

Department for Employment and Learning

Resource Accounts

For the year ended 31 March 2012

*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*

6 July 2012

Department for Employment and Learning

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Directors' Report

Scope

Departmental accounting boundary

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

Departmental Aim

The aim of the Department is:

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

DEL's Business Plan 2011-2012 aligned itself closely to the priorities outlined in the Programme for Government (PfG). DEL has developed a Strategic Framework to encompass its work and maximise outputs from the delivery of policy and its frontline services. Within this framework the Department's work around skills and employment are reflected in its overarching strategic themes of: improving productivity, enhancing skills; addressing barriers, supporting people; improving quality, raising standards; understanding demand, responding to need; improving engagement, developing partnerships; delivery governance, maximising value; and leading people, improving performance.

In support of these themes the Department entered into 46 key commitments in 2011-12.

Principal activities

The principal activities of the Department are:

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

Bodies outside the Departmental boundary

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

- Ulster Supported Employment Limited (a company limited by guarantee);
- CITB–ConstructionSkills Northern Ireland (a statutory training organisation); and
- Labour Relations Agency (a Non-Departmental public body).

Pension liabilities

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

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Our Purpose

The Department is a key contributor to the delivery of the Northern Ireland Executive's vision of a peaceful, inclusive, prosperous, stable and fair society. It is responsible for policy, funding, corporate governance and service delivery across the spectrum from employment through training, careers advice, further and higher education, research and innovation, all underpinned by employment rights.

Our Values

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

Professional

Responsive

Innovative

Dynamic

Equitable

Register of Interests

The Department maintains a Register of Interests, a copy of which is available on request.

HIGHLIGHTS OF OUR SERVICE IN 2011-12

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

Economic and Fiscal Context for the Department

The 2011-12 period has proved challenging; Northern Ireland's economic performance, like many other countries and regions, has continued to be weak. Businesses and governments across the globe have had to face up to record public sector budget deficits, weaker growth and higher levels of unemployment. The economic downturn has dealt a severe blow to the Northern Ireland economy and the underlying picture points towards a long and challenging recovery.

The global downturn has also compounded a number of Northern Ireland's existing economic weaknesses including productivity levels that are too low and high economic inactivity (the highest in the UK). The Northern Ireland labour market has deteriorated sharply and there has been increasing numbers of long term unemployed. The numbers of unemployed young people have been growing strongly with low employment amongst older people remaining a problem.

The Northern Ireland skills profile, while improving, needs to be strengthened further. Compared to many other developed countries, Northern Ireland continues to have proportionately more people with low or no qualifications and fewer with high level qualifications. Historically, the region has also been challenged by relatively low levels of Business Expenditure on Research and Development; however, the recent trend is more promising as Northern Ireland continues to close the gap with the UK average.

The economic challenges facing Northern Ireland are significant. The region continues to feel the impacts of the downturn in the global economy and it is likely to be some time before economic performance and employment returns to pre-recession levels.

Despite these economic challenges, progress has been made over the last year on a number of important fronts. Notable achievements across the skills, employment and innovation arenas are detailed in this paper. They include:

- the development of the HE strategy for Northern Ireland;
- the agreement in September of new arrangements for HE student finance which help ensure that access to University is not determined by the ability to pay;
- the development of a draft strategy for those Not in Education, Employment or Training (NEET) and progression of a policy to tackle Youth Unemployment;
- the development of the Research Agenda, which identifies areas where future research will be required; and
- the implementation of the review of FE Governance.

The Department is focussed on delivering its commitments, as set out in the Economic Strategy for Northern Ireland, to support a rebalancing of the economy towards a stronger, more export-orientated private sector. The work of the Department is entirely consistent with and central to the delivery of the Executive's economic vision for 2030.

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Much progress has been made in the past year. But more needs to be done. As we look to the future, however, the fiscal environment has changed dramatically. The Northern Ireland Executive is now entering the second year of its 2011-2014 spending/budget cycle. The Budget 2010 settlement represents a very significant challenge for the Executive. The impact of UK spending reductions and further spending constraints in Northern Ireland will continue to be felt in 2012.

Strategic Highlights

The following sections highlight some of the important developments which have taken place relating to the work around skills and employment under each of the Department's overarching strategic themes in the past year. These are;

1. Improving Productivity, Enhancing Skills;
2. Addressing Barriers, Supporting People;
3. Improving Quality, Raising Standards;
4. Understanding Demand, Responding to Need;
5. Improving Engagement, Developing Partnerships;
6. Delivery Governance, Maximising Value; and
7. Leading People, Improving Performance.

1. IMPROVING PRODUCTIVITY, ENHANCING SKILLS

The case for developing the skills and employability of our workforce is compelling. While improving, our skills profile remains weak compared to many other developed economies. There are too many with low qualifications and not enough with higher level skills. Countries such as Finland and Sweden have been found to rely heavily on their superior skills profiles to drive export growth and innovative capacity.

Research shows that if we are to close the productivity gap with the UK, over 50% of jobs in 2020 will require higher professional and technical and other higher education level qualifications – up from about a third currently. The number of jobs available to those with low level qualifications will fall away dramatically – down from 27% to 10% by 2020.

Success through Skills – Transforming Futures

The new Skills Strategy for Northern Ireland entitled ‘Success through Skills – Transforming Futures’, was launched at the Department’s Annual Skills Conference on 25 May 2011.

The Skills Strategy considers the current skills base, examines the skills we are likely to need in the future to grow the Northern Ireland economy and highlights a number of areas for action.

It highlights that by 2020 there is likely to be an increased demand for:

- higher level skills;
- science, technology, engineering and mathematic (STEM) skills; and
- management and leadership skills.

To achieve this, there will be a need increasingly to focus on the up-skilling of those people already in the workforce; and, as the economy grows, attract moderate levels of appropriately skilled people to Northern Ireland.

Phase one of a rolling implementation plan began with the publication of the Department’s Employer Engagement Plan.

Employer Engagement Plan

The Minister published the Skills Strategy’s Employer Engagement Plan on 6 March 2012. This Plan is key to achieving the ambitious goals set out within the Skills Strategy and focuses particularly on how the Department will engage with businesses over the coming years. It highlights a number of initiatives which will be of particular interest to employers, together with a selection of related projects. The plan sets out how the Department will make it easier for local businesses to:

- up-skill their existing workforce;
- have the excellent training they offer in house accredited;
- have the existing skills of staff recognised; and
- better utilise these skills within their workforce.

Overall, the Employer Engagement Plan includes 20 projects and initiatives that will be delivered predominantly over the next 18 months. The Department believes that the projects detailed in the Employer Engagement Plan will help to make inroads towards ensuring that we have the skilled people that we need to avail of current and future opportunities and support the economic vision set out in the Economic Strategy and Programme for Government (PfG).

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STEM Strategy

The Science, Technology, Engineering and Mathematics Strategy, 'Success through STEM' was agreed at the Executive in March 2011. It brings together the work of six Departments, namely; DEL, Department of Education, Department of Enterprise, Trade and Investment, Department of Culture, Arts and Leisure, Department of Health, Social Services and Public Safety and Department of Agriculture and Rural Development. Much progress has been made in the last year and this was show cased at the 'STEM One Year On' event which was held in W5 on 29 March 2012. The Department organised the event on behalf of the STEM Implementation Steering Group and a 'STEM One Year On' progress report was also launched at the event. The report details the STEM activities that both Government and Business have been taking forward since the publication of the STEM Strategy. It contains input from the STEM Business sub group and all five active Departments on the STEM Government sub group.

Skills Solution Service

Engagement with employers on skills issues has been enhanced during 2011-12 by the further development of the Skills Solutions service. Skills Solutions advisers help employers understand and access the Department's training provision by offering a single point of contact for employers who would like to know more about what programmes and financial support are available to assist them in making their business more productive and competitive. Around 750 employers engaged with advisers in 2011-12, many going on to access programmes and support relevant to their individual circumstances.

Skills Solutions can help small and medium sized enterprises (SME) access training which is customised exactly to their needs if no existing training product meets their requirement. Funding for accredited training at Level 2 and above was provided for companies with 250 employees or less and around 85 such projects were delivered to 1,050 people. In addition, this mechanism was used to support the training of 1,800 people in the hospitality and tourism sectors on the WorldHost programme.

The Bridge to Employment programme continued to provide assistance to companies taking on new staff. Bridge to Employment helps with vacancy advertising, other associated recruitment services and customised training of unemployed people to the specific job requirements. This therefore provides an increased pool of talent from which the employer can select new staff for the business. These services are provided at no cost to the employer. In 2011-12, around 40 Bridge projects were delivered with around 200 unemployed people getting work as a result - this represented 83% of the total number completing the relevant training.

Assured Skills

The second year of the Assured Skills pilot programme, a joint project with Invest Northern Ireland, continued to ensure the delivery of a range of activities and interventions guaranteeing potential inward investment companies, or existing companies wishing to expand, that Northern Ireland has the ability to satisfy their future skills and training needs.

In 2011-12, just over £400,000 supported eight capacity building projects, including the Software Testers' Academy.

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The Academy was a bespoke response to an identified industry skills need, under which 19 trainees undertook 14 weeks of intensive training, including a work placement. At a total cost of £63,500, the Academy was very successful and all 18 trainees who completed the programme have secured permanent employment. A second cohort is planned for 2012-13.

During 2011-12, agreements were put in place with five companies to provide almost £2 million of Assured Skills funding to support the creation of over 600 jobs during the 2012-13 year. Negotiations with several other companies also took place in 2011-12 and more announcements are expected in the coming months, further demonstrating the key part Assured Skills can play in encouraging companies to invest in Northern Ireland.

WorldSkills and Skills Competitions

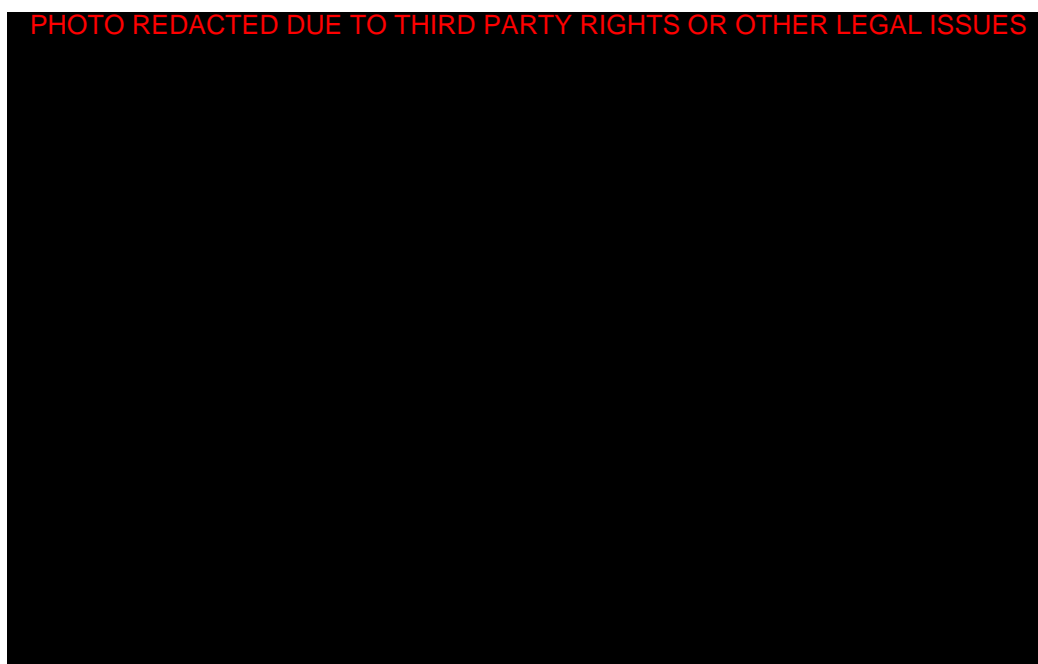
It has been another very successful year for Northern Ireland skills competitions. A number of heats of UK competitions took place across a range of skills. Northern Ireland won thirteen medals in the UK national finals, ten gold, one silver and two bronze.

Northern Ireland achieved its best ever performance at world level at WorldSkills 2011 in London in October and outshone all other UK nations and regions in relation to team membership and results. The UK team won thirteen medals - five gold, two silver and six bronze and twelve medallions for excellence (awarded to competitors who have reached the world class standard in their skill discipline but did not secure a medal). Northern Ireland had seven team members on the forty-three strong UK team and won three medals - gold in bricklaying, silver in landscape gardening and bronze in refrigeration and air conditioning which accounted for 23% of the overall UK medal count. The Northern Ireland mechatronics team also received a medallion for excellence.

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Employment and Learning Minister Dr. Stephen Farry MLA presenting to medal winners.



Dr. Stephen Farry MLA with medal winners.

Sector Skills Councils (SSCs)

Currently there are 21 SSCs licensed. With effect from April 2012, SSCs will be funded through the contestable funding model, which will be delivered through three main funding streams:

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

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

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

Management Development

Management Development Branch offers a range of development support to SME businesses in Northern Ireland. During 2011-12, almost 900 individual managers used the Management and Leadership Development programme (MLDP) across 15 management training programmes and 197 companies participated on the Management Analysis and Planning (MAP) programme which provides diagnostic support through a team of qualified external business advisers. The successful INTRO Graduate Management Development programme which enables 100 graduates each year, to enter managerial positions and receive important Level 5 management training was retendered during the year and Parity NI won the contract to deliver the programme.

**Awards Evening 2011 Ulster Business School –
DEL sponsored Small Business Management Award**

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ISSUES



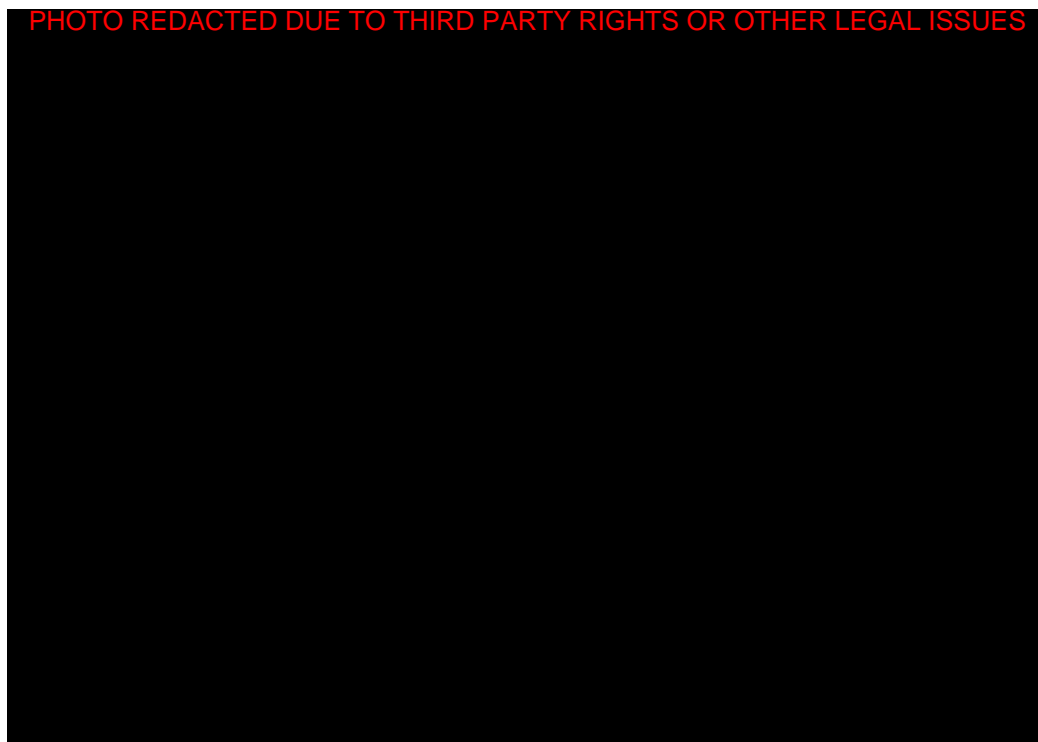
Raymond McAuley, DEL Management Development Branch, presenting the Department for Employment and Learning Small Business Management Award. The award is presented to winners of the Ulster Business School MBA project in Small Business Enterprise.

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Sponsors of Awards at Ulster Business School Department of Management and Leadership with the Dean of the Ulster Business School, Professor Marie McHugh.

A diverse range of over 185 organisations celebrated a successful assessment against the Investors in People (IIP) framework during the year. Organisations achieving recognition for the first time included, Autoline Insurance, Warner Chilcott, Bogues Jewellers, Murnaghan Colton Solicitors, and, Stepping Stones Lisburn.

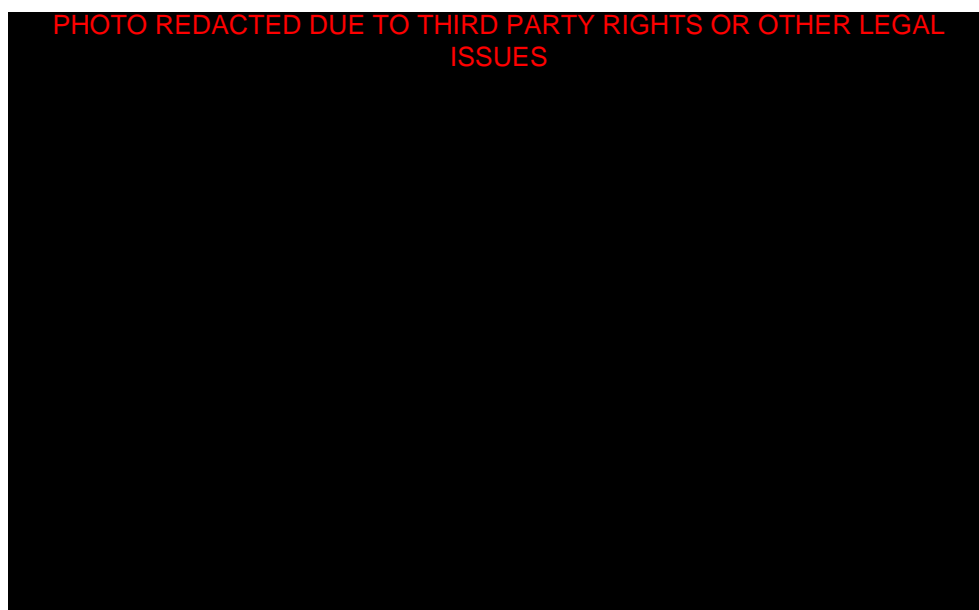


Michael and Jeni Lamont, Lamont Cleaning and Support Services, receiving their Investors in People Award.

New levels of recognition – Bronze, Silver and Gold have been introduced for organisations choosing to be challenged and assessed above the core Standard. To date we have had 22 Gold Awards, 40 Silver Awards and 82 Bronze Awards. A further eight companies have achieved Good Practice Awards in Health and Wellbeing.

Made Not Born

The Made Not Born campaign continues to highlight to Northern Ireland SMEs the importance of good management and leadership practice. It seeks to raise the profile of Management Development training; and to support DEL programmes and the business benefits they bring to Northern Ireland's SMEs.



Richard Richardson shows the dynamics of marketing judo.

The campaign also makes use of a breadth of resources including videos and slides of the guest speakers, case studies of local companies that have participated on management and leadership programmes and social media. Made Not Born has over 650 members on LinkedIn and 200 followers on Twitter.

Careers Strategy – Preparing for Success

The Department's Careers Service has continued to make significant progress on the key actions contained within the joint DE/DEL Strategy "Preparing for Success" with all actions on target to be met by the 2014 review date. A joint DEL/DE careers event aimed at leaders of education and training was held in June 2011. This event jointly hosted by Minister Farry and Minister O'Dowd provided an opportunity to update key stakeholders on progress made against the actions contained in the Strategy's Implementation Plan.

Research Study to Determine the Skills Required to Support Potential Economic Growth in the Northern Ireland Sustainable Energy Sector

In September 2011, the Department published an independently produced study into the skills required by Northern Ireland companies wishing to take advantage of the economic potential represented by the Sustainable Energy sector over the next ten years.

The report, completed by Ecorys UK, focused on four specific areas – integrated building technology, offshore energy, bio energy and energy storage. These sub-sectors had previously been identified by Invest NI as representing the most significant economic potential in a Northern Ireland context. The purpose of the study was to identify the skills needed to boost activity in these parts of the sustainable energy sector.

A copy of the report and Policy Framework are available on the DEL website at the following link:

<http://www.delni.gov.uk/es/skills-required-to-support-economic-growth-in-ni-sus-energy-sector>

Development of a Higher Education Strategy for Northern Ireland

The Department held a public consultation on the development of a Higher Education Strategy for Northern Ireland between January and April 2011. Forty responses were received, and these, along with stakeholder contributions, have informed the development of the Strategy. A report on the consultation was published in June 2011.

Within the draft Strategy, the vision for higher education is one of a sector which is vibrant and of international calibre; which pursues excellence in teaching and research; which plays a pivotal role in the development of a modern, sustainable, knowledge-based economy; which supports a confident, shared society; and which recognises and values diversity.

The Strategy will set out in detail the direction for higher education policy in Northern Ireland for the period to 2020. The Department will work in co-operation with stakeholders to implement its proposals.

The Strategy's four guiding principles are responsiveness, quality, accessibility and flexibility.

More responsive to the needs of the economy

HE must be responsive to the needs of the economy, with an emphasis on meeting the skills needs of industry; maximising the potential of research and development (R&D); and promoting knowledge transfer.

A supply of high quality graduates is vital for economic success. In recognition of this, the Strategy will promote graduate employability and skills. It will also encourage the upskilling and reskilling of those already in the workforce. The Department will support the higher education sector in achieving an increase in:

- (i) the number of people attaining Level 4-8 qualifications; and
- (ii) the number of people attaining graduate and postgraduate STEM qualifications.

A higher quality learning experience

HE must deliver a learning experience of the highest quality, supported by a fit-for-purpose quality assurance framework; provide opportunities for students to improve their employability skills; and maintain a supportive learning environment.

The Strategy will have a strong emphasis on the quality of the student experience. Excellence in teaching will be a priority. To this end, the Department will continue to support the Higher Education Academy (HEA), the Quality Assurance Agency (QAA) and valuable programmes such as the National Teaching Fellowship Scheme. A single quality assurance framework for all institutions will be developed in co-operation with the QAA.

A more accessible HE sector

HE must be accessible to all who have the ability to benefit. The Department remains committed to accessibility in higher education and to the provision of academic and pastoral support to all learners. A separate Widening Participation Strategy will set out the Department's future policy on this issue with particular emphasis on students with disabilities or from a disadvantaged background.

The Department will also improve rural access to higher education, in partnership with the higher education and further education sectors. There will be a pilot of university bases at the FE colleges with the aim of enabling higher education students to access learning resources in locations throughout Northern Ireland.

A more flexible lifelong learning environment

HE must be flexible in delivery and in funding. Lifelong learning must be at the heart of the system and new routes into, and through, higher education must be developed. This will be supported by a revised funding model and an appropriate governance structure.

The Strategy aims to create a lifelong learning system; to increase part-time and postgraduate capacity within the sector; to give the further education sector an increased role in the delivery of intermediate higher education provision; to continually review the curriculum to ensure that it remains relevant and up-to-date; and to provide greater support for economically relevant subjects.

