant’s findings reported positive results in their local communities, helping tackle social inclusion through working with local people, many of whom had major employability needs.

Local Employment Intermediary Service (LEMIS)

This new Service has been informed and developed taking account of the outcomes identified in the final evaluations of the Targeted Initiatives and Labour Market Intermediaries and following extensive consultation with key interests in the areas affected. LEMIS is designed to provide tailored assistance to help voluntary clients overcome their personal barriers to employment. As such, it will offer community based and targeted support to those clients who are furthest from the labour market and who may not otherwise interact with the statutory sector. Learning from the experience of the TI and LMI pilots, and following the local consultation, the emphasis of LEMIS will be on real job outcomes for the clients. The new measure is therefore designed to complement the services available through the Jobs and Benefits offices and providers are expected to work closely with DEL’s frontline services to maximise job and training opportunities for clients.

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Following a public tendering exercise, organisations have now been appointed to deliver the new Programme in a total of eight locations throughout Belfast and in Londonderry and Strabane from April 2007. The successful providers are local organisations which have detailed knowledge of the issues facing the communities in which they operate, and an understanding of the employment opportunities (existing and potential) in and around their communities. LEMIS providers will work with other employability-focused organisations, including Jobs and Benefits offices/Job Centres to offer an independent, confidential, advice and mentoring service to their priority groups.

The new Service will be assisted by a small number of Stakeholder Forums, operating along the lines of those which existed as part of the Targeted Initiatives, and made up of local community interests. These Forums will have a dual role in (a) supporting the LEMIS Provider in their delivery of the Service and, (b) partnering with DEL in monitoring progress of the LEMIS initiative and, where necessary, helping to identify other local employability issues.

Walsh Visa Programme (WVP)

The Irish Peace Process and Cultural Training Program (known as the Walsh Visa Programme after its sponsor, Congressman James Walsh) provided opportunities for unemployed people, aged 18-35 years from Northern Ireland and the border counties of Ireland to live and work in the USA for up to 3 years. Since March 2000, 608 young people from Northern Ireland have been assisted in taking up employment in the United States. This figure includes the final group of DEL participants i.e. 11, who completed their pre-departure training and left

for the USA in September 2006. There are 22 participants from Northern Ireland still on the programme i.e. 12 young people currently working in Boston and 10 working in Pittsburgh.

progress2work (NI)

This pilot programme, which was launched in November 2005, was aimed at providing support to individuals in receipt of Social Security Benefits, such as Jobseeker's Allowance, Income Support or Incapacity Benefit, who have significant difficulty accessing the labour market as a result of being homeless, being an ex-offender or ex-prisoner or having a history of drug or alcohol misuse.

Initially the pilot was to run until March 2007, however following an Interim Evaluation, which determined that there was clear justification for continuing with this initiative, contracts have been extended for a further twelve months.

Pathways to Work (Incapacity Benefit Reform)

Pathways to Work Pilots, similar to those operating in Great Britain since 2003, were introduced in Northern Ireland in October 2005. The Pathways service must be extended to the whole of Northern Ireland by April 2008 in advance of the introduction of the Employment and Support Allowance that will replace Incapacity Benefit and Income Support payable for reasons of incapacity or disability later that year.

Pathways to Work is a new programme for helping people with health problems or disabilities into work. New incapacity benefit

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claimants are required to attend up to 6 work-focused interviews during the first 6 months of their claim. At these interviews the role of the specially trained Pathways Personal Adviser is to work with the client to identify any barriers to work, and provide them with individually tailored advice and support and agree an Action Plan to help the client move into work.

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

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

Although the series of interviews is mandatory, the Pathways PA has the discretion to waive or

defer them if appropriate. All the choices on offer are entirely voluntary and clients are not put under pressure to participate in any of the options or forced into work. Early indications from the Pilots in Great Britain suggest that Pathways has been effective in helping people with health conditions and disabilities find and remain in work.

The Pathways service is currently available to 30% of annual new and repeat benefit claimants. Early evidence suggests that Pathways is having a significant impact in reducing long-term benefit dependency and in re-engaging people with work. Increases in off-flow from benefit of 16% measured after six months of a claim have been achieved and up to 5 times more job entries have been achieved by offices offering the service compared to those that do not.

Pathways to Work for Lone parents

Building on the success of Pathways to Work for people with health conditions and disabilities the Department is piloting similar provision for the lone parent client group. No additional conditionality has been attached to benefit payment, rather, specially trained Personal Advisers encourage lone parents to agree to trail a range of options designed to help them to find and retain work.

In addition to existing provision such as New Deal for Lone Parents, a range of new options is available including,

- A **Return to Work Credit** of £40 per week, for one year, for anyone leaving benefit for paid work of at least 16 hours a week where the earnings are less than £15,000 per annum.

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- Access to the **Adviser Discretion Fund** which can provide up to £300 to spend on anything that will help the client obtain a job, or if offered a job, accept it.
- A **Work Preparation Programme** which will help clients gain a better understanding of the range of barriers to work that may affect them and help them to develop strategies to manage these in a work environment.

The Department has also seconded experts in dealing with lone parents and the issues they face to help develop and implement this project.

European Employment Service (EURES)

2006 was proclaimed “European Year of Workers’ Mobility” by the European Commission. Key objectives were to raise awareness and exchange good practice on mobility and its benefits.

Throughout the year, Eures has worked towards giving its customers access to European vacancies on jobpoints in JobCentres and Jobs and Benefits offices throughout NI.

The Department launched access to European vacancies for ‘Europe Day’ on 9th May 2006.

In September 2006 the Department’s Eures team represented the UK Public Employment Service (both the Department and Jobcentre Plus) as the UK flagship event for the European Year of Worker Mobility. Eures Advisers from 6 member states as well as representatives from Jobcentre Plus attended the event in Belfast.

Frontline Service Review

Preparation for Work Division of the Department initiated a project which aims to introduce a new fully integrated frontline model to all Jobs & Benefits offices within the network. It is envisaged that the new structure proposed will provide more flexibility for frontline staff and give a greater emphasis on support for all clients, especially those furthest from the labour market. The project is an integral element of the Modernisation of the Employment Service which encompasses changes in approach with the menu-based approach and extension of the client base and provision available.

The new model will be initially piloted in four Jobs & Benefits offices (namely Knockbreda, Limavady, Lisburn and Shaftesbury Square) from 2 April 2007. Based on the experience and lessons learnt from the pilot offices, an informed decision will be made about its suitability for future rollout to the rest of the Jobs & Benefits office network.

The proposed new approach will have the following main features:-

- the categorisation of clients based on their distance from the labour market, rather than on their affiliation with a particular benefit type eg jobseeker, lone parent or Incapacity Benefit recipient;
- the introduction of a suitable client assessment framework to identify the client’s distance from the labour market and any potential barriers to training or employment; and
- the development of a cadre of advisers appropriately trained and skilled to meet the full range of clients’ needs.

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The strategic aim of the Project is to establish an infrastructure in Jobs & Benefits offices which can accommodate the implementation of the Government's ongoing Welfare Reform Programme and provide an Advisory Service that will deal effectively with the diverse needs of the Employment Service's current client base.

DEVELOPING AND MAINTAINING THE FRAMEWORK OF EMPLOYMENT RIGHTS AND RESPONSIBILITIES

Labour Relations Agency

The Labour Relations Agency was established in 1976 as a Non-Departmental Public Body with responsibility for promoting the improvement of employment relations in Northern Ireland. The Agency is independent of Government and is funded mainly in the form of a grant from the Department for Employment and Learning (DEL) £3m 2006/07. In 06/07 the Agency hosted advisory workshops, assisting organisations develop good practice in employment policies and procedures and providing good practice seminars. It continues to provide an enquiry service and in 06/07 upgraded this facility with the introduction of enhanced telephony equipment. The Agency continues to provide a conciliation service to individuals and employers and contributed greatly to settling many of the complaints received at tribunal without the need for a formal hearing. Full details are contained in the Agency's Annual Report and Accounts.

The Northern Ireland Certification Officer

The Northern Ireland Certification Officer (CO) has a semi-judicial role to deal with complaints made against trade unions and employers associations by their members. He also has statutory functions in relations to the monitoring of trade unions and employers associations.

The CO is a part-time post appointed and funded by the Department under the Industrial Relations (NI) Order 1992. The Order also requires the CO to produce an annual report of his activities.

Redundancy Payments Service (RPS)

Under the Employment Rights (Northern Ireland) Order 1996 the Department administers the statutory Redundancy Scheme. The statutory scheme aims to ensure that those who are dismissed through no fault of their own receive compensation. Employees with more than 2 years service are statutorily entitled to a lump sum from their employer, based on their age, length of service and contractual earnings up to a maximum limit which is reviewed annually. In 06/07 the RPS paid in excess of £2.5m from the NI National Insurance Fund while in excess of £1.7m was recovered from the assets of solvent/insolvent employers. In addition, almost £3m was written-off the debt to the National Insurance Fund as irrecoverable.

Employment Rights

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

Work and Families

The Department took forward legislation introducing measures to assist working families. The Work and Families (Northern Ireland) Order 2006 reached the statute book in the summer of 2006, while associated regulations followed in late 2006 and early 2007. As a result, from April 2007, paid maternity and adoption leave were extended from six to nine months. Employers and employees were also given increased scope to manage the period of leave and to plan for the

employee's return to work thereafter. Furthermore, the right to request flexible working was extended to qualifying employees who care for an adult. The latter measure followed research carried out on behalf of the Department which revealed a great deal of support among employers and employees for flexible working.

Recruitment Sector Enforcement

The Department successfully established and implemented a programme of inspections relating to the NI recruitment industry. The inspections aim to protect workers and businesses and support good employment agencies by ensuring compliance with statutory requirements. In addition 11 complaints were investigated, 8 of which have been successfully concluded.

Holiday Entitlement

The Department consulted on the potential benefits and impacts of increasing the statutory holiday entitlement in Northern Ireland. At present workers have a statutory entitlement to 4 weeks' paid annual leave yet some, particularly the lowest paid, have to offset time taken on bank and public holidays against their annual leave entitlement.

In February 2007 the Department launched a further consultation on the draft Regulations.

In addition, the Department brought into operation 22 Statutory Rules and revised one Code of Practice. A range of guidance material on employment law, including guidance in minority languages, was produced.

Services for Migrant Workers

Since accession of 8 countries to the European Union in 2004 the number of migrant workers arriving in Northern Ireland has increased dramatically. Since then Government Departments actively addressed migrant worker issues primarily on an individual department basis and the voluntary/community sector played a key information and advice role as well as providing for those migrant workers who had no access to government services. However it was recognised that migrant worker issues were significant and required a co-ordinated approach to be adopted.

As a result a Migrant Workers Thematic Sub-Group - of the Race Equality Forum - chaired by this Department with membership representative of all Northern Ireland Departments and key statutory and non-governmental organisations, was established in June 2006. The group developed a Strategy and Action Plan which are designed to be adaptable to changing situations and will be reviewed annually. Four main strands of required action were identified:

- Employment Inspection and Enforcement
- Information
- Best Practice and Research
- Data gathering

More recently the Department has established a Migrant Workers Unit to support the work of the thematic sub-group and implementation of the Action Plan.

OTHER ACTIVITY

Review of Public Administration (RPA)

The Review of Public Administration (RPA) was a comprehensive examination of the arrangements for the administration and delivery of public services in Northern Ireland. The RPA announcement of November 2005 included decisions about the restructuring of educational services in Northern Ireland.

A new Education and Skills Authority (ESA) will be established to focus on the operational delivery of educational services.

A new Education Advisory Forum (EAF) will also provide a direct link between education sectors and the relevant Departments. This forum will inform the Departments' policy development on a wide range of education and skills issues.

DE is leading implementation of the 'RPA in education' decisions including the establishment of the ESA and EAF. During the year the Department has worked closely with DE on this implementation programme and will continue to do so in the months ahead.

Following a further announcement on 21 March 2006, the Secretary of State indicated that Enterprise Ulster was to be abolished. This decision was made following an in depth Review of Enterprise Ulster and an Options Study to determine the viability of this Non-Departmental Public Body as a private entity.

Recruitment to the pilot Training for Work programme operated by Enterprise Ulster ceased on 28 April 2006. Enterprise Ulster continued to provide training for participants

until Christmas 2006 when the last trainee left having completed their full period of training.

The Enterprise Ulster (Dissolution) Order (Northern Ireland) 2007 was made on 1st February 2007 and came into operation on 2 April 2007. Enterprise Ulster will be dissolved on 30th June 2007.

