

Department for the Economy
Annual Report and Accounts
For the year ended 31 March 2022

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

09 September 2022

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**DEPARTMENT FOR THE ECONOMY
PERFORMANCE REPORT
OVERVIEW
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Purpose of the Overview Section

The purpose of the overview section is to provide information on the Department for the Economy (DfE), its purpose, the key risks to the achievement of its objectives and to show how the Department has performed throughout the year.

Permanent Secretary's Overview

I am pleased to present the DfE Annual Report for 2021-22. The Report provides information about the range of activities in which the Department has been engaged over the past year and its performance against its key objectives and targets.

2021-22 has been another extremely demanding period for the Department as we responded to a number of challenges such as: the ongoing impacts of the pandemic including the emergence of the new Omicron variant; the lack of a functioning Executive for part of the year; and, planning our transition to hybrid working. Despite these challenges, throughout the year the Department has continued to be at the forefront of the economic response to Covid-19 whilst simultaneously delivering on a range of other key priorities aimed at promoting economic recovery.

Some of our significant achievements during the year include: the development of our Skills Strategy which will help people develop the skills required to meet the changing demands of the labour market; the introduction of parental bereavement leave into the employment law framework thus enhancing employment rights for vulnerable people at a difficult time of their lives; and, the launch of our Energy Strategy which reinforces Northern Ireland's commitment to addressing climate change. The Department can be very proud of these accomplishments.

In addition to our work on progressing key business as usual priorities, the Department also continued to prioritise the economic response to Covid-19. As restrictions began to ease following the rollout of the vaccine, we progressed our Economic Recovery Action Plan which ensured interventions were in place to support economic recovery. This included delivery of the High Street Scheme which launched in September 2021 providing a much needed economic boost for local businesses that had been most severely impacted by the pandemic.

2021-22 also saw us launch our ambitious 10x Economy - Economic Vision. This vision embraces innovation to deliver a ten times better economy that will benefit all of our people. In order to realise this vision we need to focus on innovation in areas where we have strengths and ensuring the gains from innovation mean something to all businesses, people and places in Northern Ireland. Overall we will see a positive impact on our economic, societal and environmental wellbeing and I am keen to progress this vision during the coming year and beyond.

In April 2021, I formally initiated the Organisational Transformation and Development (ODT) Programme which aims to radically transform the Department to become the agile, refocused, cohesive organisation that is needed to support the Northern Ireland economy over the next decade and beyond. Significant work was undertaken in the first

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year to develop the Programme Strategy and implementation plan and a number of projects commenced.

Despite difficult challenges during the year, the Department has continued to deliver for the people of Northern Ireland thanks to the hard work and commitment of our staff. I would like to take this opportunity to thank staff for their support and dedication throughout the year and as we continue in our endeavours to progress our economic recovery and vision for the future.

Mike Brennan

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Purpose and Activities

Introduction

The Department for the Economy was established in May 2016 as one of the nine central government Departments in Northern Ireland.

Vision, Mission and Strategic Objectives

The vision, mission and strategic objectives of the Department are set out below.

Our Vision

Our vision is for Northern Ireland prospering through a decade of innovation which will deliver an economy that is ten times better than it is today, with benefits for all our people.

Our Mission

Our mission is to develop and implement agile policies and programmes which promote a competitive, sustainable and inclusive economy through investment in:

- skills;
- economic infrastructure;
- research and innovation; and,
- business development.

Strategic Objectives

1. Accelerate innovation and research;
2. Enhance education, skills and employability;
3. Drive inclusive, sustainable growth;
4. Succeed in global markets;
5. Build the best economic infrastructure;
6. Deliver a regulatory environment that optimises economic opportunities for business and commerce, while also protecting consumers and workers; and,
7. Ensure the Department has effective governance, including programme and project management arrangements, and manages its resources, both financial and staff.

In order to deliver its Vision, Mission and Objectives the Department's Business Plan for 2021-22 focussed on the following 9 key Strategic Priorities:

1. Launching a Decade of Innovation;
2. Economic Recovery Action Plan;
3. The Skills Agenda;
4. Responding effectively to the outworking of EU Exit;
5. The Energy Strategy;
6. Enabling Digital Connectivity;
7. Parental Bereavement Leave and Pay;
8. Covid-19 grant schemes; and,
9. City Deals.

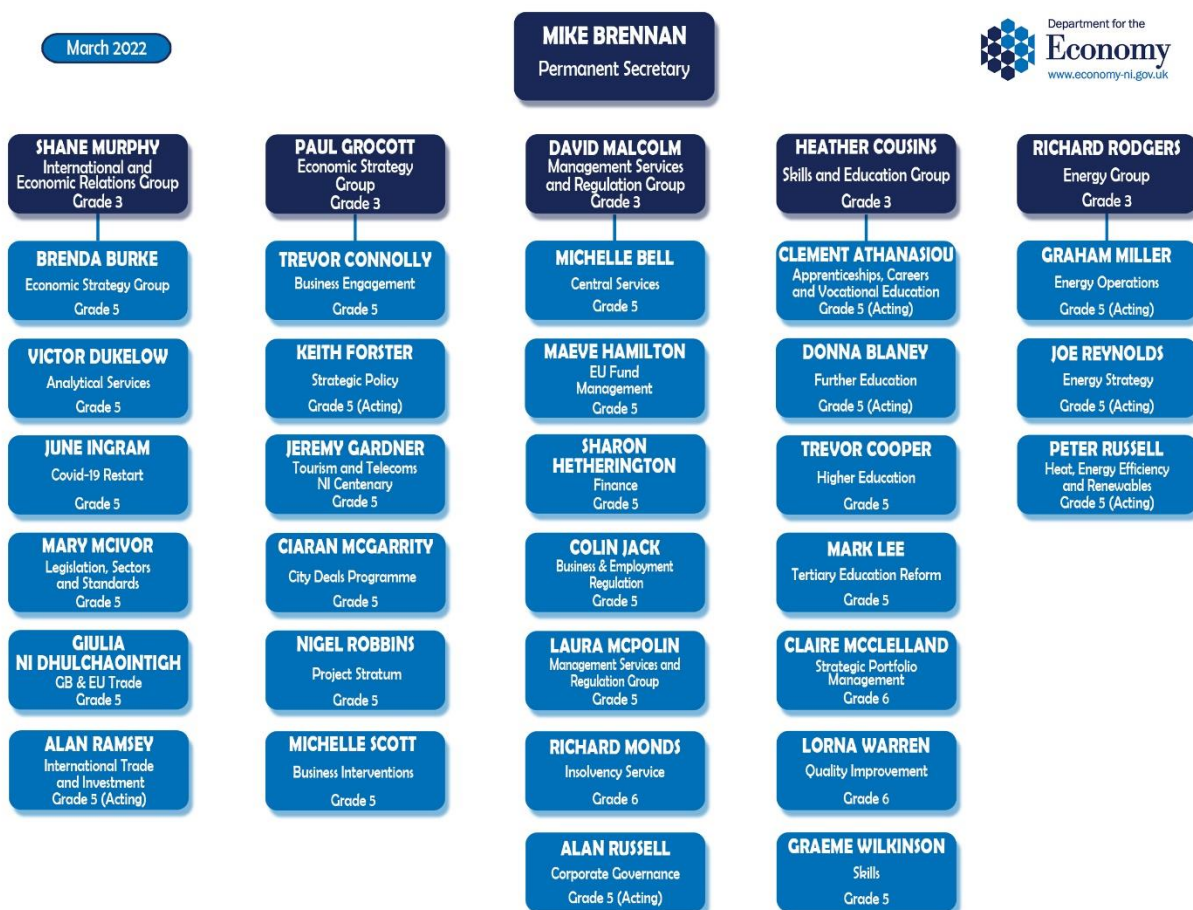
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Organisational Structure

The Department was structured into five main business areas (Groups) during 2021-22 as follows:

- International and Economic Relations Group;
- Economic Strategy Group;
- Management Services and Regulation Group;
- Skills and Education Group; and,
- Energy Group.

Operating under each of these Groups were a number of functionally independent Divisions, as outlined below¹:



¹ As normal run of business, there were a number of changes in staffing at senior levels during the year due to retirement, transfers etc. The chart reflects the position in March 2022.

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ECONOMIC CONTEXT

The Northern Ireland (NI) economy remains on the path to recovery but faces challenges posed by global economic headwinds and the lingering effects of the Covid-19 pandemic. High inflation, disrupted supply chains and increased uncertainty may inhibit economic growth and delay recovery.

The labour market has shown significant signs of recovery since the reopening of the economy. Employee numbers are at a record high and the claimant count is following a downward trend towards pre-pandemic levels. However, recovering consumer demand is tightening the market for labour, with recruitment difficulties being regularly reported by NI businesses.

As demand recovers amidst disrupted global supply chains, consumer prices are being pushed upwards at the highest rate in thirty years. The ongoing surge in inflation is significantly increasing the cost of living, with the price increases of energy and fuel putting particular strain on households. Russia's invasion of Ukraine is exacerbating this inflationary pressure, as well as damaging the confidence of increasingly wary businesses and consumers.

Independent estimates of NI economic growth ranged from 2.1% to 4.2% in 2022. However, it is likely that forecasts will become less optimistic as increasing inflation and the invasion of Ukraine are factored in. The most recent forecast from Danske Bank, at 3.6% in 2022, represents a downgrade from their previous growth estimate. Growth of 1.7% is predicted in 2023.

Global/European/UK Economy

According to the OBR, inflation is set to reduce real living standards in the UK by 2.2% in the 2022-23 financial year. Rising prices will lead to a decline in consumption, restricting growth. Growth in real GDP is now forecast at 3.8% for 2022 and 1.8% for 2023.

The European Central Bank projects the real GDP of the Euro Area to grow by 3.7% in 2022 and 2.8% in 2023 or, in a 'severe scenario', by 2.3% in both years, depending on the impact of the war in Ukraine and on the subsequent sanctions imposed.

In December 2021, the OECD Economic Outlook projected world economic growth of 4.5% in 2022, moderating to 3.2% in 2023, but have since predicted that the war in Ukraine could push down global economic growth by more than 1 percentage point in 2022, and push up global consumer price inflation by around 2.5 percentage points.

Northern Ireland Economic Performance

Economic output, as measured by the Northern Ireland Composite Economic Index (NICEI), is estimated to have increased in real terms by 1.2% over the quarter, 4.9% over the year and 3.4% biennially to December 2021. After reaching a series low in Q2 2020, NICEI recovered to a thirteen year high in Q4 2021, 1.1% below the maximum value recorded in Q2 2007.

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Total sales by NI companies were an estimated £67.1 billion in 2020, according to Broad Economy Sales and Export Statistics (BESES), a decrease of £4.3 billion (6.0%) from the previous year. Due to a £1.5 billion (12.6%) decrease in exports and a £0.1 billion (0.9%) increase in sales to Great Britain, NI external sales decreased to £21.2 billion, of which exports were £10.3 billion.

The latest Labour force Survey estimates for the period December-February 2022 show the unemployment rate decreased over the quarter and year to the pre-pandemic value of 2.5%. In the same period, the employment rate was 71.2% and economic inactivity rate was 27.0%. There were a record-high 775,000 employees receiving pay through HMRC PAYE in March 2022, representing the tenth consecutive month that numbers have been above pre-pandemic levels.

The number of people claiming unemployment benefits was 37,900 (seasonally adjusted) in March 2022, representing 4% of the workforce. While following a downward trend since it peaked in May 2020, the claimant count remains 27% above that of March 2020. In the year to March 2022, there were 68% fewer redundancies confirmed, and 79% fewer proposed, than in the previous twelve months.

Research and Development (R&D) expenditure was £912.6 million in 2020, an increase of 2.6% compared to 2019 in real terms. Business expenditure on R&D (BERD) accounted for 72.5% of the total spend, with in-house BERD equating to 1.5% of 2019 GVA.

The Danske Bank NI Consumer Confidence Index (CCI) decreased in the final quarter of 2021, as inflation became a growing concern for households. Business confidence, as measured by the Ulster Bank PMI, fell in March 2022 to the lowest level since January 2021 due to concerns of surging prices deterring customers.

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UK's Withdrawal from the EU

The UK's withdrawal from the EU continued to have a significant impact on the Department during 2021-22. The associated work has been integrated into the activities of the Department and was considered when setting departmental priorities.

The combination of Covid-19 and EU Exit altered the operating position for the Department significantly and meant that a significant focus on both priorities was required throughout this year. On EU Exit, this included support to business through Invest NI and InterTradeIreland; ongoing policy work to support the Minister and Executive.

The total DEL Resource allocation for the delivery and preparation of EU Exit activities across the Department for the year end 2021-22 was £24.5m, which is 1.8% of the total DfE budget for the year.

In terms of staff resource, the total number of full-time equivalent staff working on EU Exit activities was 85.68, which represents just over 7% of the total number of staff in the Department.

Covid-19 Public Health Crisis

The impact of the Covid-19 public health crisis continued to dominate the work of many areas of the Department throughout 2021-22, as it led the economic response to the pandemic. This work included a number of financial support schemes which were rapidly developed and delivered as the Department sought to limit the impact of the pandemic on the economy.

A total of approximately £486 million has been paid to NI businesses and citizens through these schemes as at the end of March 2022. Further detail on the individual schemes and funding provided is contained in the Governance Report and Financial Statements.

Extent of fraud and error in DfE Covid-19 support schemes

Of the £486.036 million spent across the 10 Covid related Grant Schemes within the Department for the Economy, £32.332 million of this was spent in 2021-22. All of these Schemes were developed at pace to respond to the worst economic impacts of the pandemic, with very limited time for pre-payment checks. The recent Internal Audit report references an estimated error rate across all Covid grant schemes in October 2021 of 2.08%, however subsequent post-payment testing identified potential overpayments of £5.066 million, providing an overall error rate of 1.04% across the 10 Schemes.

As at 31 March 2022, there were a total of 21 ongoing investigations into allegations of fraud, and just over £4 million had been recovered by the Department, with a further £0.586m scheduled to be returned through agreed repayment plans.

Fraud and Error Risk Assessments were completed for all 10 grant schemes to inform the extent and focus of post-payment testing. A large number of highly rated risks were

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identified for the first three schemes introduced by the Department, namely: the £10k Small Business Support Scheme, the £25k Retail, Hospitality, Tourism and Leisure Grant Scheme; and, the Micro-Business Hardship Fund. The identification of such risk was to be expected given the urgency with which they were developed and implemented. These risks included the identification of duplicate payments to the same business which ought to have received one payment only. To mitigate these risks a comprehensive post-payment testing plan was put in place for these three schemes and recoupment for identified overpayments has been undertaken.

For the remaining seven schemes, the results of the Fraud and Error Risk Assessments indicated that the control environment in place at the pre-payment stage was much more satisfactory, with significant additional mitigating controls in place for identified risks. The same level of post-payment testing was therefore not introduced for these Schemes.

As at 31 March 2022, efforts were still ongoing to recover a number of identified overpayments.

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Staffing in the Department

At the beginning of the COVID-19 crisis, the Department took the decision to close all buildings and move staff, as far as possible, to a remote working model. Although the vast majority of staff were IT enabled with Secure Remote Access to facilitate working from home, a small number of staff continue to use IT equipment in the office due to the nature of their roles.

Due to ongoing restrictions, the majority of DfE staff have continued to work from home throughout the health emergency. In line with other initiatives within NICS the Department is working towards a New Ways of Working programme for a return to offices on a blended home/office basis. We hope to commence a pilot phase in early summer 2022.

The Pandemic continued to have a major impact on staffing and the staffing situation in the Department has been monitored closely throughout the year, with monthly reports provided to the Departmental Board by Northern Ireland Civil Service Human Resources (NICSHR) in relation to recruitment, performance and absence management. These were supplemented with the provision of Group level reports and analysis to Grade 3s.

Throughout 2021-22, efforts have centred on ensuring that resources are focused on priority areas and this has included the temporary redeployment of staff to ensure the continued delivery of business critical functions where necessary, such as the High Street Voucher Scheme.

The Department has worked closely with NICS HR during 2021-22 to inform both current and future recruitment planning. This has included Departmental input into a number of resourcing exercises to review and confirm all approved and funded vacancies. At end of March 2021, there were 242 approved vacant posts declared to NICSHR with this figure reducing to 150 at the end of March 2022. Several specialist trawl competitions were initiated and led by the Department including the recent Energy Group competitions to fill significant vacancies at Grade 7, DP and SO grades. Work is ongoing in relation to progressing the prioritised recruitment activities and filling DfE vacancies in line with the priority agreed by the NICS Board.

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Key Strategies

The strategic focus of the Department during the year remained the draft Programme for Government Outcomes Framework. The Framework remains in draft as ongoing competing priorities for departments and the Executive caused further delays in progress.

Underpinning the Department's contributions to the draft Outcomes Framework are a number of complementary strategies which the Department continued to work towards developing / progressing in 2021-22, focussing on specific areas of the economy. These included the Energy Strategy, Skills Agenda and the Economic Recovery Action Plan.

The Economic Recovery Action Plan set out a range of decisive actions under four pillars to kick-start economic recovery as we emerged from the COVID-19 pandemic:

- Supporting a Highly Skilled & Agile Workforce;
- Stimulating Research & Development and Innovation;
- Promoting Investment, Trade and Exports; and,
- Building a Greener Economy.

In May 2021, the Department launched its economic vision for the next 10 years, called "10X Economy - an economic vision for a decade of innovation".

The vision builds upon the Economic Recovery Action Plan and sets out the long term path for economic growth over the next decade. The aim is for economic growth to mean something to all people and places in Northern Ireland, with a positive impact on wider societal and environmental wellbeing.

Departmental strategies to deliver in key areas such energy, skills and tourism will contribute towards building a globally based economy attracting high profile events to include sporting competitions, economic conferences and create a 10X future generation of workers.

Investing in the skills and talent of our workforce is vital for economic success and will deliver more and better job opportunities, greater earning potential, better individual wellbeing and, in turn, an improved overall economy.

The pandemic has demonstrated the importance of digital skills within our economy and the need to ensure we can supply the capability required to deliver our objectives. The Department's skills strategy sets out a plan to deliver growth in qualifications in technical and professional skills through further education. This will enable us to grow in the key strategic areas that are vital to our economic ambitions as set out in the 10X Economic Vision.

Progress on these strategies and other work streams is outlined in more detail in the Performance Analysis section. As stated, progress in some areas has been delayed due to the need to re-focus resources on other pressures and priorities.

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The Departmental Business Plan

The 2021-22 DfE Business Plan focussed on a limited number of key targeted strategic priorities to be delivered in the short-term such as our Energy and Skills Strategies, progressing Project Stratum, delivering key Covid-19 interventions, and delivering the economic recovery package.

On 11 May 2021, the Department launched its economic vision for the next 10 years, called "10X Economy - an economic vision for a decade of innovation". The concept embraces innovation to deliver a ten times (10X) better economy with benefits for all the people of Northern Ireland.

The priorities outlined in the 2021-22 Business Plan contributed towards the Department's new economic vision as well as the draft Programme for Government Outcomes.

The Plan contained 9 key priorities, each of which were underpinned by a number of key work activities with milestones identified to assist with the measurement of progress in achieving departmental work activities. A summary of the reported RAG statuses of the Plan's 19 activities and 23 milestones as at the end of March 2022 are outlined in the table below:

	Activities	Milestones	Total
Green	13	15	28
Amber	5	7	12
Red	1	1	2
Total	19	23	42

It should be noted that the 2021-22 DfE Business Plan's coverage was extended slightly beyond the financial year, to May 2022, in order to serve as the Department's Plan for the remainder of the Assembly term in advance of the May 2022 elections. As such some activities and milestones had target dates beyond the end of March and a final progress update on those activities was undertaken in June 2022.

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Key Corporate Issues and Risks

The Department's corporate risks are regularly reviewed by the Delivery Committee, Audit and Risk Assurance Committee and Departmental Board. During the year, the Department identified and managed a number of key corporate risks to achieving its objectives, with several being escalated or de-escalated throughout the year as necessary. Examples included risks relating to:

- Managing the non-domestic Renewable Heat Incentive (RHI) Scheme;
- Managing City/Growth Deals;
- Trade Policy;
- Free Trade Agreements;
- Covid-19 Economic Impact;
- Departmental Governance Arrangements;
- Cyber Security;
- The management of staffing capacity and capability;
- Compliance with Information Management legislation;
- Delivery of Covid-19 Recovery Skills Plans;
- Managing the financial sustainability of Ulster University;
- Ensuring relevant education and skills provision; and,
- Delivery of the High Street Scheme.

Some of the highest rated risks managed during the year were those relating to the non-domestic Renewable Heat Incentive Scheme, City/Growth Deals projects, and staffing capacity and capability.

During the year, the Department introduced a new web based risk management database to help improve our risk management processes and behaviours through a central database housing all the Department's risks in one central online location. The new system facilitates risk management at all levels i.e. corporate, divisional and branch as well as programme and project level. It provides a live online platform for the management of all departmental risks at all levels through visual dashboards, an improved audit trail and better quality information being presented to the Board.

Looking ahead, the Departmental Board plans to conduct a review of the Departmental Risk Management Framework and Corporate Risk Appetite during the first half of 2022-23. The Board will consider the principles and concepts as set out in The Orange Book and determine how these should be applied to the departmental risk process going forward to support decision making and achievement of departmental objectives.

Further information on the Department's risk management process is contained in the Governance Report.

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Purpose of the Performance Analysis

The purpose of the performance analysis is to provide a detailed summary of how the Department measured its performance during 2021-22. This will include an overview of performance against the key strategic priorities in the Department's 2021-22 Business Plan.

Business Plan Performance

The 2021-22 DfE Business Plan contained 9 Key Strategic Priorities with a total of 19 Activities and 23 Milestones. The tables below provide an end-year position for each of them, i.e. the position as at 31 March 2022. A RAG (Red, Amber or Green) status has been provided to indicate where activities/milestones have been achieved, partially achieved or not achieved. Where these were not fully achieved, explanations are provided.

Our performance against our key strategic priorities is set out in the tables below.

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Strategic Priority 1 - Launching a Decade of Innovation

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Develop an Economic Vision for Northern Ireland and deliver work programme	March 2022	Amber	Work was ongoing from May 2021 to January 2022 to develop a departmental wide work programme. Action achieved but with delays to original target date. Workstreams have been established to deliver the Work Programme with completion now expected by end of 2022.
Milestone: Publish Economic Vision and develop Work Programme	May 2022	Amber	As above.
Activity: Review and refresh the Innovation Strategy 2030	March 2022	Amber	Original plan for a refreshed Innovation Strategy was delayed with Covid and then overtaken with the development of the 10x vision. An Innovation Workstream is now underway and completion is due by end 2022. An initial Innovation Framework has been developed in February 2022 which will inform later work.
Milestone: Innovation Strategy 2030: Publication of progress report, future recommendations and policy direction	March 2022	Amber	As above.
Activity: Develop Circular Economy Strategic Framework and publish for consultation	March 2022	Amber	The Circularity Gap Report was delayed 6 months by the lack of input-output data tables for NI. Input and Output Tables were commissioned from Northern Ireland Statistics and Research Agency (NISRA). This was a very substantive and complicated statistical exercise which was necessary but not foreseen at the time of commissioning the Circularity Gap Report. It is expected that the Circularity Gap Report will be finalised and published in May 2022. The draft Circular Economy Strategic Framework will be progressed thereafter, with consultation with the Cross Departmental Steering Group and Circular Economy Coalition in Summer 2022, public consultation in early Autumn 2022 and finalisation of the Framework expected in early 2023.
Milestone: Publish Circular Economy Strategic Framework for consultation	March 2022	Amber	As above.