The Strategy was published on 24 April 2012.

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HE Student Finance (Future Policy)

The Department held a public consultation on options for tuition fees and associated student finance in the first quarter of the year.

Following consideration and agreement by the Northern Ireland Executive on 12 September 2011, the Minister outlined the new arrangements in an oral statement to the Assembly, key details of which included:

- tuition fees for Northern Ireland domiciles studying in Northern Ireland will be subject only to inflationary increases;
- eligible students from Northern Ireland who wish to study in the UK will be able to borrow a tuition fee loan up to a maximum of £9,000 (the loan will be the fee charged or £9,000 whichever is the lesser amount);
- support with living costs will continue to be available through a combination of non repayable grant and repayable loans;
- the existing repayment arrangements will continue to apply for all Northern Ireland borrowers; and
- legislation to be brought forward to allow Northern Ireland's HE institutions to charge higher fees for students from Great Britain (with eligible students being entitled to full fee loan support and relevant maintenance support from their home administration).

This approach continues to maintain a balance between public funding and user contribution and also ensures that access to university should not be determined by the ability to pay as there is a need to ensure the participation in higher education of students from all backgrounds as Northern Ireland cannot afford to lose out on undeveloped talent.

Maintaining tuition fees at current levels, subject only to inflationary increases, demonstrates the importance the Department places on access to HE. Indeed, the overarching concern is to ensure that Northern Ireland continues to have a world class HE system. As we look to grow our economy and to take full advantage of the economic opportunities coming our way in the near future, it is critical that we support and recognise the role that higher education plays in producing skilled graduates and in research and development.

It also provides a clear indication that the Executive is working for Northern Ireland – for our future students and graduates, for their families and for the wider economy. Furthermore, this commitment to skills, research and development, and a knowledge based economy is a clear signal to potential investors and others that Northern Ireland is open for business.

Teaching and Learning

The Department continues to be committed to ensuring a high standard of Teaching and Learning is delivered throughout the HE sector. A revised Quality Assurance Institutional Review process and the development of a quality assurance management protocol has been developed for higher education delivered in Further Education colleges in NI. From August 2011, a revised Institutional Review process for England and Northern Ireland (IRENI) has been implemented in Higher Education Institutions. This revised process includes adherence to the revised UK Quality Code for HE (the Quality Code) which sets out the expectations all providers of UK higher education are required to meet.

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Sustainable Research Fund

Throughout academic years 2008-09 and 2009-10, the Department provided £4 million to our universities to support areas that encompassed the theme of sustainability, particularly research that related to alternative/renewable energy sources or green technology. This was in line with both MATRIX and Research Council UK priorities.

This funding supported a number of projects and one of the most noteworthy was “Terrace Street” a retrofit housing project, established by the University of Ulster, and funded by the Department’s Sustainable Research Fund. This research facility consists of a replica pair of 1900’s solid wall properties representative of the eight million houses of this property type in the UK and was officially opened by the Minister, Dr Stephen Farry, on 25 January 2012.

Employer Support Programme

In 2011-12, the Department undertook an evaluation of the effectiveness of its Innovation Fund: Employer Support Pilot Programme, which was delivered by the six FE colleges, during 2008-09 to 2010-11. The evaluation demonstrated high levels of satisfaction with the level and range of support provided by the colleges, both to students and businesses, and concluded that the programme should be mainstreamed.

The Minister officially launched the Employer Support Programme (ESP) on 22 February 2012, announcing funding of £6.9 million, which was secured for the period 2011-12 to 2014-15.

The Agency Workers Regulations (Northern Ireland) 2011

The aim of the Agency Workers Directive (‘the Directive’) is to ensure the protection of temporary agency workers by applying the principle of equal treatment. This provides that the basic working and employment conditions of temporary agency workers should be, for the duration of their assignment with a hirer, at least those that would apply if they had been recruited directly by that hirer to occupy the same job. The Directive came into operation on 5 December 2011.

The Department also produced detailed guidance to accompany the Regulations, as well as summary guidance in English and ten other languages.

2. ADDRESSING BARRIERS, SUPPORTING PEOPLE

Equal access to DEL's services is fundamental to ensuring that all can share in and contribute to the economic success of Northern Ireland. However, recovery from the economic downturn is likely to take some years and there are many who have been adversely impacted by the recession.

Northern Ireland has the highest level of economic inactivity in the UK, whilst around 40% of working age inactive people have no qualifications. Given the expected shift in the skills requirements of jobs here – towards higher level skills – the opportunities for this group of people to engage effectively in the labour market will become more limited over the next decade. There is a pressing need therefore to up-skill those currently in employment and re-engage and up-skill the considerable number of individuals without a job that have no or low qualifications.

Improving basic skills is also vital to the prosperity of the economy. In addition, a lack of ICT and 'technology literacy' also presents a significant barrier to social inclusion. Evidence shows these essential qualifications give individuals an increased opportunity to get a job for the first time, move into higher value added jobs and improve their quality of life.

Support for these groups will be key in terms of the opportunity to address barriers to allow them to enter employment, stay in employment and move up the skills ladder.

Working with Young People

In the past financial year the Careers Service has exceeded its target to assist over 20,000 young people through the delivery of initial career guidance interviews to pupils in years 10 to 15.

Working with Adults

Due to increasing demand for careers services and building on the closer working relationships with Employment Service colleagues, the Careers Service has delivered over 14,000 adult interviews against a target of 10,000. Over 5,000 of those interviewed were known to be unemployed.

Careers Resource Centres

The Careers Service has added a third Careers Resource Centre in Dungannon to add to the current resource centres in Belfast and Londonderry. A further two resource centres at Downpatrick and Bangor are also in development.

Quality Award for the Careers Resource Centre at Richmond Chambers

The Careers Resource Centre at Richmond Chambers, Londonderry has been reaccredited with the matrix Standard, an independently accredited national Quality Mark for Information, Advice and Guidance Services. The focus for assessment is on the provision of a quality service to all age clients, whether through the Careers Resource Centre or outreach delivery with Partner and Stakeholder Organisations. Work is currently ongoing to achieve matrix accreditation across the entire service during 2012-13.

Careers Service Website

As part of the consolidation exercise to bring Northern Ireland government websites onto the NIDirect platform, the Careers Service launched their new look careers website <http://www.nidirect.gov.uk/careers> on 8 August 2011. The website provides a range of careers information including education and training, help on planning your career, how to get a job,

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careers events, labour market information, etc. The site offers career matching software tools which will enable users to match their interests and abilities to jobs and gives access to over 1,800 job titles. This new website supports careers information, advice and guidance services and will continue to develop over the coming year.

Training Programmes

Training Programmes Branch funded around 11,500 apprenticeships and 7,700 Training for Success places during 2011. The Department has maximised the European Social Fund (ESF) priority 2 funding available for ApprenticeshipsNI and anticipates ESF income of around £12.9 million for 2011-2012.

A further intake to the Programme-Led Apprenticeship (PLA) scheme took place in September 2011 with over 5,000 PLAs now in training. A revised policy position for the funding of adult apprenticeships (over age 25) was introduced from October 2011. The revised model provides for 50% of the funding available for 16-24 year olds to be made available to the 25+ age group. This is an interim position to facilitate a review of adult training in the workplace.

Widening Participation Strategy for Northern Ireland

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

Between March and June 2011, the Department carried out an extensive public consultation on its vision for Widening Participation and the development of an integrated Regional Strategy for Widening Participation. The consultation process endorsed the need for a strategic approach to widening participation and confirmed widespread support for the Department's vision and the development of a Regional Strategy. Some of the key responses were:

- government should attach a high or very high priority to widening participation because of its importance to social and economic regeneration;
- the targeting of disadvantaged groups should be based on sound evidence specifically gathered to assess the effects of multiple disadvantage; and
- ideally support should be focused on individuals rather than cohorts but must also be based on agreed common measurement of disadvantage.

Sign Language Interpreter and Tutor Provision

In order to improve Sign Language Interpreter and Tutor provision, in partnership with the Deaf Sector, the Department is seeking to upskill existing sign language interpreters to achieve the highest possible interpreting accreditation, by attaining Membership of the Register of Sign Language Interpreters status. In addition, the Department is seeking to provide sign language tutors with the qualifications required to teach in the Further Education Colleges (FECs).

The Department's business case to enhance course provision for British and Irish Sign Language Tutors and Interpreters received approval in August 2011. A range of provision has been developed and a Sign Language course for existing interpreters in British Sign Language (BSL) and Irish Sign Language (ISL) is currently being delivered through the Belfast Metropolitan

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College (BMC), with an initial cohort of thirteen interpreting students. Minister Farry formally launched the course at BMC's new Titanic Quarter campus in February 2012.

Registration and Regulation of Further Education Lecturers

The Department has been working jointly with the Department of Education on proposals to extend the powers of the General Teaching Council of Northern Ireland (GTCNI), in order to regulate Further Education lecturers. In February 2012, agreement to proceed with the primary legislation process, to realise these proposals, was secured from both the Minister for Employment and Learning and the Minister of Education.

Both Departments plan to issue a joint consultation on the proposals in September 2012.

Employment Service

The Department has responsibility, through its Employment Service, for two main aims: preparing people for and helping them find and retain, employment; and to assist employers to fill vacancies.

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

In 2011-12, the strategic target of the Employment Service was 'to support people (with an emphasis on young people) in to employment by providing skills and training (35,000 by March 2012)'. The target is associated with Priority 2 of the Programme for Government: Creating Opportunities, Tackling Disadvantage and Improving Health and Wellbeing.

Performance against the related key objective and performance indicator over the period 1 April 2011 to 31 March 2012 was 'to help people into employment': the Employment Service assisted 37,970 working age benefit clients into employment by 31 March 2012; this was against a backdrop of a very difficult economic environment.

During the past year, three new contracts were awarded for the delivery of the Steps to Work (StW) programme in South and East Belfast, Antrim and Foyle contract areas. Several Step Ahead initiatives were introduced throughout the year providing additional opportunities for those seeking work. Step Ahead provides temporary waged employment within the Community/Voluntary sector.

The following provides some key statistics for the programme:

- by December 2011, almost 76,000 people had participated on the StW programme (over a quarter of whom were voluntary participants);
- by June 2011, StW assisted over 15,000 people into work; and
- by June 2011, 27% of StW leavers had moved to unsubsidised employment (with 22% sustaining that employment for a minimum of 13 weeks).

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Further information and statistics in relation to the programme can be accessed via the following link: <http://www.delni.gov.uk/steps-to-work-statistical-bulletin-statistics-to-december-2011.pdf>

The Local Employment Intermediary Service (LEMIS) is a community employment initiative designed to help the “hardest to reach” in targeted areas. The service is provided by local community employment organisations in Belfast, Londonderry, Strabane, Newry and Mourne, Moyle and Cookstown, areas identified by the Noble Indices of Multiple Deprivation as having high levels of deprivation and unemployment in Northern Ireland.

From April 2011 to February 2012, 1,802 people were case-loaded onto LEMIS. By the end of March 2012, 454 had moved into full-time permanent employment, 36 into part-time permanent employment and 59 had moved into temporary employment.

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

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

The Disability Employment Service (DES) continues to deliver a range of programmes and services to help people with disabilities and health conditions improve their employability and then, when appropriate, to find and keep suitable employment.

DES delivers programmes in two main categories: those for people with disabilities and those for people in receipt of defined benefits.

Programmes for people with disabilities include: Workable (NI), Access to Work (NI) and the Job Introduction Scheme. These programmes provide a variety of individually assessed supports designed to assist disabled people in the workplace. These supports can be one-off in nature or longer term, depending on the assessed needs of the client. During the course of the year, over 1,700 disabled people will have been offered assistance and been able to move into or remain in work through this provision.

DES also provides funding for Ulster Supported Employment Ltd. (USEL) an executive Non Departmental Public Body. USEL delivers a range of pre-employment and employment programmes for people with disabilities and operates a factory that produces bedding and industrial sewing goods. During the year, USEL started celebrations to mark their 50th anniversary, which were launched by the Minister, Dr Stephen Farry.

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European Funding

The Department is the designated Managing Authority and Certifying Authority for the Northern Ireland European Social Fund (NIESF). The overall strategic aim of the NIESF Programme 2007-2013 is to help reduce economic inactivity and increase workforce skills. It has two key priorities, which were determined following a robust socio-economic and labour market analysis, and which support regional policy priorities in improving employability and productivity, and promoting social inclusion.

The objective of Priority One is to help people into sustainable employment and reduce economic inactivity. To date, this has been delivered by 73 organisations within the first round of project activity which ended on 31 March 2011 and a further 81 projects that commenced activity on 1 April 2012. The projects are mostly from the community and voluntary sector, with ESF funding representing 40% of eligible project costs. Some £71 million has been allocated to date and by March 2011, 33,048 participants had benefited from the programme which is broadly in line with the overall programme target.

The objective of Priority 2 is to develop a skilled and adaptable workforce by increasing the number of workers qualified to level 2 and 3; reducing the number of workers without essential skills; and reducing gender segregation in the workforce. Activities supported under this priority include the Department's ApprenticeshipsNI Programme, and by March 2012 approximately 29,648 participants were part funded by the NIESF Programme.

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

The draft NEET Strategy, "Pathways to Success", issued for consultation on 24 March 2011. An analysis of the 50 consultation replies received highlighted the importance of improved multi-agency, interdepartmental working, to take account of the wide range of interested parties that have a role to play and are already working in this area. In this regard, the Department has worked closely with all interested parties to encourage the progression of young people towards and within education, employment and training.

Work has continued across Departments and within DEL to finalise the Strategy in light of the consultation. The proposed Youth Employment Initiative for 18 to 24 year olds will also complement the Strategy.

The Strategy is being finalised to provide an integrated package of active measures to:

- prevent young people from becoming NEET;
- re-engage those young people aged 16-18 who are already in the NEET category and are at risk of remaining there long-term; and
- support young people in the 18-24 age group who are having difficulty finding employment in the current economic situation.

The NEET issue has now been recognised in the Programme for Government and, while data on NEETs in Northern Ireland is limited (the latest Labour Force Survey for Quarter 4, 2011 estimates there are 14,000 young people in the 16-19 age group and 46,000 in the 16-24 age group), plans are underway to augment our information.

It is intended to present a final Strategy to the Executive in May 2012.

3. IMPROVING QUALITY, RAISING STANDARDS

The Department undertakes an analysis of the quality and performance of its programmes and provision, assessing performance against its own key targets and PfG Executive commitments as well as identifying key actions to be taken forward to address any issues highlighted. This analysis supports the work and annual report of the Department's Quality Improvement Adviser.

Northern Ireland Regional Area Network

The Further Education sector has been proactive in working with the Department to maximise use of technology, and to develop blended learning. As part of this activity, the Department provided funding for the Northern Ireland Regional Area Network (NIRAN), which is the high-speed computer network for the Northern Ireland tertiary education sector. It connects all Northern Ireland's Higher and Further Education institutions to one another, and, via JANET (the UK national education network), to the internet.

Only thirty tertiary education institutions in the entire UK (over 600 colleges) have one Gigabit Internet bandwidth capacity; the remainder have 100Mbps, or much less. Six of the thirty institutions with one Gigabit links are the Northern Ireland further education colleges, alongside all four Higher Education institutes, with the connectivity provided via NIRAN. This is a major achievement for the tertiary sector in Northern Ireland and places it in a strong position to facilitate research projects for both employers and academia.

FE Estates

During 2011-12, the following further education projects have been completed in Belfast Metropolitan College (BMC). BMC is the largest provider of Further and Higher Education in Northern Ireland, and one of the largest in the UK, with approximately 42,000 student enrolments per year.

Titanic Quarter Campus

The £44 million facility became operational on the 12 August 2011, and replaces the aging campuses at College Square East and Brunswick Street. The official opening of the building took place in November 2011, with Her Royal Highness Princess Anne performing the ceremony. The new 22,000m² campus boasts industry standard facilities including science laboratories, specialist catering suites, hair and beauty treatment salons, conference facilities, lecture theatres and a computer-equipped library. The College Directorate has relocated to the campus.

The design draws on the rich history of shipbuilding at the location, and the quality of the construction has resulted in a quality learning environment, not only for the local community but for businesses and individuals from across Northern Ireland, and further afield. The building won the " 'Sustainable Building' Project of the Year 2011 award".

E3 Campus

A new campus at Springvale on the Springfield Road for BMC was completed in March 2012. Jointly supported by the International Fund for Ireland and the Department, the £16 million facility, now named e3 (enterprise, employability and entrepreneurship) will provide an innovative learning environment, which will more closely resemble a modern 21st century workspace than a traditional classroom environment. The animation and digital editing suite, coupled with the industry standard TV and radio production studios, will act as a hub for the

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creative industries; other sectors will be able to access the cutting edge hospitality training facility or the manufacturing and engineering facilities for product innovation.

Employment Agency Inspectorate (EAI)

During the period 1 April 2011 to 31 March 2012, the Department's Employment Agency Inspectorate (EAI) received ten complaints and carried out 33 inspections (both routine and investigation of complaints). The inspections are to ensure employment agencies in Northern Ireland comply with the Conduct of Employment Agencies and Employment Businesses Regulations (Northern Ireland) 2005.

As part of a programme to raise the profile of the EAI amongst agency workers, the EAI continued to host a series of Migrant Workers Seminars alongside the Gangmasters Licensing Authority, the Labour Relations Agency and the Equality Commission. These seminars are designed to make migrant workers and their representatives aware of their employment rights, as well as the recourse they can take should these rights be infringed. During the year, seminars were held at the Northern Ireland Council for Ethnic Minorities, the Belfast City Council Migrant Forum, Ballymena Inter-Ethnic Forum and Foyle Multicultural Forum.

Research and Statistics

The Department is committed to ensuring that a comprehensive evidence base exists to inform the development of its policies, programmes and services. It has a strong track record in supporting research, much of which is published in the annual Labour Market Bulletin. The latest copy of the Bulletin is available at: <http://www.delni.gov.uk/sr-labour-market-bulletins>.

To further strengthen the link between research and policy development, the Department has developed a research agenda, which identifies the areas where further research will be required (available at <http://www.delni.gov.uk/stats-research>). Research which is currently being undertaken includes the impact of a lower Corporation Tax on skills, employability and innovation/R&D; econometric analysis of outcomes in Essential Skills and further education; the Programme for the International Assessment of Adult Competencies; and Stage 3 of Futuretrack following the progress of students, who applied through UCAS for full-time courses at UK colleges and universities in 2006.

A range of statistical bulletins across the areas of higher education, further education, Essential Skills, and Steps to Work have been published throughout the year (available at <http://www.delni.gov.uk/index/statsandresearch.html>).

The Department also recognises the fundamental role that high quality provision and programme performance plays in delivering the Department's vision of developing a dynamic, innovative and sustainable economy where everyone achieves their full potential. As part of the Quality Improvement Strategy, Success through Excellence, DEL has produced a number of reports which assess the quality and performance of its programmes and provision, with a quantitative analysis of DEL programmes and provision being produced by the Department's Analytical Services group (all quality and performance reports can be found at: <http://www.delni.gov.uk/qualityperformanceanalysis>).

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The quality of provision across further education, training and employment programmes is also monitored by the Department's Quality and Performance Branch (QPB). The Education and Training Inspectorate (the Inspectorate) report on the quality of provision and QPB take appropriate action in response to the findings. Annual reports summarising the performance across the sectors, the emerging themes and the measures implemented are presented to DEL senior management and Board. In addition, in training and employment programmes QPB monitor providers' compliance with the operational guidelines.

4. UNDERSTANDING DEMAND, RESPONDING TO NEED

Understanding the needs and demands being placed on our services is a key ingredient to being able to deliver the skills required by industry, the help and support needed by individuals in terms of employment, careers information advice and guidance. A strong message from the consultations on the PfG is the need to progress an employment law agenda that promotes business growth through the creation of a strong and flexible labour market. Understanding these demands and ensuring that the systems can respond to that demand with speed and flexibility is critical to Northern Ireland's economic fortunes. Availability of timely, high quality and meaningful Labour Market Information will be an important aspect of understanding the demand for skills for instance, an area which has been substantially enhanced by the Department over recent years and with the focus on that area continuing.

Proposed Discontinuance of Stranmillis University College and its merger with the Queen's University of Belfast

The proposal to discontinue the College and to merge it with Queen's University was put out to public consultation in March 2011. By the closing date in June 2011, fifty four responses had been received. The majority of these came from individuals. The responses raised several issues and the Minister undertook a series of discussions with key individuals and stakeholders. In November the Minister announced a two-stage study of the teacher education infrastructure in Northern Ireland. The first part of the study will be an objective analysis of the financial stability and sustainability of the two university colleges. The second stage of the study will set out options for a more shared and integrated system for the delivery and funding of teacher education. The study will be completed during the 2012-13 year and any decision on the proposed merger will be informed by the findings of the study.

Employment Relations

DEL maintains and develops employment rights and relations in Northern Ireland which, during 2011-12, has included the following.

Employment Law Review

The Department has commenced preparatory work on a review of employment law in Northern Ireland. This forms part of the Executive's Economic Strategy. Work to date has included a call for evidence on the effectiveness of the Transfer of Undertakings (Protection of Employment) Regulations 2006, and the Service Provision Change (Protection of Employment) Regulations (Northern Ireland) 2006, which was completed in January 2012.

The review may also include consideration of the law in relation to flexible working, dismissal, tribunal reform, dispute resolution and collective redundancies. A pilot review of employment regulations is also planned for 2012-13.

Workplace Dispute Resolution

The Department is continuing work to implement policy decisions arising from its extensive workplace dispute resolution review. The following Statutory Rules were brought into operation, following the introduction of the Employment Act (Northern Ireland) 2011, the:

- Employment Act (Northern Ireland) 2011 (Commencement No.1, Transitional Provisions and Savings) Order (Northern Ireland) 2011;
- Code of Practice (Disciplinary and Grievance Procedures) (Appointed Day) Order (Northern Ireland) 2011;

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- Labour Relations Agency (Code of Practice on Disciplinary and Grievance Procedures) (Jurisdictions) Order (Northern Ireland) 2011;
- Transfer of Undertakings and Service Provision Change (Protection of Employment) (Amendment) Regulations (Northern Ireland) 2011;
- Industrial Tribunals (Constitution and Rules of Procedure) (Amendment) Regulations (Northern Ireland) 2011; and
- Fair Employment Tribunal (Rules of Procedure) (Amendment) Regulations (Northern Ireland) 2011.

In addition, a revised Labour Relations Agency Arbitration Scheme has been developed and, subject to Assembly approval, will be launched in 2012. The Scheme, which will offer a viable alternative to industrial tribunals or the Fair Employment Tribunal, is expected to come into effect later in 2012.

The Industrial Court (Membership) Regulations (Northern Ireland) 2011

The Industrial Court is a Non-Departmental tribunal body whose main function is to adjudicate on applications relating to the statutory recognition or derecognition of trade unions for collective bargaining purposes, where this cannot be agreed voluntarily. These Regulations specify revised arrangements relating to the appointment of members of the Court and their terms of appointment.

5. IMPROVING ENGAGEMENT, DEVELOPING PARTNERSHIPS

The Department has a diverse range of partners with whom it develops and delivers its services. DEL recognises that it cannot deliver on its strategic priorities alone and places value on the relationships it has established with key stakeholders. DEL will also encourage others to work together in collaboration, based upon identified best practice models, to deliver upon the skills, employment and innovation agendas in Northern Ireland.