Skills and Science Funding Package

During the 2005 Budget, the Secretary of State identified Skills and Science as one of three key cross cutting priorities. The Skills and Science Funding Package spent £14.42m (96%) of the £15.0m budget available this year (2006/07).

The Department acts as the co-ordinating function for the cross-Departmental funding package.

Theme 1 – Preparation of Young People for the Future

- 1. Vocational Enhancement Programme (VEP)** - 7,858 pupils and 823 young people with special needs were involved in VEP in 2006/07.
- 2. Fast Track To** - All projects are at the implementation stage with the UK Career Academy to commence in September 2007.
- 3. Entrepreneurship and Education Initiative** - A number of programmes have commenced with over 47,000 achievers (students) having participated on Young Enterprise Northern Ireland (YENI) programmes at end March.
- 4. Business Education Initiative** – £400k was allocated to Sentinus for this initiative. £100k has enabled Education for Employability, run by CCEA, to

follow on from the success of the Dungannon/Cookstown pilot.

5. **The Appliance of Science: Events and Workshops for Young People** £1.1m was spent within the 2006/07 financial year to enable 10,110 Young People to participate in W5 activities. An additional 2,338 “11-13” year olds were included with external funding sources. A further 10,000 young people were included through the Armagh Observatory and Planetarium (AOP) outreach programme.

Theme 2 – Exploitation of Research

6. **Commercialisation of Research Skills** - The offer made to the Centre of Excellence for Intelligent Systems has been accepted by the University of Ulster. The independent appraisal for Health Personal and Social Service Innovations/Public Sector Research Establishment (PSRE) is complete.
7. **Broadband Content Initiative** - 20 short-listed projects received up to £3,000 each plus 16 hours consultancy support. Six projects were selected for funding with a total project value of £1.4m.
8. **MATRIX** – Members were appointed in October 2006 and the secretariat has been established. MATRIX met on the 8th November 2006 for the first time and was formally launched by DETI on 13 February 2007. In March 2007 consultants were appointed to carry out the Technologies capability study and a Communications strategy.
9. **Specialist short-courses for NI Agri-Food Industry** – The first course was delivered during the year; with one imminent and four in early planning stages.

Theme 3 – Support for people getting back to Work

10. **Pathways to Work (IBR) Incapacity Benefit Reform** - Over 700 people are now in work. There have been increased benefit off-flows of 16%. Planning is underway to roll out across Northern Ireland by 28th April, in time for introduction of Employment and Support allowance, (ESA) in 2008.
11. **Pathways for Lone Parents (New Deal+)** - Project began on 29th January and 38 lone parents have been helped into work to date.
12. **Targeting the economically inactive (Older People - New Deal 25+)** - At 28th March 2007, 870 participants had left Gateway. Of these, 37% have entered the New Deal 25+ option provision, with a further 12% finding work. The numbers in this target group on the JSA register has dropped to 1,500 by March 07 (a net reduction of 535 or 26%) since April 2006.
13. **Hands that Talk**
Two full time sign language tutors and a part- time ICT tutor/technician have been funded to assist innovative work with the deaf community

**SUMMARY OF ACHIEVEMENT AGAINST DEPARTMENTAL
PERFORMANCE TARGETS AND PUBLIC SERVICE AGREEMENT
(PSA) TARGETS IN 2006/07**

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

Of the 52 performance targets:

2	-	Were substantially achieved;
28	-	Were achieved;
8	-	Were on track for achievement;
10	-	Were likely to be achieved but with some delay; and
4	-	Were unlikely to be achieved.

Annex 1 contains information on the 2006/07 year's performance targets.

Annex 2 contains information on achievement of the five PSA targets.

POST BALANCE SHEET EVENTS

No significant events have occurred since the balance sheet date that would require adjustment to, or disclosure in, the Resource Accounts.

MANAGEMENT

Minister

The responsible Minister was Maria Eagle MP who replaced Angela Smith MP on 5 May 2006.

Permanent Head of the Department and the Management Board

The Permanent Secretary of the Department is Dr Aideen McGinley.

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

Dr Robson Davison
Mr Greg McConnell
Mrs Catherine Bell
Mrs Nuala Kerr
Mrs Patricia McAuley
Mr Trevor Connolly
Mr David McAuley
Mrs Bernie O'Hare
Ms June Ingram
Mrs Siobhan Logue
Mr Daragh Shields
Dr Maureen Bennett
Ms Lucy Martin

Non-executive Board Members

Mr Bill McGinnis
Mr Fred Gray

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

Expenses for Non-executive Board Members

Total fees and expenses of £11,670.30 were paid in respect of the Departments Non-Executive Directors.

PUBLIC INTEREST AND OTHER

Departmental Reporting Cycle

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

Disabled persons

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

Equal opportunities

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

Payment of suppliers

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

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

In the year ended 31 March 2007, 99% of invoices from suppliers were paid within the timescale noted above. No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1988.

Consultation with employees

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

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Auditor

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

As Accounting Officer I can confirm that:

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

DEPARTMENTAL REMUNERATION REPORT

Remuneration Policy

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

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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

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

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

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

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

Service Contracts

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

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

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

Salary and pension entitlements

Ministers Salaries

Between 1 April 2006 and 4 May 2006 the Department for Employment and Learning was under the direction and control of Angela Smith. Her salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Angela Smith's salary and allowances will be provided in the 2006-07 Northern Ireland Office Resource Accounts.

Between 5 May 2006 and 31 March 2007 the Department for Employment and Learning was under the direction and control of Maria Eagle. Her salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Maria Eagle's salary and allowances will be provided in the 2006-07 Northern Ireland Office Resource Accounts.

Ministerial pensions

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

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

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

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Senior Civil Service Salaries

Officials	Salary £000	2006-07 Benefits in kind To nearest £100	Salary £000	2005-06 Benefits in kind To nearest £100
Will Haire <i>Permanent Secretary</i> 1/4/05-2/1/06	-	-	80 – 85 (95 – 100 full year equivalent)	-
Aideen McGinley <i>Permanent Secretary</i>	110 - 115	-	5 – 10 (105 – 110 full year equivalent)	-
Dr Robson Davison <i>Acting Permanent Secretary</i> 3/1/06-19/2/06	-	-	90 – 95 (105 – 110 full year equivalent)	-
<i>Deputy Secretary</i> 1/4/05-2/1/06 20/2/06-30/4/06	5 – 10 (95 - 100 full year equivalent)	-	10 – 15 (100 – 105 full year equivalent)	-
Mr Greg McConnell <i>Deputy Secretary</i> 15/5/06-31/3/07	80 - 85 (90 - 95 full year equivalent)	-	-	-
Catherine Bell <i>Deputy Secretary</i>	85 - 90	-	80 - 85	-
Patricia McAuley <i>Assistant Secretary Preparation for Work</i>	65 - 70	-	60 - 65	-
David McAuley <i>Assistant Secretary Strategy and Employment Rights</i>	70 - 75	-	70 - 75	-
George O'Doherty <i>Assistant Secretary</i> 1/4/05-12/9/05	-	-	52 – 30	-
Bernie O'Hare <i>Assistant Secretary Further Education</i>	65 - 70	-	65 – 70 (60 - 65 full year equivalent)	-
Tom Scott <i>Assistant Secretary</i> 1/4/05-31/7/05	-	-	20 – 25 (70 – 75 full year equivalent)	-
Heather Stevens <i>Assistant Secretary</i> 1/4/06-31/7/06	20 – 25 (55 - 60 full year equivalent)	-	50 – 55	-
June Ingram <i>Assistant Secretary Corporate Services</i>	60 - 65	-	25 – 30 (55 – 60 full year equivalent)	-

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Officials	Salary £000	2006-07	Salary £000	2005-06
		Benefits in kind To nearest £100		Benefits in kind To nearest £100
Nuala Kerr <i>Assistant Secretary Skills and Industry</i>	60 - 65	-	25 – 30 (55 – 60 full year equivalent)	-
Trevor Connolly <i>Assistant Secretary Finance and European 19/6/06 -31/3/07</i>	45 - 50 (55 – 60 full year equivalent)	-	-	-
Siobhan Logue <i>Acting Assistant Secretary Higher Education 8/1/07-31/3/07</i>	45 - 50 (55 – 60 full year equivalent)	-	-	-

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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Salary

‘Salary’ includes gross salary; performance pay or bonuses and any other allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

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

Senior Civil Service Pensions

Officials	Real increase in pension	Real increase in lump sum	Pension at 31/03/07	Lump Sum at 31/03/07	CETV at 31/03/06	CETV at 31/03/07	Employee contributions and transfers in	Real increase in CETV funded by Employer
	£000	£000	£000	£000	£000	£000	£000	£000
Aideen McGinley <i>Permanent Secretary</i>	0-2.5	0-2.5	40-45	120-125	637	790	-	-
Dr Robson Davison <i>Deputy Secretary 1/4/06-3/04/06</i>	0-2.5	0-2.5	45-50	135-140	819	1,032	-	-
Mr Greg McConnell <i>Deputy Secretary 15/5/06-31/3/07</i>	0-2.5	2.5-5.0	40-45	125-130	956	1,048	-	22
Catherine Bell <i>Deputy Secretary</i>	0-2.5	0-2.5	25-30	75-80	438	540	-	-
Patricia McAuley <i>Assistant Secretary Preparation for Work</i>	0-2.5	0-2.5	20-25	60-65	266	339	-	7
David McAuley <i>Assistant Secretary Strategy and Employment Rights</i>	0-2.5	0-2.5	30-35	95-100	680	740	-	10
Bernie O’Hare <i>Assistant Secretary Further Education</i>	0-2.5	0-2.5	20-25	70-75	436	519	-	-

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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Officials	Real increase in pension	Real increase in lump sum	Pension at 31/03/07	Lump Sum at 31/03/07	CETV at 31/03/06	CETV at 31/03/07	Employee contributions and transfers in	Real increase in CETV funded by Employer
	£000	£000	£000	£000	£000	£000	£000	£000
Heather Stevens <i>Assistant Secretary</i> <i>1/04/06-31/07/06</i>	0-2.5	0-2.5	5-10	25-30	87	103	-	2
June Ingram <i>Assistant Secretary Corporate Services</i>	0-2.5	0-2.5	10-15	40-45	169	201	-	-
Nuala Kerr <i>Assistant Secretary Skills and Industry</i>	0-2.5	0-2.5	15-20	55-60	314	409	-	9
Trevor Connolly <i>Assistant Secretary Finance and European</i> <i>19/6/06 -31/3/07</i>	0-2.5	2.5-5.0	5-10	15-20	49	67	-	14
Siobhan Logue <i>Acting Assistant Secretary Higher Education</i> <i>8/1/07-31/3/07</i>	0-2.5	0-2.5	10-15	40-45	238	240	-	-

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

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or on immediately ceasing to be an active member of the scheme if they are already 60.

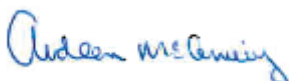
Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Department of Finance and Personnel's Superannuation Scheme Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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



Dr Aileen McGinley

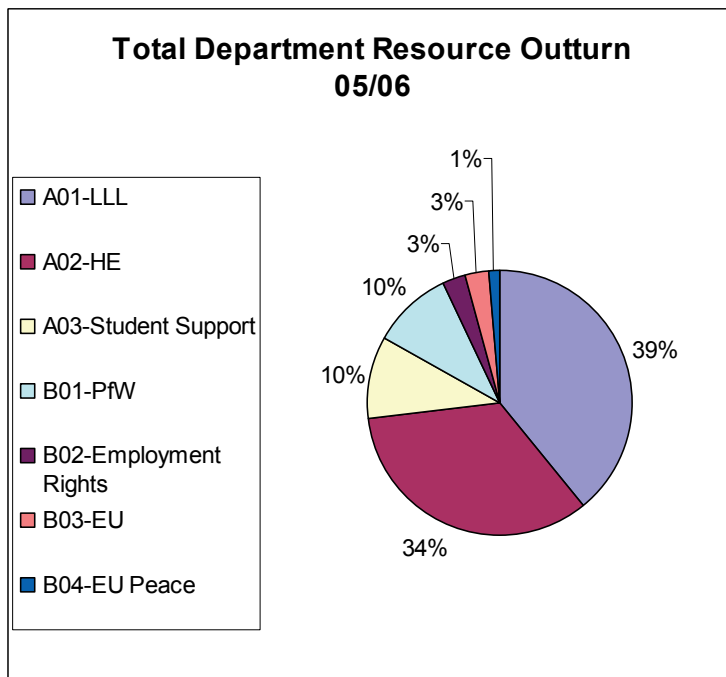
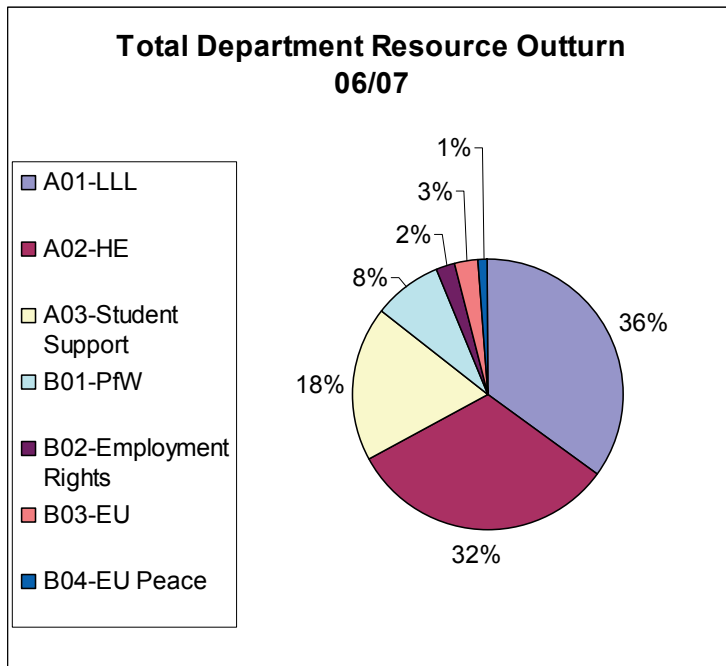
Accounting Officer

11 September 2007

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
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for the year ended 31 March 2007**

Management Commentary

Departmental expenditure for the year increased from £675m in 2005/06 to £700m in 2006/07 – an increase of £25m. This is after including EU income and Student Loan Interest receivable. The overall allocation of resources within the Department, excluding this income, is broadly similar to 2005-06.