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Strategic Priority 2 – The Economic Recovery Action Plan

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Drive the delivery and refinement of the Economic Recovery Action Plan	March 2022	Green	
Milestone: Stakeholder engagement & comms plan implemented	April 2021	Green	
Milestone: Governance framework agreed to enable expenditure against funds allocated	June 2021	Green	
Milestone: Undertake a recalibration exercise based on stakeholder feedback, current economic conditions and assessment of delivery to date	September 2021	Green	

Strategic Priority 3 – The Skills Agenda

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Complete public consultation and develop new Skills Strategy	November 2021	Green	
Milestone: Launch a new Skills Strategy for NI	November 2021	Amber	Achieved with some delay. The Strategy formally launched on 25th March 2022. It was delayed due to the time taken to seek advice from DSO on its status in the absence of the Executive.
Activity: Deliver and grow the apprenticeship system including reintroducing the provision of all-age apprenticeships	December 2021	Red	Constraints on the Departmental budget for 2022-25 means that this new initiative cannot be progressed without confirmed funding. Work will recommence if budget position changes.
Milestone: Expand provision of All-Age Apprenticeships	December 2021	Red	As above.
Activity: Invest an additional £50m in the education and skills system in order to respond to and recover from the impacts of COVID-19	May 2022	Green	

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Strategic Priority 4 - Responding Effectively to the Outworking of EU Exit

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Analysis of trade across all markets to identify potential target markets	January 2022	Green	
Milestone: Develop a Trade and Investment Strategy	January 2022	Green	
Activity: Analysis of sectors through trade statistics and regulatory framework	March 2022	Green	
Milestone: Have plan to ensure a regulatory framework that facilitates trade & unfettered access	March 2022	Amber	Milestones and Activities are subject to timescales of ongoing discussions between UK and EU on NI Protocol.
Activity: Phase 2 Unfettered access – preparation of businesses, engagement with GB businesses and EU market	May 2022	Amber	As above.
Activity: Maintain our level of goods market access to GB and increase sales in the market as measured across a range of short term survey data	May 2022	Green	

Strategic Priority 5 – The Energy Strategy

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Options Consultation	June 2021	Green	
Milestone: Complete Consultation	June 2021	Green	
Activity: Develop Energy Strategy	December 2021	Green	
Milestone: Launch Energy Strategy	December 2021	Green	

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Strategic Priority 6 – Enabling Digital Connectivity

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Project Stratum Delivery	March 2022	Green	
Milestone: Secure agreement for additional funding to bring eligible premises out of scope into Project Stratum	September 2021	Green	
Milestone: Project Stratum Delivery of broadband services to at least 27,000 homes and businesses in NI	March 2022	Green	
Activity: Development of Mobile Action Plan	December 2021	Green	
Milestone: Agreement of Mobile Action Plan	December 2021		

Strategic Priority 7 - Parental Bereavement Leave & Pay

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Introduction of Parental Bereavement Leave and Pay into employment law framework	March 2022	Green	
Milestone: Introduction of Bill in Assembly	May 2022	Green	
Milestone: Passage of Bill through Assembly and Royal Assent received	March 2022	Green	
Milestone: All secondary legislation drafted and operational	April 2022	Green	

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Strategic Priority 8 – Covid-19 Grant Schemes

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: High Street Stimulus Scheme	June 2021	Green	
Milestone: Develop the policy and criteria for the High Street Stimulus Scheme	June 2021	Green	
Activity: Ongoing management of Covid-19 Grant Schemes	August 2021	Amber	Recovery work for a small number of identified overpayments is ongoing as well as residual work associated with recovery panel decisions.
Milestone: Commence evaluation of the Wet Pubs Business Support Scheme, Limited Company Director's Support Scheme (LCDSS) and Newly Self-Employed Support Scheme	August 2021	Amber	A draft terms of reference is being prepared by DOF and will be shared with relevant Permanent Secretaries in due course.

Strategic Priority 9 – City Deals

ACTIVITIES/MILESTONES	TARGET DATE	RAG STAUS	EXPLANATION OF AMBER/RED RAG STATUS
Activity: Advancement of City Deals Programme (from DfE perspective)	May 2022	Green	
Milestone: Complete formal Departmental consideration of received Belfast Region City Deal Outline Business Cases	July 2021	Green	
Milestone: Support Derry City & Strabane District Council to submit their Innovation and Digital Outline Business Cases	March 2022	Amber	Due to the complexity of City Deals, Derry City & Strabane District Council are continuing to develop robust value for money business cases which meet industry demand. The Department and its partners are now represented in the governance structures which the Council has established and will continue to support the region.
Milestone: Support Mid South West & Causeway Coast & Glens in developing their Heads of Terms	March 2022	Green	

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Key Performance Measures

The following indicators are measures of Northern Ireland's economic performance against our Strategic Priorities as outlined in the DfE Business Plan 21-22. While data for the 2021-22 period is not yet available for many of these indicators, the most recent performance data available is presented in the tables below.

Strategic Priority 1 – Launching a Decade of Innovation

Indicator	Description	Performance
Rate of innovation activity	Proportion of businesses engaging in innovation activity in Northern Ireland (NI).	From 2018-2020, 38% of businesses engaged in innovation activity. This is an increase from the 2016-2018 period, when 32% were innovation active.
Regional innovation ranking	Proportion of businesses engaging in innovation activity in NI compared with the 11 other UK regions.	As in the 2016-2018 period, NI remained 12 th out of the 12 UK regions in 2018-2020.
Research and development expenditure	Total expenditure on Research and Development in NI.	Total expenditure on R&D in NI in cash terms was £912.6 million (m) in 2020. This was an increase of £29.4m (3.3%) in cash terms in total NI R&D expenditure between 2019 and 2020. Specifically, Business R&D spend rose by £29.6m (4.7%), Higher Education spend rose by £0.9m (0.4%) and Government R&D spend decreased by £1.0m (-3.3%).
Business births	The number of newly VAT and/or PAYE registered NI businesses.	In 2020, there were 6,375 newly registered businesses in NI, a decrease of 3.8% compared to 2019. This gives a business 'birth rate' of 9.9%, a decrease of 0.5 percentage points (pps) from 2019.

Strategic Priority 2 – The Economic Recovery Action Plan

Indicator	Description	Performance
NICEI	The NI Composite Economic Index (NICEI) is a quarterly measure of NI economic performance.	Economic output increased by 7.8% over the year to March 2022, reaching a 15-year high and returning to levels last exceeded in Q2 2007. Output in the quarter ending March 2022 was 4.8% higher than in the same (pre-pandemic) quarter in 2019.

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Indicator	Description	Performance
Claimant count	The seasonally adjusted number of people claiming unemployment benefits in NI.	In March 2022, 37,900 people were claiming unemployment benefits (4.0% of the workforce). The claimant count was 41% less than the recent peak in May 2020 and 27% higher than in March 2020 (pre-pandemic).
Employee Jobs	The seasonally adjusted number of employee jobs in NI.	The latest estimate of the number of employee jobs was 794,880 in March 2022, a series high and 1.9% above the pre-pandemic December 2019 level.
Jobs promoted via the NI Business Start-Up Programme	Jobs promoted via the Business Start-Up Programme versus target.	Over the 2021-22 financial year, 10 of the 11 councils exceeded their target. In total, the number of jobs promoted exceeded the target (1,573) by 18.8%. In 2020-21, 7 councils exceeded their target. In total, the number of jobs promoted was below target (1,625) by 12.1%.
Labour productivity	NI output per hour worked relative to the UK overall.	In 2020, NI output per hour was 83.2% that of the UK overall, an increase of 1.1pps from 2019.

Strategic Priority 3 – The Skills Agenda

Indicator	Description	Performance
Proportions of working age population qualified to and above Level 3	Proportions of the population aged 16 to 64 qualified to Level 3 (>1 A-level).	57.2% of the working age population in 2020 were qualified to Level 3 and above, a 1.6 percentage point (pps) increase from 2019. This change was driven by an increase in those with Level 6+ qualifications (first or higher degrees), which was 30.7% of working age population in 2020 (+2.2pps from 2019).
Proportions of working age population qualified to and above Level 2	Proportions of the population aged 16 to 64 qualified to and above Level 2 (≥5 GCSEs grade A*-C).	77.3% of the working age population in 2020 were qualified to Level 2 and above, a 1.4pps increase from 2019.

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Indicator	Description	Performance
		As with the above indicator, this change was driven by the increase in those qualified to Level 6+.
Proportion of graduates qualifying from NI Higher Education Institutions with an economically relevant STEM qualification	The number of students graduating from Northern Ireland Higher Education Institutions with Narrow STEM qualifications, as a percentage of overall qualifiers.	4,775 students in 2020/21 graduated with Narrow STEM qualifications, an increase of 28% relative to the previous academic year. This accounted for 23% of total qualifiers in 2020/21, the same proportion as the previous year.
Student proportion of economically inactive population	The proportion of the economically inactive population aged 16-64 in NI who are students.	From January to March 2022, 29.1% of economically inactive persons were students, a similar proportion to the same period in 2021 and 6.2pps higher than in the same period in 2020.

Strategic Priority 4 – Responding Effectively to the Outworking of EU Exit

Indicator	Description	Performance
External sales	Broad Economy Sales to markets outside NI.	External sales fell by £1.4 billion (-6.2%) to £21.2 billion in 2020.
Exports	Broad Economy Exports of NI businesses.	Exports from NI in 2020 were valued at £10.3 billion, a 12.6% decrease from the previous year and 12.7% above 2011 levels.
Spend by external visitors	Total expenditure by external visitors in Northern Ireland.	Expenditure stood at £731 million in 2019, a 9% increase compared to 2018 (£669m).
Nation Brand Index	Northern Ireland's score on the Anholt Ipsos Nation Brands Index.	On a scale of 1 to 100, Northern Ireland's score was 61.27 in 2021, an increase of 2.11pps from the previous year and the highest ever recorded score for NI since its inclusion in 2016.

Strategic Priority 5 – The Energy Strategy

Indicator	Description	Performance
Employment in the low carbon and renewable energy economy (LCREE)	Full time equivalent (FTE) employment in the NI low carbon and renewable energy economy.	In 2020, full time equivalent (FTE) employment in the LCREE was estimated to be between 3,900 and 6,100, with a central estimate of 5,000. There has been no

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Indicator	Description	Performance
		statistically significant change in FTE employment by the LCREE between 2015 and 2020.
Turnover in the low carbon and renewable energy economy (LCREE)	Business turnover in the NI low carbon and renewable energy economy.	In 2020, turnover in the LCREE was estimated to be between £0.7 billion and £1.1 billion, with a central estimate of £0.9 billion. LCREE turnover has shown no statistically significant change in size between 2015 and 2020.
Proportion of electricity consumed from renewable sources	Percentage of electricity consumption generated from renewable sources.	In the year to March 2022, 43.8% of electricity consumed in NI was generated from renewable sources located in NI, a decrease of 2.5pps from the previous 12-month period (April 2020 to March 2021).
Greenhouse gas emissions from energy-related sectors	Greenhouse gas emissions (measured in million tonnes of carbon dioxide and equivalent [MtCO _{2e}]) from energy-related sectors for NI.	In the calendar year 2020, energy related greenhouse gas emissions equalled 12.2 MtCO _{2e} . Greenhouse gas emission declined by 7% on the previous year's estimates and 30% since 1990.
Household energy expenditure relative to all expenditure	NI average weekly household energy expenditure as a proportion of all average weekly household expenditure, transfers and savings.	Average weekly household energy expenditure as a proportion of all weekly household expenditure, transfers and savings equalled 11% in Financial Years Ending (FYE) 2018/19 to 2020/21. There has been no statistically significant change in the average weekly household energy expenditure as a proportion of all weekly household expenditure, transfers and savings between FYE 2012/13 to 2014/15 and FYE 2018/19 to 2020/21.
Business energy purchases relative to turnover	Business energy purchases as a proportion of business turnover in NI.	In the calendar year 2019 and 2020*, business energy purchases relative to turnover equalled 3%. This is an increase from 2% in the years 2016 to 2018. * 2020 figures are provisional and therefore subject to revision when 2021 provisional figures are available.
Households in fuel poverty	Households are defined as being in fuel poverty if it is required to spend in excess of	The estimated number of fuel poor households in 2019 was 179,000

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	10% of its household income on all fuel use. Fuel poverty estimates for 2019 modelled using 2016 NI House Condition Survey data.	(24%), an increase of 2 percentage points since 2016.
Relative electricity & gas prices	Energy prices from retail energy market in NI.	In Semester 2 2021 (July-December) energy prices (p/kWh) for consumers in NI *; Domestic Electricity - £19.30 (+8%) Gas - £4.60 (+12%) Industrial & Commercial Electricity Very Small - £23.00 (+47%) Small - £20.60 (+41%) Small/Medium - £18.70 (+52%) Medium - £16.00 (+51%) Large/Very Large - £16.10 (+79%) *Price change from previous semester 2 (July - December 2020) and noted in brackets

Strategic Priority 6 – Enabling Digital Connectivity

Indicator	Description	Performance
Proportion of premises with access to superfast broadband	Proportion of premises in NI with access to broadband services at speeds at or above 30 Mbps	91% of premises had access to superfast broadband in 2021, an increase of 2pps from the previous year and the lowest of the four UK nations.

Strategic Priority 7 – Parental Bereavement Leave & Pay

The Parental Bereavement (Leave and Pay) Act (Northern Ireland) 2022 was passed on 7th February 2022. The Parental Bereavement Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations (Northern Ireland) 2022 came into operation on 6th April 2022.

Strategic Priority 8 – Covid-19 Grant Schemes

Indicator	Description	Performance
Businesses deaths	The number of deregistered NI businesses.	In 2020, there were 4,900 deregistered businesses, a decrease of 9.0% compared to 2019. This gives a business 'death

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		rate' of 7.6%, a decrease of 0.8pps from 2019.
Insolvencies	The number of insolvencies of registered companies and individuals in NI.	<p>Insolvencies in year to March 2022 Companies: 145 Individuals: 1,806</p> <p>Change from year to March 2021: Companies: +81.3% Individuals: +16.1%</p> <p>Change from year to March 2020: Companies: -60.2% Individuals: -34.4%</p>
Redundancies	The number of proposed and confirmed redundancies reported to the Department.	<p>Redundancies in year to March 2022 Confirmed: 1,850 Proposed: 2,130</p> <p>Change from year to March 2021: Confirmed: -68% Proposed: -79%</p> <p>Change from year to March 2020: Confirmed: -40% Proposed: -56%</p>

Strategic Priority 9 – City Deals

Strategic Priority 9 (City Deals) is omitted as relevant indicators are reflected elsewhere.

Link between Performance Indicators, Risk and Uncertainty

The above performance indicators are ‘population level’ indicators, relating to the population of Northern Ireland, and it must be acknowledged that the work of the Department is not the only influencing factor on their movements. A wide range of organisations – including other Departments, the Department’s ALBs, local Councils, and Voluntary and Community organisations – undertake important work to drive improvements in these areas.

These indicators can also be heavily influenced by wider external developments, risks and uncertainties, many of which lie largely outside of the Department’s control. The continuing effects of the public health crisis experienced during 2021-22 is a case in point and will inevitably have a significant impact on a large number of these indicators when more up-to-date data is available. Significant risks to performance against these indicators are identified and, where possible, managed as part of the Department’s risk management processes.

Information on Social Matters, Anti-Corruption and Anti-Bribery

Rural Needs

The Rural Needs (NI) Act 2016 introduced a new statutory duty on Northern Ireland departments, district councils and other specified public bodies to have due regard to rural needs when developing, adopting, implementing or revising policies, strategies and plans and when designing and delivering public services.

The Act became operational for government Departments and district councils from 1 June 2017 and covers two main duties. The first is a duty to have due regard to rural needs (referred to as the ‘due regard duty’) and the second relates to monitoring and reporting on how the due regard duty has been exercised. The latter duty requires that public authorities publish this information in their annual reports, and provide a copy of this information to the Department of Agriculture, Environment and Rural Affairs (DAERA) on an annual basis.

The Department has due regard to rural needs when undertaking new or revised policies/ activities by subjecting them to rural needs impact assessments, in accordance with guidance issued by DAERA. Between 1 April 2021 and 31 March 2022, the policies noted in the table below were subject to a rural needs impact assessment.

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<p>Open University Community Partnerships Product</p> <p>Provision of additional funding of £283,834 to Open University (OU) to support the expansion of Community Partnerships Projects (CPP). Two year pilot.</p>	<p>Education or Training in Rural Areas</p> <p>Programme seeks to help those in under-represented groups access higher education</p>	<p>As part of the Department's widening access in higher education (HE) strategy Officials work with HE providers to increase the proportion of underrepresented groups, particularly socially deprived and other disadvantaged groups such as those with disabilities, regardless of their rural/urban location. We have obtained additional funding through the Economic Recovery Action Plan (ERAP) for the first year of a 2 year pilot programme which will be administered by The Open University (OU) in cooperation with community groups. The pilot will enhance a pre-existing community education programme currently operating out of four women's centres in areas of social deprivation and low income within the Greater Belfast Area. The pilot will use the additional funding to increase the total number of community partners from 4 to 12 and open it up to a wider range of applicants. OU will focus on developing partners in areas with high levels of multiple deprivation, particularly with regards to educational deprivation and low higher education participation. And, as part of the conditions of funding Officials requested OU to make provision for our rural communities and they have committed to reserving two partnerships for community organisations based in a rural area.</p>
<p>Implementing Call 3 of European Social Fund (ESF) Programme 2014-2020</p>	<p>Jobs or Employment in Rural Areas; Education or Training in Rural Areas; Poverty in Rural Areas; and, Deprivation in Rural Areas</p>	<p>The Call 3 application process was been designed to ensure project activity is delivered across all areas of Northern Ireland. Steps taken include the requirement for projects to avoid duplication of provision, the encouraging of organisations to work in partnership, ensuring applicants identify and evidence both the need and demand for their project.</p> <p>The Programme is open to all areas throughout Northern Ireland. As anticipated, many of the current ESF Call 2 providers re-applied through the Call 3 process. A similar geographical spread between urban and rural areas is therefore likely to result through the Call 3 process.</p>
<p>Development of an Energy Strategy</p>	<p>Rural Businesses, Rural Housing, Jobs or Employment in Rural Areas, Education or Training in Rural Areas, Transport Services in Rural Areas, Rural Development</p>	<p>At this stage of developing the strategy, which is setting the high-level strategic direction, work has not been carried out to identify the social and economic needs of people in rural areas for specific policy areas. Rural needs will be assessed in full as part of individual policy work as it develops.</p> <p>We have undertaken a significant consultation and an extensive energy evidence programme over a period of two years with five working groups covering a wide range of 30 organisations, including representation from Local Councils and the Consumer Council.</p> <p>All social and economic needs of people in rural areas will be considered as part of developing policy work, and the appropriate impact assessment will be reviewed and completed at that time. The Energy Strategy is a high-level strategic vision; the primary purpose is setting out our 2030 objectives and a pathway to 2050. There are many uncertainties along the way to reaching net zero</p>

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		carbon. The Energy Strategy is a living document that will be reviewed on an annual basis.
Consultation on Relief for Energy Intensive Industries from the indirect costs of the Northern Ireland Renewables Obligation (NIRO)	Rural Businesses	It is not anticipated that a relief scheme in itself, if introduced, would have any differential impact on rural areas as it would be based on electricity usage by companies in specific categories regardless of location.
Future onshore Petroleum licensing policy in Northern Ireland (still at draft stage and has not been subject to public consultation).	All prospective areas for petroleum exploration are in rural parts of NI	The Department began a review of the petroleum licensing system in 2019 and decided that it needed to have a greater focus on environmental and social issues. The area's most likely to experience petroleum exploration are rural e.g. Glens of Antrim, Fermanagh, Lough Neagh. We analysed information on rural needs, rural deprivation and research commissioned by the department. Any impacts from stopping petroleum exploration and production cannot be measured at this stage although we expect that it will have longer terms benefits on the environment and the aspects of the rural economy e.g. tourism. These potential impacts on local communities and the rural environment were an influential factor in choosing the draft preferred option - introducing a moratorium and eventual legislative ban on all forms of onshore petroleum exploration and production in Northern Ireland.
Future onshore mineral licensing policy in Northern Ireland	All prospective areas for mineral exploration are in rural parts of NI	The Department will begin a review of the mineral licensing system in the near future which will include a focus on environmental and social issues. The area's most likely to experience mineral exploration are rural e.g. the Sperrins, South Armagh and County Antrim. We analyse information on rural needs, rural deprivation for every application the department receives. Any impacts from stopping mineral exploration and production cannot be measured at this stage although we expect that it will have longer terms benefits on the environment and the aspects of the rural economy e.g. tourism.
10x Economy: An Economic Vision for a Decade of Innovation	Rural Businesses Rural Tourism Jobs or Employment in Rural Areas Education or Training in Rural Areas	The Economic Vision provides a framework for future economic policy development and as such does not contain specific policy proposals. Policies and actions arising from the Vision will be subject to rural proofing.