Careers Information, Advice and Guidance

“Preparing for Success” the careers education, information, advice and guidance strategy, was published jointly by the Department and the Department of Education in 2009. The Department’s Careers Service continues to develop effective partnerships to support the delivery of the strategy. In particular, the Careers Service has partnership agreements with 99% of post primary schools to meet the careers guidance needs of young people. The Careers Service has also developed partnership agreements with the Health and Social Care Trusts to support the careers guidance needs of young people with a care background.

European Higher Education Area

The Department has been active in promoting the development and use of the European Diploma Supplement by Northern Ireland HE institutions. These supplements are issued to students and are designed to improve international “transparency” and facilitate academic and professional recognition of qualifications.

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

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

European Research Agenda

The EU Programme for Research and Technological Development (FP7) represents an important opportunity for the Northern Ireland universities to attract external income. The Department is represented on the Innovation and Technology Thematic Group established under the Barroso Taskforce and together with other government departments and agencies, is supporting the higher education sector’s contribution towards achieving the Taskforce target of a 20% increase in the drawdown of competitive European funding by 2015. In particular, the Department introduced a dedicated EU Framework Support Fund of £80,000 in academic year 2011-12 to encourage increased participation by the universities in FP7 and to encourage them to increase the involvement of SMEs in Framework applications which will, over time, help to widen the R&D base in the local economy.

The Department also participated in the UK Steering Group established by the UK Department for Business, Innovation and Skills, to develop the UK negotiating position on the proposed establishment of a European Research Area Framework by 2014 which, among other things, will facilitate enhanced collaboration under FP7.

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International

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

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

In promoting international links the Department has committed £2.4m to support the Study USA (SUSA) programme over the 2012-15 period. SUSA is designed to replace the Business Education Initiative (BEI) through building on the best of that programme, and to focus on enabling approximately 75 local higher education students to broaden their academic learning, through spending a year at an American college.

US-Ireland Research and Development Partnership

The Department continues to be proactive in encouraging collaborative approaches that exploit Northern Ireland's geographical position within Europe and internationally, in particular cross-border research partnerships with the Republic of Ireland and maximising new and existing links with the United States.

During 2011-12, the Department maintained its support for the US-Ireland Research and Development Partnership which aims to increase the level of R&D collaboration among researchers and industry in the United States, the Republic of Ireland and Northern Ireland that will generate valuable discoveries and innovations which are transferable to the marketplace, or will lead to enhancements in health promotions, disease prevention and healthcare.

In November 2011, the addition of two new research areas – telecommunications and energy/sustainability - was formally ratified by the Steering Group bringing the number of research areas eligible for support under the Partnership to six four of which are funded by DEL.

Following the approval of a new project in September 2011, the Department is now supporting six projects and provided funding of just over £0.5 million in 2011-12.

Employment Service Employer Engagement

The Employment Service offers a free of charge recruitment service to all employers in Northern Ireland. The vacancy advertising service is available through the Department's network of 35 Jobs and Benefits offices and JobCentres.

Employers are able to place vacancies by phone or fax but an increasing number are choosing to place and manage their vacancies electronically, through Employers Online. During 2010-11, 42% of all the job vacancies attracted by the Department were notified through this medium; by February 2012, the percentage had grown to almost 46%. These vacancies are displayed to clients via JobCentre Online.

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As of January 2012, the Employment Service has established a dedicated Employer Engagement Team (EET) to offer added value in its services to employers. A cornerstone of the new service to employers developed by the EET is the “Employer Offer”. The three key concepts of the Employer Offer are: to cut the cost of recruitment for employers; to help employers find the right person with the right skills for the job; and, to support employers to train, retain and develop that person.

Strategic Partnering underpins the delivery of a customised service to employers. The Employment Service works in partnership with Invest Northern Ireland, local Councils, Employer/ Trade Bodies and Lead Contractors and internally with Skills and Industry Division to provide a joined up recruitment and training package.

Each year the Employment Service hosts a number of successful Jobs and Opportunities events, such as job fairs, employer breakfasts and advice forums, across Northern Ireland bringing together jobseekers, employers and those organisations able to offer advice on training opportunities.

Barroso Taskforce

The Department chairs the Barroso Taskforce Working Group (BTWG) Sub Group for Competitiveness & Employment, as well as participating actively in the Working Groups for Innovation and Technology and for Social Cohesion.

In March 2012, a Brussels based Desk Officer took up post. The role is to support the work of the BTWG within the specific policy area of Competitiveness and Employment.

The Desk Officer is tasked with the identification of funding opportunities and the facilitation of the application process to maximise the potential for success to Northern Ireland, as well as being responsible for the development of a network of contacts with key EU officials, the other Devolved Administrations and other Permanent Representations in Brussels to advance the engagement and interaction of Northern Ireland in relevant networks.

Our universities play a key role in drawing down funding to Northern Ireland, through their participation in the Framework Programme 7 (FP7), having drawn down €36.4m from launch of the programme in 2007 to the end of October 2011.

The Minister, Dr Stephen Farry MLA, visited Brussels and undertook an intensive programme of engagements. The Minister met a range of senior EU representatives and officials including the EU Commissioner for Employment, Social Affairs and Inclusion, László Andor. The Minister’s programme also explored how Northern Ireland’s universities can achieve optimum access to European research funding and participation in mobility programmes, as well as how the region can most effectively network with other regions around Europe, including within the UK and Ireland, to mutual benefit.

Senior officials from the Department for Employment & Learning arranged an intensive programme with the Commission to discuss how best we can make the most of European opportunities across the area of Competitiveness and Employment. Officials also discussed ways of sharing our experiences with other regions.

Students with Learning Difficulties and /or Disabilities Delivering Excellence Programme

The Department provided £40,000 funding to further education colleges, to develop a bespoke 'Delivering Excellence' programme for students with learning difficulties and/or disabilities. The programme has:

- developed procedures to share good practice;
- provided continuous development for learning support staff, discrete staff (i.e. those staff who work with students with moderate or severe learning difficulties for whom mainstream education is not appropriate) and managers;
- secured information advice and advocacy services for learners, and prospective learners, with learning difficulties and/or disabilities, and stakeholder engagement;
- enhanced care, support and safeguarding for vulnerable groups; and
- improved transition, diagnostic testing and assessment of needs.

The programme has delivered key actions throughout the year, culminating in a 'Delivering Excellence' conference for the Further Education sector.

Migrant Workers

During 2011-12, the Racial Equality Forum's cross-cutting Migrant Workers Thematic Sub-Group (MWTSG), which is facilitated by the Department, met on two occasions. The MWTSG aims to ensure that the employment-related needs of migrant workers, and those who employ and advise them, are met effectively through the provision of appropriate information and advice, and by ensuring that associated state and non-state services and systems are effective, complementary and fit for purpose.

The provision of information and signposting services to migrant workers continues to develop, and the Department has rolled out the provision of a qualifications equivalency service in the Jobs and Benefits offices as well as through the EURES service, using the UK National Academic Recognition Information Centre (UK NARIC) qualifications databases.

Relationships continue to be developed amongst relevant Employment Inspection and Enforcement bodies. Where legislation permits, information sharing - to address exploitation of migrant workers and breaches of their employment rights - has been enhanced. Case conferences continue to take place between enforcement bodies where appropriate. As part of a programme to raise the profile of the EAI amongst agency workers, the EAI continues to host a series of Migrant Workers Seminars alongside the Gangmasters Licensing Authority, the Labour Relations Agency, and the Equality Commission.

Equality and Good Relations

The Department continues to give priority to promoting equality of opportunity and to good relations, and ensuring fair and inclusive delivery of its programmes and services.

The Department has developed a new Equality Scheme, in accordance with the Equality Commission's new Guide for Public Authorities on Section 75 and schedule 9 of the Northern Ireland Act 1998. The new Scheme was approved by the Equality Commission on 14 September 2011.

6. DELIVERY GOVERNANCE, MAXIMISING VALUE

The Department is committed to improving the performance, quality and value for money of all its services and provision within the context of a sound governance framework. The principles of ‘Managing Public Money Northern Ireland’ around honesty; impartiality; openness; accountability; accuracy; fairness; integrity; transparency; objectivity; and reliability will be adhered to in deploying the resources available to the Department. This will be complemented by the guidance on good Governance in the ‘Code of Good Practice on Corporate Governance in Central Government Departments’.

FE Corporate Governance and Accountability

The Department implemented the recommendations of the review of governance arrangements in the further education sector. It has published a Code of Governance, which clarifies the roles and responsibilities of those responsible for governance in the sector. This renewed emphasis on the governance of colleges reflects the increasing importance of the further education sector, and, in particular, the onus placed on it to provide the knowledge and skills which our local economy requires.

The Department ran a recruitment campaign for members of the Governing Bodies of the Further Education colleges. The last major campaign was completed in 2007, and of the members appointed as a result of that campaign, 25 sought, and gained, reappointment. In addition, there were 24 new members appointed. All members were appointed for a 4-year term. New chairpersons were appointed to the Governing Bodies of the Southern Regional College and South Eastern Regional College.

In response to the findings of the Public Accounts Committee on the governance and financial arrangements within the further education sector since incorporation, the Department has now introduced a quarterly “health check” system for each further education college. The health check takes the form of a comprehensive report which contains key performance information relating to a wide range of college activity, including details on financial ratios, inspection reports, results of internal audit reviews, and information relating to student outcomes such as retention, achievement and success.

As well as containing detailed information and comment on individual college performance, the reports also contain key data relating to all colleges and are circulated to members of governing bodies and college senior management. This allows each college to be compared and benchmarked against other colleges, both on an individual and on a sector-wide basis, and is allowing colleges to learn from one another, and promote best practice across the sector.

Employment Relations Funding

The Department has continued to provide funding to the Northern Ireland Committee of the Irish Congress of Trade Unions to support the delivery of accredited employment rights/relations training. It has also continued to fund the Law Centre (Northern Ireland) in its work to support the wider efforts of the voluntary advice sector in dealing with employment rights issues.

Health and Safety Strategy 2011 - 2014

In line with DEL’s commitment to maintain a safe and healthy working environment for all staff and visitors, a Health and Safety (H&S) Working Group was set up to review current health and safety procedures within the Department.

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The outcome of the review has been the development of a DEL H&S Strategy and comprehensive action plan to review existing health and safety procedures, create new specific H&S procedures and create a 'one stop shop' for all health and safety literature on the DEL intranet over a three year period. Achievements in year one include the revision of the H&S Policy Statement, review of staff roles and responsibilities, establishment of a H&S Safety Committee, the production of a mid-year statement for the Board and a programme of audits. In addition, H&S messages were communicated to staff via H&S Notices and the Core Brief and a new H&S page was created in the Departmental magazine which included a range of features, puzzles and a competition.

Information Assurance

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

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

In addition, the Department's Internal Audit function reviewed these arrangements and found them to be satisfactory. A number of low-risk recommendations were made to further enhance this area and these have been implemented.

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

ISO 27001 Certification

During 2011-12, the Department retained certification to the ISO 27001 standard by successfully completing the biannual compliance checks. These were conducted by an external auditor from the British Standards Institute in September and March.

Personal Data Related Incidents

The Department regards the lawful and correct treatment of personal information as essential to its successful operations and to maintaining confidence between the Department and those with whom it transacts business, as well as the public in general. The Department has in place policies and procedures for reporting and managing Information Security Breaches, in accordance with the Information Commissioner's Office guidelines. All incidents involving personal data are investigated in full and consideration is given, in each case, to the need for controls to be updated or disciplinary action to be taken. Significant data losses are reported to the Information Commissioner. In the year ended 31 March 2012, no such notifiable data breaches were reported, however there were ten incidents involving personal data:

Number of incidents where personal data was lost	1
Number of incidents where access to personal data did not comply with Data Protection requirements	9

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Information and Communication Technology (ICT) Strategy

During 2011-12, the Department successfully implemented year one of its Information and Communication Technology (ICT) Strategy and associated work programme 1 April 2011 – 31 March 2014.

The key purpose of the DEL ICT Strategy is to support the delivery of the Department's Corporate and Business Plans within the context of the Northern Ireland PfG and ensure that the optimum information systems and communication technologies are in place to help meet those objectives. One of the significant ICT projects successfully completed in 2011-12 was the transfer of the hosting and management of the Department's 307 geographically spread kiosks to the Northern Ireland Civil Service (NICS) Shared Service Centre, ITAssist. Kiosks provide a self service facility for members of the public to carry out job searches.

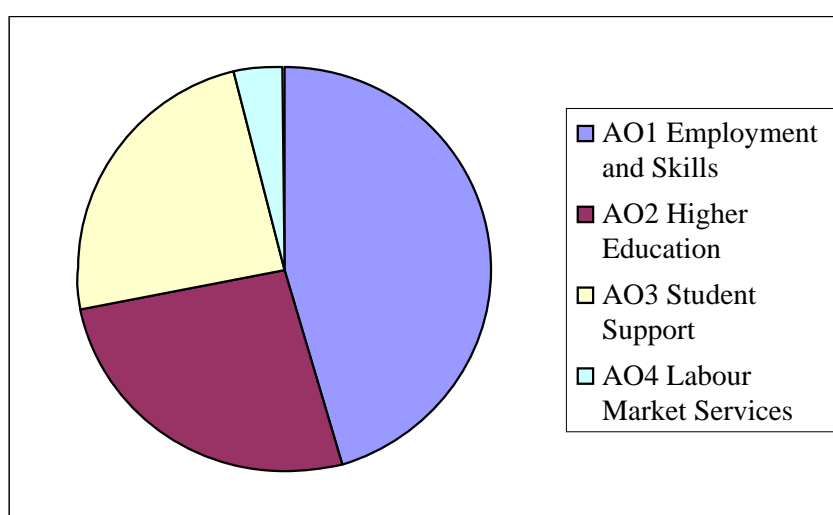
Budget Allocation

DEL Resource Budget is allocated in Units of Service (UoS) across the Department. These are:

<i>UOS</i>	<i>Title</i>	<i>Divisions</i>
AO1	Employment and Skills	Employment Service
		Skills and Industry
		Further Education
AO2	Higher Education	Higher Education
AO3	Student Support	Higher Education
AO4	Labour Market Services	Human Resources and Corporate Services
		Strategy, European and Employment Rights
		Finance

As described in the Budget 2010 document, the Department's opening Resource Budget for 2011-12 was £787.3m. This was divided as follows:

	£m
A01	359.1
A02	206.3
A03	190.6
A04	<u>31.3</u>
	<u>787.3</u>



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Savings Delivery Plan

To enable the Department to deliver its essential services over the Budget 2011-15 period and live within the resources allocated to it by the Executive it is necessary for the Department to make resource savings of £66.5m/ £91.2m/ £109.3m/ £129.4m over the four Budget years. The 2011-12 high level Savings Delivery Plan (SDP) is detailed below:

Description	2011-12
	£m
B/1 2010-11 savings carried forward	3.0
B/2 Central Budget reduction	8.5
B/3 Reduced commitments re: employment provision	2.0
B/4 Reduced commitments re: training	6.6
B/5 Pay & price restraint	12.0
B/6 Budgetary easements - Higher Education Division	8.0
B/7 Operational efficiency – Further Education sector	6.5
B/8 Operational efficiency - Higher Education sector	13.5
B/9 Adjustments to HE funding/ Notional Loans Subsidy	6.4
B10 Staffing and accommodation efficiencies	0.0
Total Departmental reductions	66.5

The Executive requires bi-annual monitoring of the SDPs in order to provide assurance and enable the scrutiny of SDPs by Assembly Committees and others, as well as to track delivery against targets.

The Department uses the following definitions of “RAG” status to assess each SDP:

- **Red** is where little or no progress has been observed;
- **Amber** is where there is a lack of robust information on progress, or where the rate of progress is less than planned against targeted outcome; and
- **Green** is where targets have already been met (and, if relevant, should continue to be met.

The Department has reported **Green** on all targets in 2011-12.

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Programme for Government

Following agreement by the Executive on 8 March of the Programme for Government (PfG) 2011–15 and its subsequent endorsement by the Assembly on 12 March, the Department is responsible for delivering on five commitments which are as follows:

<u>Priority 1</u>	Commitment
	1. increase uptake in economically relevant Science, Technology, Engineering and Mathematics (STEM places);
	2. upskill the working age population by delivering over 200,000 Qualifications; and
	3. develop and implement a Strategy to reduce economic inactivity through skills, training, incentives and job creation (joint commitment with DETI).
<u>Priority 2</u>	Commitment
	4. ensure there are no increases in student fees beyond the rate of inflation for Northern Ireland students studying here; and
	5. support people (with an emphasis on young people) into employment by providing skills and training.

The Minister has agreed Delivery Plans for four of the five commitments (a Delivery Plan for the commitment in relation to tuition fees is not required) and these will be the mechanism by which progress against commitments will be measured.

The Permanent Secretary and the Board

The Department is headed by its Permanent Secretary, Alan Shannon, who is the Accounting Officer and responsible for advice and guidance to the Department's Minister, Dr. Stephen Farry MLA (who took over as Minister from Danny Kennedy MLA on 16 March 2011). The co-ordination of policy, advice and governance oversight is managed through the Departmental Board.

The Board is chaired by the Permanent Secretary and also includes the two Deputy Secretaries, and two independent board members. It meets monthly to:

- satisfy itself that the Department is performing, setting and holding fast to its Strategic Direction, within the Minister's direction and control;
- lead the Department in helping to create a shared future, ensuring sustainable development, promoting equitable access to services across our rural and urban population, promoting a fairer society and delivering well governed high quality services;
- ensure the Department continues to deliver the Programme for Government (PfG) goals and Public Service Agreements (PSA) actions which extended beyond 2010-11, in particular its lead role on PSA 2: Skills for Prosperity, PSA 3: Increasing Employment and, with DETI on PSA 1: Productivity Growth;
- ensure the Department delivers the 46 key commitments underpinning the Department's strategic themes; and
- display leadership by:
 - (i) giving strategic direction;
 - (ii) effectively determining and deploying resources; and
 - (iii) assuring governance.

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Within these parameters, the Board operates at a strategic level, with the Senior Management Team (SMT) responsible for the day-to-day management of the Department. The SMT, which also meets monthly, comprises the two Deputy Secretaries, the Divisional Directors and the Assistant Chief Inspector for Further Education and Training.

Departmental Audit Committee Report for 2011-12 Resource Accounts

The Accounting Officer has established an Audit Committee as a sub-committee of the Departmental Board to support him discharge his responsibilities for issues of risk management, control and governance and associated issues. The Audit Committee was chaired throughout the year by a non-executive Director of the Department. Professor Russel Griggs OBE is a non-executive Director of the Department and Chair of the Audit Committee. Five formal meetings of the Audit Committee were held throughout 2011-12.

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

The membership of the Audit Committee comprised the two non-executive Directors and a Deputy Secretary with audit experience from another Department. Audit Committee meetings are normally attended by the Accounting Officer, the two Deputy Secretaries, the Finance Director, the Head of Internal Audit and Northern Ireland Audit Office (NIAO) representatives. Others attend as requested to assist with discussions on any particular matter.

Internal Audit services are provided on a shared service basis by the DETI Internal Audit Service (IAS). The annual audit programme which is prepared by IAS in consultation with Departmental officials is reviewed by the Audit Committee and modified as necessary in conjunction with management. External Audit is delivered by the NIAO. Their audit Strategy, proposed approach and timetable are discussed with the Audit Committee. Prior to sign off of the Resource Accounts a draft is reviewed with the Audit Committee who would be consulted on any contentious matters.

Management of Arms Length Bodies

The Department provides funding to a number of Arms Length Bodies (ALBs) such as the FE Colleges, the HE Institutions, the Education and Library Boards and its Non-Departmental Public Bodies (NDPBs). These are CITB-ConstructionSkills Northern Ireland (CITB-CSNI), the Labour Relations Agency (LRA) and Ulster Supported Employment Limited (USEL). In order to ensure appropriate governance arrangements are in place, dedicated sponsor branches monitor and provide guidance to the ALBs. The Department has written agreements in place with its ALBs which set out the respective roles and responsibilities of both parties. The Department receives annual assurance statements from each of its ALBs to confirm that the appropriate systems and controls are in place and are operating effectively within each organisation. The Accounting Officer, together with the Chair of the Departmental Audit Committee, has instituted a programme of annual accountability meetings with the respective Accounting Officers of each of the six FE Colleges, the Department's three NDPBs and the four HE institutions.

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Customer Service Standards

In 2007, the Department developed and published Customer Service Standards based on the NICS Customer Service Principles. These are available on our website at <http://www.delni.gov.uk>. The aim is to provide staff and customers with a simple, clear message on the standards of service we aim to deliver. In addition, a three-step complaints procedure was developed and published on the Department's website.

In keeping with the Principles, the Department uses a wide variety of media to provide clear and straightforward information on the services that we and our partners offer. These include websites such as www.nidirect.gov.uk, as well as the Departmental site. Also, the Department has made successful use of social media, such as Facebook and Twitter, to reach its customers.

The Department endeavours to make its services accessible to all sections of our society. Our publications are available in a range of formats on request, for example Steps to Work leaflets have been translated into seven additional languages. A Language Line Service is available in our network of local offices for customers who do not have English as their first language, also Sign Language Interpreter services are available at events organised by the Employment Service. In addition, there is a dedicated unit to assist disabled jobseekers.

During the period covered by this report, 86.6% of customers who had an appointment were seen within 10 minutes of their appointment time, while 90.6% of customers who did not have an appointment were seen within 15 minutes of arrival. The Department acknowledged 97.5% of correspondence within 2 days, answered 99.2% of correspondence within 10 days, and answered 80.6% of telephone calls within 20 seconds.

The Department's Customer Standards can be accessed on its website <http://www.delni.gov.uk> and more detailed information on the NICS Principles is available from the Department for Finance and Personnel: www.dfpni.gov.uk/serviceguidance.pdf.

Future of the Department

On 10 January 2012, the First and deputy First Minister published a proposal that DEL would be abolished and its functions divided principally between DE and DETI. A consultation with key stakeholders and interested parties on how the Department's responsibilities should be transferred to other departments was initiated by OFMdfM on 24 February and ran for three weeks. No final decisions on this proposal have been taken. However, irrespective of the outcome, the implementation of change will require significant planning and preparatory work is underway.

Transfer of Office of Industrial Tribunals and the Fair Employment Tribunal (OITFET) in 2012-13

The Department has been working closely with the Department of Justice to agree the arrangements for the transfer of the administration of OITFET to the Courts and Tribunal Service in 2012-13. All of the significant financial and corporate issues have now been resolved and it is intended that a joint agreement will be signed off by Ministers with the planned transfer to take place in 2012-13.

7. LEADING PEOPLE, IMPROVING PERFORMANCE

We value our staff. They are our most important asset. Our responsibility is to create the conditions under which they can operate effectively, promoting individual and team development that drives organisational improvement.