REQUEST FOR RESOURCES A

Lifelong Learning

Within Lifelong Learning there was a decrease in total net expenditure (£21.43m 8.59%) due to a combination of factors.

Most significantly, there has been a change in the accounting treatment of EU income. In line with guidance issued by the Department of Finance and Personnel, DAO (DFP) 16/06, this income is now treated as Accruing Resources and so reduces the total net expenditure on this Unit of Service. Previously, this would have been treated as non-supply income and not included within the net resource outturn (see note 3 to the accounts). In 2006/07 this has had the impact of reducing the net total expenditure on the Jobskills programme by some £23.372m.

Expenditure in relation to Education and Library Boards (ELBs) has been lower than in 2005/06 due to action taken by the Department to recover unspent balances totalling £1m relating to previous years. There has however been a mitigating increase in costs relating to home to college transport services due to a 10% price increase by Translink, together with rising fuel costs in 2006. This has resulted in a net overall decrease of £0.412m.

In terms of grant aid to the Further Education (FE) sector, expenditure decreased by £2.4m against 2005/06. A contribution of £1.5m was received from Ireland in relation to students attending academic courses in Northern Ireland. Capital expenditure within the sector experienced delays this year. Expenditure on capital projects fell by £0.7m as a result of difficulties experienced in the design process, mainly because of new Government initiatives. This raised planning queries and caused delays as the final designs differed from those originally included in the appraisals.

A movement of responsibilities from Management Development to Higher Education (HE) for the Business Education Initiative together with efficiency savings resulted in a reduction of 70% (£1.714m) on 2005/06. This reduced level of expenditure is expected to continue. Examples of courses and initiatives halted include Former Premier Programme and ICT Conversion courses. The annual budget was reduced from £4m to £2m.

The Learndirect scheme has now closed, resulting in a decrease in expenditure of £2.2m.

Programme expenditure in relation to Springvale has fallen by £0.896m. During the year, a FAST inspection raised concerns over controls in relation to supporting documentation. Management action has led to a reduction in expenditure included in 2006/07.

New areas of activity for the Department this year have included

- (i) the priority funding package that has been introduced to fund Skills & Science (£8.076m).
- (ii) Transfer from DSD for the responsibility for Renewing Communities Initiative (£0.573m)

During 2007/08 a major focus for Further Education (FE) will continue to be on the implementation of the FE Strategy for Northern Ireland. The six new FE colleges will come into operation on 1 August 2007, by which time the six new Governing bodies will have been appointed. Building on development work during 2006/07, FE policies in key areas, including curriculum and learner access and engagement, will be the subject of public consultation, prior to finalisation and implementation from the start of the 2008/09 academic year.

In 2007/08 a number of major capital projects, using Public Private Partnership (PPP) and conventional procurement, will be advanced. Preferred bidders have been appointed for new campuses at the East Down, Lisburn and Belfast Institutes – the total capital value of these PPP projects is circa £80m. Negotiations are ongoing and it is anticipated that these will be concluded and contracts signed this year. Major conventionally procured projects will also be progressed at North Down, Fermanagh, East Antrim and North West Institute plus the Belfast Institute's Springvale project. The total capital cost of these projects, which will be delivered over a number of years, is £50m.

Higher Education (HE)

Funding within the HE sector has increased by £18.748m during the course of the year. This represents an increase of 8.77%. Significant variations in funding have arisen due to the following issues.

Recurrent grant in aid to the Universities has risen by £11m due to an inflationary increase in the allocation for the year together with a rise in activity levels to 31 March 2007.

In terms of capital expenditure on projects, funding to the universities varied as follows:

Learning and Teaching

University of Ulster has progressed its Nanoscale Device Fabrication Facility (increase £1.8m). Queens University has experienced a decrease in outturn on such capital projects due to the timing of expenditure over a two year funding cycle, with significant start up costs being incurred in 2005/06 (reduction £2.3m).

Research

Queens University again showed a reduction on 2005/06 due to the timing of work on the projects (£5.2m). University of Ulster increased expenditure by £2.3m, progressing projects such as the Centre for Rehabilitation Research and the refurbishment of research facilities at the Magee campus.

Infrastructure

At Queens University, the library project is now fully underway, resulting in an increase in capital costs on infrastructure of £2.1m. University of Ulster showed a reduction in infrastructure costs of £6m due to the completion of Phase 1 of the Belfast campus.

Support Programmes for University Research (SPUR) 2

Expenditure has increased by £5.5m due to projects such as Centres for Cancer Research and Theory & Application of Catalysis at Queens, together with the Centre for Research in Art Technology and Design and Transitional Justice at the University of Ulster.

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SRIF receipts from Office of Science and Innovation (60% funding of infrastructure spend at Queens University Belfast and University of Ulster) have decreased by £2.9m due to the timing of funding received. The Department also entered a new area of funding within the sector, the Open University (expenditure in 2006/07 - £0.311m).

Funding to the University Colleges saw an increase of £2.024m (19%) on 2005/06. Recurrent grant rose by £0.509m due to a 3.25% uplift on 2005/6, together with expenditure on the Widening Participation and Widening Access initiatives. Capital expenditure at Stranmillis increased by £1.503m due to slippage from 2005/6. This included disability Access and health and safety work.

New programmes of expenditure in Higher Education included the Step Up and Business Education Initiatives (total £0.986).

The main change in the financing of higher education in 2007/08 will be the progressive implementation of Government's policy that teaching activity, as has been implemented for research, should be charged at rates sufficient to recover the full economic cost of provision. Full economic costing and other core funding principles are currently subject to review, which will result in significant change to higher education core grant allocation over the coming academic years.

Student Support

Expenditure within this line shows an increase of £41.805m or 126%, when compared with 2005/06.

The student loan subsidy charge has increased from a credit of £15m (note 14) to a charge of £27m – a total increase of £42m. The main factor giving rise to this has been the one off adjustment to the student loan subsidy last year. The discount and cost of capital rate was reduced from 3.5% to 2.2% in line with Treasury guidelines. In addition to this, the annual charge was revised downwards by some £8m per annum, and changes were made to the Resource Accounting and Budgeting (RAB) model. Interest receivable is now shown as Accruing Resources on the Operating Cost Statement.

Non Budget

Overall expenditure by Education and Library Boards falling outside the DEL budget rose by a total of £28.262m (169%).

Expenditure on Mandatory Awards rose by £9m due to new arrangements in place for the academic year 2006/7 which increased the HE Bursary for new students from a maximum of £2,000 to £3,200 (60%), together with eligibility thresholds increasing from £10,750 to £17,500. In 2005/06, HE Bursary expenditure was included under Executive Programme Funds, along with the Innovation and Modernisation Fund (£5.3m). This category of expenditure has now finished, resulting in an additional fluctuation between years on this Education and Library Board line of £20.16m.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2007

Expenditure on Discretionary Awards has decreased by £0.557m on 2005/06 due to the fact that these awards are now administered by one Board instead of five, resulting in administrative efficiencies, and the recovery of under spend in earlier years.

Student loan administration charges have risen by £0.462m due to the introduction of Protocol and their having taken on increased administration duties.

There has been a reduction of £1.2m in tuition fee grant owing to the new variable fee arrangements where anyone beginning higher education from academic year 06/07 is not entitled to a tuition fee grant but instead can apply for a tuition fee loan.

Annually Managed Expenditure rose by £3.8m on 2005/06. This represents demand led allowances payable during the year.

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

REQUEST FOR RESOURCES B

Employment Programmes/Preparation for Work

The reduction of £4.73m on expenditure for Employment Programmes relates predominantly to the following significant factors.

Expenditure on Worktrack has decreased by £3.495m. During 2004/05, an announcement was made to close the scheme, which effectively closed in March 2005, with expenditure relating to the final entrants falling into 2005/06.

Within the Welfare to Work category, expenditure on Targeted Initiatives decreased by £2.644m due to the fact that peak activity took place in 2005/06. Welfare to Work New Deal has reduced by £0.218m due to lower participation levels.

Expenditure on Belfast Regeneration Office (BRO) has increased by £0.898m due to capital expenditure taking place this year.

Expenditure arose in new areas for the Department this year - this comprised Priority Funding Packages (Skills and Science) of £1.935m, and Workforce Training £0.4m.

During 2007/08 Pathways to Work will continue to be extended across NI to cover all new claimants by April 2008. Pilots will also be introduced to test a more flexible menu-based approach to provision and new service delivery model to better target individuals' barriers to employment.

Corporate Services & Employment Rights (Labour Market Services)

This Unit of Service has seen a total decrease of £0.634m or 4% on 2005/06 due to the reorganisation of administration costs.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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The Department's future administration will be impacted upon by a number of reform initiatives that are currently facing the Northern Ireland Civil Service. These are currently in the planning process – including centralisation of Human Resources and financial processing, as well as review of accommodation facilities. Some of these initiatives will be introduced in the 2007/08 year, and the Department has planned accordingly.

Finance and European

EU funding was largely in line with expectations. Outturn for 2006/07 shows a decrease funding to organisations, particularly in the areas of European Social Fund and Community Initiatives, mainly due to the age profile of the Programmes. Cost of capital charges are calculated based on the average balance due from the European Commission. The reduction in the charge for 2006/07 reflects the receipt of outstanding balances due in relation to previous years.

Non Budget

Notional charges have reduced by £1m mainly as a result of charges levied by Social Security Agency. This has been due to the reduction in administration as a direct result of activity levels for Jobskills.

A decrease of £1.988m has occurred in Enterprise Ulster due to the closure costs incurred of the organisation. The organisation is due to close 31 March, and will be formally dissolved on 30 June 2007. The Department has continued to make provision for closure costs in the accounts and discussions are ongoing around the subject of the cessation penalty on the NILGOSC pension scheme.

Income

Due to changes in accounting and budgeting guidance from Treasury and DFP, it should be noted that EU income and Student Loan interest receivable are now treated as income retained by the Department, as Accruing Resources, within the relevant unit of business.

BALANCE SHEET

There were no significant movements in tangible fixed assets during the year. Physical verification has now been completed at 31 October instead of 31 December.

Student loan movements have included the continued growth in the size of the student loan book, with a further £141.5m loans issued during the period. This has included the introduction of tuition fee Loans (previously grants). 50% of these loans were paid during the period, with 50% accrued at year end due to the fact that the Department is committed to paying these loans on the basis of a contract entered into in December. No other Student Loans are accrued for in this manner. Total repayments received and interest earned were £29m and £18m respectively.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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for the year ended 31 March 2007

Debtors increased by £37m overall. The amount due from the EU Commission decreased by £16.7m as a result of the timing of eligible expenditure combined with the receipt of outstanding claims from Brussels, and prepayments rose by £27m– due to the timing of in year payments to the Student Loans Company. The amount due from the Consolidated Fund in respect of Supply rose by £28.1m due to the timing of expenditure and drawdown of funds.