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<p>Proposal relating to the adoption of revised Approved Codes of Practice (ACOP) and guidance entitled "Offshore Installations and Pipeline Works (First-Aid) Regulations 1989" (L123) and "Offshore Installations (Prevention of Fire and Explosion, and Emergency Response) Regulations 1995" (L65).</p>	<p>Rural Businesses</p>	<p>The Regulations and Approved Code of Practice concern health and safety and are of universal application, covering any setting where lifting operations are undertaken. They will, therefore, have no differential impact on rural areas.</p> <p>Although there is no available geographical data, the ACOP will apply equally beneficially to urban and rural areas.</p> <p>Notwithstanding the above, rural dwellers had the opportunity to make their views known through the usual consultation process, and no relevant comments were received.</p>
<p>The adoption of a revised Approved Code of Practice (ACOP) and guidance entitled "The Confined Spaces Regulations 1997" (L101).</p>	<p>Rural Businesses</p>	<p>The Regulations and Approved Code of Practice concern health and safety and are of universal application, covering any setting where lifting operations are undertaken. They will, therefore, have no differential impact on rural areas.</p> <p>Although there is no available geographical data, the ACOP will apply equally beneficially to urban and rural areas.</p> <p>Notwithstanding the above, rural dwellers had the opportunity to make their views known through the usual consultation process, and no relevant comments were received.</p>
<p>Proposed revision to Approved Code of Practice (ACOP) and guidance for use of lifting equipment for compliance with the Lifting Operations and Lifting Equipment Regulations (Northern Ireland) 1999.</p>	<p>Rural Businesses</p>	<p>Proposal relating to the adoption in Northern Ireland of a revised Approved Code of Practice (ACOP) and guidance with respect to the safe use of lifting equipment to provide practical advice and assist understanding of what duty-holders have to do to comply with the requirements of the Lifting Operations and Lifting Equipment Regulations (Northern Ireland) 1999. The Regulations and Approved Code of Practice concern health and safety and are of universal application, covering any setting where lifting operations are undertaken. They will, therefore, have no differential impact on rural areas.</p> <p>Although there is no available geographical data, the ACOP will apply equally beneficially to urban and rural areas.</p> <p>Notwithstanding the above, rural dwellers had the opportunity to make their views known through the usual consultation process, and no relevant comments were received.</p>

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Health and Safety (Amendment) (Northern Ireland) (EU Exit) Regulations 2018 ("S.I.2018/1377.	Rural Businesses Health and Safety Amendments	The legislation is universal in scope and makes simple technical consequential amendments and the impact on business and stakeholders for complying with the changes has been assessed as minimal. Consequently, when the Rural Impact Screening Exercise Document was completed, HSENI concluded that the proposed Rule will not impact differentially on the needs of people in rural areas of Northern Ireland.
Article 8(4) and 8(5) of EU Directive 89/391/EEC and Article 3 of EU Directive 89/656/EEC.	Rural Businesses	<p>The main objective of the policy is to remedy a legislative deficiency. In November 2020 a High Court judgment in Great Britain found that the UK had failed to adequately transpose aspects of two EU Directives into domestic law. The UK implementation of these provisions only applied to "employees" and the court found that the UK's implementation should extend to "limb (b) workers". The legislation specifically relates to a specific section of the workforce, namely limb (b) workers and will be enhancing the health and safety rights of those workers. Stakeholders from rural areas will also have the opportunity to contribute any views to the public consultation when it issues in due course. HSENI will consider these views, if any are received.</p> <p>There was a comprehensive Regulatory Impact Assessment carried out by HSE in Great Britain. There were no issues identified in this GB assessment (pre and post consultation) with regards to persons from rural areas.</p> <p>HSENI stringently analysed this assessment and when completing the Northern Ireland Rural Impact Screening Exercise Document concluded that the proposed legislation will not impact differentially on the needs of people in rural areas of Northern Ireland.</p>
Proposed legislation to increase the monetary eligibility limits for the Northern Ireland Debt Relief scheme.	Poverty in Rural Areas Deprivation in Rural Areas	<p>The proposed legislation will increase the monetary limits for those individuals who are burdened with debt and are eligible to obtain a debt relief order. This scheme has been operating in Northern Ireland since June 2011.</p> <p>In conclusion the proposed increases to the monetary eligibility limits for the Debt Relief scheme will not have any differential impact, either positive or negative, on those living in rural areas.</p> <p>However, the policy proposals are currently out for consultation and those living in rural areas will have an opportunity to express their views, which the Insolvency Service will take account of. A Regulatory Impact Assessment has also been prepared for this consultation.</p> <p>This increase to the monetary limits will be in parity with what already applies in England & Wales.</p>

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Review of the NI Postgraduate Tuition Fee Loan - Consultation	Education or Training in Rural Areas; Poverty in Rural Areas; and, Deprivation in Rural Areas	<p>A review was undertaken of the current level of Postgraduate Tuition Fee Loan (PGTFL) to ensure that it reflects the needs of the Northern Ireland economy, the higher education sector and individual students, and to ensure that access to higher education at postgraduate taught level is based on the ability to learn, not the ability to pay.</p> <p>This impact assessment considered the implementation of proposed reviews to the current PGTFL product which will be available to all prospective postgraduate taught students across NI, irrespective of location. In light of this it is not considered that individuals residing in rural areas will be more affected / impacted than those who reside in non-rural areas.</p>
Implementation of a High Street Scheme (HSS), to stimulate spend in local businesses across Northern Ireland	Rural Businesses Rural Tourism Jobs or Employment in Rural Areas	<p>The High Street Scheme (HSS) was aimed at providing a £140million economic boost to local businesses which were hit hard by the pandemic and encourage the general public to physically return to and to support their local business to ensure they could continue to trade and protect local jobs. Every person resident in Northern Ireland, aged 18 and over, was eligible to apply for a Spend Local pre-paid card worth £100. The card could then be used in local businesses throughout Northern Ireland, but could not be used for online purchases, gambling or for certain financial and legal purposes. This was a one-off intervention.</p> <p>Individuals were eligible for the HSS regardless of whether they were located in urban or rural areas and any local business could accept payment by card providing they had the equipment to do so. Throughout the policy development there was no evidence to suggest the policy or its impacts would be different for people who lived in rural and urban areas. The monetary amount allocated was the same for people who lived in rural and urban areas. The policy intent and application as well as its outworking applied equally to people who lived in rural and urban areas, and local businesses in rural and urban areas, and therefore it was not considered appropriate to take additional steps regarding the needs of people in rural areas.</p> <p>It was however recognised that internet connectivity is not linear across NI and as the worst affected areas were most likely to be rural the Department provided an alternative telephone application service, for those who could not or did not want to make an online application. In addition, it was recognised that the majority of businesses, including those in rural areas, were already using card reader technology and therefore would not be adversely impacted, and if not, there existed a relatively straight forward and cheap process to obtain the technology including 3G card readers.</p>

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Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Northern Ireland Non-Domestic Renewable Heat Incentive Scheme – Future of the Scheme (Consultation)	Rural businesses	<p>Consultation on a potential revision to the Northern Ireland Non-Domestic Renewable Heat Incentive (RHI) Scheme. The consultation considered the options for the future of the Scheme, including closure.</p> <p>The proposals set out in the consultation will impact upon all existing Scheme participants. No specific rural needs were identified.</p> <p>In respect of the specific proposals under consideration, the Department consulted on four options to inform the NI Executive’s final decision on the Scheme’s future. The Department notified all participants of the consultation exercise to ensure that all individuals and businesses directly affected by the proposed options had the opportunity to identify any rural specific barriers or issues.</p>
Amendment to the Education (Student Support) (No.2) Regulations (Northern Ireland) 2009 (the Student Support Regulations)	Education or Training in Rural Areas	<p>The Regulations apply to Northern Ireland domiciled students and other qualifying persons undertaking designated higher education courses and are updated annually to reflect changes in the student support package available to NI domiciles. In these amending regulations the main policy changes included an increase in the Disabled Student Allowance, introduction of a new eligibility category in Regulations for those persons relocated to NI under the Afghan Relocations and Assistance Policy (ARAP) and the Afghan Citizens Resettlement (ACRS) Schemes and making eligibility changes for Joining Family members and Late applicants to the EUSS.</p> <p>The RNIA did not identify any negative impact for those from rural communities.</p>
The Education (Student Fees (Amounts), Loan Repayment and Support etc.) (Amendment) Regulations	Education or Training in Rural Areas	<p>These regulations are updated annually to make increases to the prescribed basic and higher amounts which Higher Education Institutions in Northern Ireland may charge for the following academic year by way of tuition fees to students who are ordinarily resident in Northern Ireland (and excepted others). As this impact assessment is increasing tuition fees in line with inflation across Northern Ireland, it is not considered that recipients in rural areas will be more affected than those in other areas of Northern Ireland.</p> <p>These regulations are also being used to amend the Education (Student Support) (No. 2) Regulations (NI) 2009 are amended to allow students who moved home due to public health guidance continue to receive the higher maintenance loan rate to which they were previously entitled. Again, this will affect students equally across all areas of NI.</p> <p>These regulations are also being used to amend The Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009 so that the Department has a measure of discretion in determining the applicable threshold for borrowers who reside overseas but only in cases where the Department is unable to calculate the price level index for the borrower’s country of residence. All borrowers across NI are impacted equally.</p>

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Anti-corruption and Anti-bribery

The Department adheres to and promotes good practice guidance on anti-corruption and anti-bribery matters through a range of measures, many of which are covered in more detail in the Governance Statement (e.g. anti-fraud and raising concerns arrangements).

The Department's Gifts and Hospitality guidance is also a key control in place to mitigate against corruption and bribery. This guidance outlines the types of instances in which it is, and is not, appropriate for staff to accept or offer gifts and hospitality as part of their official duties. All Divisions are required to maintain registers of gifts and hospitality which are regularly monitored.

The Department has guidance on Conflicts of Interests which requires staff to declare any personal or business interests which may influence their judgement, or be perceived to, when performing their duties. The Department has an established procedure for identifying, declaring, managing, recording and publishing conflicts of interest. These arrangements act as a key control against the risk of corruption/bribery, perceived or real.

Human Rights and Statutory Equality Obligations

The Department is committed to respecting human rights primarily through compliance with Section 75 statutory equality obligations in the delivery of policy/programmes and the delivery of services. Our aim continues to be to ensure that the services we provide and the activities that we undertake have a positive impact on society. Our annual progress report for 2021-22 will be sent to the Equality Commission by the end of August 2022.

Sustainability Reporting/ Environmental Matters

Corporate Social Responsibility

DfE supports and promotes Employer Supported Volunteering (ESV) by engaging in Corporate Social Responsibility programmes, which enable staff to volunteer for the benefit of the community, charities and the environment. Volunteering is undertaken freely and without concern for financial gain. It plays an important role in building a strong and shared community, brings benefits to individuals and communities and contributes economically and socially to a more cohesive society. It also impacts on the delivery of many Government initiatives across a wide range of policy areas.

Unfortunately, however, due to the Pandemic, all practical volunteering had to be put on hold throughout 2020-21 and 2021-22. It is hoped this will resume in 2022/23.

Energy Management

A part of the premises management role is to encourage staff to conserve energy when there are opportunities to do so. Energy audits are regularly conducted in main DfE buildings and any opportunities to upgrade systems and equipment with more energy efficient versions are explored.

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Recycling

The Department is a party to the NICS contracts for recycling office and domestic waste. This covers a range of plastics, paper, cans and batteries. We have taken steps to reduce non-recycled waste and encourage recycling such as the removal of individual bins.

The Department has been using 100% recycled paper for some twelve years. The Department has also been involved in the Single-use Plastic Reduction Plan for the Government Estate. This is a cross Departmental task force looking at procurement strategies, changing cultures and processes to reduce or remove single use plastics from all of our operations.

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Budgeting Framework

The Department of Finance (DoF) is responsible for management of the NI Executive Budget process in line with a budgetary framework set by Treasury.

The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

Treasury, and in turn DoF, do not set firm AME budgets. They are volatile or demand-led in a way that departments cannot control. The Department monitors AME forecasts closely and this facilitates reporting to DoF, who in turn report to Treasury.

As DEL budgets are understood and controllable, Treasury sets firm limits for DEL budgets for Whitehall departments and Devolved Administrations at each Spending Review. The NI Executive, based on advice from the Finance Minister, will in turn agree a local Budget that will set DEL controls for Executive departments.

DEL budgets are classified into resource and capital.

- Resource budgets are further split into non-ringfenced resource that pays for programme delivery and departmental running costs, and separately ringfenced resource that covers non-cash charges for depreciation and impairment of assets.
- Capital DEL is split into 'financial transactions' for loans given or shares purchased and 'general capital' for spending on all other assets or investments.

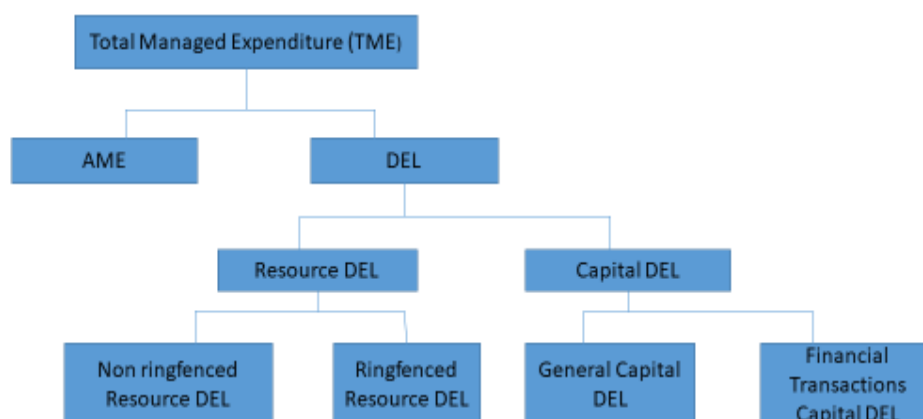
The information contained within budgetary controls does not currently read directly to financial information presented in Financial Statements due to a number of misalignments. It is intended that the Executive's Review of Financial Process will help address these differences and improve transparency.

Further detail on the Budgeting Framework can be found in the Consolidated Budgeting Guidance published by Treasury.

<https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>.

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Budget Structure



Budgetary Performance

Details of the Department's performance against Budgetary Control totals is set out in the table below:

	Final Plan 2021-22 £000	Provisional Outturn 2021-22 £000	Underspend/ (Overspend) £000
Resource DEL	1,720,985	968,526	752,459
<i>Including</i>			
Non-ringfenced	1,112,124	1,097,837	14,287
Ringfenced D/I	608,861	(129,311)	738,172
Capital DEL	116,403	111,965	4,438
<i>Including</i>			
General Capital	126,630	122,227	4,403
FTC	(10,227)	(10,262)	35
Total DEL	1,837,388	1,080,491	756,897
AME	154,088	66,622	87,466
<i>Including</i>			
AME Resource	(121,214)	(196,278)	75,064
AME Capital	275,302	262,900	12,402
Total Managed Expenditure	1,991,476	1,147,113	844,363

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Explanations of the variances are as follows:

Resource DEL (£752.5 million)

Non-Ringfenced Resource (£14.3 million)

£10.8 million of the DfE underspend relates to the following DoF specific ring-fenced areas, including:

- a £4.4 million reduction in the Presbyterian Mutual Society (PMS) Expected Credit Loss;
- a £2.8 million underspend in the High Street Scheme; and,
- various other underspends across the Economic Recovery Action Plan and COVID-19 Support schemes.

The remaining £3.5 million underspend relates mainly to the demand led Educational Maintenance Allowance (£1.6 million) and £1.1 million from Invest NI vacancies.

Ringfenced Resource D/I (£738.2 million)

There is a £738.2 million underspend in the Notional Student Loan Subsidy, caused by a reduction in the HMT discount rate (+0.7% to -1.1%).

Calculating student loan valuations, for either year end accounting purposes (note 10) or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (similar in duration) the student loan portfolios do not have stable monthly contract repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth; all of which drive expected repayments through the PAYE system. None of the year end valuation inputs are known to the Department to support either Estimates process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£4.4 billion face value, note 10.1a) also brings with it problems. Whilst the Department recognises student loans at fair value, annual costs such as impairment or capitalised interest are based on the face value balances. So even if the percentage movement in a valuation input is minimal, the size of the portfolio's face value means that the overall budgeting Estimate or accounting value can be very large, with the ability to drive large variances of Estimates to outturn. See note 10.1b for more explanation on valuation model input sensitivities; and, note 10 records the annual movement in fair value. Consequently, the Department is prudent when it prepares its Supplementary Estimates claim for spending cover for student loan balances across all budget categories. Hence large year end Estimate to outturn variances are typically a product of over prudence and do not indicate a lack of control over the accounting values.

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Capital DEL (£4.4 million)

£2.8 million of the DfE underspend relates to the following DoF specific ring-fenced areas:

- City Deals - £2.2 million underspend due to a delay in Letters of Offer; and,
- Higher Education Graduate Entry Medical School – £0.6 million underspend due to delays in purchasing equipment.

The remaining £1.6 million underspend relates to:

- a £0.5 million underspend due to delays in procurement for Heat Capital Additions;
- a £0.4 million underspend in Tourism NI's Capital Grants; and,
- an accumulation of small under spends across other areas.

AME (£87.5 million)

The AME variance includes:

- £50 million underspend in Student Loans following updates to RPI, and final outturn from the Student Loans Company; and,
- £27.7 million in the Renewable Heat Incentive (RHI) Scheme. The NI funding allocation for the RHI Scheme is calculated on a population based share of the budget for the parallel GB RHI Scheme, offset by a VAT abatement factor. RHI is demand lead and the outturn for both schemes in 2021-22 amounted to £5.8 million from an allocation of £33.47 million. Due to ongoing legal challenges, it was necessary to retain the full budget allocation until year end to minimise any risk to the NI block grant.

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

	2021-22 £000
Net Resource Outturn – Estimates (SOAS2)	865,656
Adjustments:	
Include non-voted expenditure in the SoCNE	4,092
Include non-voted income scored as CFERs in the SoCNE	(2,019)
Unrealised foreign exchange	(131)
Prior Period Adjustment	(17,906)
HMRC funding for IT development	(250)
Net Operating Cost - Accounts	849,442
<i>Adjustments to remove:</i>	
Capital grants	(94,857)
Voted expenditure outside the budget	(515,719)
<i>Adjustments to include</i>	
Other Consolidated Fund Extra Receipts	-
Resource consumption of non-departmental public bodies	482,158
<i>Other Adjustments</i>	
National Insurance Fund expenditure	(4,092)
R&D capital expenditure included in budgets but other resource in estimates	(3,666)
Unrealised foreign exchange	131
Prior Period Adjustment	17,906
Resource Budget Outturn - Budgets	731,303
<i>Of which:</i>	
Departmental Expenditure Limit (DEL)	966,033
Annually Managed Expenditure (AME)	(234,730)

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Statement of Outturn against Assembly Supply (SOAS)

This is the primary statement that demonstrates the Department's accountability for its spending to the Assembly. It records the net outturn compared with the Estimate in accordance with the Supply Estimates Manual.

Request for Resources	Outturn			Estimates			2021-22 £000	2020-21 £000
	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Outturn Net Total
A	964,765	(99,109)	865,656	1,785,319	(99,109)	1,686,210	820,554	1,659,464
Total resources	964,765	(99,109)	865,656	1,785,319	(99,109)	1,686,210	820,554	1,659,464
Non-operating cost Accruing Resources	-	(157,899)	(157,899)	-	(157,899)	(157,899)	-	(144,625)

Net Resource Outturn

SOAS1 reflects the analysis of Net Resource Outturn by function. This shows outturn by budget category within the Departmental Expenditure Limit (DEL), Annually Managed Expenditure (AME) and Non-Budget. Resource Outturn for 2021-22 was £866m with an allocation of £1,686m in the Spring Supplementary Estimates (SSE).

The difference of £820m after virement arose mainly in respect of:

- Student Loan fair value adjustments - the ring-fenced non cash outturn of £773.8m (£738.1m DEL and £35.7m AME) lower than the Estimate reflects unused budget cover set aside for the volatility of student loan book impairment (which is still applied for budgetary purposes even though not for accounting). The movement in impairment is dependent on the year end student loan carrying value, which itself is dependent upon the Office for Budget Responsibility's (OBR's) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year-end valuation inputs are published after Supplementary Estimates are finalised;
- Economic Development and Infrastructure, £6.2m, including High Street Stimulus Scheme £2.8m;
- Adjustment to expected credit losses for Presbyterian Mutual Society, £4.5m;
- RHI, which incorporates the new cost structure reflected in outturn being £28m lower than the Estimate. The future of the Non- Domestic RHI scheme is under review and subject to consultation; and,

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- Non cash budget cover of £5m retained in AME with regard to the potential need to create provisions.

Year on Year Resource Outturn

The trend analysis shown on pages 45 to 48 provides an overview of the expenditure during 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18, with detail included at Annex A.

Resource Outturn for 2021-22 was £866m, compared to £1,659m in 2020-21, which represents a decrease of £793m or 47.8%. This can be summarised as follows:

	Outturn 2021-22	Outturn 2020-21	Movement	Movement
	£000	£000	£000	%
DEL	577,708	867,329	(289,621)	(33.4)
AME	(227,771)	(31,802)	(195,969)	616.2
Non-Budget	515,719	823,937	(308,218)	(37.4)
Total	865,656	1,659,464	(793,808)	(47.8)

Departmental Expenditure Limit (DEL)

Within DEL, £417.2m of the decrease relates to Higher Education and Student Support.

Accounting for student loans reflects fair value through profit and loss in line with IFRS 9 Financial Instruments. However, budgeting for student loans nationally, in agreement with HM Treasury, remains based on amortised cost, for which effective interest and impairment are still applicable terms.

Student Support includes the non-cash impairments to the carrying value of the student loan book. This includes expected credit losses together with the notional cost to the Department of issuing loans to NI students at a subsidised rate in line with Government policy. The cost in 2021-22 was £364m lower than 2020-21 at £(163.4)m. These costs are calculated using a complex financial model and are dependent upon a range of factors including RPI, student earning potential and repayment patterns.

The financial model is known as the Stochastic Earning Path (StEP) financial model, and uses NI borrower data and a wage equation to generate future earning paths for borrowers. The model uses several years of actual graduate earnings histories and data from the Student Loans Company to improve the accuracy of forecasts. The HM Treasury discount rate applied to Student Loans is RPI minus 1.1% (previously RPI plus 0.7%), in line with the Government's long term cost of borrowing. This change applied by HMT during 2021-22 has resulted in a negative impairment, and consequentially an increase to the carrying value of the loans.

It should also be noted that in 2021-22, Non-Budget includes £17.9m relating to a prior year adjustment to increase the 2020-21 impairments to the loan book, arising from corrections to the model.

Other decreases within Higher Education and Student Support include:

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- Reduction in funding for major capital projects which decreased by £17.7m year on year, 2020-21 included the Greater Belfast Project (£25m) and grant funding towards two large QUB projects, the Queen's Management School and the Integration Centre;
- Reduction in funding provided to the sector in respect of COVID-19 £55m, with 2020-21 including £14m to fund the replacement of lost research income, protect research jobs and help universities focus more on high priority research as they recover post-pandemic, £33m in respect of a range of grant schemes in response to the COVID-19 pandemic, £6.4m in respect of PPE as a contribution towards the additional cost of providing a safe learning environment, and £1.8m additional HR teaching grant; and,
- EMA Allowances reduced by £2.3m – as last year students were given 100% attendance due to Covid related school closures, whereas in 2021-22 assessment has returned to classroom based learning and attendance.

These reductions were offset by increased funding in 2021-22 including:

- Economic Recovery Action Plan (ERAP) £14.9m, including Stimulating Research and Development and Innovation (£11m) and £3.9m to maximise student numbers and provide additional teaching grant to the Open University; and,
- New Decade New Approach funding towards the Graduate Entry Medical School in Derry of £7.1m (capital and resource).

Economic Development and Infrastructure increased by £174.6m. 2021-22 includes ERAP initiatives including the High Street Stimulus Scheme (£141.4m), and Project Stratum (which increased by £28.7m to £42.3m, having commenced in November 2020).

Repayment of Assistance in respect of the Presbyterian Mutual Society also decreased by £22.6m due to the revaluation of the loan to Presbyterian Mutual Society. Expected credit losses in 2020-21 of £18.5m were informed by the valuations provided by the Joint Supervisors. However in 2021-22, £4.5m of this adjustment was reversed as a result of the sale of property, leading to a net overall movement of £23m.

Invest NI and Tourism rose by £9.2m related to Tourism due to the payment of an endowment (capital grant) of £10m to secure the future of HMS Caroline.

Employment and Skills saw an overall decrease of £30.4m to £118.5m this year. This reflected a range of COVID-19 response measures in 2020-21, including accredited course upskilling and retraining (£3m) and Support Funds for FE students (£1.8m). Also during 2020-21 the cost of the European Social Fund programme activities by the department were nationalised for the current year only. This meant that no ESF income was reflected as earned during the year, and Employment and Skills reflected departmental costs previously included under EU Programmes of £26m.

The programme contract for Training for Success finished in July 2021 resulting in a reduction in funding provided of £8m. Traineeships are now being delivered through

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Further Education. This year saw the launch of the NIO New Deal Flexible Skills Fund (£5m) and increased funding through Assured Skills participation (£2m). Other movements totalled £1m overall.

There was an overall decrease of £5m in the cost of EU Programmes due to the nationalisation of costs issue described above, together with the spend profile of the programmes.

Annually Managed Expenditure (AME)

AME decreased by £196m on 2020-21. The main movement relates to a decrease of £195m due to the volatility of the effective interest applied to student loans and the impacts of changes in macroeconomic forecasts. During the year HMT revised its guidelines regarding discount rates applicable to student loans. This change coupled with the movement in RPI has resulted in the effective interest rate increasing from 2.2% to 7.9%.

Non-Budget

Total spend for the Non-Budget category decreased by £308m on 2020-21.

The main component of this category is Grant in Aid paid to Non-Departmental Public Bodies (NDPBs) in respect of their working capital requirements. The working capital requirements of Invest NI fell by £350m, reflecting additional cash requirement in 2020-21 to fund emergency grant schemes for businesses as a response to the COVID-19 situation.

2021-22 has seen increases in the working capital requirement to support the recovery of tourism, namely Tourism NI (£8.1m) and Tourism Ireland (£9.5m). Cash requirements in the Further Education sector rose by £6.5m.

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Reconciliation of Net Resource Outturn to Net Operating Expenditure

SOAS2 shows the reconciliation of Net Resource Outturn to Net Operating Expenditure. Reconciling items included within the Net Operating Expenditure are Consolidated Fund Extra Receipts £2m, £0.1m for Foreign Exchange (unrealised) movements as a result of the translation of year end balances, and Non Supply expenditure £4m.

Non Supply expenditure represents payments made in relation to the Redundancy Fund. This rose from £3.7m to £4.1m as a result in the level of applications for assistance.

SOAS1 includes the Student Loans Prior Year Adjustment within Non Budget. This is deducted to arrive at Net Operating Cost for the year, because in the Financial Statements the prior year's figures are restated for this adjustment.