People Strategy

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

The second year of the Action Plan ended on 31 March 2012. A number of significant achievements were made in the past year, including the:

- development of a Departmental Workforce Plan and Redeployment Policy, setting out the means by which DEL will achieve the staffing costs savings required in response to Budget 2010;
- delivery of a variety of volunteering opportunities for staff through NI Cares as a contribution to the Department's corporate social responsibility;
- ratification of the Industrial Relations Framework and establishment of regular Departmental Whitley meetings with Trade Union Side (TUS) representatives and HR;
- development of a range of Focus Sessions on key topics in response to a comprehensive learning needs analysis for managers at EO2 and above, including the design of bespoke programmes around industrial relations, effective performance management and consideration of the career development needs of staff;
- delivery of tailored Managing Attendance workshops to managers in the Employment Service and the organisation of a Departmental-specific Health and Wellbeing week in December 2011; and
- development and implementation of a Departmental Employee Engagement Action Plan.

HR has consulted with senior management colleagues the Departmental Board and Trade Union representatives to seek views on specific priorities or additional actions that have been incorporated into the Year Three Action Plan of the People Strategy, which will be delivered during 2012-13.

Attendance Management

In the last year HR worked closely with line managers, staff and the support services to tackle the sensitive issue of sickness absence and to improve the processes which underpin absence management.

In January 2011, corporate sickness absence targets were agreed up to March 2015 and Divisional targets were agreed for 2011-12. In order to contribute to the overall Northern Ireland Civil Service (NICS) target of 8.5 days, DEL must reduce its absence rate from a baseline of 10.7 days (2009-10) to 7.9 days lost per staff member by the end of the 2014-15 business year. The achievement of this target requires both a robust application of the absence management policies and support for staff in maintaining and improving their health and wellbeing.

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Progress against the first trajectory point (9.5 days by March 2012) has been difficult despite significant inroads being made in relation to the duration of long-term absences and the robust application of sickness inefficiency processes by both management and HR. The projected out-turn for the 2011-12 year is 11.4 days. The Managing Attendance team in HR continues to work in partnership with business area managers to address local issues in a bid to reduce the average number of days lost and to get back on track with next year's trajectory point of 8.9.

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

- the development of a managing attendance action plan;
- providing education and delivering early interventions and support programmes to staff;
- facilitating research into factors which appear to influence the overall absence rate and explore hotspots and identify emerging issues; and
- its representation on the Corporate Health and Well Being and Engagement Project.

Learning and Development

DEL is committed to developing the potential of all staff to enable them to achieve business objectives. The department had identified three learning and development priorities for the year; these were Leadership and Management, Protection of Information and other statutory regulations such as Protection of Information, Health and Safety and Equality. There has been a great deal of training activity in these areas to equip staff with the knowledge and skills to progress the department's aims.

The investment in learning and development in 2011-2012 included financial spend, cost of staff time to attend training and an internal training delivery team focusing on delivery of skills and product knowledge to the Employment Service frontline staff. Learning opportunities were delivered in line with the 2011-12 Balanced Scorecard and its associated Learning and Development priorities. Areas to particularly highlight are the completion of a pilot employer led apprenticeship programme run jointly with the Department of Justice on behalf of NICS, a tailored programme focusing on industrial relations skills for HR and line managers and a further roll-out of the successful mentoring scheme.

Highlights for the Regional development training team include JSA Health and Disability Awareness training, a particularly significant piece of work in terms of volume, a new pilot in the Employment Service, namely New JobSeekers Process which was delivered in seven JBOs and the production of a Learning Needs Analysis (LNA) for the department for EO1 and EO2 grades. The team also worked on transferring two courses into an e-learning format.

In addition to these initiatives, the team also delivered a wide range of specific courses for staff in the Employment Service including Core Interviewing skills for ESOs and ESAs, Steps and Managing Difficult Situations.

DEL Investors in People

As well as promoting the Investors in People (IIP) Framework, the Department has been recognised as meeting the Standard for more than ten years. DEL's IIP Assessor visited the Department in November 2011 to consider its performance in relation to the standards expected in the Investors in People Framework. At this interim review the assessor provided extremely

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positive feedback. The assessment will conclude with a further review scheduled to take place in the Spring of 2013.

The assessor highlighted points of strength that included: clarity of objectives, good communications, effective people development and leadership and visibility of senior staff.

Celebrating Success Event

The Celebrating Success event is an annual event for staff in the DEL calendar. Staff who have successfully completed qualifications in the previous year are invited to a morning event to recognise these achievements. Senior staff attended to congratulate staff. The event itself is a mix of recognitions and short addresses from senior managers and a guest speaker. The most recent Celebrating Success event took place on 13 March 2012 at the Harbour Commissioners' Office in Belfast. Achievements celebrated included Awards for achievement of National Vocational Qualifications and ICT Essential Skills among many others. The efforts of staff who are involved in various types of volunteering were also highlighted and celebrated at the event.

Carbon Reduction Commitment (CRC)

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

DEL has submitted its first annual and footprint report for the 2010-11 year and is actively engaged in the next stage of the process making preparations for the purchasing of CRC allowances in June 2012 and the submission of the second annual report by the end of July.

Communications

In 2011-12, Communications Branch continued to provide a central marketing and Public Relations (PR) function to the whole of the Department. The Branch has responsibility for design and print, event management, exhibitions, PR, and digital communications, including internet, intranet and extranet. From a PR perspective, the branch successfully provided a full range of news and communication services for the Minister and senior officials.

Communications Branch managed Departmental key events for 2011-12 including the Apprentice Awards, Investors in People Awards, Essential Skills Awards, National Training Awards, Skills Conference, VQ Awards and assisting with Management and Leadership events. Advertising campaigns during the reporting period included Essential Skills, Training for Success and ApprenticeshipsNI. The Departmental intranet "DELPHI" continued its successful development and was well received in staff surveys. A Social Media Strategy has been developed and information is now fully consolidated onto the NICS citizen-facing website NI Direct and work has been progressed on consolidating information onto the business facing website nibusinessinfo.co.uk.

Business Improvement

During 2011-12, a Business Improvement Programme (BIP) was developed and approved. The BIP is the framework for all DEL improvement projects for the period 2011-2014. The

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Department plans to use the BIP as one means of identifying savings in staffing and accommodation costs of £5m annually by 2014-15.

The Priorities and Processes Steering Group (PPSG) has been established to oversee the DEL BIP. The Steering Group comprises the Deputy Secretaries, the Director of HR and Corporate Services and the Head of ICT and Consultancy Services. Dr Brian Scott, one of the DEL Independent Board Members, was invited to join the PPSG in October 2011. Dr Scott's role mirrors his Board responsibilities, bringing a constructive challenge and objective perspective to the Group.

The aim of the Steering Group is to ensure that there is a systematic and coherent approach to the improvement agenda. The Steering Group considers the Department's corporate priorities and governance processes in overseeing the Programme and implementation of the associated changes.

The Programme reflects current DEL priorities but is sufficiently flexible to respond to the fluid economic and political environment. PPSG review the Programme regularly and it will be amended from time to time to address emerging demands.

SUMMARY OF PERFORMANCE AGAINST DEPARTMENTAL TARGETS

The Department's performance against the main targets is summarised below. Of the 46 performance targets:

20	-	Were achieved;
10	-	Were substantially achieved;
7	-	Were on track for achievement;
7	-	Will be likely to be achieved but with some delay; and
2	-	Are unlikely to be achieved within timescale.

Detailed information on the 2011-12 year's performance targets is shown below:

Report on Departmental Performance Commitments in 2011-12

No.	Commitments	Status Descriptor
1	To deliver 45,000 qualifications at Level 2 and above through DEL Training, further education, and higher education.	Target on track for achievement
2	We will further enhance achievement rates in essential skills and aim to deliver an additional 7,500 level 2 qualifications in literacy, numeracy and ICT skills.	Target substantially achieved
3	We will continue to showcase a varied and innovative programme of support to local industry (including SMEs) through active engagement with at least 600 employers to encourage the upskilling of the local workforce. We will provide, subject to demand and resources, a range of training opportunities.	Target achieved
4	We will make available £3m to deliver the Assured Skills project to support the inward investment activity of Invest NI.	Target achieved

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No.	Commitments	Status Descriptor
5	We will begin to implement phase 1 of the Implementation Plan for 'Success through Skills – Transforming Futures'.	Target achieved
6	We will develop and publish a Higher Education Strategy for Northern Ireland.	Target substantially achieved
7	Through the Connected programme, the higher education and further education sectors will undertake 49 projects (number to be confirmed) with local companies to help them meet their knowledge transfer needs.	Target achieved
8	We will achieve at least 20% representation as measured over the lifetime of the PfG (number to be confirmed) from the most deprived areas in DEL provision. DEL provision comprises Essential Skills, DEL Training, further education and higher education. Most deprived areas comprise those in the lowest quintile on the Northern Ireland Multiple Deprivation Measure.	Target on track for achievement
9	We will finalise and implement the future policy on higher education tuition fees and student finance arrangements including legislative arrangements.	Target on track for achievement
10	We will continue to support the roll-out of 300 additional postgraduate places in our local universities and sustain our investment in the higher education research infrastructure.	Target achieved
11	We will transpose the Agency Workers Directive by December 2011.	Target achieved
12	We will assist 35,000 working age benefit clients into employment, subject to economic conditions.	Target achieved
13	We will sustain the current levels of participation in higher education amongst students from socio-economic groups 4-7 and publish a Widening Participation Strategy as part of the HE Strategy by March 2012.	Target likely to be achieved but with some delay
14	Together with the Department of Education we will review the EMA scheme and bring forward proposals to better target the resources associated with Educational Maintenance Allowance at those most in need.	Target likely to be achieved but with some delay
15	Together with other Departments we will produce a cross-departmental Strategy for young people not in education, employment or training (NEET) by Spring 2012.	Target on track for achievement
16	Through the European Social Fund we will work with over 70 organisations to reduce economic inactivity and improve access to skills training for 89,000 people by the end of the Programme.	Target substantially achieved
17	We will assist over 20,000 young people and conduct over 10,000 interviews with adults to help them make informed choices about their future through the provision of a professional careers service.	Target achieved

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No.	Commitments	Status Descriptor
18	We will apply a rigorous quality assessment framework across all our providers.	Target substantially achieved
19	We will bring forward proposals for the merger of Stranmillis University College with Queen's University Belfast, laying the foundation for a world class School of Education in Belfast.	Target unlikely to be achieved
20	We will continue to modernise the Employment Service, implementing Incapacity Benefit migration putting in place new contracts for the Workable and Work Connect and rolling out improvements in the Job Seekers process across the Jobs & Benefits offices.	Target substantially achieved
21	We will conduct a rolling programme of research and evaluation and publish a range of statistical bulletins on aspects of our services, so that policy decisions and programmes are informed by a robust evidence base.	Target substantially achieved
22	We will assist in the development and implementation of the Northern Ireland Economic Strategy, including the completion of research into the potential impact of a lower Corporation Tax on the demand for skills, innovative capacity and work readiness.	Target substantially achieved
23	We will review the effectiveness of the rules governing the operation of employment tribunals.	Target substantially achieved
24	We will commission research into the challenges faced by SMEs in relation to employment law.	Target achieved
25	We will monitor the impact of student fees policy across the UK and develop proposals to mitigate the effect of this for Northern Ireland students.	Target on track for achievement
26	In partnership with the Department of Education we will develop a framework which will set out how jointly we can respond to the needs of the 14-19 age group	Target likely to be achieved but with some delay
27	We will begin review of the provision and funding arrangements for adults to establish a final policy and funding position during 2012-13.	Target substantially achieved
28	We will consider the potential for reducing costs associated with our divided society.	Target achieved
29	We will develop an approach to Shared Future policy proofing.	Target achieved
30	We will develop a programme of collaborative work on a North-South basis.	Target likely to be achieved but with some delay
31	We will work closely with the Department of Social Development, the Social Security Agency and the Department of Work and Pensions to develop the Northern Ireland response to GB Welfare Reforms.	Target likely to be achieved but with some delay
32	We will continue to participate in cross-departmental Strategy and policy development groups working towards better joined-up working across Government.	Target achieved

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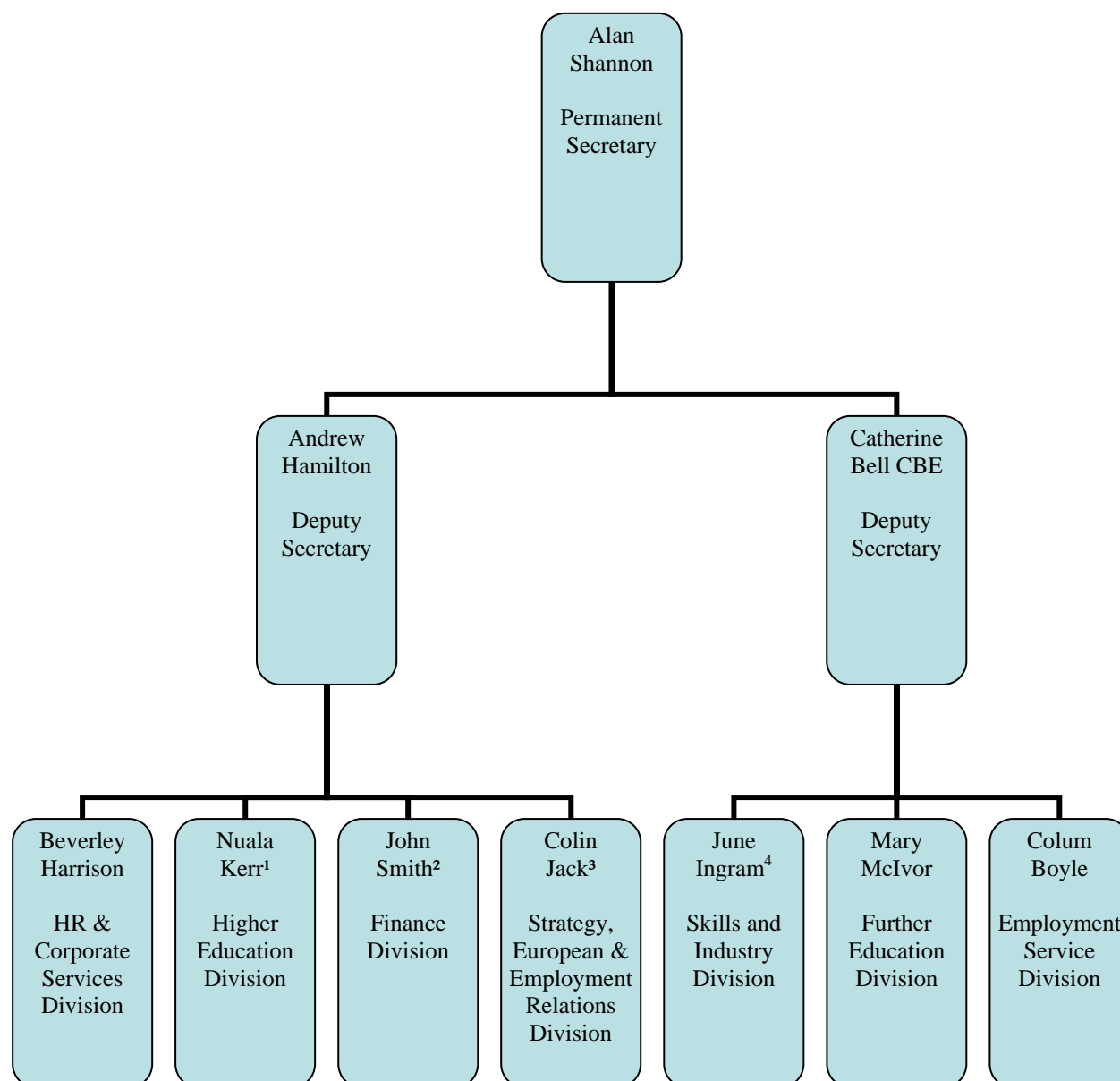
No.	Commitments	Status Descriptor
33	We will work with the FE sector to explore the potential to develop an approach for the provision of shared services across the sector.	Target achieved
34	We will enhance our engagement with the EU and play a full role in the activities of the Barroso task force seeking to influence policy development at EU level in order to maximise the funding opportunities that present under European programmes. The Department will continue to be represented on three of the four Barroso Thematic Groups i.e. Competitiveness and Employment, Innovation and Technology, and Social Cohesion, and will chair the Competitiveness and Employment group.	Target achieved
35	We will continue to work with the UK Commission for Employment and Skills, and its other GB sponsor Departments, to support its role as a vehicle for sustainable economic growth and social partnership, through giving leadership to business on skills, raising employer ambition and assisting with the development of employer-led initiatives.	Target achieved
36	We will review our structures and approach for engagement with the disability sector.	Target likely to be achieved but with some delay
37	We will continue to strengthen our partnership arrangements with key stakeholders to include the community and voluntary sectors as well as trade unions and employer representative bodies and those bodies that promote the interests of migrant workers and other disadvantaged groups.	Target substantially achieved
38	We will develop a revised performance-based funding model and contract management arrangements for the next generation of employment programmes.	Target on track for achievement
39	We will further strengthen and support Governance in the FE sector by concluding the Review of Governance, commence implementation of its recommendations and promote that best practice frameworks are in place across the FE sector.	Target achieved
40	We will implement a savings plan which will generate reductions in expenditure of some £66.5m to provide for investment in priority services and ensure we live within our budget.	Target achieved
41	We will continue to ensure compliance with Equality Legislation, the Disability Discrimination Act, the Human Rights Act, sustainable development and Better Regulation policies, the United Nations Convention on the Rights of Persons with Disabilities, United Nations Convention on the Rights of the Child, United Nations Centre for Regional Development and relevant EU charters.	Target achieved

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No.	Commitments	Status Descriptor
42	We will seek to agree with the Department of Justice the administrative and financial arrangements to facilitate the transfer of the Industrial and Fair Employment tribunals from April 2012.	Target likely to be achieved but with some delay
43	We will implement the recommendations of our comprehensive learning needs analysis to enhance leadership and management skills across the Department.	Target achieved
44	We will continue to implement our People Strategy and maintain our Investors in People standard.	Target achieved
45	We will reduce the days lost per member of staff through sickness to 9.5 days by March 2012 through robust application of absence management policies and support staff to maintain and improve their health and wellbeing.	Target unlikely to be achieved
46	We will take forward a Business Improvement Programme which will review the way we do our business across a range of service areas contributing to efficiency and productivity savings in staffing and accommodation related costs amounting to £5m per annum by 2014-15.	Target on track for achievement

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Organisation Structure (March 2012)



¹Fergus Devitt until 13 January.

²Trevor Connolly until 16 September.

³June Ingram until 13 January.

⁴Nuala Kerr until 13 January.

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MANAGEMENT

Ministers

The Department for Employment and Learning was under the control of Mr Danny Kennedy from 27 October 2010. Dr Stephen Farry took office as Minister of the Department on 16 May 2011.

Permanent Head of the Department and the Management Board

The Permanent Secretary of the Department is Mr Alan Shannon.

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

Mr Andrew Hamilton; and

Mrs Catherine Bell CBE.

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

Non-executive Board Members

Dr Brian Scott; and,

Professor Russel Griggs OBE.

Expenses for Non-executive Board Members

Total fees and expenses of £18,514.17 (2010-11: £16,734.64) were paid in respect of the Department's Non-executive Directors.

PUBLIC INTEREST AND OTHER

Departmental Reporting Cycle

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

Disabled persons

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

Equal opportunities

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

Payment of suppliers

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

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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 2012, 96% of invoices from suppliers were paid within the timescale noted above. No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1998.

In November 2008, Finance Minister Nigel Dodds set a target for all Northern Ireland Departments to pay supplier invoices within 10 working days of receipt in order to help local business in the current economic climate. DEL is committed to this target and the year ended 31 March 2012, 87% of invoices from suppliers were paid within this timescale.

Consultation with employees

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

Auditor

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

As Accounting Officer, I can confirm that:

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

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DEPARTMENTAL REMUNERATION REPORT

Remuneration Policy

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

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

Service Contracts

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

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

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

Salary and pension entitlements

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

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Remuneration (Audited)

Ministers	2011-12		2010-11	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Dr Stephen Farry <i>Minister for Employment and Learning</i> 16/05/2011 – 31/03/2012	33,127	-	-	-
Danny Kennedy <i>Minister for Employment and Learning</i> 01/04/2011 – 05/05/2011 & 27/10/2010 – 31/03/2011	3,658	-	16,106	-
Sir Reg Empey <i>Minister for Employment and Learning</i> 01/04/2010 – 26/10/2010	-	-	21,644	-
Officials	2011-12		2010-11	
	Salary £000	Bonus £000	Salary £000	Bonus £000
Alan Shannon <i>Permanent Secretary</i>	120-125	-	120-125	-
Andrew Hamilton <i>Deputy Secretary</i>	95-100	-	95-100	-
Catherine Bell, CBE <i>Deputy Secretary</i>	85-90	-	85-90	-
Band of Highest Paid Director's Total Remuneration (£000)		120-125		120-125
Median Total Remuneration (£)		22,457		21,531
Ratio		5.45		5.69

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Salary

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

The Department for Employment and Learning was under the direction and control of Dr Stephen Farry and Danny Kennedy during the financial year. Their salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to the Minister’s role as a Member of the Legislative Assembly (MLA) which are disclosed elsewhere.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty’s (HM) Revenue and Customs as a taxable emolument. No benefits in kind were awarded to senior officials in respect of 2011-12 and 2010-11.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonuses were awarded to senior officials in respect of 2011-12 and 2010-11.

Median Total Remuneration

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

The median remuneration of the Department’s staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind, and severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Total remuneration is calculated on an annualised basis to remove any fluctuations caused by employee turnover, which do not reflect changes in pay policy.

The FTE measurement of staff is specified to ensure a level of comparability that would otherwise be distorted, if a member of staff represented a whole unit, irrespective of the hours worked.

The ratio is calculated as follows:

$$\frac{\text{Midpoint in highest paid director's pay band}}{\text{Median remuneration of Department's staff}}$$

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The banded remuneration of the highest paid director in the Department in the financial year 2011-12 was £120,000-125,000 (2010-11: £120,000-125,000). This was 5.45 times (2010-11: 5.69 times) the median remuneration of the workforce, which was £22,457 (2010-11: £21,531).

In 2011-12, one employee (2010-11: one employee) received remuneration in excess of the highest paid director. Remuneration ranged from £125,000 to £130,000 (2010-11: £125,000 - £130,000).

Pension Benefits (Audited)

Ministers	Accrued pension at age 65 as at 31/03/2012 £000	Real increase in pension at age 65 £000	CETV at 31/03/2012 £000	CETV at 31/03/2011* £000	Real increase in CETV £000
Dr Stephen Farry <i>Minister for Employment and Learning</i> 16/05/2011 – 31/03/2012	0-5	0-2.5	9	1	8
Danny Kennedy <i>Minister for Employment and Learning</i> 01/04/2011 – 05/05/2011	0-5	0-2.5	41	26	15

**The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/03/2011 and 31/03/2012 have both been calculated using the new factors, for consistency. The CETV at 31/03/2011, therefore, differs from the corresponding figure in last year's report which was calculated using the previous factors.*

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 6% or 11.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 23.3% of the Ministerial salary.

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

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The Cash Equivalent Transfer Value (CETV)

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

The actuarial factors used in the CETV calculation were changed during 2011, due to changes in demographic assumptions. This means that the CETV in this year's report, for 31 March 2011, will not be the same as the corresponding figure shown in last year's report.