Creditors have decreased from £140.9m at 31 March 2006 to £132.4m at 31 March 2007. Accruals have risen by £15.3 m mainly due to the accrual made for tuition fee loans (see above). Other creditors rose by £2.5m as a result of the timing of invoicing by Fujitsu for services under the PFI contract. Amounts due to the Consolidated Fund in respect of CFERs (Consolidated Fund Extra Receipts) fell by £53.2m due to the change in accounting for Student Loans and EU Income (now negative DEL). The bank overdraft rose by £28.5m as a result of timing of drawdown from Supply – see debtors section above.

Provisions for liabilities and charges are detailed at note 18 and relate to Early Departure costs, Enterprise Ulster closure costs and Student Loans.

Comparison of Outturn against Estimate

A comparison of the outturn against the estimate for 2006/07 can be found at Note 2 to the accounts.

Environmental Matters, Social and Community Issues

Environmental matters, social and community issues have been dealt with in the Annual Report.

PSA Targets

Progress in relation to PSA targets can be found at Annex 1.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2007

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

	2006/2007	2005/2006
	£000	£000
Net Operating Cost - Estimate	702,097	642,269
Include non-voted expenditure of Operating cost Statement	(1,953)	(2,890)
Include non-voted income scored as CFERs in Operating Costs Statement	123	36,050
Adjust for the effects of Prior Period Adjustments in the current prior years	-	-
Net Resource Outturn - Accounts	700,267	675,429
Include Other CFERs	-	-
Remove other expenditure/income shown in Estimates under the heading 'Other Expenditure Outside DEL'	(1,686)	(1,551)
Less grant-in-aid payable to NDPBs	(7,910)	(10,387)
Add resource consumption by NDPBs	8,889	13,933
Less grants to local authorities to finance capital expenditure	-	-
EU income and related adjustments	-	(3,154)
Other adjustments (<i>please specify</i>)		
<i>Change in rate of Cost of Capital for Student Loans</i>	-	9,436
<i>Enterprise Ulster Closure costs</i>	-	(3,014)
<i>Movement of Student Loans to AME</i>	113,485	-
<i>Notional Loans Subsidy</i>	-	15,083
Interdepartmental Charges	(7,986)	(9,070)
Resource Budget Outturn- Budgets	805,059	686,705
<i>Of Which:</i>		
Departmental Expenditure Limit (DEL)	670,638	669,558
Annually Managed Expenditure (AME)	134,421	17,147
	805,059	686,705

Dr Aileen McGinley
Accounting Officer
11 September 2007

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES
for the year ended 31 March 2007

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

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

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2007

DEL STATEMENT ON INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland. There are a number of bodies beyond the Departmental boundary in receipt of substantial financial support from the Department. They are responsible for their own internal control arrangements and are required to provide annually to the Department assurance that their arrangements are sound and comply with requirements. These bodies are the two local universities; the two local teacher training colleges; the 16 further education colleges, the 5 Education and Library Boards, the Student Loans Company, the Labour Relations Agency, Enterprise Ulster, Ulster Supported Employment Ltd. and the Construction Industry Training Board.

System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. Procedures were put in place in December 2002 and have been fully operational since that time. The system of internal control has been in place in the Department for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

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

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

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors, the Financial Audit and Support Team (FAST) and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2007

Internal Audit has reported, in their Annual Report, that an overall satisfactory system of internal control has been in operation throughout the year. On their specific report on PEACE II Internal Audit provided a limited opinion on the systems of internal control, while noting that all recommendations in the previous report have been implemented and are operating as intended. All the recommendations noted in the latest Internal Audit report have been fully accepted by management and are being taken forward.

Internal control processes include the following:

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2007

Developments in Systems of Internal Control

By end March 2007, the department achieved the following:

- Updated and reissued two internal financial bulletins to enhance current governance and accountability arrangements with regard to internal delegations and management responses to internal audit and FAST reports;
- Conducted an internal review of FAST to assess its current role and performance and to determine whether it remains fit for purpose. The results of the review were reported to the Board and the recommendations will be implemented in 2007/08;
- A Balanced Score Card approach was implemented to produce the Departmental Plan for 2007/08 and will continue to be used for future years;
- Reviewed governance controls over DEL's Arms Length Bodies with a view to producing a Best Practice Corporate Governance Checklist in 2007/08; and
- Launched an internal whistleblowing seminar to raise awareness of whistleblowing as an important aid to corporate governance and conducted a number of internal financial awareness training sessions for staff.

Control Issues Arising

In order to improve governance arrangements in the HE sector, the Department has reviewed the existing Financial Memorandums (FMs) for the Universities and the University Colleges and has consulted with DFP and NIAO on the proposed changes. The University FMs are signed and fully operational and the college FMs have been issued for signature.

In relation to the governance issues raised in 2005-06 regarding the University of Ulster, the Department's focus has been on obtaining assurances that corrective action has been taken by the university to strengthen the corporate governance framework. The University commissioned consultants to review the revised corporate governance arrangements. The consultants' report was copied to NIAO and HEFCE's Assurance Services for scrutiny and advice. HEFCE has since confirmed that it is content that appropriate follow up action has been taken.

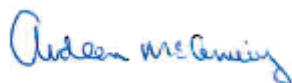
The Department has continued to monitor the performance of all the Further Education Colleges. Last year I reported some concerns over the standard of financial management in Fermanagh College. In particular I had concerns in relation to a number of payments that were made for the delivery of a work based learning scheme administered by the College. Following a review of the scheme the College agreed to repay £1.1 million to the Department in instalments over the four financial years from April 2006 to March 2010. The College also commissioned a number of internal reviews including a comprehensive investigation into financial management within the College. The results of these reviews have been incorporated into an action plan which is being implemented by the College Governing Body. Progress is being monitored by the Department.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2007

In the course of the audit of the 2005/06 financial statements for Fermanagh College, the Department was informed that serious concerns had been raised by the external auditor in relation to procurement activity. Tender documentation could not be found for all capital building additions in 2005/06 and the auditor had reported some concerns about the validity of one of the invoices presented for payment. The Department has notified DFP and NIAO, in line with established procedures, and has commenced an investigation.

I have a number of concerns with regard to the financial management and internal audit arrangements within the Causeway Institute. There had been no Internal Audit service provided to the College during the 2005/06 academic year, or to date in the 06/07 academic year, and the College's Audit Committee has not met as required. Both these matters are in contravention of the Financial Memorandum and the Audit Code. I was also concerned that the College's Annual Assurance Statement for 2006/07 highlighted issues regarding the standard of financial information provided by the previous two College accountants and the fact that both were dismissed. The Department is currently investigating these matters.

A FAST inspection of Springvale Community Outreach Initiative (SCOI) funding was carried out during the year. FAST was unable to give assurance on some of the sample claims examined. Further action is being taken by the Department including recovery action and additional vouching work to establish the scale of the problem. The Accounting Officer within BIFHE did not flag up any issues of concern in his Annual Assurance Statement but the Department has asked the Institute to review and resubmit the statement.



Dr Aileen McGinley
Accounting Officer
11 September 2007

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2007

DEPARTMENT FOR EMPLOYMENT AND LEARNING

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

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

Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Annual report, the unaudited part of the Remuneration Report, and the Management Commentary, and in Annex 1 and 2 is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2007

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report, the Management Commentary, Annex 1 and Annex 2. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- information given within the Annual Report, which comprises the Annual report, the unaudited part of the Remuneration Report, and the Management Commentary, and within Annex 1 and 2 is consistent with the financial statements.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2007**

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to read 'JM Dowdall', is written over a light grey rectangular background.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
14th September 2007

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF PARLIAMENTARY SUPPLY
for the year ended 31 March 2007

Summary of Resource Outturn 2006-07

Summary of Resource Outturn 2006-07								2006-07 £000	2005-06 £000
Estimate				Outturn				Net Total Outturn compared with Spring Supplementary Estimate: saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
A	2	676,922	52,651	624,271	653,361	49,106	604,255	20,016	558,511
B	2	121,562	14,792	106,770	109,629	13,617	96,012	10,758	116,918
Total resources	3	798,484	67,443	731,041	762,990	62,723	700,267	30,774	675,429
Non-operating cost Accruing Resources		-	27,000	27,000	-	27,000	27,000	-	18,000

DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS AND
LOSSES
for the year ended 31 March 2007

Operating Cost Statement for the Year Ended 31 March 2007

				2006-07 £000	As Restated 2005-06 £000
	<i>Note</i>	Staff Costs	Other Costs	Income	
Administration costs:					
Staff costs	8	41,141	-	-	39,170
Other administration costs	9	-	17,520	-	18,136
Operating income	11	-	-	(144)	(115)
Programme costs:					
Request for resources A					
Programme costs	10	-	640,249	-	570,993
Income	11	-	-	(49,106)	(25,694)
Programme costs:					
Request for resources B					
Programme costs	10	-	66,033	-	76,075
Income	11	-	-	(13,596)	(36,296)
Totals		41,141	723,802	(62,846)	642,269
Net Operating Cost	<i>3,12</i>			702,097	642,269

DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS AND
LOSSES
for the year ended 31 March 2007

Statement of Recognised Gains and Losses for the Year Ended 31 March 2007

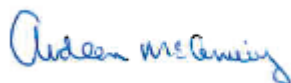
	2006-07 £000	2005-06 £000
Net gain/(loss) on revaluation of tangible fixed assets	<u>342</u>	<u>458</u>
Recognised gains and losses for the financial year	<u>342</u>	<u>458</u>

The notes on pages 64 to 100 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
BALANCE SHEET
as at 31 March 2007

		2007 £000	2006 £000
	<i>Note</i>		
Fixed assets:			
Tangible assets	13	5,266	4,981
Investments	14a	2,282	2,234
Student loans	14b	829,532	699,493
Debtors falling due after more than one year	15	1,636	1,500
Current assets:			
Debtors	15	151,004	113,914
Cash at bank and in hand	16	<u>10</u>	<u>11</u>
		151,014	113,925
Creditors (amounts falling due within one year)	17	(132,435)	(140,924)
Net current assets/(liabilities)		<u>18,579</u>	<u>(26,999)</u>
Total assets less current liabilities		857,295	681,209
Creditors (amounts falling due after more than one year)	17	(483)	(520)
Provisions for liabilities and charges	18	<u>(210,424)</u>	<u>(186,926)</u>
		<u>646,388</u>	<u>493,763</u>
Taxpayers' equity:			
General fund	19	645,033	492,750
Revaluation reserve	20	<u>1,355</u>	<u>1,013</u>
		<u>646,388</u>	<u>493,763</u>

Signed



Dr Aileen McGinley
Accounting Officer
11 September 2007

The notes on pages 64 to 100 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CASH FLOW STATEMENT
for the year ended 31 March 2007

		2006-07 £000	2005-06 £000
	<i>Note</i>		
Net cash outflow from operating activities	<i>21a</i>	(701,596)	(660,154)
Capital expenditure and financial investment	<i>21b,</i> <i>21c</i>	(110,697)	(81,343)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		53,287	41,184
Payments of amounts due to the Consolidated Fund		(57,393)	(43,087)
Financing	<i>21d</i>	<u>787,922</u>	<u>746,193</u>
Increase/(decrease) in cash in the period	<i>21e</i>	<u>(28,477)</u>	<u>2,793</u>

The notes on pages 64 to 100 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES
for the year ended 31 March 2007

	2006-07			As Restated 2005-06		
	£000			£000		
	Gross	Income	Net	Gross	Income	Net
Objective 1	653,361	(49,106)	604,255	584,205	(25,694)	558,511
Objective 2	111,582	(13,740)	97,842	120,169	(36,411)	83,758
Net operating cost	764,943	(62,846)	702,097	704,374	(62,105)	642,269

The Department's objectives were as follows:

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

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

1. Statement of Accounting Policies

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

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

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

1.1 Accounting convention

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

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount.

All tangible fixed assets are restated to current value each year. Published indices appropriate to the category of asset are normally used to estimate value.

Land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years, and, in the intervening years, by the use of published indices appropriate to the type of land or building. The last professional valuation of land and buildings was provided by the Valuation and Lands Agency at 31 March 2005. A subsequent desk based review was reported as at 31 March 2006.

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

1.3 Depreciation

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

Specialised buildings	50 years
Furniture and fittings	10 years
Motor vehicles	5 years
Computer equipment and software	4 years

Valuations of tangible fixed assets are based on a review of values as at the balance sheet date.

No depreciation is provided on freehold land.

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

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

1.4 Investments

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

Loans issued by the Department to Ulster Supported Employment Limited are shown at historical cost.