Statement of Financial Position

Student Loans increased by £616m to £3,400m. This is after taking account of a prior period adjust which restated the 2020-21 closing carrying value from £2,802m to £2,784m due to corrections to the model. Student Loan movements this year have included the continued growth in the size of the student loan book, with a further £359m loans issued during the year offset against repayments (£145m) and fair value adjustments. Due to the change in HMT discount rates this year, these have the effect of increasing the carrying value (2021-22 +£401m) rather than decreasing it (2020-21 £(162)m).

Financial Asset Investments reduced by £11m to £26m reflecting a repayment made by Presbyterian Mutual Society offset against interest charged together with the reversal of an expected credit loss of £4.5m.

Receivables rose from £48.6m to £104.8m (increase £56.2m). Amounts receivable from the EU rose by £30m as spend in 2020-21 was funded by central government. Amounts due from the Consolidated Fund in respect of supply rose by £21m due to the timing of payments and drawdown of funds. Other movements included Consolidated Fund Extra Receipts (CFERs) due from NDPBs (£2m) and increases in trade receivables and prepayments.

Payables decreased by £26.8m to £182.5m at 31 March 2022. Payables fell by £31.5m mainly due to Higher Education capital projects. Accruals rose by £7.8m – mainly due to year end liabilities in respect of new activities this year including City deals (£2m) and Skills initiatives (£5m).

Amounts owed to the Consolidated Fund (CFERs) fell by £22.8m mainly due to student loans, and the bank overdraft balance rose by £20.4m due to timing of payments and drawdown from Supply.

Provisions fell by £3m to £29m due to a payment during the year in respect of claims against Harland and Wolff.

Significant Accounting Judgements

Student loans

The Departmental Statement of Financial Position is dominated by the value of the student loan book. The carrying value of the loan book is based on anticipated future repayments measured at today's rates.

Student loans are held at fair value through the profit and loss account (FVPL). This involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is based on the HMT discount rate. In 2021-22, the discount rate used was RPI plus -1.1% (previously RPI plus 0.7%) in line with the Government's long term cost of borrowing.

The face value of the loan book has increased since last year mainly following the issue of £359.5m of new loans in 2021-22. However, the valuation is impacted by a number of macro-economic assumptions used in our modelling that are reviewed annually. The major risk to student loan repayments arises when there is an economic downturn and a reduction in growth. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued. This can lengthen the time period before borrowers trigger repayment criteria and extend the length of time it can take to repay loans, both of which impact on the carrying value of the loans in the accounts. It can also lead to an increase in future credit losses as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

The risk of the Government not recovering the real value of student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation. The cap arises because students are charged interest equivalent to the rate of inflation, or the Bank of England base rate plus 1%, whichever is the lower. As such, when the base rate cap is in operation, interest on loans is charged at a lower rate than inflation. Details of the fair value of the loan book in this financial year are set out in Note 10 to the Accounts.

In 2021-22, the conditions arising as a result of the COVID-19 pandemic and global events have continued to increase the above-mentioned risks in terms of economic conditions, negative impact on earnings and the movements in the Bank of England interest rate. Note 10 to these accounts sets out sensitivity analysis in terms of the potential impact of such conditions on the carrying value of the loan book.

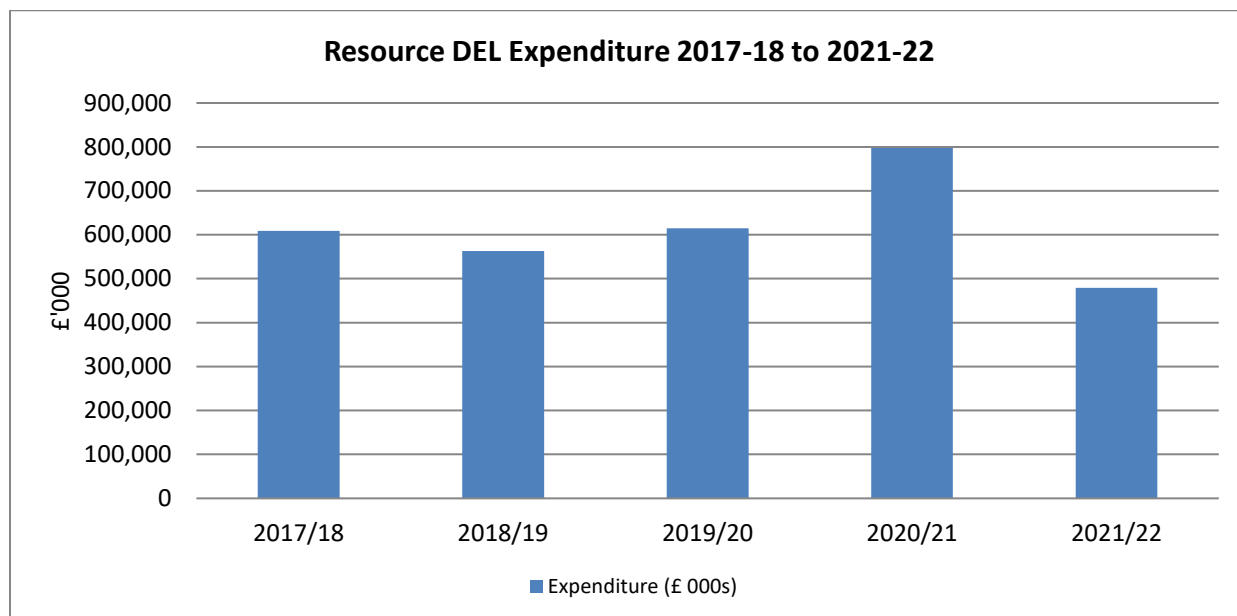
Nationally, Government is continuing to assess how best to manage its holding of current and future loans, including the potential to realise value for the taxpayer from sales of its portfolio. These accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. This is consistent with prior years and reflects the requirements of the Government Financial Reporting Manual. The Department has opted out of previous loan sales and would have the option of doing so again.

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Long Term Expenditure Trends

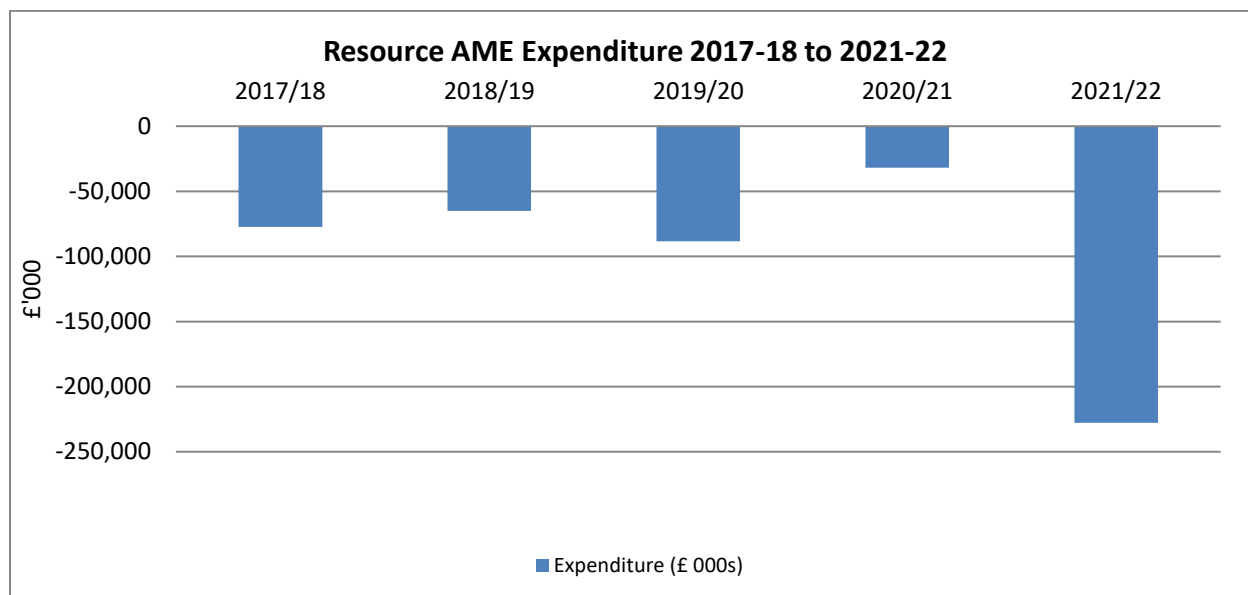
Total Departmental Spend

Total Departmental spend comprises Resource DEL and Resource AME allocations, together with Capital DEL and Capital AME allocations. The following tables show the expenditure trends arising over the last five years. The underlying data can be found in Table 1 in Annex A.



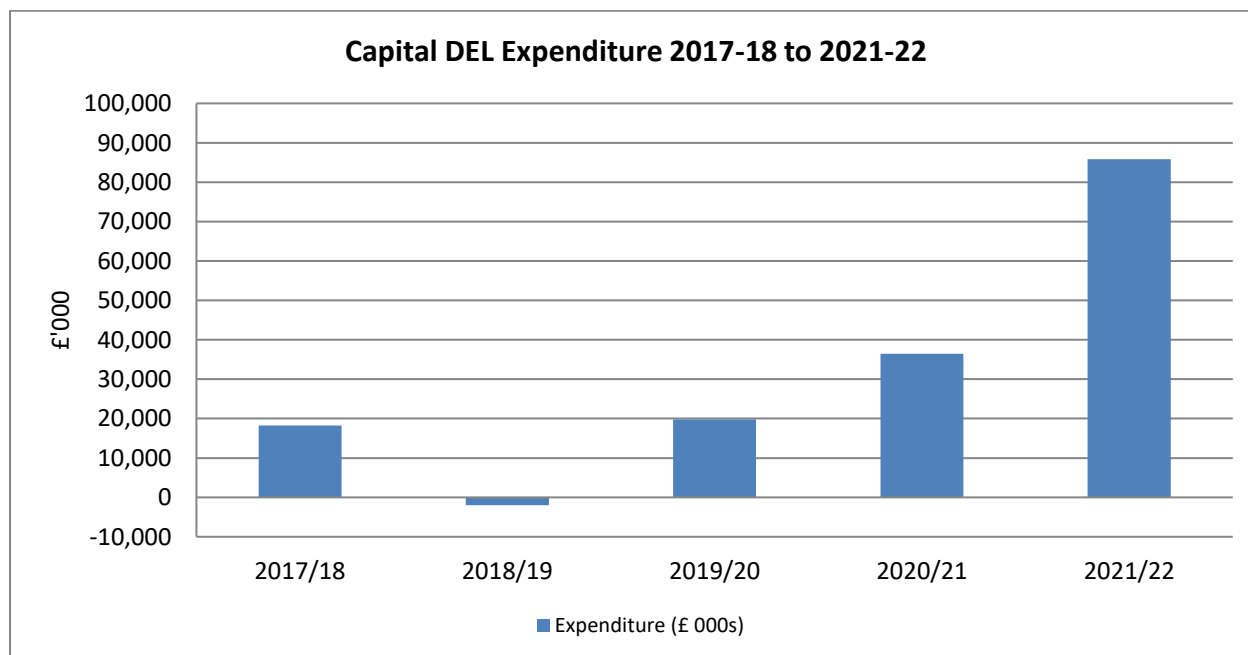
The most significant variation in Resource DEL in recent years has arisen in respect of variations in non-cash student loan book related impairments. The movement in impairments is dependent on the Office for Budgetary Responsibility's (OBR) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. 2021-22 reflects the change in the HMT discount rate from RPI plus 0.7% to RPI plus - 1.1%. In 2020-21, there had been an increase due to COVID-19 Schemes and initiatives to kick start the economy, 2021-22 includes the Economic Recovery Action Plan initiatives, the most significant of which was the High Street Stimulus Scheme.

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Over the period, Resource AME was impacted by movements in:

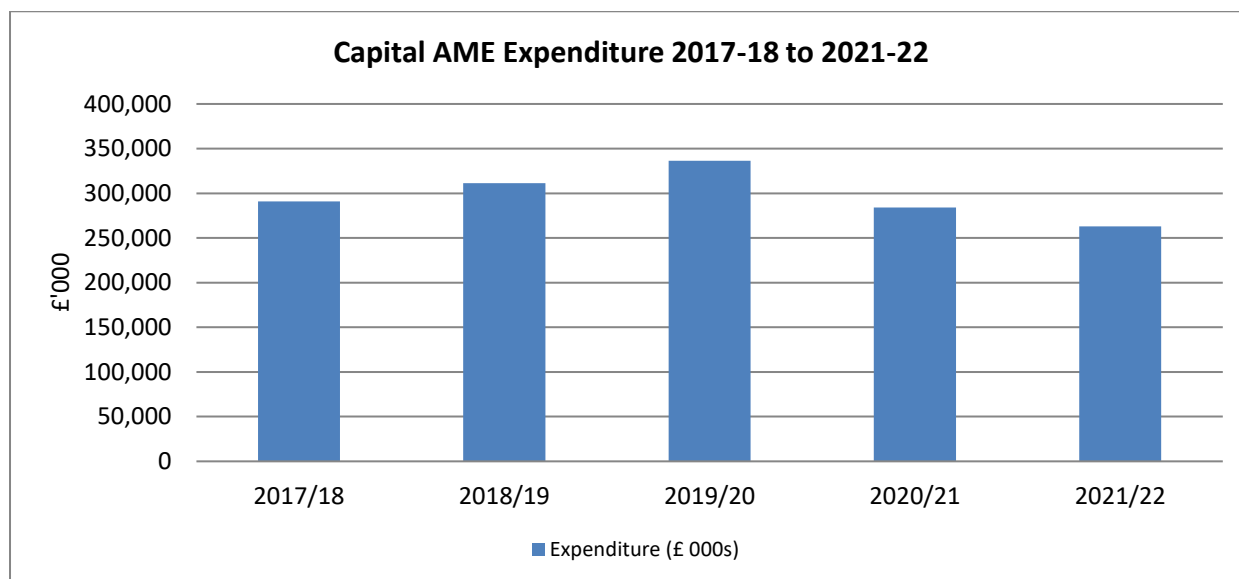
- Fair Value adjustments on student loans, directly related to the movements in RPI – in 2021-22 this was significantly impacted by the change in the HMT discount rate which accounts for the majority of the movement on last year;
- Provision for liabilities in respect of Harland and Wolff, based on actuarial advice; and,
- Tariffs/ cost structures applicable to the RHI scheme.



Capital DEL spend mainly comprises capital grants to the Higher Education sector, which includes the Greater Belfast project in 2020-21, repayments in respect of the loan to Presbyterian Mutual Society, and capital grant funding for the Gas to the West project

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(2019-20 only) and Project Stratum. In addition, 2021-22 includes the cost of securing the position of HMS Caroline.

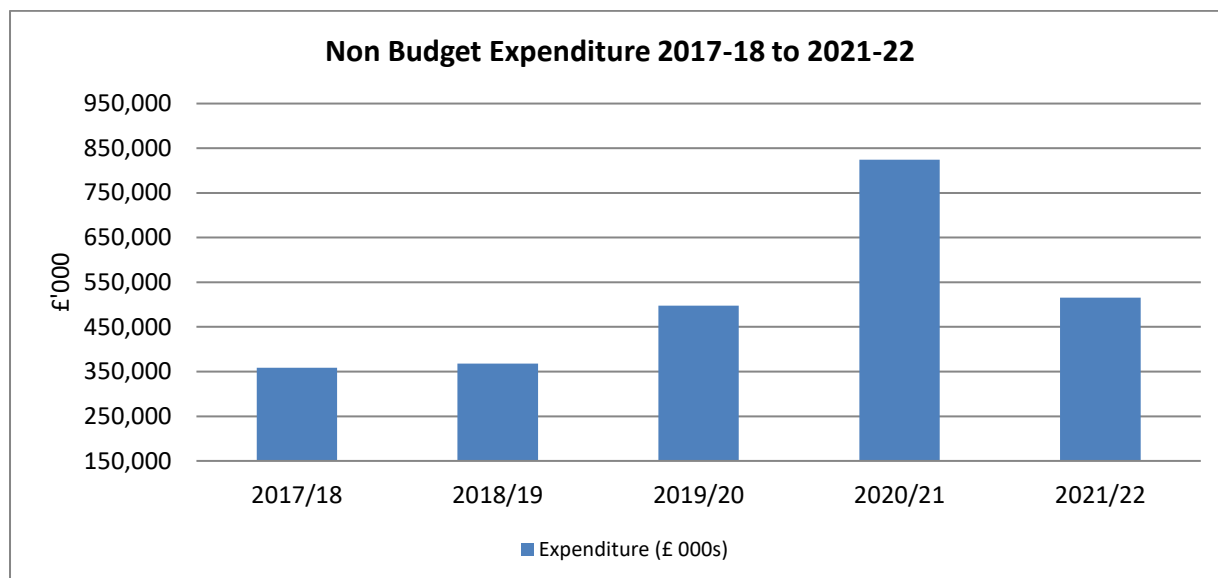


Capital AME reflects issues and repayments in respect of student loans together with interest capitalised/added to the loan book by Student Loans Company. 2019-20 included effectively two years capitalised interest added to the loan book due to a data project in association with HMT (Note 10). New loans issued are proportionately greater than repayments received, reflecting the ongoing increasing value of the loan book.

Non-Budget Spend

The following table shows the Non Budget expenditure trends arising over the last five years. The underlying data can be found in Table 2 in Annex A.

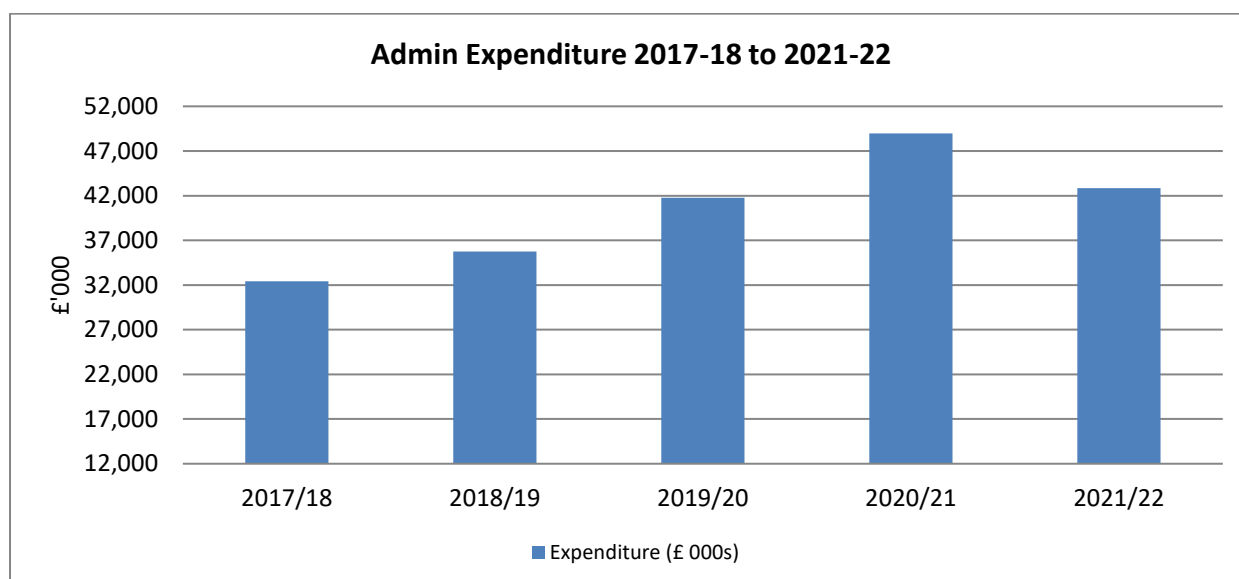
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Non-Budget Spend mainly reflects movements in respect of Grant in Aid to Non-Departmental Public Bodies (NDPBs), which varies according to their cash requirements. In 2019-20, Invest NI Grant in Aid included the initial emergency grant funding to businesses in response to the COVID-19 pandemic, 2020-21 saw the greater proportion of cash payments in relation to this scheme, together with grant funding increased to all NDPBs in response to the continuing COVID-19 pandemic.

Departmental Administration Spend

The following table shows the trend in Departmental Administration Spend arising over the last five years. The underlying data can be found in Table 3 in Annex A.



Administration spend had increased as a result of preparations to leave the EU, COVID-19 response and increases in employer pension contribution costs.

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Future Developments

The consequences of the global pandemic continued to have a significant impact on the work of the Department and all NICS Departments during 2021-22.

Looking ahead, the Department for Economy must continue to prioritise economic recovery while also progressing our wide portfolio of business as usual work as effectively as possible. Much of the future work of the Department will contribute towards its new economic vision [10x Economy, a new Economic Vision for a Decade of Innovation](#).

The economic vision builds upon the Economic Recovery Action Plan and sets out the long term path for economic growth over the next decade. The long-term ambition is for Northern Ireland to be a ten times better economy with benefits and opportunities for all our people. The aim will be for economic growth to mean something to all people and places in Northern Ireland, with a positive impact on wider societal and environmental wellbeing.

The Department also carries out a wide range of crucial business as usual work which this Department delivers alongside its Arm's Length Bodies and other delivery partners. Some examples of the Department's normal recurring business activities which will be progressed during the year include:

- Leading on economic policy and strategy, working with delivery partners such as Invest NI on the programmes and projects that support business development and investment and job creation;
- Continuing to support Further Education Colleges in taking a pivotal role in generating a strong and vibrant economy through the development of world class professional and technical skills, increasingly at higher levels and by helping employers to innovate and by providing those with low or no qualifications, or who have other barriers to learning, with the skills and qualifications needed to find employment and become economically active;
- Supporting higher education institutions in their provision of higher level skills, effecting a positive contribution to the labour market in order to contribute to economic recovery and improved social well-being;
- Supporting higher education institutions to fulfil their key missions of research and knowledge exchange, in order to maximise their achievement of excellent research and its translation into economic and societal impact;
- Supporting economic recovery by continuing to deliver Apprenticeship programmes supporting youth employment and improving the NI skills base, by expanding provision, widening access and improving the economic relevance through working with employers to develop pathways, qualifications & curriculum;
- Supporting economic recovery by continuing to deliver and introduce reformed vocational education programmes, Youth Training and Youth Inclusion programmes providing access to vocational education training and employability skills aimed at reducing the number of young people not in employment, education or training;
- Championing economic, social and personal development by providing relevant high quality learning, research and skills;

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- Continuing to support the tourism sector in NI working with delivery partners Tourism NI and Tourism Ireland to maximise visitor numbers and associated revenue spend for the benefit of the NI economy and to support job creation;
- Supporting cross-border and all island trade and innovation through the activities of InterTradeIreland;
- Continuing to support NI Screen to maximise screen industry expenditure in NI, and build the skills capacity and reputation of the local screen industry internationally;
- Setting the strategic direction for how the energy sector can contribute towards addressing climate change and supporting a green economic recovery;
- Providing regulatory services, including Health and Safety Executive NI, Trading Standards, Consumer Council and Insolvency Service as well as labour market services including Labour Relations Agency, tribunals, employment law and redundancy payments;
- Continuing to deliver careers guidance and advice in line with strategic commitments; and,
- Maintain and enhance Northern Ireland's domestic and international air connectivity.

The Department's Leadership Team are acutely aware of the vast array of new and ongoing work streams planned for 2022-23 and the need for sufficient staffing capacity and capability required to deliver that work.

Work continues to progress the Organisational Development and Transformation Programme designed to allow the Department to become the agile, refocused, cohesive organisation that will be needed to support the Northern Ireland economy over the next decade and beyond. The aim of this major change programme is to deliver longer-term benefits for DfE, its people and its stakeholders, which will ensure that the Department has the capacity and capability to deliver on Executive commitments and its economic vision in the future.



Mike Brennan
Accounting Officer
06 September 2022

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OVERVIEW

The Accountability section of the Annual Report outlines how the Department meets its key accountability requirements to the Assembly and ensures best practice with corporate governance norms and codes. The three sub-sections within the Accountability Report are outlined below.

i. Corporate Governance Report

The purpose of this section is explain the Department's governance structures and internal control systems. It also discloses information about Directors with oversight of the Department.