The real increase in the value of the CETV

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

Pension Entitlements (Audited)

Officials	Accrued pension at age 60 as at 31/03/2012 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31/03/2012 £000	CETV at 31/03/2011* £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Alan Shannon <i>Permanent Secretary</i>	55-60 Plus lump sum of 170-175	(0-2.5) Plus lump sum of (2.5-5.0)	1,275	1,263	(32)	-
Andrew Hamilton <i>Deputy Secretary</i>	35-40 Plus lump sum of 105-110	(0-2.5) Plus lump sum of (0-2.5)	700	656	(13)	-
Catherine Bell, CBE <i>Deputy Secretary</i>	35-40 Plus lump sum of 105-110	(0-2.5) Plus lump sum of (0-2.5)	786	738	(15)	-

**The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/03/2011 and 31/03/2012 have both been calculated using the new factors, for consistency. The CETV at 31/03/2011, therefore, differs from the corresponding figure in last year's report which was calculated using the previous factors.*

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011, pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Price Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002, and before 30 July 2007, could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvo is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI. For 2012, public service pensions will be increased by 5.2% with effect from 9 April 2012.

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. Further details about the CSP arrangements can be found at the website www.dfpni.gov.uk/civilservicepensions-ni.

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

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transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and, from 2003-04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.



Alan Shannon
Accounting Officer
27 June 2012

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MANAGEMENT COMMENTARY

Future of the Department

On 10 January 2012, the First and deputy First Minister published a proposal that DEL would be abolished and its functions divided principally between DE and DETI. A consultation with key stakeholders and interested parties on how the Department's responsibilities should be transferred to other departments was initiated by OFMdFM on 24 February and ran for three weeks. No final decisions on this proposal have been taken. However, irrespective of the outcome, the implementation of change will require significant planning and preparatory work is underway.

Financial Performance

Resource Outturn for 2011-12 was £838.9m compared to £850.8m for 2010-11, and an allocation of £846.6m in the Estimates.

Employment and Skills
(comprising Lifelong Learning and Employment Services)

Within Employment and Skills there was an increase in expenditure of £31.4m (8.3%) due to a combination of factors. This Unit of Service comprises Lifelong Learning and Employment Services.

(i) Lifelong Learning

Lifelong Learning has increased by £19.8m (6.9%) from £286.6m to £306.4m.

Capital investment in the Further Education (FE) sector rose by £16.5m due to the number of projects and stage of completion. The projects taking place during the year were as follows:

- Belfast Metropolitan College New Build Accommodation (£10.2m); and
- Minor Works (£2m).

This is compared to the following projects being active during the previous year:

Northern Regional College (formerly East Antrim)	New Build to replace Felden Training Centre
South West College (formerly Fermanagh)	New Build Accommodation – completed during the period
South Eastern Regional College (formerly North Down)	New Build Accommodation – nearing completion
North Western Regional College (formerly North West Institute)	Extension– nearing completion
South Eastern Regional College (formerly East Down)	Extension - new campus at Downpatrick
Belfast Metropolitan College	New Build Accommodation
South Eastern Regional College (formerly Lisburn)	Unitary Payments

It should also be noted that 2011-12 includes the funding of bullet payments payable by colleges to PPP contractors totalling £23.7m at South Eastern Regional College.

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2011-12 has seen an increase of £6.3m in recurrent grant funding to the colleges, mainly due to the inclusion this year of unitary payments for East Down, Lisburn and Belfast Metropolitan Colleges. The Foreign Direct Investments (FDI) Employer Support Programme is no longer ring-fenced and is now included within the category. Ring-fenced funding has therefore reduced by £3.9m on 2010-11. FE Access funding fell by £0.3m due to a reduction in funding and the recovery of surpluses. Funding of research in respect of the Program for the International Assessment of Adult Competencies (PIAAC) has increased by £0.6m on 2010-11.

Negotiations are currently in progress with regard to the sale of the Felden property. This asset has therefore been reclassified as held for resale. 2011-12 reflects an impairment of £0.6m, representing an increase of £0.1m on 2010-11.

Further education colleges are the main providers of professional and technical education and training in Northern Ireland, and the sector plays a central roll in up-skilling and re-skilling the population through a broad range of courses leading to qualifications on the regulated qualifications frameworks, particularly at Level 2 and above. In 2010-11, there were a total of 122,765 enrolments on professional and technical (vocational) courses, with learner retention and achievement rates of 88% and 80% respectively.

Within Priority 1 of the Programme for Government, a key commitment is for the Department to deliver 210,000 qualifications at Level 2 and above between 2011-12 and 2014-15, of which 90,000 are to be delivered by FE colleges.

The Essential Skills of literacy, numeracy and ICT are an important part of the Department's wider Skills Strategy which aims to raise the skills levels of the workforce; raise productivity; increase levels of social inclusion; and secure Northern Ireland's future in a global marketplace. Of the 210,000 qualifications referred to above, 30,000 are to be in Essential Skills.

The Department is currently participating, alongside England, in the Organisation for Economic Co-operation and Development's (OECD) Programme for the International Assessment of Adult Competencies (PIAAC), which will provide an update on the 1996 International Adult Literacy Survey (IALS). PIAAC will give certain results comparable to IALS, and will assess the level and distribution of adult skills, coherently and consistently across several countries. Field test data collection commenced in 2010, with the main study taking place in 2011, and results anticipated in 2013. The outcome of this work will help to inform the focus of the Essential Skills programme.

Quality will continue to be of paramount importance in all areas of college provision, and the level of learner retention and achievement referred to above will continue to be a major focus for colleges and the Department.

Over the coming year, a major exercise will be to comply with the decision made by the Office of National Statistics (ONS) that further education colleges are classified as Non-Departmental Public Bodies (NDPBs). In particular this will have implications for finance, budgeting and governance arrangements in colleges, and in the Department. This exercise will take account of work that has already been done to review key elements of FE college governance arrangements.

The Department is also working closely with the FE sector on a project to enable colleges to benefit from the application of "shared services". This work will be taken forward actively during the 2012-13 financial year.

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In terms of skills, the Northern Ireland Skills Strategy, ‘Success Through Skills – Transforming Futures’, was launched in May 2011 and the complementary ‘Employer Engagement Plan’ was published in March 2012. The Skills Strategy and accompanying Employer Engagement Plan articulates the current and future skills needs of the Northern Ireland economy and sets out what is required in the skills agenda to improve the productivity of the workforce. The strategy contains targets relating to skills levels of the workforce, the policies needed to achieve these targets and the Employer Engagement Plan details the individual projects designed to deliver the skills targets. The Strategy and Employer Engagement Plan form the focus of the work of Skills and Industry Division. As part of the Plan, and in support of the Northern Ireland Economic Strategy, the Minister has made a decision to focus the Department’s provision on a number of economic sectors which will help to rebuild and rebalance the economy. These sectors are: business services (specifically ICT); financial services; manufacturing (including food and drink/agri-food, advanced manufacturing and advanced engineering); hotels and catering (in support of tourism); retail; life and health sciences; and creative industries and digital media.

The Science, Technology, Engineering and Maths (STEM) Strategy was endorsed by the Executive in March 2011. The Strategy outlined Government’s commitment to STEM and detailed how the recommendations from the ‘Report of the STEM Review’ would be implemented. Subsequently in March 2012 the ‘STEM One Year On’ report was published at a celebration event in W5. The report details the work that both Government and Business have been taking forward since the production of the Strategy. The STEM delivery infrastructure, which includes a Government, Business and overarching Implementation Steering Group, continue to meet on a regular basis.

Up-skilling the current workforce remains a key focus of the Department.

Expenditure in relation to Promoting Skills fell by £0.4m. This relates to achievement of the Investors in People standard and is driven by the number of successful participants. Bridge to Employment funding fell by £0.7m or 30.6% on last year. The Bridge to Employment programme itself fell by £0.2m and Up-skilling fell by £0.5m, both being demand led in nature. The Skills Solutions Service, through its team of Advisers, continued to provide advice and guidance to companies seeking to improve the skills sets of their employees. The advisers engaged with 737 different companies and funded over £0.8m worth of support for customised training projects in the past year. In addition 320 individuals were facilitated into employment through pre-employment training under the Bridge to Employment scheme.

The general economic conditions had an adverse impact on the uptake of the Management and Leadership training offered by the Department through 2011-2012. Companies have reduced staff numbers to essential levels and this, combined with a policy change on funding, reduced activity levels and spend (by £2.3m). Despite these difficulties over 283 individual managers have participated in management and leadership programmes and over 80 companies have signed agreements which indicate their willingness to undertake management training. Actions are being considered to increase the uptake of both company and individual training programmes.

The number of Sector Skills Councils (SSCs) and their funding mechanism continued to evolve on a UK basis under the direction of the UK Commission for Employment and Skills (UKCES). The number of SSCs has reduced to 21 in 2011-2012 and their funding model has changed to a contested funding model from a grant in aid. These changes have resulted in a reduction in expenditure of 53%

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(£1.1m) by Sectoral Development Branch and their work has focused on the development of a Skills Collaboration Fund which is hoped to be launched during 2012.

The continuing economic climate has seen further increases in the Training for Success programme and Apprenticeships NI, leading to an overall increase of £5.5m (net total expenditure) to £68.9m. This is after allowing for income from ESF of £16.7m (2010-11: £12.6m). The Apprenticeships NI scheme remains the Department's flagship programme for training new entrants and the current workforce. In 2011-2012 there were over 11,000 apprentices enrolled on Apprenticeship NI resulting in Departmental expenditure of £18.7m to fund the "off the job" training element. ApprenticeshipsNI is part funded by the European Social Fund Priority 2 measure which contributed an additional £12.5m. Approximately 50% of the enrolled apprentices are over 25 years of age and in economic sectors that from a policy perspective are not considered a priority. In recognition of this the Minister commissioned a Review of Adult Training in October 2011. This Review is at a developed stage and the Department is currently considering options for the way forward. Whilst the Review looked at adult training in general, its out workings may have an implication for expenditure on adult apprenticeships and/or the priority sectors. However, it is too early to quantify these as final decisions have yet to be taken.

Impartial Careers Information, Advice and Guidance (CIAG) continue to be offered on an all age basis. Expenditure has decreased by £0.4m or 7% on 2010-11, mainly delivered as a result of the revisions made to procurement policy. Over the 2011-12 year the Careers Service carried out 36,971 interviews with young people across Northern Ireland. The majority of these were delivered to pupils in Years 10 and 12. Careers advice and guidance was also given to 15,692 adults, both unemployed and employed. The Department, in partnership with the Department of Education, will continue to implement "Preparing for Success" the careers education, information, advice and guidance strategy.

Training for Success and the Programme Led Apprenticeship (PLA) schemes provide work based learning for 16-24 year olds who are preparing to enter the workforce. In 2011-2012 £50m was spent in the training of over 7,000 individuals. The PLA programme is an intervention measure to assist young people, who are unable to secure employment in the current economic situation, to obtain a level 2 apprenticeship qualification. Subject to the successful resolution of the current legal challenge to the re-contracting process, it is planned in 2012 mainstream the PLA offering into the overall Training for Success provision.

Underpinning all of these actions is the quality of training provision and in support of that Quality and Performance Branch monitors the quality of further education, training and employment programmes and manage contracts. They ensure that a systematic approach is employed to monitoring quality and performance against contract, working closely with the relevant Departmental Business Areas and the Education and Training Inspectorate. Where poor provision is found, a series of follow-up activities is implemented and progress towards improvement is closely monitored. These procedures have been successful in ensuring that unsatisfactory provision is addressed and that all suppliers work towards continuous quality improvement. Currently, approximately 88% of existing Training for Success/ApprenticeshipsNI suppliers have good or better quality of provision, all of the further education colleges have good or better provision for Level 2 and Level 3 programmes and most Steps to Work Lead Contractors who have been inspected are good, very good or outstanding. Contract monitoring activities have resulted in

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approximately £0.3m being recovered from suppliers over the period September 2011 to May 2012 as a result of non compliance.

(ii) Employment Services

The Steps to Work programme funding rose by £14.1m to £50.4m from £36.3m last year. As Steps to Work is a demand-led programme, the continuing adverse economic climate has significantly increased demand for places from both mandatory and voluntary participants. This in turn has led to a marked increase in programme costs. The major increases in expenditure can be attributed to Benefit Based Training Allowance (BBTA) and Step Ahead although spend on other strands of provision and associated costs such as travel, childcare etc also increased. BBTA has increased from £10.4m (2010-11) to £13.5m (2011-12) while spend on Step Ahead, and two variants introduced late in 2011-12, increased from £3m (2010-11) to £9m (2011-12).

Expenditure on Employment Programmes fell by £1m or 36%. A new LEMIS (Local Employment Intermediary Service) funding model was introduced this year which has resulted in providers needing to increase employment outcomes in order to achieve output related funding and 2 pilot employment initiatives were not repeated.

Funding for People with Disabilities has reduced by £0.5m to £8.9m in 2011-12. This is due to activity on Employment Support and Workable NI reducing as result of Employment Support being closed to new entrants as a new scheme is introduced providing better value for money.

Frontline staffing and administration costs have reduced by £1.1m to £34.5m in 2011-12. Staffing costs have fallen by £0.8m due to a combination of an overestimation of back pay costs in 2010-11, partially offset by increased staffing levels in 2011-12. Administration costs have fallen by £0.3m due to reductions in travel, excess fares and service charges. Last year included consultancy advice in respect of Organisation and change management.

During 2011-12, the number of individuals claiming Jobseekers Allowance rose to its highest (62,349) in March 2012 which continued to significantly impact on the work of the Employment Service, and particularly on staff in the network of Jobs and Benefits Offices (JBOs) and Jobcentres. The seasonally adjusted unemployment rate was 6.7% for the period January to March 2012. The forecasts of a live-load of 67,000+ unemployed during 2012 will provide significant challenges for the Employment Service during 2012 and in future years. Steps to Work, launched in September 2008, is a key programme which Personal Advisers can offer to assist individuals return to work. Steps to Work offers a flexible, tailored programme of support, including training aimed at assisting the unemployed and economically inactive find work at the earliest opportunity. Steps to Work also includes provision specifically aimed at out of work graduates (Graduate Acceleration Programme). The Department also completed piloting a paid internship scheme for young unemployed graduates and a temporary employment programme for young unemployed people. One hundred and twenty places were available on these schemes which tested the effectiveness of this type of help for this client group. Important lessons about the effectiveness of this type of labour market initiative and the readiness of graduates for the world of work have been learned.

New Employment Programme

Work has commenced on the development of a new employment programme that will replace the Department's main adult return to work programme Steps to Work. The expiry of the current Steps

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to Work contracts in 2013 coupled with the continuing rise in unemployment and the introduction of Universal Credit make this an opportune time to consider a new employment programme which would build on the performance of Steps to Work and help more people to find and sustain employment. It is expected that the new programme will be in place by October 2013.

Youth Employment Offer

The difficult economic conditions in Northern Ireland have hit young people particularly hard with the unemployment rate for 18-24 year olds reaching 18.1% compared to the general rate of 0.7%. Between November 2007 and November 2011, Northern Ireland saw an increase of 155% in the number of under 25s out of work.

In March 2012, the Northern Ireland Executive agreed a policy framework for additional initiatives to address youth unemployment. The Employment Service is developing the Youth Employment Offer which comprises a number of measures that are additional to the existing provision and targeted at skills development for economic growth. In overall terms the Youth Employment Offer aims to deliver 13,100 work experience and training opportunities over the next 3 years (2012 -15) and comprises the following:

- Enhanced support through improved diagnosis of skills needs and additional adviser time from both the Employment and Careers Services;
- Immediate additional referral and support for young people who have barriers to participation;
- 3,000 short 2 to 8 week work experience placements over the next 3 years, designed to ensure early engagement with the labour market;
- 800 employer subsidies a year in sectors which have the potential to help rebuild and rebalance the economy (rising to 1,200 by 2014-15), provided employers agree to facilitate and enable further skills development; and
- 400 training places coupled with additional sector based work experience (rising to 1,800 by 2014-15) in sectors which have the potential to help rebuild and rebalance the economy.

Disability Employment Service

Due to the continued recession, those who are furthest from the workplace, due to disability or serious health conditions, face greater challenges than ever. However the Disability Employment Service, (DES) continues to provide programmes and services to support these clients progress towards employment and to stay in work. The Employment Service will be introducing new provision for clients in receipt of Employment & Support Allowance (ESA)/ Incapacity Benefit (IB) during the 2012-13 year called Work Connect. Work Connect will build on the previous New Deal for Disabled People programme and will provide pre-employment support to clients to assist them to prepare to apply for appropriate jobs and, if successful, to assist them in the transition from benefit receipt to sustained employment. The programme will take account of the particular employment needs of people who had been in receipt of IB and who subsequently were moved onto ESA as part of the ongoing Reassessment process for all IB claimants. DES programmes, which are demand-led, provide longer term, often indefinite, support to clients and as a result financial commitments made in the 2012-13 year could have an impact beyond this.

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LEMIS

The Department's Local Employment Intermediary Service (LEMIS) is a community employment initiative designed to help the "hardest to reach" in targeted areas of having high levels of deprivation and unemployment. The service is provided by local community employment organisations in Belfast, Londonderry, Strabane, Newry and Mourne, Moyle and Cookstown. In addition to these areas, LEMIS is also available on an outreach basis throughout Northern Ireland to individuals with a common employability barrier to employment, i.e. homelessness, ex-offenders/ex-prisoners, people with a history of drug/alcohol misuse and looked after children leaving care.

Universal Credit

The Department is committed to delivering welfare reform through working jointly with the Social Security Agency (SSA) on the Universal Credit Project. We have established a DEL Universal Credit Project Team, consisting of a design and delivery team and an ICT team. The objective of this Team is to identify and ensure implementation of the optimum delivery model, including appropriate resources and ICT infrastructure, for individualised work focused support for clients claiming Universal Credit who have work-related requirements.

The main strategic driver for Universal Credit is to address poverty, through tackling worklessness and benefit dependency, ensuring that "work pays". There are approximately 602,000 individual claims in Northern Ireland for social security benefits, housing benefit and tax credits impacted by the introduction of Universal Credit. These claims equate to approximately 300,000 individual households and Universal Credit will be paid on a household basis. The Department has been working closely with colleagues from the Department for Social Development to ensure that there will be appropriate advice, support and guidance to assist individuals at every stage through this process.

Research into the characteristics of Universal Credit clients is currently underway and this will inform the Employment Service approach and identify any gaps in the provision or support available.

Employer Engagement

Assisting employers to fill vacancies is a key purpose of a Public Employment Service. Employment Service Division established an Employer Engagement Team in January 2012 to provide a co-ordinated approach to meet employers' recruitment needs. This team brings together Employer Contact Managers under a single management structure along with EURES advisers and the electronic gateway for vacancy management, Employers Online. The Employer Engagement Team is building effective partnerships with Invest Northern Ireland and Industry Bodies and proactively engaging with employers including those in the priority skill sectors. In addition to filling vacancies, the team seeks to promote the use of social clauses and opportunities for the unemployed to gain work experience. Employer Contact Managers work in partnership with the Department's Skills Advisers to provide employers with a joined-up recruitment and skills offer.

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Economic Inactivity Strategy

As well as rebuilding the labour market in the aftermath of the global downturn, the Executive has recognised that a large proportion of the NI working population is registered as economically inactive (27.2% in NI compared to a UK average of 23.1%). This economic activity has resulted in higher levels of social exclusion and significant numbers of households experiencing intergenerational poverty and joblessness.

Within the Programme for Government 2011-15 Delivery Plan there is a commitment to develop and implement a strategy to reduce economic inactivity through skills, training, incentives and job creation. The Department, alongside Department for Enterprise Trade and Investment, is taking the lead in this, with input from other Departments. This strategy is expected to have a positive impact on levels of economic inactivity and employment and will therefore impact on levels of poverty, including child poverty.

Higher Education (HE)

Funding within the Higher Education (HE) sector has decreased by £47.6m during the course of the year. This represents a decrease of 18.2%.

Recurrent grant in aid to the Universities has fallen by £24.5m due to a 6% reduction in the block grant available. Funding to Queen's University Belfast (QUB) fell by £10.6m and funding to University of Ulster (UU) fell by £13.9m.

In terms of capital expenditure, funding towards Learning and Teaching capital fell by £5.1m and Capital Investment Funding fell by £10.8m. 2010-11 saw the final year of the previous Comprehensive Spending Review (CSR) period. Capital projects are commencing in 2011-12, with greater expenditure profiled in the last two years of the CSR period. In the same way, related funding from Department for Business Innovation and Skills (BIS) has reduced by £2.3m. QUB activity includes the Post Graduate Education Centre project.

Funding to Stranmillis and St Mary's Colleges of Education fell by £1.5m to £10.9m. Recurrent grant to Stranmillis fell by £0.4m and St Mary's by £0.3m due to an overall reduction in funding available in 2011-12 of 6%. University College Capital funding rose by £0.2m as this is the first year of the CSR 2010 budget period. This year includes funding towards the Orchard project at Stranmillis College. Strategic Capital Investment Funding finished in 2010-11 resulting in a reduction of £1m this year.

In 2010-11, £8.1m was spent in relation to Strengthening All Ireland Research. The programme ceased at the end of 2010-11.

During 2012-13, the Department will take forward the Study on the Teacher Education Infrastructure in Northern Ireland. The purpose of the study is to determine the financial sustainability of the two university colleges and to explore options for greater sharing and integration within the current teacher education system.

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

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

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

The Department continued the development of a higher education strategy for Northern Ireland. A public consultation on the Strategy ended on 15 April 2011 and the Strategy, *Graduating to Success*, was published on 23 April 2012.

Student Support

Expenditure within this Unit of Service has increased by £25.5m or 10.7% on 2010-11. This includes the impact last year of a prior period adjustment of £22.8m.

£44.4m of the increase relates to the Notional Loan Subsidy charge. As a result of economic conditions, the base rate cap has continued to be in place (i.e. continuing to add to the cost to government of issuing the loans at a reduced rate of interest), and the recurring notional loan subsidy charge has continued to increase as a result of the growth of the loan book. This is offset by the fact that the overall movement of £25.5m for Student Support takes into account the prior period adjustments in 2010-11 of £22.8m, which arose in relation to the base rate cap and change in accounting policy for effective interest.

Postgraduate awards have remained constant with 2010-11. The number of students has reduced, but this has been offset by an increase in the stipend, fee and the Research Training Support Grant.

EMA Allowances rose by £2.3m due to the increased number of eligible students. HE Bursaries funding fell by £1.1m and Supplementary Allowances rose by £2m, both being demand led and means tested.

Funding of tuition fees rose by £0.2m. This is primarily made up of part time fee grants, and part time students have experienced considerable increases in recent years.

Student Loans Annually Managed Expenditure

Annually Managed Expenditure mainly reflects the effective interest added to the loan book. This equates to the borrowing costs in relation to impairments of the loan book £(26.6)m, the utilisation of the interest subsidy impairment £103.4m, together with interest added to loans during the year by the Student Loans Company £15.3m. Movements relating to the debt sale financial liability of £0.2m are also included in the total. These vary according to the interest rate conditions in force, together with the other financial parameters within the RAB (Resource Accounting and Budgeting) financial model. The total net credit for the year has been £92.3m compared to £71.4m for 2010-11 and is based upon the effective interest rate of 7.9% (2010-11 6.9%).