1.5 Operating income

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

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

Operating income is stated net of VAT.

1.6 Administration and programme expenditure

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

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

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

1.7 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 %) on the average carrying amount of all assets less liabilities excluding balance due to Consolidated Fund and Student Loans. Student loan investment and student loan provisions are calculated at 2.2 %, in line with treasury discount rate for provisions (note 1.17).

1.8 Inflation adjustment

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

1.9 Pensions

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

1.10 Early departure costs

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

In 2005-06 Early Departure costs were analysed in Note 10 of the Resource Account as an element of the Department's Programme costs. In 2006-07 Early Departure costs have been analysed as an element of the Department's Administration costs. Both the current year's cost and the prior year comparative are now shown in Note 9.

The effect of this change has not affected the Department's Resource Out-turn for 2005-06.

1.11 Student loans

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

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

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

An inflation adjustment is made in these accounts to reflect the impact of inflation on student loans (see note 1.8).

Student Loan Interest for the year ended 31 March 2006 was £15.421m and was included within Student Support Other Current Expenditure. In line with Treasury guidelines, in 2006-07 the Department has included Student Loan Interest for the year as Student Support Income and has re-stated the 2005-06 comparatives accordingly.

The effect of this change has not affected the Department's Resource Out-turn for 2005-06.

1.12 European Union income

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

1.13 Notional costs

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

1.14 Value Added Tax

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

1.15 Private Finance Initiative (PFI) transactions

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

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where, at the end of the PFI contract, a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

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

1.16 Grants payable

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

In line with FReM, Grant in aid paid to NDPBs is accounted for on a cash basis.

1.17 Provisions

In addition to early departure costs (note 1.10) the Department provides for legal or constructive obligations for student support cost related to student loans which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant the estimated risk adjusted cash flows are discounted using the Treasury discount rate for provisions of 2.2%.

The Department has also made provision for the anticipated closure costs of Enterprise Ulster (note 18).

1.18 Contingent liabilities

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

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

1.19 *Third party assets*

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

Analysis of Net Resource Outturn by Section

	2006-07						2005-06		
							Net Total Outturn Net Compared Total Spring Supple- mentary Estimate £000	Spring Supple- mentary Estimate £000	Prior Year Outturn £000
Request for Resources A	Admin £000	Other Current £000	Grants £000	Gross Resource Expenditure £000	Accruing Resources £000	Net Total £000			
Lifelong Learning	9,931	273	241,483	251,687	(23,751)	227,936	239,592	11,656	249,366
Higher Education	1,586	155	237,932	239,673	(7,103)	232,570	238,108	5,538	213,822
Student Support	391	57,760	35,081	93,232	(18,252)	74,980	68,755	(6,225)	33,175
Executive Programme Funds	-	-	(35)	(35)	-	(35)	46	81	25,476
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	-
Repayment of Loans	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure									
Lifelong Learning	-	-	-	-	-	-	-	-	-
Student Support	-	-	20,936	20,936	-	20,936	25,620	4,684	17,147
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	1,429	-	1,429	-	1,429	1,374	(55)	1,332
Teachers pre-retirement – new Liabilities	-	257	-	257	-	257	265	8	219
Notional charges	1,204	-	-	1,204	-	1,204	1,750	546	1,258
Education and library boards	-	-	44,978	44,978	-	44,978	48,760	3,782	16,716
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Total for RfR A	13,112	59,874	580,375	653,361	(49,106)	604,255	624,271	20,016	558,511
Request for Resources B									
Employment Programmes	23,262	580	28,979	52,821	-	52,821	54,882	2,061	57,555
Labour Market Services	11,096	2,120	330	13,546	(351)	13,195	14,494	1,299	13,829
ESF Payments-Public and Private sector	4,409	764	10,753	15,926	(10,669)	5,257	6,813	1,556	13,068
ERDF Payments	-	-	489	489	(245)	244	244	-	37
EU Community initiatives	-	-	1,735	1,735	(1,735)	-	-	-	1,961
EU programme for peace and Reconciliation	-	-	8,946	8,946	(617)	8,329	8,099	(230)	8,438
Executive Programme Funds	-	-	-	-	-	-	-	-	677
EU Cost of Capital Charge	-	1,474	-	1,474	-	1,474	3,000	1,526	3,154
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	-	-	-
Non Budget									
Notional charges	6,782	-	-	6,782	-	6,782	8,000	1,218	7,812
Enterprise Ulster	-	-	1,722	1,722	-	1,722	4,272	2,550	3,710
USEL	-	-	3,169	3,169	-	3,169	3,743	574	3,712
LRA	-	-	3,019	3,019	-	3,019	3,223	204	2,965
Total for RfR B	45,549	4,938	59,142	109,629	(13,617)	96,012	106,770	10,758	116,918
Resource outturn	58,661	64,812	639,517	762,990	(62,723)	700,267	731,041	30,774	675,429

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

Explanation of the variation between Estimate and outturn (net total resources)

Request for Resources A

Expenditure in Request for Resources A was £20.016m or 3.21% lower than Spring Supplementary Estimates.

Lifelong Learning

Within Lifelong Learning (which includes Further Education and Skills and Industry Divisions) there was an under spend (£11.6m 4.9%) due to a combination of factors.

Expenditure of £2.537m was deferred due to management action to ease budgetary pressures in Student Support during the year.

Recurring grant expenditure to the FE Colleges reduced by £0.942m against budget as a result of a fall in demand for essential skills training. With regard to capital funding, delays in the design stages of construction projects regarding the colleges has resulted in an under spend of £2.3m. This has been caused by government initiatives such as Achieving Excellence in Construction. The merger of the 16 colleges to 6 new area based colleges also led to delays as reviews were carried out to ensure that projects planned are still relevant and appropriate in structure. Projects are now underway and End Year Flexibility will be sought to re-profile the budget to future periods. The budget for 2006/7 included £150k towards a Renewable Energy project, which is now expected to take place in 2007/08.

The Jobskills Programme experienced an under spend of some £1.318m (4%). The main contributing factors to this have been the achievement and retention rates during the year.

Management action to initiate recoveries due to the Department under the Learndirect programme which has now closed has resulted in an under spend of £0.78m against budget.

Funding for the Workforce and Economic Development Centre at Springvale shows an under spend of £0.248m to be carried forward to 2007/08 under capital expenditure due to delays in commencement of the project, together with a reduction of £0.767m against budget for programme expenditure due to action taken by the Department as a result of control reviews.

In terms of other capital projects, 2006/07 there was a delay in commencement of East Antrim and North West Institute projects during the year. This unspent amount of £0.6m is due to be carried forward under Year End Flexibility to 2007/08 (if agreed by DFP).

In terms of Departmental administration within this division, there was an under spend of £0.49m against budget due to vacancies arising as a result of staff turnover and difficulties in filling the vacant posts.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

Higher Education

Funding within the HE sector during 2006/07 has been £5.5m (2.3%) under budget.

Capital expenditure within Higher Education has been substantially less than anticipated– this has been due to slippage in build projects at the Universities and Colleges, with activity now due to take place in 2007/08.

Student Support

A pressure against budget arose in 2006/7 of £6.2m due to the impact of including an accrual for £18m of Tuition Fee Loans payable at 31 March 2007, and the resultant impact on the subsidy charge, currently totalling 26% of loans issued during the year. Previously, students applied for Tuition Fee Grants, which are accounted for when paid.

Educational Maintenance Allowances payable under Annually Managed Expenditure were £4.7m less than budget due to the number of students meeting attendance and performance criteria being lower than the number of approved applications.

Education and Library Boards

Expenditure on Education and Library Boards has been £3.782m (7.76%) lower than budgeted mainly as a result of a reduction in successful applications for mandatory awards (£0.615m), and the recovery of surpluses relating to previous years (£3.1m).

Request for Resources B

Expenditure in Request for Resources B was £10.758m or 10% lower than Spring Supplementary Estimates.

Employment Programme expenditure was £2.061m (3.76%) less than budget due to the need to retain sufficient surpluses to cope with potential costs in relation to Enterprise Ulster.

Delays in the progress of the capital project regarding OITFET accommodation resulted in the majority of the under spend within Labour Market Services (total £1.299m 8.96%). These delays arose as a result of difficulties in selecting the correct design solution to meet the specific requirements of the Tribunal.

EU expenditure under the European Social Fund was £1.556m (22.84%) lower than budget due to expenditure levels realised by projects. It is anticipated that expenditure will now take place in 2007/08. As a result of the payment of outstanding balances due from the European Commission, the EU cost of capital charge was reduced to a level £1.53m (51%) lower than anticipated. Notional charged levied on the Department were £1.218m (15.23%) lower than expected. This was mainly due to lower administration charges from Social Security Agency, due to the reduction in activity levels for Jobskills.

Detailed explanations of the variances between expenditure in 2006/07 and expenditure in 2005/06 are given in the Management Commentary.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

Analysis of Net Resource Outturn by Section

	2005-06						2004-05		
							Net Total Outturn	Net Compared With	Prior Year
	Admin	Other	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Spring Supple- mentary Estimate	Spring Supple- mentary Estimate	Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A									
Lifelong Learning	10,061	475	239,284	249,820	(454)	249,366	260,543	11,177	246,550
Higher Education	1,460	181	222,000	223,641	(9,819)	213,822	230,101	16,279	196,967
Student Support	433	10,468	37,695	48,596	(15,421)	33,175	57,906	24,731	68,309
Executive Programme Funds	-	-	25,476	25,476	-	25,476	26,129	653	25,380
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	-
Repayment of Loans	-	-	-	-	-	-	894	894	-
Annually Managed Expenditure									
Lifelong Learning	-	-	-	-	-	-	-	-	-
Student Support	-	-	17,147	17,147	-	17,147	20,712	3,565	8,153
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	1,332	-	1,332	-	1,332	1,321	(11)	1,213
Teachers pre-retirement – new Liabilities	-	219	-	219	-	219	212	(7)	308
Notional charges	1,258	-	-	1,258	-	1,258	1,417	159	1,213
Education and library boards	-	-	16,716	16,716	-	16,716	19,844	3,128	16,411
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Total for RfR A	13,212	12,675	558,318	584,205	(25,694)	558,511	619,080	60,569	564,504
Request for Resources B									
Employment Programmes	22,159	3,014	32,382	57,555	-	57,555	57,659	104	59,406
Labour Market Services	12,041	1,815	334	14,190	(361)	13,829	17,734	3,905	12,845
ESF Payments-Public and Private sector	2,082	161	10,825	13,068	-	13,068	12,913	(155)	13,049
ERDF Payments	-	-	37	37	-	37	193	156	321
EU Community initiatives	-	-	1,961	1,961	-	1,961	1,500	(461)	1,144
EU programme for peace and Reconciliation	-	-	8,438	8,438	-	8,438	8,500	62	8,559
Executive Programme Funds	-	-	677	677	-	677	612	(65)	585
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	-	-	-
Non Budget									
Notional charges	7,812	-	-	7,812	-	7,812	9,230	1,418	8,790
Enterprise Ulster	-	-	3,710	3,710	-	3,710	4,772	1,062	5,770
USEL	-	-	3,712	3,712	-	3,712	3,843	131	3,567
LRA	-	-	2,965	2,965	-	2,965	2,905	(60)	2,658
EU cost of capital charge	-	3,154	-	3,154	-	3,154	7,500	4,346	-
Total for RfR B	44,094	8,144	65,041	117,279	(361)	116,918	127,361	10,443	116,694
Resource outturn	57,306	20,819	623,359	701,484	(26,055)	675,429	746,441	71,012	681,198

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

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

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

				2006-07 £000	2005-06 £000
	<i>Note</i>	Outturn	Supply Estimate	Outturn Compared With Estimate	Outturn
Net Resource Outturn	2	700,267	731,041	(30,774)	675,429
Non-supply income (CFERs)	5	(123)	-	(123)	(36,050)
Non-supply Expenditure	19	1,953	2,100	(147)	2,890
Net operating cost		702,097	733,141	(31,044)	642,269

3(b) Outturn Against Final Administration Budget

		2006-07 £000	2005-06 £000
	Budget	Outturn	Outturn
Gross Administration Budget	51,713	50,675	48,236
Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	51,713	50,675	48,236