The Corporate Governance Report includes:

- Statement of Accounting Officer's responsibilities;
- Non-Executive Board Members' Report;
- Directors' Report; and,
- Governance Statement.

ii. Remuneration and Staff Report

This section sets out the Departments' remuneration policy for Directors, reports on how that policy has been implemented and sets out the amounts awarded to Directors as salary and pension entitlements. In addition, the report provides details on staff numbers, costs and staff-related policies.

iii. Assembly Accountability and Audit Report

This section brings together the key Assembly accountability documents within the Annual Report and Accounts. It comprises:

- Statement of Outturn against Assembly Supply and supporting notes;
- Assembly accountability disclosures; and,
- Certificate and Report of the Comptroller and Auditor General to the Assembly.

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STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance (DoF) has directed the Department for the Economy 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 income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Department of Finance, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis; and,
- Confirm that, the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department of Finance has appointed the Permanent Head of the Department for the Economy, Mike Brennan, as Accounting Officer. The Accounting Officer has also appointed the Chief Executives or equivalents of its sponsored non-Departmental and other arm's length public bodies as Accounting Officers of those bodies. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in Managing Public Money NI issued by the Department of Finance.

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Accounting Officer's confirmation

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

Mike Brennan
Accounting Officer

NON-EXECUTIVE BOARD MEMBERS' REPORT

The year to 31 March 2022 has been enormously challenging for the Department for the Economy (DfE) as it has continued to address the impacts of the COVID-19 pandemic. Consequently, the main focus of the DfE Board was on the strategic and operational issues in relation to the Department's response to the crisis with the implementation of the Economic Recovery Action Plan (ERAP).

DfE has demonstrated adaptability and flexibility in its response to the pandemic, continuing to work from a virtual office and setting up effective governance arrangements to facilitate quick and effective decision making. At the same time, since the start of the pandemic, over £600 million of vital financial support has been provided through 54 different interventions aimed at preventing job losses and business closures and boosting economic recovery. These reached in excess of 46,000 businesses since the start of the pandemic. In addition, DfE also delivered the High Street Scheme which has injected £136.6 million into the local economy across many sectors including the retail, hospitality and service sectors.

DfE has successfully delivered a range of support schemes at pace and under considerable pressure, whilst dealing with a high vacancy rate. I have been extremely impressed by the pace and professionalism of the Department's response, which would not have been possible without diligent and dedicated staff working beyond reasonable expectations.

During the year, DfE also launched its ambitious 10x Economy - Economic Vision. This vision embraces innovation to deliver a ten times better economy. As part of this, the Department also launched its Skills Strategy which sets out a plan to deliver significant growth in qualifications in technical and professional skills. A new Energy Strategy was also launched and outlines a roadmap to deliver a 56% reduction in energy-related emissions by 2030, and a pathway to deliver the 2050 vision of net zero carbon and affordable energy.

Work has also continued on the Department's Organisational Development and Transformation (ODT) Programme, which will deliver wide reaching change across the Department ensuring that it is empowered and equipped to work effectively and collaboratively in support of the shared vision for the NI Economy.

Throughout the year, the Board held high-level discussions on subjects of key importance to the Department such as: the effects of the EU exit and the NI Protocol; monitoring of the business plan and risk register; financial updates; progress on ERAP; progress on ODT; and, planning our transition to hybrid working.

The Audit and Risk Assurance Committee (ARAC) continued under my chairmanship in 2021-22. Much of the focus of discussion throughout the year concerned the difficulties of implementing the COVID-19 grant schemes at rapid pace whilst also mitigating fraud and error and simultaneously developing new schemes such as the High Street Scheme. Other key discussions focused on the closure and future options of the RHI scheme,

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monitoring of internal controls within the Department and its public bodies, internal audit reports and the Department's risk register. ARAC continued to review the Department's overall approach to risk management and financial control and was satisfied with the high-level controls in place during the year.

The Departmental Non-Executive Board Members (NEBMs) have operated effectively providing a strong independent scrutiny role through a largely virtual arrangement. One new NEBM joined the Board and ARAC in January 2022 and I would like to take the opportunity to welcome Michael McKavanagh. I have also continued to be supported during the year by my fellow NEBM, Fiona Keenan.

On behalf of the NEBMs, I want to thank colleagues across DfE for their hard work and dedication over the last 12 months and congratulate them for their achievements in what has been undoubtedly a time of increased pressure on already strained resources.

The positive impact DfE has made throughout the last few years leading the economic response to COVID cannot be overstated. My colleagues and I are committed to providing support, challenge and guidance, and working collectively with the Board to continue to support the Department's next steps in progressing our 10X Vision and wider strategies aimed at economic development.

Colm McKenna
Lead Non-Executive
Department for the Economy

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DIRECTORS' REPORT

The Minister

The Minister is responsible and accountable to the Northern Ireland Assembly for the policies, programmes and actions of the Department.

Diane Dodds MLA was Minister for the Economy between 13th January 2020 and 14th June 2021. Paul Frew served as Minister from 14th June 2021 to 5th July 2021 and was succeeded by Gordon Lyons who was appointed as Minister for the Economy on 6th July 2021.

The Permanent Secretary

The Permanent Secretary and Accounting Officer for the Department for the 2021-22 financial year was Mike Brennan.

Departmental Board

The Departmental Board comprises both senior Departmental officials (Executive Board Members) and independent members (Non-Executive Board Members (NEBMs)) and is chaired by the Permanent Secretary. The Board provides leadership to the Department's business, concentrating on strategic, governance and operational issues affecting the Department's performance, as well as scrutinising and challenging Departmental governance arrangements and performance, with a view to the long-term success of the Department. The Board meets monthly to consider progress on strategic issues. It also monitors performance against the Business Plan on a quarterly basis. The Board is supported by a number of committees.

All Board Members for the Department are listed in the table of DfE Board Membership and Attendance set out in the Governance Statement. Total fees of £26,806.11 were paid in respect of the Department's NEBMs during 2021-22. No expenses were claimed as all meetings were held remotely.

Process for Identifying and Managing Conflicts of Interests

The Department has guidance on conflicts of interests which requires Board members and staff to declare any personal or business interests which may influence their judgement, or be perceived to, when performing their duties. The Department has an established procedure for identifying, declaring, managing, recording and publishing conflicts of interest in accordance with [DAO \(DoF 07/21\)](#). The DfE Conflicts of Interest Policy is available to all staff on the DfE Intranet. In addition to this, at the commencement of each Board meeting and Audit and Risk Assurance Committee (ARAC) meeting, members are required to declare any interests they may have. During 2021-22, no declared interests were deemed to conflict with the overall conduct of Departmental business.

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Register of Interests

A register of interests for senior civil servant staff and Departmental Board members has been published on DfE's website: <https://www.economy-ni.gov.uk/publications/departmental-declaration-interests-register-2021-22>.

Five related party transactions occurred during 2021-22, details of which are provided in the Notes to the Accounts.

Transparency on Business Appointments

The Department complies with the rules on the acceptance of Outside Business Appointments, Employment or Self - Employment by Civil Servants after leaving the NI Civil Service as stated in the NICS Standards of Conduct. The Department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on the [DfE website](#).

Data Management

The Department ensures the continued commitment to managing and protecting information, and utilising it as required for the public good. This is achieved through:

- Contributing to the development of NICS wide information management policies and training materials, updating departmental records management and data protection guidance, and communicating changes to all staff;
- Providing guidance on suitable protective markings and assurance on vetting and ongoing personnel security management;
- Having appropriate physical security measures in place for offices;
- Providing security equipment and advice where appropriate, ensuring a safe and secure home working environment;
- Ensuring that personal data is protected through GDPR compliant contracts and data sharing agreements, and by completing relevant Data Protection Impact Assessments and Privacy Notices;
- Facilitating Cyber Security and Responsible for Information e-learning for all staff.
- Providing all new entrants with information management policies and procedures and requiring confirmation that these had been read and understood;
- Providing information sessions on the use of the Department's records management system; and,
- Requiring Information Asset Owners to provide assurance statements regarding their information assets.

All breaches of personal data which are likely to result in a risk to the rights and freedoms of an individual must be reported to the Information Commissioner's Office (ICO) within 72 hours. In 2021-22, there were no breaches of personal data which had to be reported to the ICO.

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Reporting of Complaints

The Department is committed to providing a high quality service to the public and welcomes all feedback, both positive and negative. It offers the resolution process for formal complaints set out in the Departmental Complaints Procedure (available on the Department's [website](#)²), maintains a register of formal complaints, ensures that these are investigated and responded to in line with procedure, and takes forward lessons learned. The Department took forward fifty-six formal customer service complaints during 2021-22. This increase over previous years was mainly due to complaints being received from applicants for COVID-19 related schemes. Where a complaint is upheld, lessons learned are shared across business areas, contributing to improvements in meeting our customer needs. All complaints during 2021-22 have been completed and there are no outstanding complaints.

	2021-22	2020-21
Number of complaints	56	27

² [DfE complaints procedure | Department for the Economy \(economy-ni.gov.uk\)](#)

GOVERNANCE STATEMENT

1. Introduction

The Governance Statement sets out the governance structure, risk management and internal control arrangements for the Department in accordance with guidance issued by DoF. It applies for the financial year 1 April 2021 to 31 March 2022 and up to the date of approval of the Annual Report and Accounts.

2. Scope of Responsibility

The Department operates under the direction and control of the Minister for the Economy, who is responsible and answerable to the Assembly for the exercise of powers on which the administration of the Department depends. The Minister has a duty to the Assembly to account and to be held to account for all the policies, decisions and actions of the Department, including its public bodies.

The Permanent Secretary, as the Departmental Accounting Officer, is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as a whole. He is accountable to the Minister and the Assembly. The Permanent Secretary also has responsibility for maintaining robust governance and risk management structures and a sound system of internal control that supports the achievement of Departmental policies and objectives, whilst safeguarding the public funds and Departmental assets for which he is responsible, in accordance with *Managing Public Money Northern Ireland*.

3. DfE Governance Arrangements

All entities need clear accountability frameworks and processes for governance, risk management, and internal control. Internal control supports a public sector entity, such as DfE, in achieving its objectives by managing its risks while complying with governance guidance and regulations.

A sound governance framework has been established across the Department which includes:

- governing board and committees;
- governance arrangements with its public bodies;
- monitoring of governance arrangements and internal controls;
- risk management;
- independent reviews by Internal Audit; and,
- up to date organisational policies.

Within DfE, governance arrangements not only encompass policies and procedures that provide strategic direction, monitor objectives and manage risks but also place emphasis on the importance of leadership to ensure that sound governance

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practices are instilled throughout the Department in employees' day-to-day work, focusing on performance and compliance:

- Performance: how the Department uses governance arrangements to contribute to its overall performance and the delivery of services and programmes; and,
- Compliance: how the Department uses governance arrangements to ensure it meets the requirements of the law, regulations, published standards and stakeholder expectations of probity, accountability and openness.

The Departmental Board assists the Permanent Secretary in meeting his responsibilities as Accounting Officer for establishing and overseeing the corporate governance arrangements of the Department. The Board, which comprises both senior Departmental officials (Executive Board Members) and independent members (Non-Executive Board Members), provides corporate leadership to the organisation as a whole. It monitors performance against business plans, budgets and targets, and oversees the governance and risk management arrangements of the Department. The Board is chaired by the Permanent Secretary.

4. Departmental Board

The Board met on 11 occasions during the 2021-22 financial year. DfE board minutes are published on the DfE [website](#).

The Board is chaired by the Permanent Secretary who, as Accounting Officer, is responsible for the appointment of all Non-Executive Board Members (NEBMs). An additional NEBM was appointed during the year, in order to further balance the skills and experience of Board Members. Membership of the Board during 2021-22 is shown in the following table, along with each member's attendance:

DfE Board Membership and Attendance Table 2021-22

Board Member	Role/ Title	Meetings Attended
Mike Brennan	Permanent Secretary	10 / 11
Heather Cousins	Deputy Secretary of Skills and Education	10 / 11
Richard Rodgers	Deputy Secretary of Energy	9 / 11
David Malcolm	Deputy Secretary of Management Services and Regulation	11 / 11
Paul Grocott	Deputy Secretary of Economic Strategy	9 / 11
Shane Murphy	Deputy Secretary of International and Economic Relations	11 / 11

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Board Member	Role/ Title	Meetings Attended
Colin Woods, succeeded by Alan Russell (acting)	Corporate Governance Director	10 / 11
Sharon Hetherington	Finance Director	11 / 11
Michelle Bell	Central Services Director	8 / 11
Lisa Morgan, succeeded by Jackie McAllister, succeeded by Marlene McIntyre	NICS HR Business Partner	9 / 11
Colm McKenna	NEBM	11 / 11
Fiona Keenan	NEBM	11 / 11
Michael McKavanagh	NEBM (from 4 January 2022)	3 / 11

Other Directors are invited to attend where significant items pertaining to their business areas are to be discussed by the Board. A Boardroom Apprentice has been placed with DfE for 12 months from September 2021. The Apprentice is involved in discussions but not in decision making. A minimum of three members of the Board must be present for the meeting to be deemed quorate. All Board meetings during the 2021-22 financial year were quorate.

Key work of the Departmental Board during the year included:

- providing leadership to the Department’s business, concentrating on strategic, governance and operational issues affecting the Department’s performance;
- scrutinising and challenging Departmental policies and performance, particularly in relation to
 - support for businesses during the pandemic; and,
 - economic recovery;
- risk management through the use of the Departmental Risk Framework and Register and on an agile basis given the rigours of the year;
- overseeing the implementation of the Department’s Organisational Development & Transformation Programme (ODT); and,
- overseeing the management of all resources available to the Department to achieve the action points set out above, including financial and staff through collaborative working with finance and HR partners within DoF.

The diagram below highlights the key topics considered by the Board during the year.

Key DfE Board Topics in 2021-22



5. Quality of Data Used by the Departmental Board

The Board used information based on a number of data sources. Data relating to financial information and performance is derived from NICS wide systems such as Account NI and HR Connect. The Departmental Board takes assurance on the quality of this data from the internal controls in place in the Department and the scrutiny of the Account NI and HR Connect systems by DoF's Internal Audit Service (IAS). Information provided to the Board was timely, succinct, well presented (both verbally and in writing) and evidence based. This enabled the Board to manage its busy agenda very well, given the time constraints, and allowed all members to contribute to discussions and decision making. To ensure that the NEBMs were kept fully appraised, regular up-date video-calls were also held with the three NEBMs and the Permanent Secretary. Challenge and discussion at meetings were encouraged. DfE's governance team provided a comprehensive secretariat service to the Board and committees to ensure the effective and efficient administration of the Board and its activities.

6. Board Performance and Effectiveness

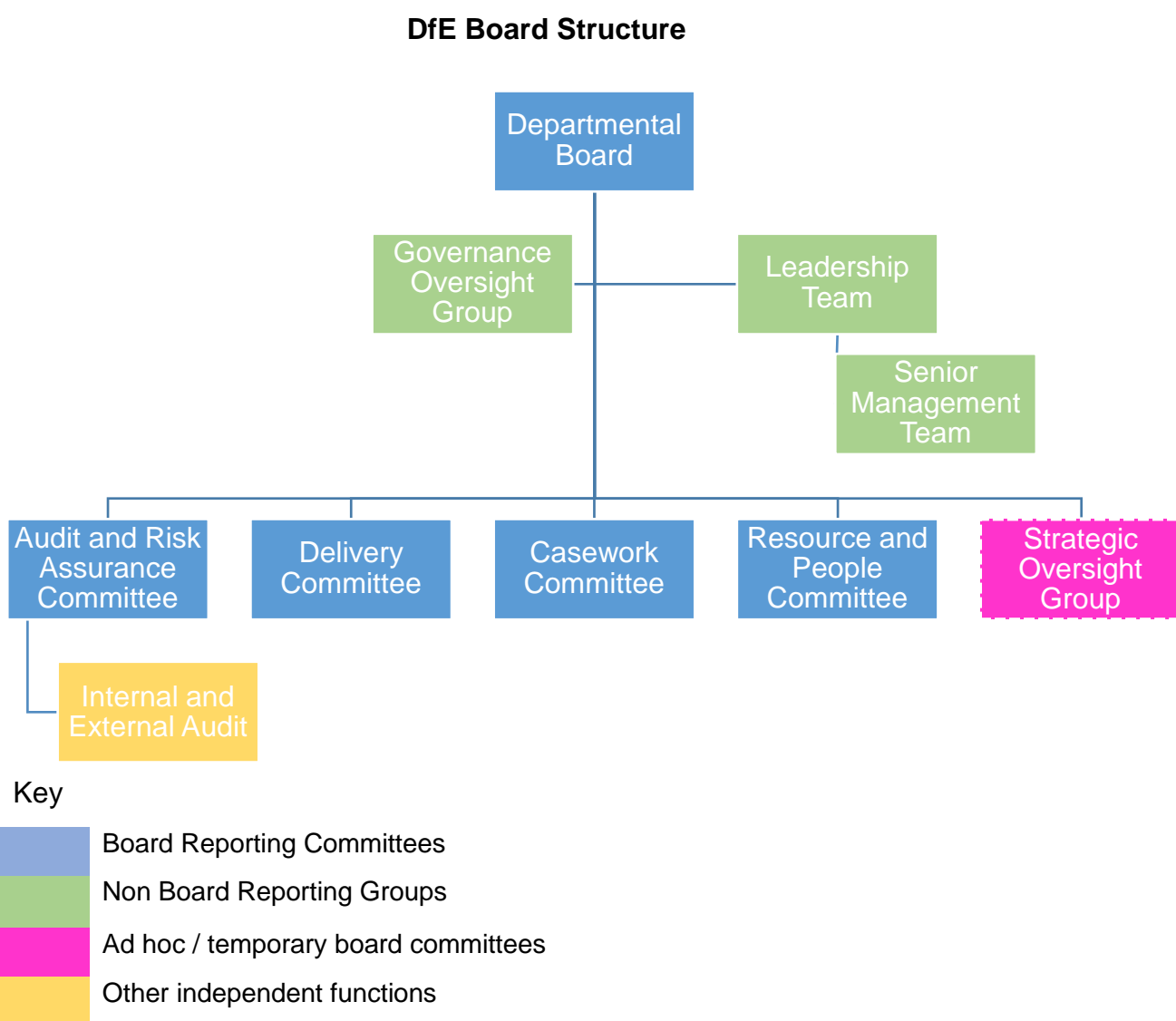
During the year an external assessment of Board performance and effectiveness was carried out with a final report presented to the Board on 27 January 2022. Overall it was concluded that the DfE Departmental Board is performing well. Many

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of its practices are in line with good governance principles and overall it is effectively governing the organisation. However, several key areas were identified which the Board could focus to further enhance its performance going forward. Actions to meet these recommendations have been set out in an implementation plan. It is expected that work on implementation will be concluded by Autumn 2022.

7. Committees of the Board

During the year there were formal committees of the Board and one ad-hoc committee, as illustrated below.



Audit and Risk Assurance Committee

The well-established DfE ARAC acts in an advisory capacity and reports regularly to the Accounting Officer and Board. ARAC was integral to the scrutiny and challenge

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process in 2021-22 and provided advice to the Accounting Officer and Board on matters of financial accountability, risk management, internal controls, assurance and governance.

The ARAC is chaired by an NEBM. Membership during 2021-22 varied due to a number of departures and successful recruitment exercises and consisted of four members, rising to five from 4 January 2022. A quorum for any meeting of the ARAC is two members. All ARAC meetings during the 2021-22 financial year were quorate. All External Senior Civil Servant ARAC members are unremunerated.

During 2021-22, the ARAC met five times (May 2021, September 2021, November 2021 and twice in February 2022) with ARAC membership and attendance listed in the following table.

DfE ARAC Membership and Attendance Table 2021-22

ARAC Members	Appointment	Role/ Title	Meetings Attended
Colm McKenna	14 September 2020 to present	NEBM and Chair	5/5
Fiona Keenan	16 March 2020 to present	NEBM	4/5
Grace Nesbitt	1 November 2014 to 21 September 2021	External Senior Civil Servant	1/5
Anthony Harbinson	1 October 2012 to 27 July 2021	External Senior Civil Servant	1/5
Brian Doherty	1 September 2021 to present	External Senior Civil Servant	2/5
Dominic McCullough	1 September 2021 to present	External Senior Civil Servant	3/5
Michael McKavanagh	4 January 2022 - present	NEBM	2/5

ARAC meetings are also attended by the Permanent Secretary, relevant Deputy Secretaries as required, the Finance Director, the Corporate Governance Director, and other representatives from DfE, a representative from the Northern Ireland Audit Office (NIAO), and the Head of Internal Audit.

During 2021-22 ARAC worked to:

- examine and challenge the overall control environment including the risk and governance arrangements to support the Accounting Officer in his stewardship of Departmental resources;
- oversee the work of internal audit and consider the implications of the planned activity of external audit and the results of its work;
- oversee the preparation of and financial reporting in the annual report and accounts;

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- examine the development and implementation of the various COVID-19 grant schemes, including the High Street Scheme, and how to mitigate fraud and error in relation to the schemes;
- discuss governance and performance issues arising within the Department and its public bodies;
- examine the development of a long-term strategy for renewable heat and consideration of the future options of the RHI scheme presented to the Executive for its decision;
- examine the impact of resourcing and COVID-19 issues on the Department and its public bodies and the measures being taken to address this;
- consider Post Project Evaluations (PPEs) and the implementation of a more robust system for monitoring and reviewing outstanding PPEs; and,
- oversee the implementation of the new online risk management framework.

The Board takes assurance from the ARAC Annual Report, provided by the ARAC Chair, which reports on the Committee's programme of work during the year, as well as updates provided on each meeting held. The Committee is content that adequate control systems are in place to support the Board and the Accounting Officer in his decision taking and accountability obligations.

In line with best practice, the ARAC carried out an assessment of its own effectiveness during 2021-22 and concluded that whilst there are no major issues with the performance of the Committee, there are areas that could benefit from further attention which will be addressed in 2022-23.

Casework Committee

The Departmental Casework Committee is responsible for the scrutiny (but not approval) of business cases where expenditure exceeds a threshold of £5 million. Its aim is to deliver better value for the taxpayer by challenging expenditure proposals on the grounds of deliverability, affordability and value for money and to review the quality of business cases being submitted to the Department of Finance.

By drawing on the experience of its members, the Casework Committee seeks to assess:

- The identification of options and alternative ways of delivering project objectives and outcomes;
- The cost effectiveness of proposals; and,
- The management and mitigation of risk.

Experience shows that projects progress more smoothly through the approval process when there is early engagement between all parties as the casework papers are being developed and that subjecting projects to scrutiny by the Casework Committee leads to a more streamlined process in terms of securing formal approval by DoF and/or the Minister.

Following Casework Committee scrutiny several options may occur:

- cases may require only Ministerial approval;

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- cases may require DoF approval where DoF delegations have been exceeded or there is a statutory requirement;
- cases may be returned to the Business Area for further clarification; or
- cases may not be supported by the Committee.

Twenty projects were presented to the DfE Casework Committee in 2021-22. Of the 20 cases heard, the Casework Committee recommended 17 for approval, the Minister has approved 14 and there are still 3 cases pending. Caseworks continue to be conducted remotely.

Resourcing and People Committee

The Resourcing and People Committee provides a strategic view of how the NICS Human Resource policies and procedures can best be applied to ensure that they contribute effectively to the delivery of the Department's business needs, in line with priorities set out in the Programme for Government and the DfE Corporate and annual Business Plans. It is responsible for making decisions and recommendations on the implementation of corporate NICS-wide people-related policies in DfE and the effective use of resources across the Department; it has continued to meet during the past year through tele- and/or video-conferencing facilities and will continue to do so to ensure that there is strategic oversight of resourcing and people issues.

The Resourcing and People Committee met on three occasions during the 2021-22 financial year: once in May 2021 and twice in November 2021.

Delivery Committee

The Board established the Delivery Committee to support them in the development and management of performance, of the Department's strategic work plans, including corporate and annual Business Plans and any delivery plans relating to the Programme for Government. Related to this, the Committee also scrutinises the effectiveness of the management of key risks to achieving the objectives set out in those plans.