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Labour Market Services

Labour Market Services comprises Corporate Services division together with Strategy, European and Employment Rights division. Expenditure within this Unit of Service has risen by £1.7m to £19.4m in 2011-12.

2011-12 includes £2.3m to cover the historic liabilities arising from the O'Brien case (relating to pension entitlement of part time judiciary in the industrial and fair employment tribunals). Otherwise, the operational costs of the Industrial Tribunal Service have reduced by £0.3m through prudent use of lay panel members, fee-paid Chairman and reduced use of interpreter/translation services, achieved through measures such as fast track procedures and active case management. In addition, other administration costs within Corporate Services have reduced by £0.2m.

2010-11 included the final £1.1m in relation to the Equal Pay settlement which was shown under a separate Unit of Service.

Cash based grant funding to the Labour Relations Agency (Non Budget) increased by £0.6m due to the timing of claims.

In the year ahead, the Department will continue to build on its commitment to implementing key elements of the Government Reform agenda including its work on a Departmental Accommodation Strategy in line with the principles of Workplace NI. DEL is also committed to maintaining its successful Investors in People (IIP) reaccreditation in preparation for re-assessment in April 2013. In association with its commitment to the IIP standard the Department's HR team will continue to work with Directors to meet the objectives set out in its Employee Engagement and People Strategy Action Plans, committing to promoting a high performance culture in which people are valued and motivated.

The Department continues to maintain and develop the Northern Ireland framework of employment law. Significant highlights for 2012-13, subject to approval, will include:

- The Department will issue an Employment Law discussion paper on 1 May 2012, which will include an analysis of the employment law reform proposals being taken forward by the UK Government. The Department will actively engage with key stakeholders to determine the scope and priorities for a review of employment law in Northern Ireland. In tandem with this, the Department will continue to monitor closely policy developments in Great Britain, evaluating their implications for Northern Ireland;
- The Department will establish a pilot project to establish a methodology for a more fundamental review of all employment regulations here in Northern Ireland, which is a key target in the Executive's Economic Strategy. The pilot will involve the examination of three substantial sets of employment regulations under Better Regulation principles;
- Further proposals relating to rights for working parents are likely to emerge from Great Britain in the near future, and the Department will be considering the Northern Ireland implications of these. An early priority will be to implement Directive 2010/18/EU on parental leave;

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- Subject to agreement by the Assembly, the Department's work to enhance arrangements for resolving workplace disputes will be strengthened by the introduction of a new enhanced Labour Relations Agency Statutory Arbitration Scheme that will provide a voluntary alternative to employment tribunals. The tribunal system will, of course, continue to be available to anyone wishing to use it; however, administrative responsibility for employment tribunals is likely to transfer to the Northern Ireland Courts and Tribunals Service as part of the Executive's tribunal reform programme;
- The Department will review the findings of recently commissioned research designed to establish what obstacles are faced by Small and Medium Enterprises (SMEs) in dealing with employment rights issues. The objective of this work is to establish whether and to what extent SMEs can be better supported in understanding and discharging their responsibilities in this important area;
- Regulations to prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and activists, where the purpose of the list is to discriminate against workers on grounds of trade union membership or activities;
- Amendments to the Working Time Regulations, to take account of recent judgements by the Court of Justice of the European Union; and
- The Department will also continue to work with stakeholders to ensure that the employment related needs of migrant workers and those who employ and advise them are met effectively through provision of appropriate information and advice. The Department will review the terms of reference of the Northern Ireland Migrant Workers Thematic Sub-Group of the Racial Equality Forum.

DEL will continue to lead on the implementation of the cross-departmental strategy 'Pathways to Success' to tackle the issues facing young people who are not in education, employment or training (NEET). The final strategy will be brought to the Executive for approval in the spring of 2012.

The Department remains committed to evidence based policy formulation and development and as it does this will seek to ensure that its work across all key stages of the policy cycle is underpinned by high quality and up-to-date evidence. There are a number of significant building blocks to inform this evidence base, which will continue to be driven forward in 2012-13:

- Strategic Thinking and Development of Policy through the Department's Research Agenda; quarterly research review (QRR) of wider UK and international research; and development of policy/ programme business cases;
- Implementing Policy change through provision of robust, relevant and timely statistics on key DEL programmes; and the quality and performance reviews; and
- Policy Review through the Department's rolling schedule of policy and programme evaluation.

The Northern Ireland European Social Fund (NIESF) 2007-13 continues to be delivered through the NIESF Managing Authority, providing significant help and support to those furthest from the labour market and those in employment seeking to up skill. The Department is currently working with the

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Department of Finance and Personnel, Department for Business, Innovation and Skills and Department for Work and Pensions on the policy development associated with the 2014-20 ESF Programme.

During 2012-13 the Department will continue to lead the Northern Ireland Barroso Taskforce, Competitiveness and Employment Thematic Working Group. The Working Group will explore and pursue opportunities to engage with European Commission officials and other Member States and regions in order to maximise the benefits of greater involvement with Europe and increase the draw down of competitive EU funds, contributing to the Executive's target of a 20% increase. The work of the Group will be enhanced by Ministerial and Senior Official visits to Brussels to explore how Northern Ireland can achieve optimum access to European research funding and increased participation in mobility programmes, as well as how the region can most effectively network and share experience with other regions around Europe, to mutual benefit. The Working Group will agree an Action Plan of objectives and activities to contribute to identifying and reducing the barriers to work experienced by disadvantaged groups, creating new sustainable and innovative job opportunities, reducing poverty and inequality and optimising access to European programmes and policies for employment, learning, skills and social inclusion.

European (including Finance)

EU funding and finance administration was largely in line with 2010-11 at £8.8m. Exchange rate losses of £0.1m have been included in line with the Consolidated Budgeting Guidance.

Last year exchange losses were included within Annually Managed Expenditure (£2.5m).

Notional Charges

Notional charges are in line with the last year, reducing by only £0.1m or 1.6%.

Revaluations

As a result of market conditions, impairments recognised in 2011-12 were £0.4m, an increase of £0.3m on 2010-11. These arose as a result of valuations supplied by Land and Property Services.

Non Supply Expenditure

Non Supply expenditure mainly represents payments made in relation to the redundancy fund. This rose to £10.6m from £8m in 2010-11 as a result of the continuing economic climate.

Future Developments - Corporate Services and Finance

Work will be ongoing with regard to the reallocation of DEL's functions. In addition, Finance will be working closely with the NDPBs with regard to Review of Financial Processes in Northern Ireland.

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Income

Income shown in Note 12 to the accounts for the year totalled £123.3m, compared to £100.9m for 2010-11.

	2011-12 £000	2010-11 £000
Administration	17	316
Programme	839	891
Student Loan Effective Interest	95,263	73,793
Science Research Investment Fund	798	3,078
EU	26,363	22,821
Total	123,280	100,899

The most significant change relates to Student Loan Interest which has increased by some £21.5m. Effective interest includes the release and unwinding discount in relation to the interest subsidy and bad debt impairments. This has increased to £76.8m from £60.2m for 2010-11. This has occurred due to a combination of the increasing value of the loan book and the headline rate used to calculate provision release which moved from 6.9% to 7.9%.

In other areas, Science Research Investment Fund (SRIF) income has decreased due to the timing of the programme and EU income has increased by £3.4m due to the overall level of programme activity.

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Statement of Financial Position

In Property, Plant and Equipment, revaluations reduced the carrying value of the assets by £0.8m as a result of market conditions. In addition, the Felden property has been moved to assets held for resale as negotiations are currently in progress regarding its disposal.

Student Loan movements have included the continued growth in the size of the Student Loan book, with a further £235.3m loans issued during the year. Total repayments received and effective interest earned were £42.8m and £95.3m respectively.

The gross value of the loan book has been reduced by the Deferment and Default and Interest Subsidy Impairments in order to arrive at an approximation of fair value. These have risen in total by £134.7m during the year as they are based on the increasing value of the loan book.

Receivables increased by £35.3m overall since 31 March 2011. Trade receivables rose by £2.9m. This arose mainly due to HMRC collections of Student Loan repayments, which has moved from quarterly to monthly, with a payment due in April 2012. The amount due from the EU Commission increased by £25.3m as eligible expenditure has been incurred on the Programmes. Prepayments, accrued income and advances rose by £2.8m – due to the provision of EU funding to projects to allow expenditure to be incurred, together with the timing of in year payments to the Student Loans Company. The amount due from the National Insurance Fund rose by £1.2m due to activity increasing as a result of the recession. The amount due from the Consolidated Fund in respect of Supply rose by £5m due to the timing of draw down of funds.

Payables have increased from £125.9m at 31 March 2011 to £137.2m at 31 March 2012. £5.8m of the increase is due to the bank overdraft increasing from £0.2m to £6m as a result of the timing of payments and draw down of funds from DFP. Trade payables rose by £2.5m due to the timing of capital expenditure and claims from the Higher Education sector. Accruals rose by £4.7m as a result of:

- EU expenditure as a result of the timing of spend by projects (£1.5m);
- increased demand for Steps to Work and Step Ahead initiatives (£2.6m);
- increase in Tuition fee loans, of which 50% is outstanding at 31 March each year (£7m); and
- reduction in accrual for HE capital projects, now included as creditors due to timing of claims (£6.8m).

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Explanation of the variation between Estimate and Outturn (2011-12)

Resource Outturn for 2011-12 was £838.9m compared to an allocation of £846.6m in the Estimates, resulting in an easement of £7.7m or 0.9%.

Employment and Skills

Employment and Skills recorded a total easement of £0.25m arising for a variety of reasons, including:

- Demand for Bridge to Employment and Up skilling programmes being lower than expected (0.5m);
- Funding requirement by Education and Library Boards being lower than anticipated (£0.3m);
- Demand for TFS and Apprenticeships NI being lower than forecast (£0.2m);
- Frontline staffing costs being lower than forecast due to staffing levels (£0.5m) and associated administration costs (£0.2m);
- Demand led programmes for disabled people being lower than anticipated (£0.5m);
- Demand for Investors in People standard being lower than anticipated (£0.3m); and
- Anticipated costs associated with an historical asbestosis case were successfully funded through an insurer (£0.3m)

Increased requirements arose due to:

- FE Recurrent grant requirement being higher than forecast (£1.6m); and
- Felden impairment being higher than anticipated due to level of assessment of proceeds less costs to disposal (£0.5m) Belfast Metropolitan College estimated costs being higher than forecast (£0.5m).

Higher Education

- Higher Education recorded a total easement of £0.4m arising from delays in the commencement or reduced progress of several programmes, particularly the Sign Language, International Students Initiative, and the HE Strategy projects.

Student Support

Student Support experienced a total easement of £0.25m arising for a variety of reasons, including:

- Reduced requirement in respect of demand led funding in respect of HE Bursaries, Supplementary Allowances and tuition fees, forecasts supplied by the Student Loans Company (£1.1m);
- Reduced funding requirement from Education and Library Boards (£0.3m); and
- Reduced funding requirement from Student Loans Company (£0.3m).

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Increased requirements arose due to:

- Increased cost of Notional Loan Subsidy (£0.7m); and
- Increased demand for EMA Allowances (£0.8m).

Student Support - Annually Managed Expenditure

This experienced a total easement of £5.4m due to borrowing costs on student loans impairments as a result of the movement between Office for Budget Responsibility (OBR) RPI forecast and actual RPI.

Non Budget

Grant in aid funding to Ulster Supported Employment recorded an easement of £0.2m due to uncertainty in the forecasting provided as a result of trading conditions. An easement of £1m arose in respect of notional charges due to actual costs being lower than forecast.

Departmental Performance Targets

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

Sickness Absence

The Department monitors and manages sickness absence in line with NICS policy. The Department's trajectory point for 2011-12 was to reduce absenteeism to an average of 9.5 days (2010-11: 10.1 days) lost per staff in order that the NICS would remain on course to achieve the 2014-15 target of 8.5 days lost. The provisional (projected) figures provided by Northern Ireland Statistics and Research Agency (NISRA) based on HRConnect data indicate that DEL will achieve an average of 11.3 days. At this stage, this figure has not been validated. The final outturn for 2010-11 was 10.6 working days lost.

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

Corporate Social Responsibility

The Department has taken a structured approach to enabling teams to get involved in employee volunteering for the last five years in conjunction with the NI Cares Programme run by Business in the Community. During 2011 - 2012, four teams undertook volunteering Team Challenges and 35 members of staff volunteered at the 'Silver Surfers' event that aims to introduce older people to the Internet. 32 members of staff have been volunteering on the Time to Read programme and a very successful project was completed through a Building on Talent placement with the organisation Lymphoedema Support Network NI. Various voluntary organisations, schools and environmental projects have benefited from this ongoing commitment to volunteering, and feedback from staff has been very positive in relation to the development opportunities provided through these initiatives.

Environmental Matters

The Department has demonstrated commitment to green and environmental matters since the introduction of a Green Policy in March 2005. In March 2011, the Department issued a Sustainability Statement setting out objectives for the next 3 years and has recently engaged with DOE to develop a Climate Change Adaptation Process for Northern Ireland.

Current initiatives include:

- participation in the Carbon Reduction Commitment (CRC) scheme to reduce greenhouse gas emissions by 25% by 2025; On schedule to meet 2012 reporting requirements and purchase CRC allowances in June 2012;
- increased departmental awareness and sustainable development intelligence building;
- robust governance structures for monitoring and reporting sustainability performance;
- relationship/partnership building to support delivery of Sustainable Development Strategy priorities;
- mainstreaming of sustainable development into decision-making processes; and
- efficiencies achieved through the application of the principles of sustainable development.

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

- promoting a vision of a dynamic, innovative and sustainable economy where everyone achieves their full potential;
- incorporating a commitment to sustainable development in its Corporate Plan and the Departmental priorities;
- regularly updating staff on initiatives and achievements via the staff magazine, issued quarterly;
- its efforts to facilitate access by all to acquire the education and skills to find/retain work and thus contribute to economic development in Northern Ireland;
- having governance arrangements in place to regularly monitor and report progress against the Northern Ireland Sustainable Procurement Action Plan (NI SPAP);

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- encouraging the adoption in the NI Higher Education Institutions the Guidelines on Sustainable Development in Higher Education developed by the Higher Education Funding Council for England (HEFCE);
- supporting sustainable development in the Further and Higher Education estate by implementing the environmental assessment method known as BREEAM (Building Research Establishment Environmental Assessment Method). It sets the standard for best practice in sustainable design and has become the de facto measure used to describe a building's environmental performance;
- working with the Central Procurement Division of the Department of Finance & Personnel, the FE Colleges, HE Institutions and contractors to achieve as high a BREEAM rating as possible;
- ensuring a target rating of either 'Very Good' or 'Excellent' is agreed for all of the Department's new colleges and DEL staff attend project Steering Group meetings and Project Boards to monitor progress towards these targets;
- including sustainability as one of the factors considered when allocating capital funding to the HE sector from 2011-12 onwards;
- ensuring environmental issues are addressed proactively internally through our approach to procurement and waste management; and
- ensuring sustainable development forms part of departmental considerations when procuring services as demonstrated recently with the award of the new Catering/Cleaning contract.
- ensuring business areas apply DFP Best Practice guidance to all economic appraisals and business cases including the requirement to 'weigh up non monetary cost & benefits (inc. sustainability)'.

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

	2011-12	2010-11
	£000	£000
Net Resource Outturn - Estimates	838,930	850,759
Adjustments:		
Include non-voted expenditure of Operating Cost Statement	11,342	8,558
Include non-voted income scored as CFERs in Operating Cost Statement	(3,155)	(3,853)
Prior Year Adjustment – Effective Interest and Base Rate Cap	-	(22,770)
Net Operating Cost - Accounts	847,117	832,694
Remove other expenditure/income shown in Estimates under the heading "Other Expenditure Outside DEL"	(11,266)	(8,558)
Less grant-in-aid payable to NDPBs	(4,378)	(3,744)
Add resource consumption by NDPBs	5,259	4,120
Less capital grants	(40,901)	(40,923)
Other Adjustments		
<i>Voted expenditure outside the budget</i>	(1,838)	(1,791)
<i>Other</i>	(76)	7
Interdepartmental Charges	(10,460)	(10,626)
Add Other Consolidated Fund Extra Receipts	17	216
Resource Budget Outturn - Budgets	783,474	771,395
<i>Of which:</i>		
Departmental Expenditure Limit (DEL)	878,434	854,666
Annually Managed Expenditure (AME)	(94,960)	(83,271)



Alan Shannon
Accounting Officer
27 June 2012

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES
for the year ended 31 March 2012

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

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

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

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

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

DEL STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. There are a number of bodies beyond the Departmental boundary in receipt of substantial financial support from the Department. They are responsible for their own internal control arrangements and are required to provide annually to the Department assurance that their arrangements are sound and comply with requirements. These bodies are the two local universities; the two local teacher training colleges; the six further education colleges, the five Education and Library Boards, the Student Loans Company Limited, the Labour Relations Agency (LRA), Ulster Supported Employment Ltd. (USEL) and the Construction Industry Training Board (CITB). Over the coming year, the Department will be implementing the Office for National Statistics' (ONS) decision to classify the Further Education (FE) colleges, and Stranmillis University College as Non-Departmental Public Bodies (NDPB). In particular this will have implications for finance, budgeting and governance arrangements in colleges, and in the Department. This exercise will take account of work that has already been done to review key elements of FE college governance arrangements.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with guidance from the Department of Finance and Personnel (DFP).

Capacity to handle risk

The Department's capacity to manage risk is established through the risk and control framework and the increasing experience of managers in the risk management process. The Departmental Board has responsibility for the leadership of the risk management process. The Department has carried out appropriate procedures to identify its objectives and risks and determine a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk to the achievement of the Departmental Objectives. The Board regularly reviews the Corporate Risk Register at Board meetings and reviews and agrees key risks, risk owners and controls to manage risk identified therein. In addition, risk registers are maintained by individual Directorates and by the Department's arm's length bodies.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

The risk and control framework

The Department has had a Corporate Risk Register and a Departmental risk management process in place since 2002. The Departmental Board has ensured that procedures are in place for verifying that risk management and internal controls are reviewed and reported on regularly. Risk management has been incorporated into the corporate planning and decision making processes of the Department. This includes the management and control of information risk. The Department's Records Management arrangements are underpinned by internal guidelines on 'The Management of Official Records' and Data Protection obligations. Appropriate guidance and processes are in place to govern the retention and disposal of all Departmental paper and electronic records. Restrictions exist to protect access to electronic records, and training in use of the electronic records system is mandatory within the Department.

In managing the risks associated with information loss, in addition to ongoing audits of hard copy files, an Information Security and Assurance review of all Departmental information is carried out annually – this year's exercise commenced in February 2012. As part of this exercise, business areas identify associated risks, compile action plans to address any outstanding issues, and provide an assurance statement to their Director with regard to information assurance that appropriate risk assessments have been carried out and there are controls in place to manage the risks.

Review of effectiveness

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

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

Internal control processes for all expenditure (both revenue and capital) include the following:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board and Minister;
- regular reviews by the Departmental Board of monthly management accounts and annual financial reports that indicate financial performance;
- regular reviews by the Departmental Board of periodic and annual reports of progress against business plan and Programme for Government commitments, and savings plans;
- monthly reviews by the Departmental Board of the Corporate Risk Register;
- a comprehensive system of internal control rules (Finance Bulletins) which set down procedures for key processes including procurement (including policy on the use of consultants), authority to incur expenditure, entertainment and staff travel etc;

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

- 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;
- advice from FAST which 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 reports submitted annually to the Department's Audit Committee which meets four times a year to review audit work programmes and related assurance reports;
- Heads of Divisions' annual assurance statements to the Accounting Officer giving their assessment of the operation of internal control arrangements within their Divisions during the relevant financial year; these include a facility to identify issues giving cause for concern and the remedial action proposed or taken; and
- Non Departmental Public Bodies (NDPBs) and other Sponsored Bodies that have Additional Accounting Officers' annual assurance statements to the Accounting Officer.

Significant internal control problems

The Department's 2010-11 Statement on Internal Control outlined a number of issues which require further explanation in 2011-12.

As highlighted in 2010-11, Belfast Metropolitan College (BMC) had commenced implementation of a College Improvement Plan, to address weaknesses identified through the Efficiency Review of the College, which had been commissioned as a result of concerns over financial management and control and deteriorating financial performance within the College. The Plan seeks to return the College to financial stability. The College Development Plan figures for 2011-12 to 2013/14 supersede the College Improvement Plan figures and the College continues to forecast a surplus position by 31 July 2013. The Department continues to monitor progress against the Plan through monthly monitoring meetings.

Similarly, details were provided in 2010-11 of a Business Improvement Plan which was commissioned by the Governing Body of NRC for the period 2010 to 2016. The objective of this Plan is to identify those actions that would allow the College to achieve long term financial stability and sustainability. The College continues to implement its Business Improvement Plan. As a result of changing economic circumstances, some assumptions outlined in the original Plan were modified. The projections in the Plan have therefore been superseded by the College Development Plan. The projections in the College Development Plan show the College returning to a surplus position in the year to 31 July 2014 and the College continues to review its financial projections to reflect any further amendments identified during monthly monitoring meetings with the Department.

As stated in the 2010-11 Statement on Internal Control, the Department was alerted by the College Principal to a potential breach of its Financial Memorandum with Southern Regional College (SRC) in May 2010, relating to an ongoing dispute between the Principal and the Chair of the Governing Body regarding an evaluation of the post of Secretary to the Governing Body. The

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

Department appointed its Internal Audit Service (IAS) to review the College's application of its job evaluation arrangements in this instance and in November 2010 the IAS review of job evaluation procedures in the College was issued to the Governing Body. The Governing Body accepted the recommendations in full and the action plan put in place to address the weaknesses identified has been completed in full.

As highlighted in 2010-11, as a result of allegations made to the Department by the University and Colleges Union (UCU) in relation to the administration of certain training programmes, the Governing Body of SERC, at the request of the Department, commissioned its Internal Audit Service to carry out an independent review investigating the allegations, as an additional piece of work under the terms of its existing contract. The investigation is now complete with the conclusion that the investigation had "not identified any issues of a fraudulent nature". Following submission of the report, some additional material relating to the claim was received from UCU. The Audit Committee of the College decided that the internal auditors would be asked to carry out this investigation, which is now complete and the report is being drafted. One further whistle-blowing allegation was made against the College in 2011-12 and in response to this, the College Audit Committee decided to tender for investigative services. PricewaterhouseCoopers was successful and its investigation into this allegation is currently on-going.

During 2010-11, it was noted that LRA failed to comply with some aspects of DFP procurement procedures. One area requiring remedial action related to the contract for Information Services (IS) Support Services. This contract is currently delivered by a third party supplier on the basis of a single tender process. LRA has completed a business case for the procurement of a new service provider, which has been approved by the Department. CPD, on behalf of LRA, is shortly to issue a competitive tender to the marketplace. The wording of the Financial Memorandum between LRA and the Department when the Single Tender Action (STA) was first taken did not require Departmental Accounting Officer approval. During 2011-12 the guidance in relation to this arrangement changed (Procurement Guidance Note 03/11) and retrospective approval was given on 4 April 2012.