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

4. Reconciliation of Resources to Cash Requirement

		Estimate	Outturn	Net Total Outturn Compared With Estimate saving/(excess)
	<i>Note</i>	£000	£000	£000
Resource Outturn	2	731,041	700,267	30,774
Capital				
Acquisition of fixed assets		-	48	(48)
Investments		-	48	(48)
Investments – student loans funding		147,677	141,175	6,502
Non-operating Accruing Resources				
Student loan repayments applied		(27,000)	(27,000)	-
Accruals adjustments				
Non-cash items	9,10	(70,746)	(48,824)	(21,922)
Changes in working capital other than cash		37,100	46,042	(8,942)
Changes in creditors falling due after more than one year	17	-	37	(37)
Use of provisions	18	1,850	1,566	284
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		819,922	813,359	6,563

The variation between Estimate and net cash requirement is explained fully in the variance explanation in note 2.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

5. Analysis of Income Payable to the Consolidated Fund

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

	<i>Note</i>	Forecast 2006-07		Outturn 2006-07	
		£000		£000	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	123	<i>53,410</i>
		-	-	123	<i>53,410</i>
Non-operating income and receipts – excess Accruing Resources	7	-	-	2,480	<i>3,574</i>
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		-	-	2,603	<i>56,984</i>

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

	<i>Note</i>	2006-07	As Restated
		£000	2005-06
Operating income	11	62,846	62,105
Adjustments for transactions between RfRs		-	-
Gross income	11	62,846	62,105
Income authorised to be appropriated-in-aid		62,723	26,055
Operating income payable to the Consolidated Fund	5	123	36,050

7. Non-operating Income – Excess Accruing Resources

	2006-07	2005-06
	£000	£000
Student Loan repayments	2,480	2,010
Non-operating income – excess Accruing Resources	2,480	2,010

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

8. Staff Numbers and Related Costs

Staff costs comprise:

	2006-07 £000					2005-06 £000
	Total	Permanently Employed Staff	Others	Ministers	Special Advisers	Total
Wages and salaries	33,454	33,219	235	-	-	31,868
Social security costs	2,163	2,145	18	-	-	2,105
Other pension costs	5,765	5,765	-	-	-	5,447
Subtotal	41,382	41,129	253	-	-	39,420
Less recoveries in respect of outward secondments	(241)	(241)	-	-	-	(250)
Total net costs	41,141	40,888	253	-	-	39,170

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

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

For 2006-07, employer's contributions of £5,765,000 were payable to the PCSPS(NI) (2005-06: £5,447,000), at one of four rates in the range 16.5% and 23.5% of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.5% and 23.5%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions of £903.15 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £85.40 were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

Uprating factor for 2006/07

The inflation adjustment factor for carrying out the calculation of the increase in real terms of the accrued pension for someone covered by the full reporting year to 31 March 2007 is 3.6%.

Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account.

Objective	2006-07 Number					2005-06 Number
	Total	Permanently Employed Staff	Others	Ministers	Special Advisers	Total
1	369	368	1	-	-	406
2	1,304	1,283	21	-	-	1,216
Staff engaged on Capital projects	-	-	-	-	-	-
Total	1,673	1,651	22	-	-	1,622

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

9. Other Administration Costs

	2006-07 £000	As Restated 2005-06 £000
PFI service charges	4,425	4,488
Other expenditure	5,063	4,393
Non-cash items:		
Depreciation	97	125
Loss on disposal of fixed assets	2	15
Permanent Diminution in Value of Fixed Assets	6	-
Auditors' remuneration and expenses	121	107
Early Retirement Provision	46	185
Accommodation costs (DFP)	5,183	5,313
Services provided and costs incurred by the Social Security Agency	453	1,302
Services provided and costs incurred by the Department of Enterprise, Trade and Investment (DETI)	1,204	1,258
Other notional costs	920	950
Total	17,520	18,136

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

10. Programme Costs

	<i>Note</i>	2006-07 £000	As Restated 2005-06 £000
PFI service charges		-	-
Current grants and other current expenditure		645,289	627,793
Non-voted expenditure: Redundancy Fund payments		1,953	2,890
Non-cash items:			
Enterprise Ulster Provision	18	(190)	3,014
Student Loan Adjustment to Opening Accounting Estimate	14	22	(2,960)
Student Loan Balance Transfer	14	(4)	(1)
Student Loan inflation adjustment	19	19,826	13,246
Cost of Capital Charges		13,992	13,415
Use of Provisions	18	16,356	(17,954)
Unwinding of discount on provisions	18	9,038	7,625
Total		706,282	647,068

11. Income

	RfR A	RfR B	2006-07 £000	As Restated 2005-06 £000
			Total	Total
Admin	-	144	144	115
Programme	551	351	902	815
Student Loan Interest	18,252	-	18,252	15,421
Science Research Investment Fund	6,931	-	6,931	9,819
EU	23,372	13,245	36,617	35,935
Total	49,106	13,740	62,846	62,105

In line with revised guidance issued by the Department of Finance and Personnel (DFP), EU income is included in accruing resources within RfR A and RfR B for the financial year 2006-07. This means that it is included in the Analysis of Net Resource Outturn by section at Note 2. Previously EU income was treated as non supply income.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

12. Analysis of Net Operating Cost by Spending Body

		2006-07 £000	2005-06 £000
	Estimate	Outturn	Outturn
Spending body:			
Department	721,903	694,187	631,882
Non-departmental Public Bodies	11,238	7,910	10,387
	<hr/>	<hr/>	<hr/>
Net Operating Costs	733,141	702,097	642,269

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

13. Tangible Fixed Assets

	Land and Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation				
At 1 April 2006	4,775	239	311	5,325
Additions	-	25	23	48
Disposals	-	(30)	(4)	(34)
Revaluations	310	(18)	(18)	274
At 31 March 2007	5,085	216	312	5,613
Depreciation				
At 1 April 2006	-	228	116	344
Charged in year	51	14	32	97
Disposals	-	(29)	(3)	(32)
Revaluations	(51)	(5)	(6)	(62)
At 31 March 2007	-	208	139	347
Net book value at 31 March 2007	5,085	8	173	5,266
Net book value at 31 March 2006	4,775	11	195	4,981
Asset financing				
Owned	5,085	8	173	5,266
On-balance sheet PFI contracts	-	-	-	-
Net book value at 31 March 2007	5,085	8	173	5,266

Information Technology and Furniture and Fittings are valued using indices.

Valuations and Lands Agency carried out an interim valuation of Land and Building at 31 March 2006 based on the last full valuation at 31 March 2005.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

14. Investments

A. *Ulster Supported Employment Limited loan*

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	2,234	2,195
Additions	<u>48</u>	<u>39</u>
Balance at 31 March 2007	<u>2,282</u>	<u>2,234</u>

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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for the year ended 31 March 2007

B. Student Loans

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	699,493	601,072
Adjustment to opening accounting estimate	(22)	2,960
Additional loan funding	141,475	100,254
Repayments	(29,387)	(19,877)
Repayment of teachers loans (RTL)	(93)	(133)
Written off	(186)	(205)
Balance transfer	4	1
Interest added	18,248	15,421
Increase in student loans outstanding	<u>130,039</u>	<u>98,421</u>
Balance at 31 March 2007	<u>829,532</u>	<u>699,493</u>

The Student Loans Company Limited issues loans on behalf of the Department for Education and Skills (in England and Wales), the Scottish Executive and DEL.

The split of total loans between the three Departments is provided by the Student Loans Company.

Interest is applied to student loans receivable at rates necessary to maintain the value of the loans in real terms. The estimated share of interest attributable to Northern Ireland students added to the outstanding loan balance during the year was £18,248,000 (2005-06: £15,421,000).

As outlined in note 21(b), student loan cash advances for the year were £141,175,000.

The figures above include repayments relating to the DFES pilot initiative called the Repayment of Teachers Loans Scheme (RTL) which was set up in 2002-03 and will be paid over a period of ten years. Under the terms of the scheme DFES meets the cost of repaying newly qualified teachers student loans if they meet certain criteria.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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for the year ended 31 March 2007

Student Loans Subsidy

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

	2006-07 £000	2005-06 £000
Change in opening accounting estimate	22	(27,089)
Unwinding of discount	9,038	7,625
Adjustment to provisions	(471)	(504)
Provision release	(21,230)	(14,184)
Movement on provision	38,057	21,253
General inflation adjustment on loans	19,826	13,246
Interest added to student loans	(18,248)	(15,421)
Balance transfer	<u>(4)</u>	<u>(1)</u>
	<u>26,990</u>	<u>(15,075)</u>

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

15. Debtors

15(a) Analysis by Type

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
VAT	1,400	549
Other debtors	10,720	12,199
EU Debtor	65,316	81,985
Prepayments and accrued income	40,445	13,434
Less: Provision for doubtful debts	(313)	(313)
Amounts due from the Consolidated Fund in respect of supply	33,218	5,099
Due from the National Insurance Fund	218	961
	151,004	113,914

Included within the EU debtor balance is an amount of £28.677m (2005-06 £81.985m) that will be due to the Consolidated Fund once the funds are received.

	2006-07 £000	2005-06 £000
Amounts falling due after more than one year:		
Other debtors	1,636	1,500
	1,636	1,500

DEPARTMENT FOR EMPLOYMENT AND LEARNING
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15(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2006-07 £000	2005-06 £000	2006-07 £000	2005-06 £000
Balances with other central government bodies	67,723	10,017	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal:</i> intra-government balances	67,723	10,017	-	-
Balances with bodies external to government	83,281	103,897	1,636	1,500
Total debtors at 31 March 2007	151,004	113,914	1,636	1,500

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2007

16. Cash at Bank and in Hand

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	(1,154)	(3,947)
Net change in cash balances	(28,477)	2,793
Balance at 31 March 2007	<u>(29,631)</u>	<u>(1,154)</u>

The following balances at 31 March were held at:

	2006-07 £000	2005-06 £000
Commercial banks and cash in hand	(29,631)	(1,154)
Balance at 31 March 2007	<u>(29,631)</u>	<u>(1,154)</u>

17. Creditors

17(a) Analysis by Type

	2006-07 £000	2005-06 £000
Amounts falling due within one year		
Other creditors	16,881	14,289
Accruals and deferred income	53,397	38,150
Amounts due to the Consolidated Fund in respect of CFERs	28,677	81,985
Amounts due to National Insurance Fund	12	26
Bank overdraft	29,641	1,165
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	3,587	3,945
Receivable	240	1,364
	<u>132,435</u>	<u>140,924</u>
Amounts falling due after more than one year		
Creditors	<u>483</u>	<u>520</u>

In 2005-06 all EU grant income was classified as CFER income and remitted to the Consolidated Fund on receipt. From 2006-07 EU income is classified as an Accruing Resource where it supports expenditure incurred. This led to a reduction in the CFER creditor of £53.308m.

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17(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2006-07 £000	2005-06 £000	2006-07 £000	2005-06 £000
Balances with other central government bodies	48,555	91,416	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal: intra-government balances</i>	48,555	91,416	-	-
Balances with bodies external to government	83,880	49,508	483	520
Total creditors at 31 March 2007	132,435	140,924	483	520

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18. Provisions for Liabilities and Charges

	Early Departure Costs £000	Enterprise Ulster £000	Student Loan Debt Sale Costs £000	Student Loan Deferment and Default Costs £000	Student Loan Interest Subsidy £000	Total £000
Balance at 1 April 2006	286	3,014	29,331	66,860	87,435	186,926
Adjustment opening balance	-	-	-	-	-	-
Increase/(Decrease) in provision	46	(190)	(471)	11,035	27,022	37,442
Provision release	-	-	-	-	(21,230)	(21,230)
Bad debts previously provided for and written off in year	-	-	-	(186)	-	(186)
Early retirement payments	(168)	-	-	-	-	(168)
Debt subsidy payments	-	-	(1,398)	-	-	(1,398)
Unwinding of discount	-	-	645	3,637	4,756	9,038
Balance at 31 March 2007	164	2,824	28,107	81,346	97,983	210,424

Early departure costs

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

Student loan debt sale costs

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

Student loan deferment and default costs

The student loans deferment provision was created to meet the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year, the provision is adjusted in light of estimates of future write-offs made by the Student Loan Company (who administer student loans on a UK-wide basis).

Student loan interest subsidy

Student loans are effectively interest free as students are only charged interest equivalent to the rate of inflation. The Department meets the costs resulting from the difference between the interest paid by students and the cost of capital, which is known as the interest subsidy. The interest subsidy provision meets the cost of the interest over the life of the loan.

Enterprise Ulster

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On 21 March 2006, the Secretary of State announced that as part of the Review of Public Administration, Enterprise Ulster would close. The organisation will be formally wound up on 30 June 2007. The Department is currently working with Enterprise Ulster and the Department of Finance and Personnel in order to quantify the relevant assets and liabilities, and how these are to be brought back into the Department. A provision has been created in order to meet the Department's estimated liabilities in respect of the closure of the organisation.