The Departmental Business Plan and Corporate Risk Register are the primary tools by which the Accounting Officer and Board manages the business of the Department. The main function of the Delivery Committee is to assist the Board in clearly demonstrating that it is monitoring and challenging the delivery of initiatives and targets outlined in Business Plans and regularly questioning the adequacy of associated risk management arrangements.

In the 2021-22 financial year, the Delivery Committee moved to conducting its business by correspondence rather than formal meetings in an effort to relieve some burden on leadership team in respect of diary pressures. Throughout the year, the Delivery Committee considered and challenged the quarterly progress updates provided by colleagues on Business Plan commitments and the Corporate Risk Register. From November 2021 onwards, the Committee also began to review and scrutinise updates on Post Project Evaluations resulting in recommendations for improvements.

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Strategic Oversight Group

The Strategic Oversight Group (SOG) was established in June 2020 to provide strategic direction and control for the Department's preparations for the end of the EU Exit Transition Period and its economic policy response to the COVID-19 pandemic.

SOG provided a centralised decision-making and assurance mechanism for the Department's EU Exit Transition Readiness and COVID-19 Policy Response programmes. The group also provided an effective route through which strategic risks and issues pertaining to EU Exit and COVID-19 were escalated and addressed, including through cross NICS governance structures. Membership of the group was comprised of DfE's Leadership Team and Finance Director.

SOG was decommissioned in August 2021 following the closure of the EU Exit Transition Readiness and COVID-19 Policy Response programmes. The group met on four occasions between April 2021 and August 2021.

8. Other Organisational Structures

Other internal structures that contribute to sound corporate governance in the Department are weekly Leadership Team meetings, weekly meetings with the Minister, monthly Senior Management Meetings and the Governance Oversight Group.

Leadership Team

The DfE Leadership Team comprises the Permanent Secretary, Deputy Secretaries, Director of Corporate Governance and the Director of Central Services. In addition meetings are attended by a representative from the Private Office, to provide information on the Minister's work, a representative from the Press Office to provide information on recent and upcoming press and communications events, and the Departmental Assembly Liaison Officer to provide information on Executive and Assembly Business. Leadership Team meets once per week, where possible, and these meetings provide the opportunity for high level updates and a discussion of key issues generally.

Senior Management Team

Senior Management Team (SMT) meets once per month. Meetings are chaired by the Permanent Secretary and membership comprises the five Deputy Secretaries and all Directors and Deputy Directors. The Head of Central Management Branch, HR Business Partner and the DfE Press Officer are also in attendance.

SMT meetings provide an opportunity for senior officials within DfE to discuss and brief attendees on a range of ongoing operational issues and each meeting is led by one of the Deputy Secretaries, taking turns on a rota basis. This provides the opportunity to share knowledge and learning, collaborate on issues and provide support across the Divisions. Attendees provide feedback to their business areas, as appropriate.

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Governance Oversight Group

The Governance Oversight Group (GOG) examines current and emerging governance issues, usually focussing on specific work areas. GOG is chaired by the Permanent Secretary and membership consists of the Deputy Secretary of Management Services and Regulation Group, Director of Corporate Governance and the Head of Internal Audit. For project specific GOG meetings, Directors from the individual work areas are required to attend.

The purpose of the GOG is to aid the oversight and challenge on topical governance issues. The meetings are relatively informal and are part of the regular stocktake for Departmental Board Assurance. GOG meetings typically occur two to three times per month but can be more frequent when deemed appropriate. There have been 44 meetings in the 2021-22 financial year and the subjects of these meetings are noted in the list below:

- HMS Caroline;
- City Deals;
- Visibility to the Centre;
- ACVED Management of Suite of Programs;
- United Youth;
- RHI Lessons Learnt;
- Commercial Capability & Oversight;
- Glenmore & Crescent 3;
- High Street Stimulus Scheme;
- Review of Sponsorship Function; and,
- ERAP

9. Governance of DfE's public bodies

The Department has a large, diverse range of public bodies which span numerous sectors. In 2021-22, DfE worked with 20 public bodies with a wide span of policy and operational responsibilities. These organisations assist DfE in implementing its policies and public services and achieving its aims and objectives.

These public bodies are known within DfE as partner organisations. They include 14 Non-Departmental Public Bodies, two North/South bodies and four Independent Autonomous Bodies as listed in the Notes to the Accounts.

Most of the DfE's partner organisations are governed by their own independent boards with their own separate governance and internal assurance structures. Details of these can be found in their individual annual report and accounts.

In 2021-22, DfE received assurance on risk and delivery within partner organisations through:

- The reporting on internal controls in operation within partner organisations during the year;
- Advice and challenge from ARAC on assurance processes;

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- Partner organisations' governance statements;
- Delivery of work in line with a sponsorship manual;
- Dedicated DfE teams liaison with partner organisations; and,
- Ongoing review and updates to management agreements.

Partner organisations appraise the performance of their Boards in line with DoF guidance. The requirement to have an assessment for annual board performance is included within the management agreements for each public body.

The Department continues to review and develop its approach to partner organisations to ensure it has the appropriate lines of sight and maintains productive relationships. Management agreements are being updated to reflect partnership working principles recently introduced by DoF.

10. Compliance with the Corporate Governance Code

Within Northern Ireland, Departments are required to operate under the '*Corporate Governance in Central Government Departments: Code of Good Practice NI 2013*'. The Code outlines a model Board Operating Framework that can be used to document a Departmental Board's roles and responsibilities. Departments are required to either comply with the Code or explain any significant departures from it.

During 2021-22, the Department complied with the principles and supporting provisions set out in this Code.

11. Risk Management

Risk management is an integral part of the Department's corporate governance framework and is closely linked to the Department's Business Planning process. The Department's risk management framework has been developed in accordance with the HMT's Orange Book and requires all business units (branches and divisions) to formally manage risks on a periodic basis through the maintenance of risk registers.

The Department's key risks are managed at corporate level and are regularly reviewed by the Departmental Board. The Departmental Board and ARAC provides leadership and direction in managing the risk environment in which the Department operates. The Corporate Risk Register was monitored and managed by the Departmental Board and ARAC on a quarterly basis during 2021-22. A more comprehensive list of the risks managed during the year is provided in the Performance Report section of this document.

During the year, the Department introduced a new web based risk management database to help improve risk management processes by housing all Departmental risks in one central online location. The new system facilitates risk management at all levels i.e. corporate, divisional and branch as well as programme and project level. It provides a user-friendly approach through visual dashboards, an improved audit trail and better quality information being presented to the Board.

12. Budget Position and Authority

The Assembly passed the Budget Act (Northern Ireland) 2022 in March 2022 which authorised the cash and use of resources for all departments for the 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2022 also included a Vote on Account which authorised departments' access to cash and use of resources for the early months of the 2022-23 financial year. The cash and resource balance to complete for the remainder of 2022-23 will be authorised by the 2022-23 Main Estimates and the associated Budget Bill based on an agreed 2022-23 Budget. In the event that this is delayed, then the powers available to the Permanent Secretary of the Department of Finance under Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 will be used to authorise the cash, and the use of resources during the intervening period.

13. Key Control Issues

The following areas have been identified as being key control issues facing the Department during the reporting period.

i. COVID-19 Grant Schemes – Accounting Treatment

At the start of the pandemic in March 2020, DfE worked closely with Departmental Solicitors' Office (DSO), DoF, Invest NI and AccountNI to deliver the COVID schemes as quickly as possible as instructed by the Northern Ireland Executive. This was necessary to try and maintain a degree of economic buoyancy. The Department engaged with the Northern Ireland Audit Office (NIAO) on the approach and design at the outset.

Within the DfE Ministerial area of responsibility, the legal authority and therefore responsibility for the schemes fell to Invest NI under the Industrial Development (NI) Order 1982. However, given the urgency and scale of the initiative, DfE and Department of Finance (Land and Property Service (LPS) and Account NI) acted as agents on behalf of Invest NI to deliver the schemes. This approach was set out in a Memorandum of Understanding through which Invest NI accepted it was responsible for delivering the outcomes using DfE and DoF staff and systems.

In terms of the accounting treatment, Invest NI has accounted for the schemes on an accruals basis, and DfE has accounted for them as cash based Grant-in-Aid. The difference is primarily one of timing, as across the two years of 2019-20 and 2020-21, all but £6m of the expenditure has been accounted for in both organisations. Expenditure included within the DfE accounts is shown at Note 22. It was the Department's view, based on legal advice received during the design phase of the schemes, that given the timing and resource pressures, DfE and LPS would act as agents on behalf of Invest NI. This approach was discussed with DoF and NIAO

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during the design and implementation of the £10k scheme last year. The 2019-20 accounts were not qualified in this regard.

Three additional schemes were set up in 2020-21 using the same principles:

- i. £25k Hospitality Scheme;
- ii. Wet Pubs Scheme; and,
- iii. Large Hospitality Grant Scheme.

However, during the audit of the 2020-21 accounts NIAO challenged this treatment for all four schemes and came to a different conclusion in respect of the accounting treatment. DfE does not agree with the C&AG's opinion and has not therefore adjusted its accounts to reflect the C&AG's position and notes the 2019-20 accounts were not qualified on this issue. Therefore, this has resulted in a qualified True and Fair audit opinion.

The disagreement has continued into the 2021-22 year with only one scheme active, namely the Large Hospitality Grant Scheme.

DfE Position

DfE is still of the view this was not a contractual arrangement and no administration charges were levied or paid to Invest NI. This was instead a function of Government, by which the DfE Accounting Officer delegated delivery of the schemes to a Non-Department Public Body (NDPB) (Invest NI) albeit with administrative support from DfE and LPS due to the resources required and the time constraints. This reflects the delivery model applied in respect of public services in Northern Ireland, with the Department supported by, and working in partnership with, its NDPB. No further information has come to light that would lead the Department to change its position.

DfE and Invest NI apply the government finance and accounting guidance set out in *Managing Public Money and Financial Reporting Manual* (FReM). FReM applies the Conceptual Framework for Financial Reporting which sets out requirements for 'accounting for and reporting of financial transactions'.

The most important and pertinent concept in the IFRS Conceptual Framework (as interpreted by FReM), is ensuring the usefulness of the accounts to Parliament (including the NI Assembly). The primary question is therefore how to allocate grant expenditure to a reporting entity in a way which will be of maximum benefit to elected representatives.

It is of paramount importance to Members that the expenditure in respect of a grant scheme is disclosed in the entity in respect of which the Executive has approved the Budget/Supply, which in turn will be in line with the entity whose remit, and legal vires, covers the expenditure. When Budget cover has been made available to an NDPB for an activity which falls within its remit and vires, it would not be desirable or

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useful to Members for that expenditure to be moved to the NDPB's parent Department. The result would be superficially "illegal" expenditure, even though the Budget cover and legal vires was legitimately available in a body in the same Departmental family, under the control of the same Minister.

Within the accounts of Invest NI and DfE, there is open and fulsome disclosure of the transactions taking place, the schemes to which they relate and the reason for the treatment. There is complete depiction of the information necessary to understand the transactions taking place.

DfE has also considered other potentially relevant indicators of control including responsibility for design of the scheme, losses and errors, discretion, performance obligation and promotion/advertising. The Department concluded that these supported the current approach, a view supported by the Treasury Officer of Accounts (TOA) and Accountability and Financial Management Division (AFMD) of DoF who are responsible for providing accounting advice to departments.

To explore matters further DfE and DoF worked with DSO to obtain advice from Senior Counsel who provided strong support for the DfE position.

Conclusion

Where an NDPB Accounting Officer has the appropriate remit and legal vires for a grant scheme, and has formally accepted the Budget and responsibility for that scheme in advance, it follows that the grant expenditure should be accounted for in that NDPB, regardless of whether a Memorandum of Understanding is agreed to transfer administration of the scheme to another body/bodies. This principle allows appropriate reporting against voted Supply, and provides the most useful information to the Executive. The fact that a scheme is designed primarily by Ministers in conjunction with civil servants in the parent department does not change that, and indeed is the normal process, irrespective of which body will take on the scheme.

Attempting to assign grant expenditure to the entity deemed most prominent in designing the scheme, or administering the scheme, would lead to a great deal of ambiguity and have far-reaching ramifications across government. Ultimately, it would lead to greater confusion, less clarity, and less useful financial reporting for Members in their effort to effectively control public expenditure.

DfE is still therefore content that the expenditure in respect of the schemes is reflected on an accruals basis in the accounts of Invest NI, and as Grant-in-Aid within the accounts of this Department. The Department has prepared its accounts on what it assessed to be the appropriate accounting treatment and accepts that its opinion on the correct treatment differs from that of NIAO in an area that is both technical and a matter of subjective accounting judgement.

ii. Apprenticeship Recovery Interventions

In September 2021 the Department's Internal Audit Service identified that DoF approvals were not in place for three Apprenticeship Recovery Intervention Schemes: Return, Retain, Result; New Recruit; and, Challenge Fund which had been introduced in 2020-21 as part of the economic response to the pandemic. The requirement for DoF approval under the schemes' vires of the Employment & Training Act (Northern Ireland) 1950 had regrettably been overlooked in the context of the exceptional approval processes which had been put in place to develop urgently needed COVID interventions as expediently as possible. When the issue came to light, payments were immediately halted until the Department could gain approval for further payments from DoF. DoF subsequently provided retrospective approval on 22 November 2021 for two of the three schemes affected and for the third on 8 December 2021; payments recommenced on 23 November 2021 and 9 December 2021 respectively. However, £6.2m which had already been paid up until 4 October 2021, including £1.1m in the 2020-21 financial year, has been deemed unlawful and cannot be retrospectively regularised.

Aside from this exceptional event, risks are being managed effectively within the Division with all aspects of the schemes constantly under review.

A recent Internal Audit report found the schemes to be satisfactory, with three priority 3 recommendations, all of which were implemented promptly.

iii. Glenmore Generation Limited

The Comptroller and Auditor General provided a qualified opinion on the expected credit loss charge and the interest income associated with a loan to Glenmore Generation Limited within Invest NI's 2020-21 accounts. Whilst DoF originally provided approval for the write off of this investment, as the related expenditure was subsequently deemed to be irregular, DoF therefore rescinded the write off approval. The areas for improvement identified have now been included in the Corporate Governance action plan that is overseen by the newly formed Invest NI Governance Council (GC). The GC was formed in July 2021 to implement best practice and improvements right across the governance framework and reports regularly to Invest NI's Audit & Risk Committee on its work plan and priorities. Updated guidance relating to loans and high risk projects is due to be issued in the first quarter of 2022-23, and Invest NI is reviewing its systems for tracking approval conditions associated with major investments, including the establishment of a Risk and Credit Committee.

iv. Presbyterian Mutual Society

Following the collapse of the Presbyterian Mutual Society (PMS) the Department of Enterprise, Trade and Investment (DETI), now DfE, were designated in March 2011 to manage a bridging loan of £175m with a ten year repayment agreement, under the Financial Assistance Act (Northern Ireland) 2009. Under a Court appointed scheme the PMS is administered by KPMG and Arthur Boyd as Joint Supervisors.

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A Departmental PMS Steering Group is responsible for overseeing the strategic direction of the PMS project, as well as maintaining appropriate monitoring and control procedures to ensure sufficient oversight of the management of the scheme. The Steering Group is also responsible for assessing and providing advice to the DfE Permanent Secretary and Minister on key events and managing the risks associated with the repayment of the PMS loan.

Throughout the scheme, the Department, in conjunction with its external professional advisors, has carefully monitored the strategy in relation to the timing of property disposals and repayments available in respect of the £175 million loan by holding regular meetings (at least quarterly). As a result of the UK lockdowns, the Joint Supervisors were unable to execute the previously agreed sales strategy, therefore an extension of the loan facility for a further two years has been approved by the DfE and DoF Ministers. Following this, the Joint Supervisors prepared and presented a revised sales strategy to November 2022 however even with the extension the most current forecast has indicated a £14.15m shortfall on the £175m loan.

v. Harland and Wolff (H&W)

H&W plc (“the company”) is wholly owned by DfE. Its operations are managed by the company’s Board which consists of four DfE officials with the Department’s Financial Governance Branch providing a company secretarial function. The H&W plc Board is chaired by the Department’s Finance Director and meets on a regular basis throughout the year. The company has its own risk register which is considered at every Board meeting.

H&W retains an inherent risk due to the assessment of the company’s future liabilities and funding requirements. To reduce this risk, the Directors rely on actuarial valuations every three years, with the most recent undertaken during the 2019-20 year. Other data, relating to claims against the company, is provided by the company’s professional advisers and the Directors are satisfied with the quality of data provided.

vi. HMS Caroline

In 2012 DETI, now DfE, reached an agreement with the National Museum of the Royal Navy (NMRN) to retain HMS Caroline (HMSC or “the Ship”) in Belfast and to develop it into a world class maritime Heritage Visitor Attraction (HVA), with National Lottery Heritage Fund (NLHF) as the main funder. The HVA fully opened to the public in April 2018, but closed on 17 March 2020 due to COVID-19 restrictions and has not reopened since.

A Ministerial decision was taken in June 2020 to keep the HVA closed to allow negotiations with representatives of NMRN and NLHF on the options for the future of the attraction. The HVA was incurring significant operating deficits even prior to the COVID-19 pandemic, which ultimately had to be funded by the DfE.

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These negotiations led to the creation of an endowment fund which secures the long-term future of the attraction in NI and addresses the risks disclosed in previous years' reports.

vii. North/South Bodies

Tourism Ireland

It has not been possible to secure North South Ministerial Council (NSMC) approval of the 2022 Business Plans for Tourism Ireland (the 2021 BP has been approved by NSMC). While arrangements have been made with DoF to ensure legality of payments in 2022, in the absence of an NSMC approved Business Plan, expenditure will be irregular until NSMC approval is obtained.

It is a legislative requirement under the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999 that any grants paid to North / South bodies by a Northern Ireland Sponsor Department must be approved by DoF. However, as Tourism Ireland Ltd was established under The Companies Acts, 1963 to 2006, of Ireland as a Company Limited by Guarantee, and based on legal advice obtained by DoF, there is no DoF requirement to approve Tourism Ireland cash grants.

Therefore, any cash draw by the Sponsor Department is deemed to be legal but irregular until NSMC approval is obtained. Whilst no grant payments were made in the 2021-22 (2020-21: £7,745k) financial year without DoF approval, cash payments of £3,117k were made to Tourism Ireland in the period January to March 2022 and require NSMC approval to be regularised.

InterTradelreland

It has not been possible to secure North South Ministerial Council (NSMC) approval of the 2022 Business Plan for InterTradelreland. While arrangements have been made with DoF to ensure legality of payments in 2022, in the absence of an NSMC approved Business Plan, expenditure will be irregular until NSMC approval is obtained.

viii. EU Exit

Post EU Exit, and the end of the transition period, there are a range of issues that remain under active negotiation between the UK and the EU. These, combined with the continued outworking of that move to a new relationship with the EU, are the environment within which the Group is taking forward its policy work on the 10x agenda – work that is focused on Trade, Investment and Priority Technologies, Clusters and Sectors.

For NI, the new arrangements involve greater scope for potential divergence between forms of regulation applicable in Great Britain and in Northern Ireland. These include risks to NI's competitiveness and consumer choice should significant divergence arise. The risk is particularly relevant to DfE in its applicability to product standards for manufactured goods and chemicals. DfE continues to draw attention to this matter

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through cross-NICS fora and regular engagement with counterparts within UK Government departments, but mitigations are not within the control of NICS.

The regulatory change process itself involves ongoing risk that DfE officials will not receive timely or sufficient notification of changes to EU law impacting NI under the IE/NI Protocol. Similarly there are also the corresponding risks that regulatory change could emerge in GB which cannot be replicated in NI - either fully, at the same time, or at all. In relation to EU regulatory change, mechanisms for producing early warning are bedding in through the Executive Office led IT work and engagement with the UK/EU Joint Consultative Working Group. DfE officials continue to contribute constructively to discussions on the development and adequacy of these systems.

With ongoing negotiation between the UK and the EU there continue to be a number of uncertainties around the how the Protocol and wider EU Exit arrangements will ultimately conclude. These include business issues around purchasing from GB, confusion around the rules for selling goods to different markets and uncertainty. The Department and its public bodies have responded to these risks by providing advice, support and signposting to businesses. As the policy responsibility for these issues is generally reserved, these risks are also managed by providing advice and recommendations to the Minister on engaging with UK Government on these issues to ensure that UK Government are aware of ongoing issues. Overall, actions have ensured that business issues have been either resolved where possible or escalated to UK Government.

The Department engages via a range of fora, at both Ministerial and official-level to identify and understand the impacts of EU Exit on our patterns of trade and investment. The interaction between the Protocol and international trade policy is an area where further clarification is required, one which is raised regularly with UK Government.

ix. RHI

During 2021-22, the Department has focused on a number of strategic areas in the Non-Domestic Scheme, namely:

- ongoing defence of legal challenges taken against the Department in relation to the Scheme;
- ongoing performance management of Ofgem in delivery of the Scheme;
- completion of the 100% programme of inspections and compliance; and,
- consideration of options for the future of the Scheme following a public consultation exercise in February-April 2021.

Both the Domestic and Non-Domestic RHI schemes remain suspended to new applications.

During 2021-22, work focused on the Non-Domestic Scheme's future in light of the NDNA commitment that *"RHI will be closed down and replaced by a scheme that effectively cuts carbon emissions"*. An eight week public consultation on the future of

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the Scheme, launched on 11 February 2021, sought views on four potential options. The consultation concluded on 9 April 2021 with 427 responses received.

The final decision on the future of the Scheme will be taken by the Executive, informed by the public consultation outcome and key issues including legal risk and the impact on participants. Enactment of any option other than the status quo will require passage of legislation.

The key risk faced during the reporting period continued to be the potential failure to manage the RHI schemes in a manner fulfilling the Department's obligations to participants whilst delivering value for money, resulting in public criticism, significant budget pressures and further reputational damage. The RHI team managed this risk through the continued adherence to agreed governance arrangements, in line with project management best practice. The RHI Board continued to support robust, evidence based decision making whilst retaining the crucial independent challenge and scrutiny provided to date.

The RHI Board meets on a regular basis and is chaired by the Head of Energy Group. To promote effective governance the team continued to operate a risk register and issues log, escalating issues to the Board and/ or Audit and Risk Assurance Committee (ARAC) on a timely basis, and are supported by the Energy Group Programme Management Office (PMO).

Ongoing legal cases were managed through close liaison with Departmental Solicitor's Office (DSO). Judgment in a judicial review challenge to the 2019 Act which introduced the Scheme's present small and medium biomass tariffs was delivered on 14 October 2021, with the application dismissed by the High Court. An appeal of this judgment was heard in conjunction with the outstanding appeal of the earlier judgment on the 2017 Regulations, over three days commencing 30 May 2022. Judgment was reserved.

With regards to the Non-Domestic Scheme, a comprehensive programme of inspections, analysis and compliance across 100% of accredited installations was completed during the period providing assurance to the Department, public and other interested parties that the scheme is operating as intended and where this is not the case, appropriate action is being taken to address the issues identified.

The NIRHI Scheme regulations, as drafted, necessitate a high threshold for taking enforcement action. While potential non-compliances were identified on almost all sites, the majority were able to be resolved following remedial action being taken by participants. In 13% of cases formal enforcement action has been taken. The most common non-compliances resulting in enforcement action include: generating heat for the predominant purpose of increasing support payments; the overproduction of heat; and, failure to supply information required for effective administration of the Scheme. The compliance process has identified potential recoupments in relation to 106 sites with the Department taking appropriate steps to recover any amounts owed.

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The Department's Service Delivery partner, Ofgem, continued to be managed through a monthly Service Delivery Board and quarterly Strategic Meetings with supporting governance documentation.

In 2022-23, the biggest risks emanate from the ongoing legal challenges in respect of the 2019 Act of Parliament and the 2017 Regulations, as well as any potential further challenges which may emerge. In seeking to resolve the future of the Non-Domestic Scheme, the Department will continue to be guided by legal advice, aiming to mitigate the various legal risks, while delivering an outcome that is affordable, represents value for money and is fair to legitimate participants of the Scheme as well as taxpayers who fund it.