During 2011-12, there have been three other instances of non compliance with regulations concerning STAs. Where appropriate, the Accounting Officer has given retrospective approval.

In response to the NIAO Report to Those Charged with Governance for 2010-11, there remains one outstanding recommendation; "DEL should update the Fraud Response Plan as soon as possible." A revised Fraud Response Plan was agreed by the Departmental Senior Management Team on 31 May 2012.

During 2011-12, there were three judicial reviews at North West Regional College. The judicial reviews, which have now been completed, have resulted in the sector reviewing its procedures in relation to AccessNI checks and the disclosure of information. The Department has requested a sector-wide policy in respect of safeguarding at the six FE colleges. This will ensure that coherent joined-up procedures are in place. Progress will continue to be monitored by the Department.

In the 2009/10 Financial Statements of BMC an instance of procurement non compliance was noted, regarding irregular expenditure on consultancy support for the College Improvement Plan above limits approved by the Department and DFP. An element of this expenditure (totalling £13,472) was incurred in the year to 31 July 2011. Corrective action has been taken to avoid any further infringement of this kind.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

During 2011-12, a significant control weakness was identified in Queen's University Belfast. A fraud was perpetrated in connection with supplier payments in August 2011. Timely remedial action limited the loss to £10,500. A detailed external review was undertaken and all recommendations fully implemented.

During 2010-11, an Internal Audit report was presented to Stranmillis College in relation to a European funded transnational partnership project which took place over a three year period ending in September 2007. The audit has deemed a significant portion of the funding claimed to be ineligible and some €202k is now refundable. The College prepared a report, with Internal Audit input, outlining the key lessons learnt for their audit committee and this report was forwarded to the Department once it was signed off. The matter was treated as an exceptional item in the financial statements of the College for the year ended 31 July 2011.

During 2011-12, an Internal Audit investigation in Shaftesbury Square Jobs and Benefits Office gave recommendations in respect of procedural breaches relating to Job Seekers Allowance claimant records. Following this, a comprehensive review of compliance with controls, procedures and guidelines for managing client records has taken place. This has made a number of recommendations for improvements which have been implemented and staff have been informed of their responsibilities.

There is an emergent contractual issue regarding the delivery of the Employment Support Programme. Although the Programme has been closed to new entrants since 2006, support continues to be required for participants who applied prior to 2006. The Department is working with CPD to resolve the issues.

The Northern Ireland Audit Office (NIAO) carries out the external audit of FE Colleges' Annual Reports and Financial Statements. As a result of the audits for the year to 31 July 2011 the following priority one issues relating to controls were highlighted:

- The audit of BMC's financial statements identified various issues in relation to contract management and £104k of expenditure deemed to be irregular had been incurred, although this did not result in a qualified audit opinion. All of the related recommendations were accepted by the College and are to be implemented in the year to 31 July 2012. The College is improving its contract management arrangements and is developing a contracts register which will assist in monitoring and planning for tender exercises.
- The audit also identified control issues in relation to STAs. Again, the College accepted the recommendations and new procedures have been put in place for the monitoring and approval of STAs.
- Another priority one issue relating to internal control was raised in BMC's Report to Those Charged with Governance. This issue related to changes to supplier standing data where it was recommended that the College's controls in this area be tightened. The College accepted the recommendation and procedures will be updated accordingly. There is no evidence of fraud arising based on the current process in place, however, the amendments to be made to procedures will further strengthen controls in the area of supplier standing data.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

- The audit of SRC's financial statements identified issues in relation to cumulative spend on individual suppliers and tendering. The College continues to closely monitor procurement activity in respect of purchase orders and cumulative spend and will investigate cumulative spend in specific areas of expenditure in the year to 31 July 2012.

During the year, each FE College carried out a programme of internal audit reviews in line with the audit needs assessment, carried out on a risk based approach, and performed by an externally appointed provider operating in accordance with Government Internal Audit Standards (GIAS). In line with normal procedures, the Department follows up any internal audit opinions of less than satisfactory with the relevant colleges and these colleges provide the Department with details as to how the recommendations are being implemented. The Colleges have advised the following areas where their audit reviews have received assurance opinions which are less than satisfactory:

- BMC received a 'limited' assurance in the area of Safeguarding of Assets in March 2011. There was one priority one issue relating specifically to control and management of laptops. A follow up review in August 2011 confirmed that actions had been taken to address the issues raised and the rating in this area was subsequently revised to 'satisfactory'.
- BMC are continuing to implement recommendations from an internal audit review of Freedom of Information and Data Protection from May 2010 where a 'limited' assurance opinion was given.
- In May 2011 NRC received an internal audit report with one priority one issue leading to a 'limited' assurance in the area of Part-time Lecturers' Payroll. This included a recommendation that the current claim form based system for making payments to part-time lecturers should be replaced with a more efficient system and stronger controls should be implemented. A project team has been working on the implementation of this recommendation and a small initial pilot of the new system has taken place.

Fraud Reporting

During 2011-12, the FE and Higher Education (HE) sectors reported 24 and five suspected frauds respectively. In each case an investigation was carried out and where relevant, any recommendations forthcoming are being implemented and policies and procedures updated. There was one suspected fraud reported by the Employment Service in the Andersonstown Jobs & Benefit Office. The case has been fully investigated by Internal Audit and relevant further action, including investigation by the Police Service for Northern Ireland, is being undertaken as required. There was also one suspected fraud in Skills and Industry Division in respect of the Management Analysis and Planning Programme (MAP), which is currently under investigation by Internal Audit.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2012

FAST Annual Report

FAST has provided a satisfactory assurance to the Department for 2011-12. However, it specifically gives a 'Qualified Assurance' opinion in relation to the Steps-to-Work programme because of significant issues in three out of nine inspections of Lead Contractors. Remedial action has been taken in the case of these Lead Contractors. All FAST recommendations for the year have been accepted and are being implemented with follow-up inspections scheduled for 2012-13. All Lead Contractors are subject to ongoing monitoring, and contract performance is reviewed by the Department on a regular basis.

Internal Audit Issues

DFP Internal Audit has provided an overall satisfactory level of assurance on Enterprise Shared Services (ESS) for 2011-12. Within ESS it has provided a satisfactory level of assurance on Account NI, HR Connect, IT Assist and the Centre for Applied Learning.

Information Assurance

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

- three third party data breaches;
- three incidents of accidental release of data in a document; and
- three incidents of incorrectly addressed client data.

In addition there was one incident of personal data being lost, and in line with Information Commission guidelines, this incident was not referred to the Information Commissioner due to the small amount of data involved. On each occasion a full and thorough investigation took place and corrective measures put in place to mitigate against future occurrences.

During the course of the year the Department's Information Security and Assurance Framework, as well as the policies and procedures contained therein, were reviewed and developed.

Other Issues

Following disclosures in the local press in March 2011, the then Minister concluded that the position of his Special Adviser had become untenable and consequently dismissed him. He subsequently announced an independent review of the Department's decision-making processes to determine whether there was any evidence of inappropriate influence on these processes by the Adviser. Completed in October 2011, the review found no evidence that the Special Adviser had at any time inappropriately influenced or sought to influence policy making or decisions.



Alan Shannon
Accounting Officer
27 June 2012

**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 2012**

DEPARTMENT FOR EMPLOYMENT AND LEARNING

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

I certify that I have audited the financial statements of the Department for Employment and Learning for the year ended 31st March 2012 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31st March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income have been applied to the purposes intended by the Assembly

**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 2012**

and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31st March 2012 and of its net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

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

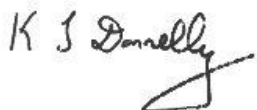
Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
29 June 2012*

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF ASSEMBLY SUPPLY
for the year ended 31 March 2012

Summary of Resource Outturn 2011-12

								2011-12 £000	2010-11 £000
Request for Resources	Note	Estimate			Outturn			Net Total outturn compared with Estimate: saving/(excess)	Net Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
A	2	891,320	(44,695)	846,625	882,762	(43,832)	838,930	7,695	850,759
Total resources	2	891,320	(44,695)	846,625	882,762	(43,832)	838,930	7,695	850,759
Non-operating cost Accruing Resources			(42,043)	(42,043)		(42,040)	(42,040)	(3)	(53,500)

Net cash requirement 2011-12

Net cash requirement 2011-12				2011-12 £000	2010-11 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement	4	1,074,431	1,005,778	68,653	966,583

Summary of Income Payable to the Consolidated Fund

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

		2011-12 £000 Forecast		2011-12 £000 Outturn	
Note		Income	Receipts	Income	Receipts
Total	5	-	-	3,934	4,627

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

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2012

			2011-12 £000	2010-11 £000
	<i>Note</i>			
		Staff Costs	Other Costs	Income
Administration Costs:				
Staff costs	9	16,987		17,060
Other administration costs	10		17,381	18,223
Operating income	12			(17)
				(316)
Programme Costs:				
Request for resources A				
Staff costs	9	44,365		43,283
Programme costs	11		891,664	855,027
Income	12			(123,263)
				(100,583)
Totals		61,352	909,045	(123,280)
Net Operating Cost for the year ended 31 March	3.1			847,117
				832,694

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF OTHER COMPREHENSIVE EXPENDITURE
for the year ended 31 March 2012

	2011-12 £000	2010-11 £000
Net gain/(loss) on revaluation of Property, Plant and Equipment	271	(848)
Net gain/(loss) on revaluation of Intangibles	1	8
Net gain/(loss) on revaluation of Assets Held for Sale	-	-
Total Comprehensive Expenditure for the year ended 31 March 2012	272	(840)

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF FINANCIAL POSITION
as at 31 March 2012

		2012 £000	2011 £000
	<i>Note</i>		
Non-current assets:			
Property, plant and equipment	13	3,029	4,185
Intangible Assets	14	24	176
Financial Assets – Student loans	16.1	1,356,472	1,203,499
Financial Assets – Other	16.2	2,338	2,338
Total non-current assets		1,361,863	1,210,198
Current assets:			
Assets classified as held for sale	15	150	-
Trade and other receivables	18	80,367	45,065
Cash and cash equivalents	19	16	11
Total current assets		80,533	45,076
Total assets		1,442,396	1,255,274
Current liabilities:			
Trade and other payables	21	(137,193)	(125,875)
Provisions	22	(22)	(48)
Total current liabilities		(137,215)	(125,923)
Non-current assets less net current liabilities		1,305,181	1,129,351
Non-current liabilities:			
Provisions	22	-	(18)
Other payables	21	(491)	(481)
Financial Liabilities	16.3	(23,244)	(24,131)
Total non-current liabilities		(23,735)	(24,630)
Assets less liabilities		1,281,446	1,104,721
Taxpayers' equity:			
General fund		1,281,058	1,104,388
Revaluation reserve		388	333
Total taxpayers' equity		1,281,446	1,104,721

Signed



Accounting Officer
27 June 2012

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF CASH FLOWS
for the year ended 31 March 2012

		2011-12 £000	2010-11 £000
	<i>Note</i>		
Cash flows from operating activities			
Net operating cost	3.1	(847,117)	(832,694)
Adjustments for non-cash transactions	9,10,11,12	51,182	27,529
(Increase)/Decrease in trade and other receivables	18	(35,302)	5,763
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		7,667	(1,024)
Increase/(Decrease) in trade and other payables	21	5,538	12,585
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(3,092)	(7,472)
Use of provisions	16.3,22	(721)	(11,544)
Net cash outflow from operating activities		(821,845)	(806,857)
Cash flows from investing activities			
Purchase of property, plant and equipment		(382)	(195)
Purchase of intangible assets		(13)	(21)
Loans to other bodies	16.2	-	-
Student Loan Funding		(228,216)	(221,937)
Repayments from other bodies – Student Loans		39,308	54,338
Net cash outflow from investing activities		(189,303)	(167,815)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year	20	999,828	965,595
From the Consolidated Fund (Supply) – prior year	20	988	4,548
From the National Insurance Fund		9,997	9,005
Net financing		1,010,813	979,148
Net increase/(decrease) in cash and cash equivalents in the year before adjustments for receipts and payments to the Consolidated Fund		(335)	4,476
Payments of amounts due to the Consolidated Fund		(5,450)	(98)
Net increase/(decrease) in cash and cash equivalents in the year after adjustments for receipts and payments to the Consolidated Fund		(5,785)	4,378
Cash and cash equivalents at the beginning of the year	19	(172)	(4,550)
Cash and cash equivalents at the end of the year	19	(5,957)	(172)

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2012

	<i>Note</i>	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010		955,554	1,436	956,990
Net Assembly Funding – drawn down		965,595	-	965,595
National Insurance Fund	3.1	8,558	-	8,558
Supply (payable)/receivable adjustment	18	988	-	988
CFERs payable to the Consolidated Fund	21	(4,594)	-	(4,594)
Comprehensive Net Expenditure for the Year	3.1	(832,694)	-	(832,694)
Prior period adjustment		92	-	92
Non-Cash Adjustments				
Non-cash charges – notional		10,516	-	10,516
Non-cash charges – auditor's remuneration	10	110	-	110
Movements in Reserves				
Transfers between reserves		263	(263)	-
Net (loss)/gain on revaluation of Property, Plant and Equipment		-	(848)	(848)
Net (loss)/gain on revaluation of Intangible assets		-	8	8
Balance at 31 March 2011		1,104,388	333	1,104,721
Net Assembly Funding – drawn down		999,828	-	999,828
National Insurance Fund	3.1	11,266	-	11,266
Supply (payable)/receivable adjustment	18	5,950	-	5,950
CFERs payable to the Consolidated Fund	21	(3,934)	-	(3,934)
Comprehensive Expenditure for the Year	3.1	(847,117)	-	(847,117)
Non-Cash Adjustments				
Non-cash charges – notional	9,10	10,350	-	10,350
Non-cash charges – auditor's remuneration	10	110	-	110
Movements in Reserves				
Transfers between reserves		217	(217)	-
Net (loss)/gain on revaluation of Property, Plant and Equipment		-	271	271
Net (loss)/gain on revaluation of Intangible assets		-	1	1
Balance at 31 March 2012		1,281,058	388	1,281,446

The notes on pages 90 to 130 form part of these accounts

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2012

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Employment and Learning for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department for Employment and Learning are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

1.1 Accounting convention

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

1.2 Property, plant and equipment and intangible assets

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

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

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

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

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of land and buildings are undertaken every five years by Land and Property Services (LPS). The last valuation took place at 31 March 2010. They are revalued annually, between professional valuations, using indices provided by LPS, an executive agency within DFP. Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated

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replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs.

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

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

1.3 Depreciation

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

Specialised buildings	50 years
Furniture and fittings	4 -10 years
Computer equipment and software	3 -10 years
Transport equipment	4 years

Valuations of property, plant and equipment and intangible assets are based on a review of values as at the reporting date. No depreciation is provided on freehold land.

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

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

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

1.4 Impairments

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a

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

1.5 *Non-current assets held for resale*

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year.

Non-current assets classified as held for sale are valued on the basis of open market value less any material directly attributable selling costs. Depreciation is not charged once an asset has been classified as held for sale.

In line with this revised definition, £150,000 was transferred from Property, Plant and Equipment, to Assets Held for Sale (2010-11: £nil) see Note 13 and Note 15.

1.6 *Investments*

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

Loans issued by the Department to Ulster Supported Employment Limited are shown at historical cost (Note 16.2) and have been included within Financial Assets.

1.7 *Operating income*

Operating income is income that relates directly to the operating activities of the Department. It comprises effective interest from student loans and 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.

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1.8 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in *FReM* by the Department of Finance and Personnel.

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

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

1.9 Financial assets

The Department measures and presents financial instruments in accordance with IAS 32, IAS 39 and IFRS 7 as modified by the *FReM*. The Department holds financial assets in the form of loans to students, loans to Ulster Supported Employment Limited as well as trade receivables, cash and cash equivalents. Financial assets which are due to be repaid within one year are shown within current assets on the Statement of Financial Position.

1.9.1 Student loan valuation

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

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

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

Measurement and carrying values

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

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

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

Income Contingent loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1% whichever is the lower (‘the Base Rate Cap’). The Department estimates the future cash flows arising from repayments, and discounts these at 2.2% plus RPI to represent the Government’s cost of borrowing and therefore to determine the current value of the loans. The Department increases the accumulated amortisation based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions.

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

Impairment of future cash flows

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

Further details of the movements in the loan valuation can be found in Note 16, while disclosures relating to risk can be found in Note 25.

1.9.2 Other financial assets

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

1.10 Financial liabilities

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

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Financial liabilities include legal or constructive obligations for student support cost related to student loans which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant the estimated risk adjusted cash flows are discounted using the Treasury discount rate for provisions of 2.2%.

1.11 *Employee Benefits including Pensions*

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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS (NI)) which are described in Note 9. The defined benefit scheme is unfunded and is non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

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

1.12 *European Union (EU) income*

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

1.13 *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*

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

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1.15 Grants payable

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

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

1.16 Provisions

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. As shown in Note 22 this includes the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.

1.17 Contingent liabilities

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

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

1.18 Third party assets

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

1.19 Foreign Exchange

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

1.20 Impending application of newly issued accounting standards not yet effective

The IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards have an effective date of January 2013, but have not yet been EU adopted. The application of these IFRS changes is subject to further review by Treasury and the other Relevant Authorities before due process consultation.

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Accounting boundary IFRSs are currently adapted in the *FReM* so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A review of the NI financial process is currently under discussion with the Executive, which will bring NI departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of NDPBs and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10), and where joint arrangements need reassessing.

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2. Analysis of net resource outturn by section

							2011-12 £000	2010-11 £000	
	Outturn						Estimate		
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Net Total outturn compared with Estimate	Prior- year outturn
Request for Resources A:									
<i>Promoting economic, social and personal development through high quality learning, research and skills training</i>									
Employment and Skills	7,179	40,043	378,041	425,263	(17,284)	407,979	408,230	251	376,611
Higher Education	1,670	146	213,426	215,242	(1,156)	214,086	214,459	373	261,637
Student Support	-	134,725	128,292	263,017	-	263,017	263,269	252	214,763
Labour Market Services	12,456	7,110	308	19,874	(431)	19,443	19,469	26	17,750
ESF Payments - Public and Private Sector	2,603	42	15,864	18,509	(9,679)	8,830	8,865	35	8,689
Equal Pay	-	-	-	-	-	-	-	-	1,090
Annually Managed Expenditure									
Student Support	-	-	(77,031)	(77,031)	(15,282)	(92,313)	(86,926)	5,387	(71,353)
EU Exchange Rate									
Loss/(Gain)	-	-	-	-	-	-	-	-	2,533
Provisions	-	(23)	800	777	-	777	800	23	(4)
Revaluations	-	435	-	435	-	435	455	20	112
Employment Schemes	-	-	-	-	-	-	25	25	-
Non Budget									
Teachers' Premature Retirement - on-going liabilities	-	-	1,838	1,838	-	1,838	1,840	2	1,791
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Ulster Supported Employment Limited	-	-	678	678	-	678	898	220	634
Labour Relations Agency	-	-	3,700	3,700	-	3,700	3,700	-	3,110
Notional Charges	10,460	-	-	10,460	-	10,460	11,540	1,080	10,626
Prior Period Adjustments	-	-	-	-	-	-	-	-	22,770
Resource Outturn	34,368	182,478	665,916	882,762	(43,832)	838,930	846,625	7,695	850,759

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Explanation of the variation between Estimate and Outturn (2011-12)

Resource Outturn for 2011-12 was £838.9m compared to an allocation of £846.6m in the Estimates, resulting in an easement of £7.7m or 0.9%.

Employment and Skills

Employment and Skills recorded a total easement of £0.25m arising for a variety of reasons, including:

- Demand for Bridge to Employment and Up skilling programmes being lower than expected (0.5m);
- Funding requirement by Education and Library Boards being lower than anticipated (£0.3m);
- Demand for TFS and Apprenticeships Ni being lower than forecast (£0.2m);
- Frontline staffing costs being lower than forecast due to staffing levels (£0.5m) and associated administration costs (£0.2m);
- Demand led programmes for disabled people being lower than anticipated (£0.5m);
- Demand for Investors in People standard being lower than anticipated (£0.3m); and
- Anticipated costs associated with an historical asbestosis case were successfully funded through an insurer (£0.3m)

Increased requirements arose due to:

- FE Recurrent grant requirement being higher than forecast (£1.6m); and
- Felden impairment being higher than anticipated due to level of assessment of proceeds less costs to disposal (£0.5m) Belfast Metropolitan College estimated costs being higher than forecast (£0.5m).

Higher Education

- Higher Education recorded a total easement of £0.4m arising from delays in the commencement or reduced progress of several programmes, particularly the Sign Language, International Students Initiative, and the HE Strategy projects.

Student Support

Student Support experienced a total easement of £0.25m arising for a variety of reasons, including:

- Reduced requirement in respect of demand led funding in respect of HE Bursaries, Supplementary Allowances and tuition fees, forecasts supplied by the Student Loans Company (£1.1m);
- Reduced funding requirement from Education and Library Boards (£0.3m); and
- Reduced funding requirement from Student Loans Company (£0.3m).

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Increased requirements arose due to:

- Increased cost of Notional Loan Subsidy (£0.7m); and
- Increased demand for EMA Allowances (£0.8m).

Student Support - Annually Managed Expenditure

This experienced a total easement of £5.4m due to borrowing costs on student loans impairments as a result of the movement between Office for Budget Responsibility (OBR) RPI forecast and actual RPI.

Non Budget

Grant in aid funding to Ulster Supported Employment recorded an easement of £0.2m due to uncertainty in the forecasting provided as a result of trading conditions. An easement of £1m arose in respect of notional charges due to actual costs being lower than forecast.

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

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

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

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

Under the previous budgetary structure the Department's objectives were as follows:

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

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

3.1 Reconciliation of net resource outturn to net operating cost

				2011-12 £000	2010-11 £000
	<i>Note</i>	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	838,930	846,625	(7,695)	850,759
Prior Period Adjustments:					
Effective interest & Base Rate Cap	2	-	-	-	(22,770)
Non-supply income (CFERs)	6	(3,155)	-	(3,155)	(3,853)
Non-supply expenditure:					
Redundancy Fund Payments	11	11,266	10,500	766	8,558
EU Pre Negative DEL	11	76	-	76	-
Net Operating Cost		847,117	857,125	(10,008)	832,694

3.2 Outturn against final Administration Budget

		2011-12 £000	2010-11 £000
	Budget	Outturn	Outturn
Gross Administration Budget	24,328	23,908	24,657
Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	24,328	23,908	24,657

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4. Reconciliation of net resource outturn to net cash requirement

	<i>Note</i>	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/(excess) £000
Resource Outturn	2	846,625	838,930	7,695
Capital				
Acquisition of property, plant and equipment	13	-	28	(28)
Acquisition of intangible assets	14	-	13	(13)
Investments	16.2	-	-	-
Investments – student loans funding	16.1	239,245	235,253	3,992
Non-operating Accruing Resources				
Student loan repayments applied		(42,040)	(42,040)	-
Accruals adjustments				
Non-cash items	9,10,11,12	(60,533)	(54,320)	(6,213)
Changes in working capital other than cash		90,412	27,203	63,209
Changes in payables falling due after more than one year	21	-	(10)	10
Use of provisions & financial liabilities	16.3,22	722	721	1
Net cash requirement		1,074,431	1,005,778	68,653

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

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5. Analysis of income payable to the Consolidated Fund

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

	<i>Note</i>	Forecast 2011-12 £000		Outturn 2011-12 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	3,138	3,869
Other operating income and receipts not classified as Accruing Resources		-	-	17	17
		-	-	3,155	3,886
Non-operating income and receipts – excess Accruing Resources	7	-	-	779	741
Amounts collected on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		-	-	3,934	4,627

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

	<i>Note</i>	2011-12 £000	2010-11 £000
Operating income	12	123,830	100,899
Adjustments for transactions between RfRs		-	-
Gross income	12	123,830	100,899
Income authorised to be Accruing Resources		(120,675)	(97,046)
Operating income payable to the Consolidated Fund	3.1	3,155	3,853

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7. Non-operating income – Excess Accruing Resources

	2011-12 £000	2010-11 £000
Student Loan repayments	779	741
Non-operating income – excess Accruing Resources	779	741

8. Statement of Operating Costs by Operating Segment

The Department's operating segments have been identified by the structure of activities, the division of responsibilities and the basis of reporting to the Accounting Officer. The reportable segments have therefore been identified as the units of service within the Department, with the exception of Finance, HR and Top Management. Net assets are not reported in this way.