19. General Fund

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	492,750	432,254
Prior period adjustment	(28)	1,407
	<u>492,722</u>	<u>433,661</u>
Net parliamentary funding – current year		
Draw down	780,141	737,103
National Insurance Fund	1,953	2,890
Year end adjustment		
- Supply Debtor – current year	33,218	5,099
Net transfer from operating activities		
- Net operating cost	(702,097)	(642,269)
- CFERS repayable to consolidated fund	(2,603)	(38,060)
Non cash charges		
- Notionals	7,760	8,823
- Cost of capital	13,992	13,415
- Auditors remuneration	121	107
- Student loan inflation	19,826	13,246
Transfer from revaluation reserve	-	5,520
Transfer of assets from the Department	-	(46,785)
	<u>645,033</u>	<u>492,750</u>
General Fund at 31 March 2007		

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 NI Consolidated Fund. The associated cash, £17.558m for 2006-07 (2005-06 £29.483m) is paid to Departments from the NI Consolidated Fund through the normal supply process.

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20. Reserves

20(a) Revaluation Reserve

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

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	1,013	6,075
Arising on revaluation during the year (net)	342	458
Transferred to general fund in respect of realised element of revaluation reserve	-	(5,520)
Balance at 31 March 2007	1,355	1,013

21. Notes to the Consolidated Cash Flow Statement

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

	<i>Note</i>	2006-07 £000	2005-06 £000
Net operating costs	12	702,097	642,269
Adjustments for non-cash transactions	9,10	(48,824)	(10,219)
(Increase)/decrease in debtors		37,226	(7,659)
Less movements in debtors relating to items not passing through the OCS		(25,982)	(2)
(Increase)/decrease in creditors		37,002	(1,097)
Less movements in creditors relating to items not passing through the OCS		(1,489)	34,831
Use of Provisions	18	1,566	2,031
Net cash flow from operating activities		701,596	660,154

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21(b) Analysis of Capital Expenditure and Financial Investments

	<i>Note</i>	2006-07 £000	2005-06 £000
Tangible fixed assets additions	<i>13</i>	48	38
Loans to other bodies	<i>14a</i>	48	39
Student Loan Funding	<i>14b</i>	141,175	102,106
(Repayments) to other bodies – Student Loans		(30,574)	(20,840)
Net cash outflow from investing activities		110,697	81,343

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

	Capital Expenditure £000	Loans etc £000	Accruing Resources £000	Net Total £000
RfR A	-	110,601	-	110,601
RfR B	48	48	-	96
Subtotal	48	110,649	-	110,697
Net movement in debtors/creditors	-	1,394	-	1,394
Total 2006-07	48	112,043	-	112,091
Total 2005-06	38	80,283	-	80,321

21(d) Analysis of Financing

	<i>Note</i>	2006-07 £000	2005-06 £000
From the Consolidated Fund (Supply) – current year	<i>19</i>	780,141	737,103
From the Consolidated Fund (Supply) – prior year		5,099	6,868
From the National Insurance Fund		2,682	2,222
Net financing		787,922	746,193

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

	<i>Note</i>	2006-07 £000	2005-06 £000
Net cash requirements		(813,359)	(742,328)
From the Consolidated Fund (Supply) – current year	19	780,141	737,103
From the Consolidated Fund (Supply) – prior year	21	5,099	6,868
Amounts due to the Consolidated Fund – received in a prior year and paid over		(3,975)	(1,830)
Amounts due to the Consolidated Fund – received and not paid over		3,587	2,854
Interest on RRI loans paid by the Consolidated Fund on behalf of the Department		-	126
Other		30	-
Increase/(decrease) in cash		(28,477)	2,793

22. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

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

	2006-07 £000	As Restated 2005-06 £000
Objective 1	640,249	570,993
Objective 2	66,033	76,075
Total	706,282	647,068

Capital Employed by Departmental Aim and Objectives at 31 March 2007

	2006-07 £000	2005-06 £000
Objective 1	616,915	504,420
Objective 2	29,473	(10,657)
	646,388	493,763

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

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23. Capital Commitments

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

24. Commitments under PFI contracts

In May 1998 the Training and Employment Agency (now part of the Department) entered into a PFI contract with ICL Limited for information technology support services for a ten-year period.

This contract has been extended for a period of 1 year and will now expire at the end of March 2009. This extension was an option within the original contract and has been approved by DFP.

24.1 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions was £4,424,616 (2005-06: £4,487,934).

Payments to which the Department is committed during 2006-07, analysed by the period during which the commitment expires, are as follows:

	2006-07 £000	2005-06 £000
Expiry within two to five years	5,600	5,600
Expiry within six to 10 years	-	-
	5,600	5,600

25. Financial Instruments

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

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from this note.

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Fair values

The Department accounts for a share (£829.532m) of the UK total of student loans administered by the Student Loan Company Ltd. Because this share cannot be attributed to individual students' loans, it is not practical to estimate the fair value of the Northern Ireland share of total loans with sufficient reliability.

The Department's loan to Ulster Supported Employment Ltd (£2.282m) neither pays interest nor has a maturity date and is secured by a charge on the company's undertaking and property. It is not regarded as tradable on an organised market in a standard form as it is an integral part of the Department's involvement in training and employment for the disabled. Accordingly, it is not practical to estimate a fair value with sufficient reliability.

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26. Contingent Liabilities

(i) Future Redundancy Payments

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

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

(ii) Enterprise Ulster Closure Costs

On 21 March 2006, the Secretary of State announced that as part of the Review of Public Administration, Enterprise Ulster would close. The organisation was formally wound up on 30 June 2007. A provision has been created in order to meet the Department's estimated liabilities in respect of the closure of the organisation.

A major component of the total future liability is represented by the cessation charge for the Northern Ireland Local Government Officers Superannuation Scheme Committee (NILGOSC) pension scheme. The total provision in these accounts of £2.824m includes an estimate of £2.1m arrived at by the Government Actuary's Department. It should be noted that an independent actuary appointed by NILGOSC arrived at an estimated cost of £4.0m as at 31 March 2007.

The Department has provided for the amount advised by Government Actuary's Department, as it represents, without prejudice, the amount that the Department would reasonably expect to pay in order to settle the liability, based on the information at hand.

(iii) Retirement Benefits

The Department provides funding to certain organisations whose employees are members of the Northern Ireland Local Government Officers' Superannuation Scheme (NILGOSC). Under FRS 17 'Retirement Benefits', these organisations have prepared their accounts to include a provision for the scheme deficits that are attributable to them. The estimated amounts have been arrived at by the NILGOSC actuary. Were such a liability to crystallise, it is likely that the Department would fund its share of such costs.

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The most recent estimates of the potential deficits arrived at by the organisations attributable to the Department were as follows:

(a) Education and Library Boards

Board	Date of Valuation	Deficit £'000
Belfast	31 March 2007	566
Southern	31 March 2007	873
North Eastern	31 March 2007	783
South Eastern	31 March 2007	373
Western	31 March 2007	706
Total		3,301

(b) Colleges of Further Education

College	Date of Valuation	Deficit £'000
Armagh	31 July 2006	1,015
BIFHE	31 July 2006	7,578
Castlereagh	31 July 2006	1,128
Causeway	31 July 2006	822
East Antrim	31 July 2006	1,572
East Down	31 July 2006	1,358
East Tyrone	31 July 2006	556
Fermanagh	31 July 2006	1,221
Limavady	31 July 2006	640
Lisburn	31 July 2006	959
Newry	31 July 2006	1,401
North Down	31 July 2006	1,960
North East	31 July 2006	2,375
North West	31 July 2006	2,472
Omagh	31 July 2006	812
Upper Bann	31 July 2006	925
Total		26,794

It is anticipated that these deficits will be addressed through a revision to contributions over the coming years.

The Department has no other material contingent liabilities, including those not required to be disclosed under FRS 12 but which would require disclosure for Parliamentary reporting and accountability purposes.

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27. Losses and Special Payments

27(a) Losses Statement

	No of cases	2006-07 £000	2005-06 £000
Cash losses	406	172	553
Claims abandoned	-	-	-
Administrative write-offs	-	-	-
Fruitless Payments	-	-	51
Stores losses	-	-	-
Total	406	172	604

27(b) Special Payments

	No of Cases	2006-07 £000	2005-06 £000
			-
Total	7	93	-

28. Related-party Transactions

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

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

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

29. Third-party Assets

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

At 31 March 2007, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £15.123m (2005-06: £17.169m).

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30. Entities Within the Departmental Boundary

These accounts comprise the accounts of the core Department.

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

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

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

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Annex 1

Detailed Report on Department Performance Targets in 2006/07

Departmental Performance Targets 2006/07	Performance Targets Status At 31/03/07	Comments on achievement, including any deviation from targets
By June 2006, to have published the Northern Ireland Skills Monitoring Survey 2005	Achieved	Published October 2006 (Delay caused by late receipt of acceptable dataset from Central Survey Unit)
By December 2006, to have published issue 20 of the Labour Market Bulletin	Action achieved	Published December 2006
By March 2007, to reduce staff absenteeism to 5.5%	Action unlikely to be achieved	Unfortunately sickness absence levels have increased slightly right across the NICS, DEL included. This is despite continuous implementation of existing policies and procedures as well as the introduction of new initiatives aimed specifically at the core problem of long term sickness absence.
By March 2007, as part of our contribution to "fit for purpose" to reduce the number of whole time equivalent staff by 44.54 posts	Action likely to be achieved but with some delay	Some of our "fit for purpose" savings scheduled for completion by March will take until May / June to realise.
During 2006/07, the Department will continue to meet its obligations under Section 75 of the Northern Ireland Act 1998 and will also ensure that the various impact assessments are carried out in new or changing policies, particularly in relation to policy development on the Skills Strategy and Further Education Strategy.	Action on track for achievement	Department has responded to Monitoring, Procurement and Good Relations guidance. 2007/08 Action Plans for A Shared Future and Racial Equality Strategy completed. Outworkings of the Further Education Strategy continue to be screened for Equality and Good Relations purposes.
By September 2006, in line with the Reform of Vocational Qualifications, to have begun testing and trialling a new framework for Achievement.	Action achieved	Testing and trialling began September 2006.
By September 2006, to have issued a final e-Learning Strategy and associated Action Plan, for the FE Sector.	Action likely to be achieved but with some delay	Completion date for e-learning strategy delayed further until May 2007 due to volume of work. A new FE e-learning policy and guidelines have been agreed and issued in December 2006 to the FE Sector.
By August 2006, to have completed a scoping exercise on the development of a Unique Learner Number (ULN) registration prototype specific to NI and develop a pilot model by March 2007	Action unlikely to be achieved	Feasibility study completed November 2006 Identified considerable further work required to develop an implementation model therefore target will not be achieved in full in this financial year. Approval being sought for the next phase of the project.
By March 2007, to have finalised an FE Curriculum policy and agreed proposals for implementation (via the FE College Development Plan process).	Action likely to be achieved but with some delay	Consultation exercise with the FE sector has identified that in some of the curriculum policy areas further work is required in the 2007/08 year. However interim policy guidance was issued to the FE sector Dec 2006.
By March 2007, to have provided support for the achievement of 6,000 Essential Skills qualifications.	Action achieved	Action achieved. 9,639 Essential Skills qualifications were achieved by 31st March 2007.
By January 2007, to have completed the public appointments process for the Governing Bodies of the six new merged FE Colleges.	Action likely to be achieved but with some delay	Interviews have been completed for all 6 college groupings, however, a complaint in respect of one of the groupings was made to OCPA (NI) and this caused delay. As a result, 5 of the 6 college