In relation to the Domestic Scheme, following a temporary suspension due to COVID-19 restrictions, the inspections programme resumed in July 2021 and concluded before year end. As a seven year scheme, processing of final payments commenced in December 2021 with final application for payments due to be made by February 2023.

Departmental Response to RHI Inquiry

Since the release of the RHI Inquiry Report on 13 March 2020, significant work has been carried out within the Department to respond to the findings and recommendations contained within it for improving governance. The 2020-21 Governance Statement highlighted the number of ways in which several major aspects of DfE's system of internal control and assurance had been enhanced. That work has continued over the last 12 months. Despite the progress made, it is recognised that wider cultural change is required before there could be total assurance that the lessons from RHI have been fully learned throughout the Department. The Organisational Development and Transformation (ODT) Programme is the vehicle through which this change is being effected, given the programme's focus on growing a culture of learning, leadership, empowerment and accountability.

The Department has also been working with the NIAO to determine what else the Department needs to do to ensure a fully complete response to the findings and recommendations. Following the discussions with NIAO and the publication of their recent report: *Northern Ireland Non-Domestic Renewable Heat Incentive Scheme: Progressing implementation of the Public Inquiry recommendations*, the Department will continue to implement the changes necessary to ensure that all the findings and recommendations within the report are met in full.

x. Other Control Issues

A key source of assurance when drafting this Governance Statement is the year end assurance statements obtained from public bodies and internal DfE Divisions. These statements provide important assurances about the internal controls in operation.

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Aside from the main control issues outlined previously, other control issues facing the Department during the reporting period as highlighted in the assurance statements were:

- The Department is facing a vacancy rate of over 20% which risks undermining DfE's ability to deliver key corporate objectives and has led to increased levels of absence. The Department is taking steps to prioritise key business areas but it is anticipated that it will not be possible to fill all vacancies in the near future.
- The Education Authority (EA), an ALB of the Department of Education, administers in the region of £11 million of various student financial support, on behalf of DfE. EA has advised that economic appraisals are not in place for a number of student financial support, including Home to College Transport, Further Education Grants, Free School Meals and the Hardship Fund of £2m. A policy review of student financial support is underway. One of the end products will be economic appraisals for all student financial support, to demonstrate value for money, including those administered by EA on behalf of DfE and the Hardship Fund. Ministerial approval of this funding is in place.
- Wholesale Electricity Trading - The complexity, volume and timing of EU Exit Energy work continues to carry significant risk, especially for electricity consumers. This risk is considered outside the Department's control as many EU Exit legal obligations require Protocol and Trade & Co-Operation Agreement (TCA) interpretation and governance provided by UKG and others. To date this has been limited and all legal obligations (in particular relating to the Single Electricity Market) have not been met. Risks are reported to the Minister for escalation to BEIS Ministers as required.
- Tourism NI reports a final Year End position as an underspend of approximately £611k. This has resulted due to lower than anticipated expenditure by Councils on their Market Led Product Development Programmes due to a number of factors including the outbreak of the Omicron COVID variant, procurement delays and supply chain challenges. Approximately £100k of this total was due to businesses on the Kickstart Programme being unable to commit the management time required before 31 March 2022.
- Youth 4 Peace – The Department secured retrospective approval for a specific change in eligibility and scope to the original Youth4Peace Programme. This change allowed a small number of participants who were also in receipt of Employment Maintenance Allowance (EMA) to receive incentive payments for time spent on the programme outside school hours. The period in question was March 2020 to September 2020 at a cost of £64,968.

14. Fraud and Raising Concerns

During 2021-22, the Department's Fraud & Raising Concerns Branch enhanced the co-ordination and management of all cases referred during the year. The Branch is responsible for providing a professional advice and guidance function, maintaining accurate and secure records of all allegations and investigations and guiding or assisting with investigations where possible. This has significantly improved the Department's oversight and control of all reported cases, albeit there were a small number of late fraud referrals during the year which have been addressed with the business area concerned.

Fraud

The Department takes a zero-tolerance approach to fraud. The Department's Fraud Policy and Fraud Response Plan detail the responsibilities and procedures for dealing with all reported cases of actual or suspected fraud. The documents are regularly reviewed and are available to the public on the Department's website and to staff on a dedicated section of the Department's intranet. Each reported case is thoroughly investigated, reported to the police as necessary, and appropriate action taken to recover monies lost as a result of fraud perpetrated against the Department. All cases, progress and outcomes are reported to the Departmental Audit & Risk Assurance Committee.

At 01 April 2021, thirty-two ongoing fraud cases were brought forward from previous years.

During 2021-22, there were thirty-seven cases of suspected fraud reported to the Department, seventeen of which were COVID-19 grant related, referred by a number of business areas.

Appropriate actions have been taken on all cases reported. Any recommendations made are being implemented and policies and procedures updated where necessary. In line with appropriate guidance, all cases of fraud during the year have been reported to DoF and NIAO. Thirty-one cases were ongoing at 31 March 2022.

As part of the review into the Covid Grant Schemes, Fraud and Error Oversight Project, Internal Audit have made three recommendations which DfE will now implement through the completion of a Post Project Evaluation which will help inform similar future projects within the Department.

Raising Concerns

The Department's Raising Concerns Guidance and Procedures detail the responsibilities and procedures for dealing with all reported concerns. The documents are regularly reviewed and are available to the public on the Department's website and to staff on a dedicated section of the Department's intranet. In June 2021, the Department appointed a Raising Concerns Champion, an important step in promoting a culture in which staff and members of the public have

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the confidence to raise concerns openly, where all concerns are listened to and taken seriously, and those who speak up are protected. Each reported case is thoroughly investigated, reported to the police as necessary, and all necessary action taken. All cases, progress and outcomes are reported to the Departmental Audit & Risk Assurance Committee.

At 01 April 2021, there were ten open Raising Concerns cases, brought forward from previous years.

During 2021-22, the Department received sixteen raising concerns allegations. In total, eighteen cases were actioned and closed during the year. Any recommendations made are being implemented and policies and procedures updated where necessary. Investigations into eight raising concerns allegations were ongoing at 31 March 2022.

15. Public Accounts Committee Issues

During 2021/22 there were two Public Accounts Committee (PAC) Reports and five reports published by the NI Audit Office (NIAO) in respect of the work of the Department. These are as follows:

- The Committee met on 20 January 2022, to consider the reports by the Comptroller and Auditor General (C&AG) on Broadband Investment in Northern Ireland and Contract award and management of Project Stratum.
- The Committee met on 18 March 2021 and 22 April 2021 to consider the C&AG's Report Generating Electricity from Renewable Energy.
- On 17th June 2021 the C&AG issued a report 'Broadband Investment in Northern Ireland'. The report examined the delivery of the most recent projects; the NI Broadband Improvement Project (NIBIP) and the Superfast Rollout Programme (SFRP2).
- On the 8 December 2021 the C&AG published a report outlining the lessons to be learnt from the NI Executive's Small Business Support Grant Scheme, which issued almost £245 million in payments to local businesses.
- On the 14 December 2021 the C&AG published a report on the 'Contract award and management of Project Stratum' a £165 million project which is NI's largest publicly funded investment in broadband infrastructure to date. It found that, while there are many things to be commended in how the Project Stratum contract has been awarded and will be managed, there are concerns around the number of properties that will be covered by the project, and the potential for some premises to have been commercially viable without subsidy.
- On 9 March 2022, the C&AG issued reports on the results of his audits of the 2020-21 annual report and accounts of the Department for the Economy and

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Invest Northern Ireland (Invest NI). The reports summarise his qualifications on both sets of accounts, which largely relate to grant support schemes launched in response to the COVID-19 pandemic.

- On 22 March 2022, the C&AG issued the report on the Northern Ireland Non-Domestic Renewable Heat Incentive Scheme: Assessing progress with the implementation of the Public Inquiry Recommendations. This report assesses progress that has been achieved towards the implementation of the 44 recommendations made by the Renewable Heat Inquiry in March 2020. The report fulfils the last recommendation made by the Inquiry that NIAO should assess and validate progress in implementing the lessons learned from the NI RHI scheme and report on such progress periodically.

16. Ministerial Directions

Ministerial Directions are formal, technical Instructions from the Minister which allow the Department to proceed with a spending proposal in a situation where the Accounting Officer has raised an objection.

The Accounting Officer is accountable to the NI Executive for ensuring that all expenditure meets the standards under Managing Public Money NI. They have a duty to seek a direction if they believe one of the four Accounting Officer standards, regularity, propriety, value for money and feasibility, cannot be met.

During 2021-22, four Ministerial Directions were issued by Minister for the Economy. Two pertained to COVID related matters and extensions to existing schemes supporting businesses and individuals adversely affected by the pandemic, and to protect jobs. Both of these Ministerial Directions related to extensions to the COVID Restrictions Business Support Scheme (CRBSS) and to the Large Tourism and Hospitality Business Support Scheme (LTHBSS) respectively to 23 May 2021. A third Ministerial Direction related to the Northern Ireland Executive's approved Economic Recovery Action Plan from the COVID pandemic, namely the High Street Stimulus Scheme. The fourth related to the Northern Ireland Aviation Kickstart Scheme which was developed in response to the COVID pandemic. Details of all four ministerial directions are provided below.

1. COVID Restrictions Business Support Scheme (CRBSS)

On 22 October 2020 a Ministerial Direction was granted for the COVID Restrictions Business Support Scheme (CRBSS). This was to provide support of £40M to businesses that had been directly and indirectly impacted by the health protection regulations put in place by the Executive and that were not eligible for the Department of Finance led Localised Restrictions Support Scheme (LRSS). The CRBSS was aimed at supporting the following businesses:

- Businesses which were required to close but were not eligible for the Localised Restrictions Support Scheme (LRSS); and,

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- Businesses within the supply chain of those businesses named within the COVID Regulations and had been significantly impacted as a result of the restrictions.

As a result of ongoing changes/extensions to the Health Protection Regulations, the CRBSS had previously been extended in 2021 until 14 April 2022. This Ministerial Direction was for a further extension from 15 April 2022 – 23 May 2022. A copy of both the Ministerial Direction and the background are available by clicking on the following links:

- [Ministerial Direction](#)
- [Background](#)

2. Large Tourism and Hospitality Business Support Scheme (LTHBSS)

On 22 January 2021 a ministerial direction was granted to the Large Tourism and Hospitality Business Support Scheme (LTHBSS). The Scheme provided support to large businesses in the tourism and hospitality sectors which had been impacted by the health protection regulations put in place by the Executive. The Scheme provided additional financial support to help businesses meet fixed costs and overheads associated with the survival of their businesses. The Scheme had an original allocated budget of £26.1M to cover the period from October – December 2020. As a result of ongoing changes/extensions to the Health Protection Regulations, the LTHBSS had previously been extended in 2021 until 14 April 2021. This Ministerial Direction was for a further extension from 15 April 2021 – 23 May 2022. A copy of both the Ministerial Direction and the background are available by clicking on the following links:

- [Ministerial Direction](#)
- [Background](#)

3. High Street Stimulus Scheme (HSSS)

On 29 April 2021 a Ministerial Direction was granted to implement the High Street Scheme (HSS). The High Street Scheme (HSS) was a £145million initiative developed in response to the COVID-19 pandemic. The principal objective of the Scheme was to provide an economic stimulus into the NI economy leading to an improved level of consumer confidence and increased levels of consumer spending.

The Scheme was an innovative, one off, time bound intervention aimed at providing an economic boost by encouraging spend in local businesses that were adversely impacted by the pandemic, including a multiplier effect to further boost the NI economy and to protect local businesses and local jobs. A copy of both the Ministerial Direction and the background are available by clicking on the following links:

- [Ministerial Direction](#)
- [Background](#)

4. Northern Ireland Domestic Aviation Kickstart Scheme (NIDAKS)

On 18 June 2021 the Northern Ireland Domestic Aviation Kickstart Scheme (NIDAKS) was granted a ministerial direction. The NIDAKS was a £4.5million initiative developed in response to the COVID-19 pandemic. It provided time bound support, for the period 1 June to 31 October 2021, to kickstart air connectivity between Northern Ireland and Great Britain. Its aim was to support inbound tourism and business travel, and to encourage inward investment into the local economy by maintaining and enhancing domestic air connectivity. A copy of both the Ministerial Direction and the background are available by clicking on the following links:

- [Ministerial Direction](#)
- [Background](#)

17. Head of Internal Audit Opinion

The Head of Internal Audit (HIA) provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control.

Based on the audit work performed, it is the opinion of the HIA that the Department has established and maintained satisfactory risk management, control and governance processes during 2021/2022. In forming this opinion, HIA has given due regard to the audit work completed in 2021/22 including the reviews carried over from the previous financial year. All the reviews completed to final or draft report have satisfactory audit opinions.

In respect of the COVID support grant schemes, Internal Audit have completed reviews of schemes and the audit opinions for these schemes are satisfactory. These opinions are based on an assessment of the implementation of these schemes by Invest NI and the extent to which they conformed to the requirements of the MoU's agreed between Invest NI and DfE. Each of these schemes were subject to Ministerial Directions based on Value for Money and the risks relating to Fraud and Error. In each of these schemes there were aspects of eligibility that could not be adequately determined within the timeframes required to establish and operate the schemes. This has led to self-declarations being utilised to confirm some aspects of eligibility such as turnover and impact of COVID on businesses in supply chains.

The Department established a Project to assess the risks of Fraud and Error in these schemes and to determine what additional work is required to mitigate risks that it was not possible to control pre-payment of grant. A review of this project by Internal Audit is currently being conducted. In addition, Post Project Evaluation of these schemes will also be conducted, and this will be an important source of information on the impact of these schemes in supporting businesses that may otherwise have not survived the impact of the COVID-19 pandemic.

18. Accounting Officer statement on assurance

The Department has an established and robust assurance framework that includes primary assurance through line management structures on the achievement of objectives. This primary assurance is supplemented by secondary assurances provided through oversight of management activity.

In addition, independent assurance is provided by the Department's Internal Audit service, provided by DoF, operating to Public Sector Internal Audit Standards. Internal Audit delivers an agreed prioritised programme of systems-based audits covering all Departmental systems over time. The Head of Internal Audit provides me with an Annual Report and Opinion on the level of assurance that can be provided based on the work done. For the 2021-22 year an overall satisfactory assurance was provided.

The Department has maintained a framework of control to ensure that there are sufficient control processes in place to provide assurance over financial and operational risks. I am therefore satisfied that I have effective governance arrangements and the necessary policies and procedures in place to provide a sound system of internal control to support the DfE in delivering its statutory duties and to meet the aims and objectives set by the Minister, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my letter of delegation and in *Managing Public Money Northern Ireland*.

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Remuneration Policy

The pay remit for the Northern Ireland (NI) public sector, including Senior Civil Servants (SCS) in the NICS, is approved by the Minister of Finance. The Minister set the 2021-22 NI public sector pay policy (March 2021).

Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay awards for NICS staff, including SCS, for 2020-21 were paid in June and July 2021. The pay awards for 2021-22 were paid in September and October 2021.

The pay of NICS staff is based on a system of pay scales for each grade, including SCS, containing a number of pay points from minimum to maximum, allowing progression towards the maximum based on performance.

Service Contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

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

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

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management (i.e. Board Members) of the department.

Remuneration and pension entitlements – Minister (audited information)

Single total figure of remuneration

Minister	Salary (£)		Pension Benefits* (to nearest £1,000)		Total (to nearest £1,000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Gordon Lyons MLA 06/07/2021 – 31/03/22	27,989 (38,208 Full year equivalent)	-	9,000	-	37,000	-
Paul Frew MLA 14/06/21 – 06/07/21	2,407 (38,208 Full year equivalent)	-	1,000	-	3,000	-

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Single total figure of remuneration

Minister	Salary (£)		Pension Benefits* (to nearest £1,000)		Total (to nearest £1,000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Diane Dodds MLA 01/04/2021 – 14/06/21 & 01/04/2020 – 31/03/2021	7,811 (38,208 Full year equivalent)	38,000	3,000	12,000	11,000	50,000

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

Remuneration and pension entitlements – Officials (audited information)

Single total figure of remuneration

Officials	Salary (£'000)		Pension Benefits*(to nearest £1,000)		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Mike Brennan Permanent Secretary 01/04/2021 - 31/03/2022 14/12/2020 – 31/03/2021 Acting Permanent Secretary 01/04/2020 – 13/12/2020	125-130	120-125	76,000	189,000	200-205	310-315
Heather Cousins Deputy Secretary	105-110	105-110	34,000	42,000	140-145	145-150
Richard Rodgers** Deputy Secretary	105-110	105-110	-	-	105-110	105-110
Paul Grocott Deputy Secretary 01/04/2021 - 31-03/2022 05/10/2020 – 31/03/2021 Acting Deputy Secretary 01/04/2020 – 04/10/2020	95-100	90-95	38,000	37,000	135-140	130-135
David Malcolm Deputy Secretary 01/04/2021 – 31/03/2022 05/10/2020 – 31/03/2021	95-100	45-50 (95-100 full year equivalent)	120,000	49,000	215-220	95-100
Shane Murphy Deputy Secretary 19/04/2021-31/03/2022 Acting Deputy Secretary 01/04/2021-19/04/2021 19/10/2020 – 31/03/2021	95-100	40-45 (95-100 full year equivalent)	99,000	56,000	195-200	95-100

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Single total figure of remuneration

Officials (continued)	Salary (£'000)		Pension Benefits** (to nearest £1,000)		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Colin Lewis <i>Deputy Secretary</i> 01/04/2020 – 01/01/2021 & 01/04/2019 – 31/03/2020	-	80-85 (105-110 full year equivalent)	-	30,000	-	110-115
Colin Woods <i>Assistant Secretary</i> 01/04/2021-27/01/2022 & 30/04/2020 – 31/03/2021	60-65 (75-80 full year equivalent)	65-70 (70-75 full year equivalent)	31,000	28,000	95-100	95-100
Alan Russell <i>Acting Assistant Secretary</i> 07/02/22-31/03/2022	5-10 (70-75 full year equivalent)	-	3,000	-	10-15	-
Sharon Hetherington <i>Assistant Secretary</i> 01/04/2021 - 31/03/2022 & 25/06/2020 – 31/03/2021	75-80	55-60 (70-75 full year equivalent)	33,000	28,000	105-110	85-90
Michelle Bell <i>Assistant Secretary</i> 02/08/2021 - 31/03/2022 <i>Acting Assistant Secretary</i> 01/04/2021 – 02/08/2021 25/02/2021 – 31/03/2021	75-80	5-10 (70-75 full year equivalent)	101,000	15,000	175-180	20-25
Wendy Johnston <i>Assistant Secretary</i> 01/04/2020 – 21/01/2021	-	65-70 (80-85 full year equivalent)	-	15,000	-	80-85
Stephen McMurray <i>Assistant Secretary</i> 01/04/2020 – 21/05/2020	-	10-15 (75-80 full year equivalent)	-	21,000	-	30-35
Colm McKenna <i>Non-Executive Board Member</i>	10-15	15-20	-	-	10-15	15-20
Fiona Keenan <i>Non-Executive Board Member</i>	5-10	10-15	-	-	5-10	10-15
Michael McKavanagh <i>Non-Executive Board Member</i> 04/01/2022-31/03/2022	0-5	-	-	-	0-5	-

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Single total figure of remuneration Officials (continued)	Salary (£'000)		Pension Benefits** (to nearest £1,000)		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	Lisa Morgan*** Non-Executive Board Member 01/04/2021-03/05/2021	-	-	-	-	-
Jackie McAllister*** Non-Executive Board Member 04/05/2021-03/09/2021	-	-	-	-	-	-
Marlene McIntyre*** Non-Executive Board Member 04/09/2021-31/03/2022	-	-	-	-	-	-

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

**The Department does not pay a pension to this Board Member.

***This Non-Executive Board Member is employed by Department of Finance and, as such, is paid by that Department.

Non-Executive Board Members are remunerated on a per diem basis.

None of the above received benefits in kind in 2021-22 or 2020-21.

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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 severance or ex gratia payments. This report is based on accrued payments made by the Department and thus recorded in these accounts.

The Department for the Economy was under the direction and control of Gordon Lyons MLA (06/07/21-31/03/22), Paul Frew MLA (14/06/21-06/07/21) and Diane Dodds MLA (01-04-21-14/06/21) during the financial year. Their salary and allowances were paid by the Department and have been included in these accounts. These amounts do not include costs relating to the Minister's roles as MLAs which are disclosed in the Northern Ireland Assembly Commission accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were awarded to senior officials in respect of 2021-22 and 2020-21.

Pay Ratios (Audited Information)

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

The banded remuneration of the highest paid director in the Department in the financial year 2021-22 was £125,000-130,000 (2020-21: £115,000-120,000). The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed below.

2021-22	25 th percentile	Median	75 th percentile
Total remuneration (£)	27,546	32,893	42,639
Pay ratio	4.63	3.88	2.99

2020-21	25 th percentile	Median	75 th percentile
Total remuneration (£)	-	31,960	-
Pay ratio	-	3.68	-

The 2021-22 financial year is the first year disclosures in respect of the 25th percentile pay ratio and 75th percentile pay ratio are required and the 2021-22 Financial Reporting Manual does not require comparative figures to be disclosed for 2020-21.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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For 2021-22, the 25th percentile, median and 75th percentile remuneration values consisted solely of salary payments.

In 2021-22, 2 (2020-21, 2) employees received remuneration in excess of the highest-paid director.

Remuneration ranged from £19,815 to £127,213 (2020-21, £19,425 to £118,960) based on pay scales as at 31 March 2022.

Percentage Change in remuneration

Reporting bodies are also required to disclose the percentage change from the previous financial year in the:

- a) salary and allowances, and
- b) performance pay and bonuses

of the highest paid director and of their employees as a whole.

The percentage changes in respect of the Department are shown in the following table. It should be noted that the calculation for the highest paid director is based on the mid-point of the band within which their remuneration fell in each year.

Percentage change for:	2021-22 v 2020-21
Average employee salary and allowances	1.81%
Highest paid director's salary and allowances	8.51%
Average employee performance pay and bonuses	-100% ¹
Highest paid director's performance pay and bonuses	N/a ²

¹ The Northern Ireland Civil Service special bonus scheme was withdrawn with effect from 31 March 2021.

² No performance pay or bonuses were payable to the highest paid director in these years.

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Pension Benefits – Ministers (audited information)

	Accrued pension at age as at 31/03/2022 £000	Real increase in pension at pension age £000	CETV at 31/03/2022 £000	CETV at 31/03/2021 £000	Real increase in CETV in CETV £000
Gordon Lyons MLA 06/07/2021 – 31/03/22	0-2.5	0-2.5	8	2	3
Paul Frew MLA 14/06/21 – 06/07/21	0-2.5	0-2.5	18	17	-
Diane Dodds MLA 01/04/2021 – 14/06/21 & 01/04/2020 – 31/03/2021	0-2.5	0-2.5	20	16	2

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011, the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 establishing a panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. The tenure of the first Panel ended in July 2016. As a consequence of the Assembly Commission's desire to consider a reform of the Panel and the political situation between March 2017 and January 2020, a new Panel was not appointed. Legislation to reform the Panel, although started, was not completed before the dissolution of the Assembly on 28 March 2022, therefore, the legislation and appointment of the Panel will be taken forward during the next mandate.

In April 2016 the Independent Financial Review Panel (IFRP) issued The Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. The scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016.