The main activities of the Operating Segments comprise:

Employment & Skills - Further and adult education, youth and adult skills training, management and enterprise training.

Higher Education - Funding and support of higher education, including universities and colleges of education.

Student Support - Funding and support to students, including student loans, Education and Maintenance Allowances and other matters relating to tertiary education.

Labour Market Services - Labour market services, including employment law, tribunals and labour relations, redundancy payments, employment schemes and services including those for people with disabilities.

EU - Payments and associated income under the European Union Programmes.

	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	2011-12 Total £000
Gross Expenditure	427,669	215,242	185,986	14,484	15,906	859,287
Income	(17,284)	(1,156)	(15,282)	(431)	(9,679)	(43,832)
Net Expenditure	410,385	214,086	170,704	14,053	6,227	815,455

	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	2010-11 Total £000
Gross Expenditure	391,378	264,939	176,765	10,130	18,510	861,722
Income	(12,800)	(3,302)	(10,585)	(347)	(9,817)	(36,851)
Net Expenditure	378,578	261,637	166,180	9,783	8,693	824,871

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8.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure (SoCNE)

						2011-12	
	<i>Note</i>	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	Total £000
Total Net Expenditure per SoCNE by Operating Segment		410,385	214,086	170,704	14,053	6,227	815,455
Income – CFERS		-	-	(3,138)	-	-	(3,138)
Non supply expenditure		-	-	-	11,265	76	11,341
		410,385	214,086	167,566	25,318	6,303	823,658
Reconciling Item: Finance, Corporate Services and Top Management							23,459
Total Net Expenditure per SoCNE	3.1						847,117

						2010-11	
	<i>Note</i>	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	Total £000
Total Net Expenditure per SoCNE by Operating Segment		378,578	261,637	166,180	9,783	8,693	824,871
Income – CFERS		-	-	(3,637)	-	-	(3,637)
Prior Period Adjustment		-	-	(22,770)	-	-	(22,770)
Non supply expenditure		-	-	-	8,558	-	8,558
		378,578	261,637	139,773	18,341	8,693	807,022
Reconciling Item: Finance, Corporate Services and Top Management							25,672
Total Net Expenditure per SoCNE	3.1						832,694

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8.2 Reconciliation between Operating Segments and Note 2

							2011-12
	<i>Note</i>	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	Total £000
Total Net Expenditure per SoCNE by Operating Segment		410,385	214,086	170,704	14,053	6,227	815,455
Reconciling Item: Finance, Corporate Services and Top Management							23,475
Net outturn per statement of Assembly supply	2						838,930
							2010-11
	<i>Note</i>	Employment & Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	Total £000
Total Net Expenditure per SoCNE by Operating Segment		378,578	261,637	166,180	9,783	8,693	824,871
Reconciling Item: Finance, Corporate Services and Top Management							25,888
Net outturn per statement of Assembly supply	2						850,759

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9. Staff numbers and related costs

Staff costs comprise:

	2011-12 £000					2010-11 £000
	Total	Permanently Employed Staff	Others	Minister	Special Advisers	Total
Wages and salaries*	47,723	47,548	87	37	51	48,191
Social security costs	2,916	2,897	10	4	5	3,960
Other pension costs	11,668	11,648	-	9	11	9,095
Subtotal	62,307	62,093	97	50	67	61,246
Less recoveries in respect of outward secondments	(955)	(955)	-	-	-	(903)
Total net costs	61,352	61,138	97	50	67	60,343
Of which:						
Core Department	61,352	61,138	97	50	67	60,343

* The cost in relation to the Minister of £50k (2010-11: £52k) is a notional charge.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) is an unfunded multi-employer defined benefit scheme, but the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS (NI) resource accounts.

For 2011-12, employers' contributions of £11,648k were payable to the PCSPS (NI) (2010-11: £9,086k) at one of four rates in the range 18% to 25% (2010-11: 18% to 25%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions following a full scheme valuation. The rates remain in the range 18% to 25% for 2012-13. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £3,429.53 (2010-11: £3,741.57) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-

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related and range from 3% to 12.5% (2010-11: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2010-11: 3%) of pensionable pay. In addition, employer contributions of £287.10 (0.8%; 2010-11: £342.95, 0.8%) of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Five persons (2010-11: five persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,957 (2010-11: £9,708).

Average number of persons employed

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

Activity	2011-12 Number					2010-11 Number
	Total	Permanently Employed Staff	Others	Minister	Special Advisers	Total
1	1,939	1,930	7	1	1	1,956
Staff engaged on capital projects	-	-	-	-	-	-
Total	1,939	1,930	7	1	1	1,956

9.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2011-12		2010-11
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	1	1
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages by type	-	3	3
Total resource cost (£000)	-	103	103

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

10. Other Administration Costs

	<i>Note</i>	2011-12 £000	2010-11 £000
Other expenditure		6,971	7,649
Non-cash items:			
Auditors' remuneration and expenses		110	110
Early Retirement Provision	22	-	-
Accommodation costs (DFP)		5,950	6,162
Other notional costs		<u>4,350</u>	<u>4,302</u>
Total		<u>17,381</u>	<u>18,223</u>

During the year, the Department did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office.

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11. Programme Costs

	<i>Note</i>	2011-12 £000	2010-11 £000
Current grants and other current expenditure		744,337	755,773
Non-voted expenditure	3.1	11,342	8,558
Non-cash items:			
Depreciation	13,14	384	298
Impairment of property, plant and equipment		1,085	612
Loss on disposal of property, plant and equipment	13,14	2	-
Student loan balance transfer	16.1	(3)	(15)
Provisions provided for/ released in year	22	(23)	(4)
Financial liability and impairments provided for	16.1a, 16.1b, 16.3	134,009	89,254
Borrowing costs on financial liability	16.3	531	551
Total		891,664	855,027

12. Income

	2011-12 £000	2010-11 £000
Administration	17	316
Programme	839	891
Student Loan – Effective Interest	95,263	73,793
Science Research Investment Fund	798	3,078
EU	26,363	22,821
Total	123,280	100,899

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

- Administration income £17k (2010-11: £316k);
- Student Loan Effective Interest £3,138k (2010-11: £3,013k); and
- EU income £nil (2010-11: £524k).

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13. Property, plant and equipment

	Land £000	Buildings £000	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or valuation						
At 1 April 2011	1,740	1,760	-	360	692	4,552
Additions	-	-	19	3	6	28
Disposals	-	-	-	(21)	(20)	(41)
Revaluations	(990)	140	-	(25)	11	(864)
Reclassification	(150)	-	-	-	-	(150)
At 31 March 2012	600	1,900	19	317	689	3,525
Depreciation						
At 1 April 2011	-	-	-	43	324	367
Charged in year	-	49	4	105	60	218
Disposals	-	-	-	(21)	(18)	(39)
Revaluations	-	(49)	-	(9)	8	(50)
At 31 March 2012	-	-	4	118	374	496
Carrying amount at 31 March 2012	600	1,900	15	199	315	3,029
Carrying amount at 31 March 2011	1,740	1,760	-	317	368	4,185
Asset financing						
Owned	600	1,900	15	199	315	3,029
Finance Leased	-	-	-	-	-	-
Carrying amount at 31 March 2012	600	1,900	15	199	315	3,029

Land and Property Services carried out an interim valuation of Land and Buildings at 31 March 2012 based on the last full valuation at 31 March 2010.

Transport Equipment, Information Technology, and Furniture & Fittings are valued using indices.

Reclassification relates to Land and Buildings qualifying as Assets Held for Sale – see Note 15.

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13. Property, plant and equipment (continued)

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

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14. Intangible Assets

	Software License £000	Externally Developed Software £000	Total £000
Cost or valuation			
At 1 April 2011	23	477	500
Additions	-	13	13
Disposals	-	-	-
Revaluations	1	-	1
At 31 March 2012	24	490	514
Amortisation			
At 1 April 2011	6	318	324
Charged in year	6	160	166
Disposals	-	-	-
Revaluations	-	-	-
At 31 March 2012	12	478	490
Carrying amount at 31 March 2012	12	12	24
Carrying amount at 31 March 2011	17	159	176
Asset financing			
Owned	12	-	12
Finance Leased	-	12	12
Carrying amount at 31 March 2012	12	12	24

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14. Intangible Assets (continued)

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

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15. Assets Classified as Held for Sale

	<i>Note</i>	2011-12 £000	2010-11 £000
Balance at 1 April		-	-
Reclassification from Property, Plant & Equipment	<i>13</i>	150	-
Balance at 31 March		150	-

In accordance with *FReM*, assets which the Department has identified as surplus to requirement and held pending disposal have been written down to their recoverable amount and included as current assets.

Assets held for resale comprise land and buildings at Felden, Mill Road, Newtownabbey. The property is being offered for sale in anticipation of disposal being confirmed in 2012-13.

16. Investments - Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed too little credit, liquidity or market risk.

16.1 Student Loans

	<i>Note</i>	2011-12 £000	2010-11 £000
Total value of loans outstanding at 1 April		1,203,499	1,052,606
Additional loan funding		235,253	221,704
Repayments		(42,819)	(54,241)
New Impairments			
Deferment and Default	<i>16.1a</i>	(38,967)	(23,057)
Interest Subsidy	<i>16.1b</i>	(95,760)	(67,321)
Prior Period Adjustment – Base Rate Cap		-	-
Balance Transfer	<i>11</i>	3	15
Effective Interest		95,263	73,793
Total value of loans at 31 March		1,356,472	1,203,499

The Student Loans Company Limited issues loans on behalf of DEL for Northern Ireland, the Department for Business, Innovation and Skills (in England and Wales) and the Scottish

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

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the HMT discount rate. In 2011-12 the effective interest rate was 7.92% (2010-11: 6.9%).

As outlined on the Statement of Cash Flows, student loan cash advances for the year were £228,216k (2010-11: £221,937k) and repayments were £39,308k (2010-11: £54,338k).

16.1a Movements on Deferment and Default Impairment

	2011-12 £000	2010-11 £000
Balance at 1 April	173,476	141,121
Increase in the year	38,967	23,057
Loans Written off	(488)	(441)
Borrowing costs	13,732	9,739
	<hr/>	<hr/>
Balance at 31 March	<u>225,687</u>	<u>173,476</u>

The student loan deferment and default impairment reflects the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or other causes. Each year the Department estimates the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loans Company.

16.1b Interest Subsidy Impairment

	2011-12 £000	2010-11 £000
Balance at 1 April	162,428	165,041
Increase in the year	95,760	67,321
Utilisation in the year	(103,432)	(80,173)
Borrowing costs	12,857	10,239
	<hr/>	<hr/>
Balance at 31 March	<u>167,613</u>	<u>162,428</u>

Student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1%, whichever is the lower. The Department meets the costs resulting from difference between the forecast future interest paid by students and the cost of capital on loans, which is known as the interest subsidy. The interest subsidy impairment therefore reflects the cost to the Government of issuing and holding the loan. The Department

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increases the impairment based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earning on graduation and other assumptions.

The estimates underpinning these impairments are based on a forecasting model (the Student Loan Repayment model) which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimates the likely repayments of student loans. The valuation is based on a set of simulated borrower profiles, derived from a complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these Accounts.

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate as at 31 March 2012.

Key assumptions used to calculate the student loan balance at 31 March 2012

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

Discount rate

To value the future cash flows, the Department has used the HM Treasury's long-term discount rate of 2.2% plus RPI, which represents the Government's cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from this rate - reflecting the buyers' cost of capital and assessment of risk.

Graduate earnings and employment

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

Other assumptions

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

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16.2 Investments in other Public Sector Bodies – Ulster Supported Employment Limited Loan

	2011-12 £000	2010-11 £000
Balance at 1 April	2,338	2,338
Additions	-	-
Balance at 31 March	2,338	2,338

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

16.3 Financial Liabilities

	Debt sale £000	Total £000
Balance at 1 April 2011	24,131	24,131
Provisions not required written back	(718)	(718)
Borrowing costs	531	531
Payments	(700)	(700)
Balance at 31 March 2012	23,244	23,244

Student loan debt sale costs

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

17. Impairments

	2011-12 £000	2010-11 £000
Charged direct to the Statement of Comprehensive Net Expenditure	1,085	612
Taken through the revaluation reserve	(272)	840
Property, Plant and Equipment impairment charge for the year	813	1,452

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18. Trade receivables and other current assets

	2011-12 £000	2010-11 £000
Amounts falling due within one year:		
Trade receivables	4,675	1,795
Deposits and advances	4,809	1,643
Other receivables:		
VAT	230	444
EU receivables	59,242	33,902
Due from National Insurance Fund	3,845	2,643
Prepayments and accrued income	1,616	3,650
Amounts due from the Consolidated Fund in respect of supply	5,950	988
	80,367	45,065

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

- EU receivables £1,784k (2010-11: £2,653k); and
- Trade receivable £779k (2010-11: £741k).

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

	2011-12 £000	2010-11 £000
At 1 April	114	122
Impairment losses recognised on receivables	800	-
Amounts written off as uncollectable	-	(8)
At 31 March	914	114

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

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18.1 Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balances with other central government bodies	13,916	4,897	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Bodies	-	-	-	-
Balances with public corporations and trading funds	95	112	-	-
Subtotal: intra-government balances	14,011	5,009	-	-
Balances with bodies external to government	66,356	40,056	-	-
Total receivables at 31 March	80,367	45,065	-	-

19. Cash and cash equivalents

		2011-12 £000	2010-11 £000
Balance at 1 April		(172)	(4,550)
Net change in cash and cash equivalent balances		(5,785)	4,378
Balance at 31 March		(5,957)	(172)
		2011-12 £000	2010-11 £000
The following balances at 31 March were held at:	<i>Note</i>		
Commercial banks	21	(5,973)	(183)
Cash in hand		16	11
Balance at 31 March		(5,957)	(172)

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

	2011-12 £000	2010-11 £000
Net cash requirement	(1,005,778)	(966,583)
From the Consolidated Fund (Supply) – current year	999,828	965,595
From the Consolidated Fund (Supply) – prior year	988	4,548
Amounts due to the Consolidated Fund received and paid over	(840)	(22)
Amounts due to the Consolidated Fund received and not paid over	17	840
Increase/(decrease) in cash	(5,785)	4,378

21. Trade payables and other current liabilities

	2011-12 £000	2010-11 £000
Amounts falling due within one year		
Trade payables	8,418	5,993
Accruals and deferred income	116,919	112,220
Other payables:		
Consolidated Fund extra receipts due to be paid to the Consolidated Fund in respect of EU - Receivable	1,784	2,653
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	17	840
Receivable	3,917	3,754
Amounts due to National Insurance Fund	165	232
Bank overdraft	5,973	183
	137,193	125,875
Amounts falling due after more than one year		
Other payables, accruals and deferred income	491	481
	491	481

Note

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21.1 Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balances with other central government bodies	10,013	9,325	-	-
Balances with local authorities	46	67	-	-
Balances with NHS Bodies	-	11	-	-
Balances with public corporations and trading funds	6	197	-	-
Subtotal: intra-government balances	10,065	9,600	-	-
Balances with bodies external to government	127,128	116,275	491	481
Total payables at 31 March	137,193	125,875	491	481

22. Provisions for liabilities and charges

	Early Departure £000	Total £000
Balance at 1 April 2011	66	66
Provided in the year	14	14
Provisions release	(37)	(37)
Provisions utilised in year	(21)	(21)
Balance at 31 March 2012	22	22

Analysis of expected timing of discounted flows

	Early Departure £000	Total £000
Not later than one year	22	22
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2012	22	22

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22.1 Early departure costs

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

23. Capital and other commitments

23.1 Capital Commitments

	2011-12 £000	2010-11 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements	-	-

23.2 Commitments under leases

Operating leases

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

	2011-12 £000	2010-11 £000
Obligations under operating leases for the following periods comprise:		
<i>Buildings</i>		
Not later than one year	-	26
Later than one year and not later than five years	-	54
Later than five years	-	-
	-	80
<i>Other</i>		
Not later than one year	5	12
Later than one year and not later than five years	1	4
Later than five years	-	-
	6	16

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24. Financial Guarantees, Indemnities and Letters of Comfort

The Department has entered into the following quantifiable guarantees or provided letters of comfort. None of these are contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They, therefore, fall to be measured following the requirements of IAS 39.

Managing Public Money Northern Ireland requires that the full potential costs of such contracts be reported to the Assembly. These costs are reproduced in the table below.

	1 April 2011 £000	Increase in Year £000	Liabilities crystallised in year £000	Obligation expired in Year £000	31 March 2012 £000	Amount Reported to Parliament by Departmental Minutes
Guarantees	-	-	-	-	-	-
Letters of Comfort	-	-	-	-	-	-

24.1 FE Colleges – Letters of Comfort

Four FE Colleges have signed PPP agreements with contractors for the design, construction and maintenance of new college buildings.

As part of the normal funding arrangements, the Department has provided assurances to the colleges that it would provide grant funding to enable these obligations to be met. This includes a bullet payment due by one college to a contractor of £15m plus VAT on 1 August 2012.

This does not represent either:

- a financial instrument; or
- a liability falling within Assembly reporting requirements.

25. Financial Instruments

The Department measures and presents financial instruments in accordance with IAS 32, IAS 39 and IFRS 7 as interpreted by the *FReM*. IFRS 7 (Disclosure of financial instruments) requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments.

Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, IAS 39 and IFRS 7 mainly apply, because of the largely non-trading nature of the Department's activities, and the way that government is financed.

However, the student loan asset is a significant part of the Department's Statement of Financial Position, and the valuation is based on a complex set of assumptions, including borrowers' earnings on graduation and their likely earnings growth over the life of the loan (25 years). Any

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changes to these assumptions could have a significant impact on the value of the loan book included in the accounts.

Financial Assets at carrying value

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

Financial Liabilities at carrying value

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

Fair values of financial instruments

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

Loan to Ulster Supported Employment Limited

The Department's loan to Ulster Supported Employment Limited £2.3m (2010-11: £2.3m) neither pays interest nor has a maturity date and is secured by a charge on the company's undertaking and property. It is not regarded as tradable on an organised market in a standard form as it is an integral part of the Department's involvement in training and employment for the disabled. Accordingly, it is not practical to estimate a fair value with sufficient reliability.

Student loans

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

Legislation was passed in England during 2010-11 to enable the student loans to be sold in England and Wales. However, as at 31 March 2012, no loans have been sold and there will not be a sale until market conditions improve.

In the absence of an active market for the loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans in Note 16 is the most reliable method to derive fair value. In deriving this figure, the Department has used the Treasury's long-term discount rate of 2.2%, which represents the government's cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's 2.2%. If the discount rate applied was greater than 2.2%, the fair value of the student loans may be lower than the values calculated on the basis applied here.

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Credit Risk

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

As disclosed in Note 16 and the accounting policy Note 1.9, the Department estimates the value of future write-offs when loans are issued, based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour.

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

There is a Memorandum of Understanding in place between BIS and the devolved administrations, including DEL who account for the loan book, the SLC who administers the loan book, and HMRC who collects repayments via the tax system. This sets out the responsibilities of all the parties and contains performance targets and indicators, which are revised annually. The Accounting Officers of HMRC and the SLC report quarterly to BIS's Accounting Officer on progress towards the agreed targets and performance indicators.

Interest rate risk

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

Liquidity Risk

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

Foreign Currency Risk

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

At 31 March 2012, with a 10% weakening or strengthening of sterling against the euro, the outturn for the year would have increased by £4.3m or decreased by £4.3m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated creditors.

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26. Contingent Liabilities as disclosed under IAS 37

a. Future Redundancy Payments

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

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

b. Student loan debt sale

Prior to devolution a tranche of student loans were sold to third parties. Under the terms of the sale, the Department and the other devolved administrations made subsidy payments to the third parties to reflect the preferential interest rate applied to student loans. The payments made were based on the difference between RPI (the rate applied to loans) and a variable rate of interest linked to the Bank of England rate. However during the economic downturn this differential became negative as RPI exceeded the variable rate, as such the third parties began to make payments to the Department. The third parties are now questioning whether they should continue making these payments to the Department and are taking legal advice with regard to making a challenge to seek reimbursement of the payments to date. The estimated potential liability is less than £550k.

c. Litigation cases

There are 28 outstanding litigation cases as at 31 March 2012. The estimated potential liability is less than £500k.

27. Losses and Special Payments

27.1a Losses Statement

	No of cases	2011-12 £000	2010-11 £000
Cash losses	334	95	225
Claims abandoned	-	-	-
Administrative write-offs	-	-	-
Fruitless Payments	-	-	-
Stores losses	-	-	-
Total	334	95	225

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27.1b Special Payments

	No of cases	2011-12 £000	2010-11 £000
	1	3	0.3
Total	1	3	0.3

28. Related-party Transactions

The Department sponsors the Labour Relations Agency, Ulster Supported Employment Limited and CITB - ConstructionSkills Northern Ireland. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

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

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

29. Third-party Assets

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

At 31 March 2012, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £30,911k (2010-11: £25,475k).

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30. Entities within the Departmental Boundary

These accounts comprise the accounts of the core Department.

The accounts of Ulster Supported Employment Limited (a company limited by guarantee), the Labour Relations Agency (a Non-Departmental public body) and CITB - ConstructionSkills Northern Ireland (a statutory training organisation), all of which are sponsored by the Department, are not included by way of consolidation.

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

From 1 April 2012, as a result of a ruling by the Office of National Statistics (ONS), the Further Education Colleges and Stranmillis College of Education are to be reclassified as being within the Departmental Boundary. The Department is currently working through the implications of this change.

31. Analysis of net operating cost by spending body

			2011-12 £000	2010-11 £000
	<i>Note</i>	<i>Estimate</i>	<i>Outturn</i>	<i>Outturn</i>
Spending Body:				
Core Department		857,125	847,117	832,694
Total	3.1	857,125	847,117	832,694

32. Events after the Reporting Date

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

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 29 June 2012.



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