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Departmental Performance Targets 2006/07	Performance Targets Status At 31/03/07	Comments on achievement, including any deviation from targets
		groupings will be appointed during May 2007. One college grouping did not identify sufficient suitable candidates to fill all positions and the competition had to be re-opened. It will now be end May/beginning June before this governing body can be appointed.
By March 2007, to have consulted on, agreed and tested the operational capability, through parallel running, of the new funding model for the FE Sector.	Action achieved	A new funding model has been agreed with the sector. The funding model will underpin the delivery of identified DEL curriculum policies and assist with economic engagement, while ensuring the continued promotion of social inclusion.
By March 2007, to have developed new performance measures for the FE Sector.	Action achieved	Performance measures have been agreed for the FE sector and are already being used to inform the College Development Planning process for the 2007/08 academic year.
By March 2007, to have finalised Further Education policies in relation to Economic Engagement and Access and Engagement, and agreed proposals for implementation via the College Development Plan Process.	Action on track for achievement	Consultation responses considered. Actions being taken forward via College Development Plan and Performance Measures working groups.
By March 2007, to have increased the % of FE students gaining passes at Levels 2 - 4 to 75%.	Action on track for achievement	Review of additional information indicates achievement of target but final confirmatory checks being completed.
By March 2007, to have increased the % of FE students gaining passes at Levels 3 - 4 to 77%.	Action on track for achievement	Review of additional information indicates achievement of target but final confirmatory checks being completed.
By December 2006, to ensure that, in collaboration with the SSDA, at least 10 Sector Skills Councils complete Sector Skills Agreements for Northern Ireland	Action likely to be achieved but with some delay	Five Sector Skills Councils have achieved a full Sector Skills Agreement for Northern Ireland. Slippage has occurred due to some quality issues and other delays beyond the control of DEL. This is an issue being discussed with the Sector Skills Development Association.
By March 2007 to ensure that 55% of trainees who commenced a Jobskills Traineeship in 2003/04 will achieve an NVQ Level 2.	Action achieved	Target Achieved -57% of trainees who commenced a Jobskills Traineeship in 2003/04 achieved an NVQ Level 2.
By March 2007 to ensure that 42% of trainees who commenced a Jobskills Modern Apprenticeship in 2001/02 will achieve a NVQ Level 3.	Action substantially achieved	Target substantially achieved -38% of trainees who commenced a Jobskills Modern Apprenticeship in 2001/02 achieved a NVQ Level 3.
By March 2007, to ensure that at least 35% of trainees who commenced a Jobskills Traineeship in 2004/05 will progress into employment with a further 30% progressing into further education and training (ie a minimum of 65% of trainees progressing to a positive outcome).	Action substantially achieved	Target Substantially achieved- 62% of trainees progressing to a positive outcome against a target of 65%. 32% progressed into Employment and 30% have progressed into Further Education or Training.
By March 2007, to train 500 unemployed people on 'Bridge to Employment' courses, 400 of whom will be offered employment.	Action achieved	Of the 537 unemployed people who completed training 457 [85%] have been placed in employment.
To support 100 graduates/undergraduates through entry into Management E2M initiative.	Action likely to be achieved but with some delay	12 participants commenced in March, with a further 39 currently going through company matching process. 159 eligible applicants are being assessed for progression to matching stage.

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Departmental Performance Targets 2006/07	Performance Targets Status At 31/03/07	Comments on achievement, including any deviation from targets
To support the development of 350 existing managers through assisted participation on the Management and Leadership Programme.	Action achieved	394 existing managers have participated on the Management and Leadership Development Programme.
To achieve 125 new recognitions of the IiP standard in Northern Ireland.	Action likely to be achieved but with some delay	82 new Recognitions carried out during 2006/07 of which 71 achieved accreditation and 11 remain in Continuous Assessment status.
To achieve 120 renewals of the IiP standard among recognised organisations in NI.	Action on track for achievement	121 Reviews carried out during 2006/07 of which 17 remain in 'Retaining Recognition' status.
To achieve 200 new commitments to work towards the IiP standard.	Action likely to be achieved but with some delay	167 new employer 'Commitments' to work toward IiP accreditation achieved during 2006/07.
During 2006/07 to offer appropriate careers guidance interventions to young people and adults, with a priority focus on 13-19 year olds who are vulnerable to social exclusion.	Action achieved	Guidance provided to young people and adults through a network of 27 offices and through Service Level Agreements with schools and training organisation. Careers Service Social Exclusion policy introduced.
By October 2006, to have an all-age Careers Education, Information, Advice and Guidance Strategy in place.	Action likely to be achieved but with some delay	Delayed to ensure comprehensive joint DEL/DE Strategy. Discussions with senior management in DEL and DE on progress to date and the way forward. Paper to be redrafted.
By March 2007 to have conducted an evaluation of careers services and resources and to have selected and implemented enhanced careers services and resources.	Action likely to be achieved but with some delay	Initial evaluation has taken place. Implementation plans in place to pilot enhanced careers service delivery project.
By September 2006, to develop and implement key aspects of a framework for the Department's Quality Improvement Strategy.	Action achieved	The Quality Improvement Strategy: Success Through Excellence was launched by the Department in January 2007.
By September 2006, to ensure coherent and consistent post-inspection support programmes are embedded across the Department's education and training provision.	Action achieved	Learning Skills Development Agency (LSDA) post-inspection protocols and support are well embedded across Department's funded provision. Work is on-going between the Department and LSDA to ensure these protocols are developed and reviewed continually to ensure the best possible service.
By March 2007, to increase representation of people from the lowest socio-economic classifications (SEC groups 5 to 7) among entrants to higher education, from the 2005/06 figure of 26.1%	Action unlikely to be achieved	Target has not been achieved. SEC 5-7 entrants to HE in 2006/07 was 25.8%. It should be noted that this figure did not include entrants to one of the University Colleges. It is also worth noting that 2006 was the first year of variable fees.
By the end of 2006/07, £32 million worth of projects supported by the Science Research Investment Fund will have been brought into operation.	Action achieved	From commencement to the end of March 2007, £35 million worth of SRIF projects have been brought into operation.
In 2006/07, to invest a further £11 million into the university research infrastructure through the Support Programme for University Research.	Action achieved	Up to the end of March 2007 £13.5 million has been invested in this initiative.
In partnership with Atlantic Philanthropies to initiate a review of SPUR during 2006/07 which aims to monitor the operation of the programmes funded under this initiative and will inform future research policy by the Department and the Northern Ireland universities.	Action achieved	Two tenders received. Evaluation panel meeting held on 6 February 2007. Contractor appointed.
During 2006/07 to develop a fund to promote closer HE/FE collaboration to commence in April 2007.	Action achieved	Letters of Offer have now been agreed and signed.

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Departmental Performance Targets 2006/07	Performance Targets Status At 31/03/07	Comments on achievement, including any deviation from targets
By September 2006, to implement the new arrangements for variable tuition fees in higher education.	Action achieved	The new fees arrangements are now in place.
By September 2006, to implement the new student finance arrangements in support of variable tuition fees.	Action achieved	The arrangements are now in place.
By September 2006, to extend the Education Maintenance Allowance (EMA) scheme to 16 – 18 year old age group.	Action achieved	The extension of the scheme to 18 year olds is now in place.
To secure resources, determine appropriate allocations and monitor expenditure to achieve spending targets of $\geq 98\%$ recurrent and $\geq 90\%$ capital when compared with Spring Supplementary Estimates.	Action on track for achievement	Final position is unavailable until finalisation of audited accounts.
By March 2007, to facilitate the passage of a Work and Families (Northern Ireland) Order 2006, and to make the necessary subordinate legislation to: increase the period of paid maternity and adoption leave from 6 to 9 months; and to extend the right to request flexible working to those who care for adults.	Action achieved	All legislation put in place to schedule.
By March 2007, to implement the recommendations of the review of the Industrial Court including transferring the Secretariat function to the LRA; and complete the appointments process.	Action unlikely to be achieved	Due to circumstances outside the control of the Department this target will not be achieved. Appointments were delayed due to a request by the Minister to consider treating the Chairmen of the Industrial Court as judicial appointments. The Court Service has however determined that these posts cannot be treated as judicial. The current appointments have been extended by 12 months to allow further discussions with the Industrial Court. It is hoped to make new appointments in the coming months. As the Court no longer wishes the secretariat to be transferred to the LRA this function will continue to be delivered by the Department.
By December 2006, extend pilot programmes to at least 30% of new claimants to assist recipients of incapacity benefits into work.	Action achieved	Pathways to Work available to 30% of new claimants by end October 2006. Implementation progressing well. Health Boards have submitted firm, costed proposals for delivery of Condition Management Programme (CMP) by January 07 in second phase offices. Meetings being held with Health Boards with phase 3 offices for delivery as early as possible in 2007. CMP is expected to be available in all areas no later than March 2007.
During 2006/07, at least 85% of employers placing their vacancy with the Employment Service will be satisfied or very satisfied with the service provided.	Action achieved	First annual employer survey has been completed. Overall, 91% of employers surveyed were very satisfied or satisfied with the service they received from the Employment Service.
By 31 March 2007, 25% of all job vacancies attracted by the Employment Service will be notified electronically ie via EmployersOnline.	Achieved	For the period 01/04/06 - 28/02/07 24.40% (9833 out of 40275) of the vacancies attracted by the Department were placed via employers online. 32.1% of the vacancies received in the month of February were via EROL. The figure for March of 29.6% meant that the overall target of 25% was achieved.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2007

Departmental Performance Targets 2006/07	Performance Targets Status At 31/03/07	Comments on achievement, including any deviation from targets
During 2006/07, 24,000 working age benefit customers will be assisted into employment.	Achieved	24,845 working age benefit customers were assisted into employment.
By March 2007 to implement revised employer services in JBOs/JCs, including new and more centralised vacancy notification arrangements.	Action on track for achievement	Good progress being made on a range of employer services, including new emphasis on employer engagement by District Managers and the promotion of EmployersOnline on line.
To have the appropriate legislation in place and wind up Enterprise Ulster by 31 March 2007.	Action achieved	Order made on 1st February 2007. Came into operation on 2 April 2007. EU will be dissolved with effect from 30 June 2007.
By 31 March 2007, introduce a pilot version of a new menu based approach to tailored provision, in support of the Review of Frontline Service pilots and in line with GB BoND developments.	Action on track for achievement	Pilots on target to go live on 2 April 2007 in 4 offices. Development work continuing on various strands including an enhanced mentoring support service to be introduced in June 2007.
By October 2006 to determine if 'Job Outcome Targeting' is a viable and effective means of reporting on JBO/JC performance in securing job entries for their clients.	Action achieved	Following discussions and meetings involving REB and Department for Social Development (Stats) it has been concluded that the concept of Job Outcome Targeting has the potential to better reflect performance achieved by the Employment Service in Northern Ireland by capturing a wider range of job entry data than hitherto. This target has therefore been achieved and work is now underway, led by REB, to arrange for data testing and analysis, leading to implementation.
To engage with 300 participants on the p2w (NI) pilot initiative during 2006/07.	Action achieved	Support workers have engaged with over 300 participants. 265 of them took part in the initiative during the 2006 calendar year.
To reduce waiting times in the discrimination jurisdictions, from tribunal application being received by the tribunals to the parties being offered a full hearing, by 10% year on year. The baseline figure for April 2005 is 26 months.	Action achieved	We have achieved and indeed significantly exceeded the target of offering a full hearing in discrimination cases within 22 months from the date a claim was received by the tribunal.

Annex 2

Report on PSA Targets

PSA TARGET	FINAL STATUS	COMMENTS ON ACHIEVEMENT
1. To increase the percentage of working age people qualified at Level 2 or above from 63% in summer 2003 to 68% in spring 2007 ¹ .	Action likely to be achieved but with some delay	By December 2006, 66.1% of working age people in Northern Ireland were qualified at Level 2 or above. Target expected to be achieved by Spring 2008.
2. To increase the percentage of working age people qualified at Level 3 or above from 45% in summer 2003 to 47% in spring 2007 ^{2 3} .	Action on track for achievement	By December 2006, 47.% of the working age population in Northern Ireland were qualified at Level 3 or above
3. By 2007, 18,500 people will have achieved a recognised qualification in Essential Skills compared to 100 in March 2003.	Action achieved	22,280 recognised Essential Skills qualifications have been achieved up to 31 March 2007.
4. By 2008, make progress, year on year, towards fair access to higher education.	Action not likely to be achieved	The percentage of students entering higher education from the lowest socio-economic classifications (SEC5-7) in 2006/07 was 25.8%. This is a slight reduction on the 2005/06 figure of 26.1%.
5. Over the three years to 2008, to contribute to combating poverty and taking account of the economic cycle, demonstrate progress on increasing Northern Ireland's employment rate.	Action achieved	Employment rate – Spring 2005: 68.2%; Winter 2006: 69.6%. During the period 1 st April to 31 March 2007 DEL has helped 24,845 working age benefit customers into work. This figure does not include those Jobskills trainees who progressed into employment from training.

¹ Progress against target is measured using data from the Labour Force Survey (LFS). Qualification levels 2 and 3 are defined according the National Qualification Framework (NQF) definition.

² Due to a downward revision in the Labour Force Survey caused by re weighting of population estimates, the base for this target has been revised down from 46% to 45%. The target has similarly been revised downwards by one percentage point.

³ The Labour Force Survey, like other sample surveys is subject to statistical margins of error. This limits the extent to which the Department can report progress against targets with confidence. In statistical terms, the Standard Error (at the 95% confidence level) associated with the above monitoring figures is 1.7%.

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