Assembly Members aged 55 or over on 1 April 2015 and in continuous service between 1 April 2015 and 6 May 2016 retained their Final Salary pension arrangements under transitional protection until 6 May 2021. The McCloud judgment found that the transitional protection offered to members of the Judiciary and Firefighters Schemes when their schemes were reformed was discriminatory on grounds of age. In light of this decision, the government has agreed to provide remedy to eligible members across the main public sector schemes. This judgment could have an impact on Members who missed out on the Transitional Protection policy in the AMPS because of their age. However the applicability of, and approach to, the McCloud judgment in relation to this scheme is not a matter for the Assembly Commission, instead it is a matter for IFRP. Therefore, this matter will be given further consideration once a new panel is appointed.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension

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benefits for Ministers under transitional protection arrangements are provided on a “contribution factor” basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

Benefits for Ministers are payable at the same time as MLAs’ benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Up to the 6 May 2021 those Ministers under the transitional protection arrangements paid contributions of either 9% or 12.5% of their Ministerial salary, depending on the accrual rate. The contribution paid by Ministers in the CARE Scheme is 9% of the Ministerial salary. 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. Following the publication of the triennial valuation of the AMPS by the Government Actuary’s Department, this was increased from 14.4% to 17.1% of Ministerial salary, effective from 1 April 2021. The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996 (as amended) 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 real increase in the value of the CETV

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

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Pension Benefits – Officials (Audited Information)

	Accrued pension at age as at 31/03/2022 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/2022 £000	CETV at 31/03/2021 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Mike Brennan <i>Permanent Secretary</i> 01/04/2021 - 31/03/2022 14/12/2020 – 31/03/2021 <i>Acting Permanent Secretary</i> 01/04/2020 – 13/12/2020	55-60 Plus lump sum of 135-140	2.5-5 Plus lump sum of 2.5-5	1,212	1,085	59	-
Heather Cousins <i>Deputy Secretary</i>	30-35 Plus lump sum of 90-95	0-2.5 Plus lump sum of 5-7.5	737	673	35	-
Richard Rodgers* <i>Deputy Secretary</i>	-	-	-	-	-	-
Paul Grocott <i>Deputy Secretary</i> 01/04/2021 – 31/03/2022 & 05/10/2020 – 31/03/2021 <i>Acting Deputy Secretary</i> 01/04/20-04/10/20	10-15 Plus lump sum of nil	0-2.5 Plus lump sum of nil	125	103	12	-
David Malcolm <i>Deputy Secretary</i> 01/04/2021 – 31/03/2022 05/10/2020 – 31/03/2021	45-50 Plus lump sum of 100-105	5-7.5 Plus lump sum of 10-12.5	839	704	93	-
Shane Murphy <i>Deputy Secretary</i> 19/04/2021 - 31/03/2022 <i>Acting Deputy Secretary</i> 01/04/2021 – 19/04/2021 19/10/2020 – 31/03/2021	30-35 Plus lump sum of 65-70	2.5-5 Plus lump sum of 7.5-10	568	469	70	-
Colin Woods <i>Assistant Secretary</i> 01/04/2021 - 27/01/2022 30/04/2020 – 31/03/2021	25-30 Plus lump sum of nil	0-2.5 Plus lump sum of nil	297	268	13	-
Alan Russell <i>Acting Assistant Secretary</i> 07/02/2022 – 31/03/2022	5-10 Plus lump sum of nil	0-2.5 Plus lump sum of nil	77	72	1	-
Sharon Hetherington <i>Assistant Secretary</i> 01/4/2021-31/03/2022 & 25/06/2020 – 31/03/2021	15-20 Plus lump sum of 10-15	0-2.5 Plus lump sum of 0-2.5	250	215	21	-

*The Department does not pay a pension to this Board Member.

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	Accrued pension at pension age as at 31/03/2022 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/2022 £000	CETV at 31/03/2021 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £000
Michelle Bell Assistant Secretary 02/08/2021 - 31/03/2022 <i>Acting Assistant Secretary</i> 01/04/2021 – 02/08/2021 25/02/2021 – 31/03/2021	25-30 Plus lump sum of 50-55	2.5-5 Plus lump sum of 7.5-10	500	390	85	-

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The alpha pension scheme was initially introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of members of the Classic, Premium, Classic Plus and Nuvos pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to alpha from that date. At that time, members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha (full protection) and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age (tapered protection).

In 2018, the Court of Appeal found that the protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, the discrimination identified by the Courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relate to the alternative schemes e.g. legacy PCSPS(NI) 'Classic', 'Premium' or 'Nuvos' (legacy scheme) or alpha. Scheme regulations made in March 2022, closed the PCSPS(NI) to future accrual from 31 March 2022, and all remaining active PCSPS(NI) members (including partially retired members in active service) moved to 'alpha' from 1 April 2022. This completes Phase One to remedy the discrimination identified by the Courts. Any pension benefits built up in the legacy scheme prior to this date are unaffected and PCSPS(NI) benefits remain payable in accordance with the relevant scheme rules. Phase Two will see the implementation of the Deferred Choice Underpin. That is, giving eligible members a choice between legacy scheme and alpha scheme benefits for service between 1 April 2015 and 31 March 2022. At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts which are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

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Alpha 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 accrual rate is 2.32%.

Currently new entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

New entrants who joined on or after 30 July 2007 were eligible for membership of the legacy PCSPS(NI) Nuvos arrangement or they could have opted for a Partnership Pension Account. Nuvos was also a CARE arrangement in which members accrued pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate of accrual was 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' legacy defined benefit arrangements (Classic, Premium and Classic Plus). From April 2011, pensions payable under these arrangements have been reviewed annually in line with changes in the cost of living. New entrants who joined on or after 1 October 2002 and before 30 July 2007 will have chosen between membership of Premium or joining the Partnership Pension Account.

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

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Active members of the pension scheme will receive an Annual Benefit Statement. The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. The Scheme Pension age is 60 for any pension accrued in the legacy **Classic**, **Premium**, and **Classic Plus** arrangements and 65 for any benefits accrued in **Nuvos**. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/civilservicepensions-ni.

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All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2021 was 3.1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2022.

Employee contribution rates for all members for the period covering 1 April 2022 to 31 March 2023 are as follows:

Scheme Year 1 April 2022 to 31 March 2023

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All members
From	To	From 1 April 2022 to 31 March 2023
£0	£24,449.99	4.6%
£24,450.00	£56,399.99	5.45%
£56,400.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 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. However, the real increase calculation uses common actuarial factors at the start

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and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office (Audited Information)

There was no compensation for loss of office payments in respect of officials during 2021-22 or 2020-21.

Staff Report

Staff Costs (Audited Information)

				2021-22 £000	2020-21 £000
	Permanently employed staff*	Others	Minister	Total	Total
Wages and salaries	45,446	2,777	38	48,261	47,892
Social security costs	4,677	138	7	4,822	4,385
Other pension costs	13,688	554	5	14,247	13,084
Sub Total	63,811	3,469	50	67,330	65,361
Less recoveries in respect of outward secondments	-	-	-	-	(67)
Less charged to EU Programmes as Technical Assistance	(1,085)	-	-	(1,085)	(1,096)
Total net costs**	62,726	3,469	50	66,245	64,198
Of which:					
	Charged to Administration	Charged to Programme	Total		
Core Department	35,435	30,810	66,245		
Total net costs	35,435	30,810	66,245		

* The 2021-22 figures include the cost of the Department's Special Adviser who was paid in the pay band £56,105 - £71,406 (2020-21: £55,000 - £69,999).

** Of the total, no staff costs have been charged to capital in 2021-22 (2020-21: £nil).

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Department for the Economy is unable to identify its share of the underlying assets and liabilities.

The Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid

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into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. Following completion of the consultation process the 2016 Valuation has been completed and the final cost cap determined. Further information can be found on the Department of Finance website <https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations>.

A case for approval of a Legislative Consent Motion (LCM) was laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill (PSP&JO) to Northern Ireland. Under the LCM agreed by the NI Assembly on 1 November 2021 provisions are included in the Act for devolved schemes in NI. A second LCM was laid in the Assembly to implement the CCM changes in the Westminster Bill for devolved schemes. The second LCM, as agreed by the Assembly on 31 January 2022, ensured the reformed only scheme design and the economic check will now be applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. The Act also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2021-22, employers' contributions of £13,688k were payable to the NICS pension arrangements (2020-21: £12,549k) at one of three rates in the range 28.7% to 34.2% (2020-21: 28.7% to 34.2%) of pensionable pay, based on salary bands.

Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions of £5,030.05 (2020-21: £12,759.71) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2020-21: 8% to 14.75%) of pensionable pay.

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The Partnership Pension Account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £188.04, 0.3% (2020-21 £513.74, 0.8%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the Partnership Pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

Three persons (2020-21: two persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £19,976 (2020-21: £85).

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Average number of persons employed (Audited Information)

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

Activity	Permanent Staff*	Others	Minister	Special Advisers	2021-22	2020-21
					Number	Number
					Total	Total
RFR A	1,242	82	1	1	1,326	1,232
Staff engaged on capital projects	-	-	-	-	-	-
Total	1,242	82	1	1	1,326	1,232

*Includes 101 Permanent Staff in respect of Health and Safety Executive for Northern Ireland (HSENI) (2020-21: 102).

Office of Industrial and Fair Employment Tribunals Service

Judicial office holders are covered by the provisions of the Judicial Pensions Scheme (JPS). The terms of the pension arrangements are set out in the provisions of Acts of Parliament, the Judicial Pensions Act 1981, the Judicial Pensions & Retirement Act 1993 (JuPRA) and the Public Service Pensions and Judicial Offices Bill (2022). The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders.

Following the Hutton Review and the reform of public sector pensions, two new pension schemes, Judicial Pension Scheme (JPS) 2015 and Northern Ireland Judicial Pension Scheme (NIJPS) 2015, were introduced from 1 April 2015. These mirror each other and other public sector career average pension schemes. From 1 April 2015 the Department has paid contributions in relation to salaried excepted and devolved salaried Judicial Office Holders and excepted fee paid Judicial Office Holders. A subsequent revaluation of the Judicial Pension Schemes resulted in a contribution rate for Appointing Bodies of 51.35% which includes an element of 0.25% as a contribution towards the administrative costs of the schemes.

From 1 April 2022, the JPS 2022 is the only judicial pension scheme in which eligible fee-paid and salaried judicial office holders are able to accrue benefits for future service, except where terms and conditions are specifically non-pensionable. From 31 March 2022, all previous judicial pension schemes closed to future accrual, however, any benefits already accrued in predecessor schemes will be protected. Membership of JPS 2022 will not affect any remedy to which eligible fee-paid and salaried judicial office holders may be entitled in relation to historical or ongoing service, for example, as a result of the McCloud or O'Brien/Miller litigation.

The JPS 2022 is unregistered for tax purposes which means that pension benefits accrued in it will not count towards the Lifetime and Annual Allowances. Several of its features flow from this tax status, including the uniform contribution rate of 4.26%. The main features of JPS 2022 are a pension scheme design based on career average

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earnings with unreduced benefits payable from the State Pension Age and no service cap.

A Scheme Guide has been produced that sets out the details of the JPS 2022. It can be accessed at <https://www.mypension.com/moj/documents/>

Provisions have been recognised in these accounts for the liability to fee paid judicial office holders in respect of the Judicial Service Award, as DfE will still be liable to fund any service awards payable on retirement which relate to service in the previous schemes i.e. JUPRA or the FPJPS. As these schemes have now closed to future accrual, the provisions will only be for any eligible service up to 31 March 2022.

In respect of service under the new JPS 2022, the scheme itself will pay and fund service awards relating only to service in the JPS 2022, therefore DfE will not have any service award liability under the new scheme.

A number of claims by judicial office holders have been made against DfE under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations (Northern Ireland) 2000. These claims continue.

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Attendance Management

The Department had an overall sickness absence rate of 8.8 days lost per employee in 2021-22 (2020-21: 7.7 days). Annual sickness absence figures can be found in the Sickness Absence in the “Sickness Absence in the Northern Ireland Civil Service 2021-22” report at [Sickness Absence in the Northern Ireland Civil Service 2021/22 | Northern Ireland Statistics and Research Agency](https://www.nisra.gov.uk/publications/sickness-absence-in-the-northern-ireland-civil-service-2021-22) (nisra.gov.uk).

**Reporting of Civil Service and other compensation schemes – exit packages
(Audited Information)**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2021-22	2020-21
			Total number of exit packages by cost band	Total number of exit packages by cost band
< £10,000	-	-	-	-
£10,000 - £25,000	-	-	-	1
Total number of exit packages	-	-	-	1
Total resource cost/ £000	-	-	-	23

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. The table above shows the total cost of exit packages agreed and accounted for in 2021-22 and 2020-21. No exit costs were paid in 2021-22, the year of departure (2020-21: £22,941). 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.

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Staff Composition

The table below provides a breakdown of the number of persons employed by the Department as at 31 March 2022, by gender for each of the following groups:

- Directors (interpreted to be the Permanent Secretary, Deputy Secretaries and Departmental Board Members);
- Senior Managers (staff at Senior Civil Servant level that are not included in the Directors Group); and,
- All other employees.

	As at 31 March 2022			As at 31 March 2021		
	Male	Female	Total	Male	Female	Total
Directors	5	1	6	5	1	6
Senior Managers	20	15	35	18	12	30
Employees	570	761	1,331	546	719	1,265
Total*	595	777	1,372	569	732	1,301

**Includes 58 Male, 63 Female, 121 Total, in respect of Health and Safety Executive NI (HSENI) (2020-21: 52 Male, 52 Female, 104 Total).*

Note - the above table includes staff temporarily promoted to Senior Civil Servant grades.

Staff Turnover

The Department for the Economy Staff Turnover percentage (the number of people that have left the Department but have moved within the NICS) for 2021-22 is 6.9% (2020-21: 6.8%), and the general turnover percentage (the people who have left the Department and have not gone elsewhere in the NICS) is 3.6% (2020-21: 3.5%). This has been calculated by NICS HR based on the Cabinet Office Guidance on calculations for Turnover in the Civil Service.

Staff Engagement

The 2021 NICS People Survey was conducted by NISRA across the nine NICS ministerial Departments as well as the Public Prosecution Service and the Health & Safety Executive for NI. All staff working in these organisations were invited to take part in the survey. As the 2020 survey related primarily to the impact of Covid-19 and did not include engagement themes, the latest year for which direct comparisons can be made is 2019. For DfE there were 1325 (2019: 1161) staff invited to complete the survey, of which 882 (2019: 802) participated, a response rate of 67% (2019: 68%).

The Employee Engagement Index (EEI) is the weighted average of the responses to the five employee engagement questions, and it ranges from 0% to 100%. DfE responses indicated an Employee Engagement Index of 59% (2019: 54%), compared to the NICS average of 57% (2019: 51%). The full survey can be accessed at <https://www.finance-ni.gov.uk/publications/nics-people-survey-results>

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Staff Redeployment

No staff were redeployed during 2021-22. During the 2020-21, the Department loaned out staff to the COVID-19 hub to assist in its operations. The table below provides a breakdown of the number of persons that were loaned out in 2020-21:

Grade	Number of staff loaned out
Grade 7	1
Deputy Principal	2
Staff Officer	1
Executive Officer II	2
Executive Officer I	2
Total	8

All staff redeployment was of a short term nature (less than six months) with the average duration being nine weeks. The cost of staff on short term loans in relation to COVID-19 was £42,467 for administration costs and £4,333 for programme costs for 2020-21.

Off-Payroll Engagements

	Year ended 31 March 2022	Year ended 31 March 2021
Table 1: Off- Payroll Engagements		
Number of off-payroll engagements at 1 April	34	22
Number of new off-payroll engagements:		
Those caught by IR35	-	-
Those not caught by IR35	70	23
Number of engagements which have come onto the payroll	(1)	(1)
Number of engagements which have come to an end	<u>(69)</u>	<u>(10)</u>
Number of off-payroll engagements at 31 March	<u>34</u>	<u>34</u>

The Department had two 'off-payroll' engagement at a cost of over £245 per day in place as at 31 March 2022 (31 March 2021: one), lasting for less than six months.

Table 2: For any off-payroll engagements of board members, and/ or, senior officials with significant financial responsibility

Number of off-payroll engagements of board members, and/ or senior officials with significant financial responsibility during the year.	<u>-</u>	<u>-</u>
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/ or, senior officials with significant responsibility", during the financial year.	<u>14</u>	<u>15</u>

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Consultancy and Temporary Staff

During the year to 31 March 2022, the Department spent £677,443 on external consultancy (31 March 2021: £948,825), and £1,633,449 on temporary staff (31 March 2021: £721,794).

Number of SCS (or equivalent) staff by band

The following table summarises the number of Senior Civil Servants in post by pay range as at 31 March 2022. Salary ranges represent full-time equivalent rates.

Pay range	Number of SCS staff within ranges as at 31 March 2022	Number of SCS staff within ranges as at 31 March 2021
£125,000 - £130,000	1	-
£120,000 - £125,000	-	-
£115,000 - £120,000	-	1
£105,000 - £110,000	2	1
£100,000 - £105,000	-	1
£95,000 - £100,000	3	-
£90,000 - £95,000	-	3
£80,000 - £85,000	9	2
£75,000 - £80,000	9	9
£70,000 - £75,000	6	12
Total	30	29

Note - The above table includes staff temporarily promoted to Senior Civil Servant grades.

Consultation with Employees

Throughout the year, in order to maintain and develop the provision of information to and consultation with employees, the Department continued to hold periodic online meetings with Trade Union Side through the Departmental Whitley Council.

Employment, training and advancement of disabled persons

The NICS is committed to working towards creating a truly inclusive workplace where all colleagues feel valued. The NICS has a wide and active network of Diversity Champions. The NICS Disability Champion is supported by the NICS Disability Working Group, a consultative group that works to promote disability equality and inclusion across the NICS.

The NICS applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Mandatory training for recruitment and selection panel members includes raising awareness of unconscious bias. Unconscious bias training is available to all staff.

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The NICS undertakes outreach activities to promote career opportunities to the disability sector and offers a Work Experience Scheme for People with Disabilities and participates in the annual International Job Shadow Day. In 2021-22 the NICS offered a number of work experience opportunities under the JobStart Scheme.

In 2021-22, the NICS implemented a Guaranteed Interview Scheme (GIS).

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support reasonable adjustments to working practices or the work environment as required by disabled persons.

Equality, Diversity and Inclusion

In the NICS, we are committed to building an inclusive workplace culture where diversity is truly valued at all levels, where you are valued for who you are and where you can bring your true self to work. We want to make use of all the talent that exists across the NICS to ensure we are a well-led, high performing, outcome-focused Service and a Service that is a great place to work.

The [NICS People Strategy](#) includes a range of actions that will help accelerate our ambition of a truly inclusive NICS, which reflects the society we serve.

As a key element of the People Strategy, our ambitious diversity and inclusion programme of work is delivered through the implementation of an annual NICS Diversity Action Plan, and overseen by the leadership of the NICS Board, the NICS Diversity Champions Network, Departmental Diversity Champions and Thematic Diversity Champions, NICS colleague networks and NICS HR, as well as through partnership working with stakeholder organisations.

The NICS Diversity Action Plan sets out our priorities for action by diversity and inclusion theme, cross-cutting priorities, departmental priorities and includes supporting plans on communications and outreach.

Equality is a cornerstone consideration in the development and review of all HR policies which determine how staff are recruited and appointed, their terms and conditions, how they are managed and developed, assessed, recognised and rewarded. Further information on the NICS' commitment to equality of opportunity is available in the [Equality, Diversity and Inclusion Policy](#).

As part of the NICS' efforts to ensure equality of opportunity, the NICS continually conducts comprehensive reviews into the composition of its workforce and recruitment activity, publishing a wide range of data. The statistics are available on the NICS Human Resources Statistics section of the [Northern Ireland Statistics and Research Agency \(NISRA\)'s website](#)

The annual "Equality Statistics for the Northern Ireland Civil Service" reports work force composition and trends over time and, where appropriate, makes comparisons with the wider labour market and the Civil Service in Great Britain.

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The NICS continues to meet its statutory obligations under the Fair Employment & Treatment (NI) Order 1998, which includes submission of an annual Fair Employment Monitoring Return and a tri-annual Article 55 Review to the Equality Commission for NI (ECNI), both of which assess the composition of the NICS workforce and the composition of applicants and appointees. In addition, the NICS conducts a similar formal review of the gender profile of its workforce. The findings are published in the NICS [Article 55 and Gender Reviews](#).

The NICS uses the findings of all the equality monitoring and analysis to inform its programme of targeted outreach activity to address any areas of under-representation.

As a public authority, the NICS has due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the Section 75 of the Northern Ireland Act 1998 in carrying out its functions. Further information on the department's equality scheme is available on its website <https://www.economy-ni.gov.uk/department-economy-equality>

Learning & Development

The NICS recognises the importance of having skilled and engaged employees and continues to invest in learning and development.

Development and delivery of generic staff training is centralised in NICS HR³. Training is delivered using a variety of learning delivery channels (including on-line, webinars), providing flexible access to learning. Coherent learning pathways are aligned to both corporate need and the NICS Competency Framework.

Talent management is a key theme of the NICS People Strategy and this year the focus continued on promoting the importance of improving the quality of the development conversation between managers and staff, with additional resources being added to the existing talent management toolkit.

The NICS offers a wide range of career development opportunities through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

Employee Consultation and Trade Union Relationships

The Department of Finance is responsible for the NICS Industrial Relations Policy. NICS HR, consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area.

³ NICS HR is the NICS' centralised human resources function. It falls under the responsibility of the Department of Finance.

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STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY (SOAS) (AUDITED INFORMATION)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Department for Economy (DfE) to prepare a Statement of Assembly Supply (SoAS) and supporting notes.

The SoAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SoAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SoAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: Outturn detailed by Estimate line, providing a more detailed breakdown (note SOAS1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoAS to the financial statements (Note SOAS2); a reconciliation of net resource outturn to net cash requirement (Note SOAS3); an analysis of income payable to the Consolidated Fund (Note SOAS4), a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (Note SOAS5); and, detail on non-operating income – excess Accruing Resources (Note SOAS6).

The notes on pages 131 to 183 form part of these accounts.

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Summary tables – mirror Part II and III of the Estimates

Summary of Resource Outturn 2021-22 presented in £000

		Outturn			Estimate			2021-22 £000	2020-21 £000
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Outturn vs Estimate: saving/ (excess)	Outturn
Request for Resources	Note								Net Total
A	SOAS1	964,765	(99,109)	865,656	1,785,319	(99,109)	1,686,210	820,554	1,659,464
Total resources	SOAS2	964,765	(99,109)	865,656	1,785,319	(99,109)	1,686,210	820,554	1,659,464
Non-operating Accruing Resources		-	(157,899)	(157,899)	-	(157,899)	(157,899)	-	(144,625)

Net cash requirement 2021-22, all figures presented in £000

		Note	Outturn	Estimate	2021-22 £000	2020-21 £000
					Outturn vs Estimate, saving/ (excess)	Outturn
Net cash requirement		SOAS3	1,534,344	1,667,779	133,435	1,569,864

The notes on pages 131 to 183 form part of these accounts.

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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).

		2021-22 £000 Forecast		2021-22 £000 Outturn	
	<i>Note</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Total amount payable to the Consolidated Fund	SOAS4	3,063	<i>1,822</i>	7,918	<i>3,000</i>

Explanations of variances between Estimate and Outturn are given in Note SOAS1 and in the Performance Report.

The notes on pages 131 to 183 form part of these accounts.

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SOAS1 Outturn detail, by Estimate line

This note mirrors Part II of the Estimates: (Revised) Subhead Detail and Resource to Cash Reconciliation.

	Resource Outturn						2021-22 £000			2020-21 £000	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Virements	Net Total inc. virements	Outturn vs Estimate (inc. Virements), saving/ (excess)	Prior-year outturn
Request for Resources A:											
<i>To promote a competitive, sustainable and inclusive economy through investment in skills, economic infrastructure, research and innovation, and business development</i>											
Economic Development & Infrastructure	11,543	14,974	199,245	225,762	(2,606)	223,156	229,364	-	229,364	6,208	48,586
Economic Development & Infrastructure – Repayment of Assistance in respect of the Presbyterian Mutual Society	-	(4,350)	-	(4,350)	(849)	(5,199)	(765)	-	(765)	4,434	17,415
Invest Northern Ireland and Tourism	351	370	10,000	10,721	(2)	10,719	11,099	-	11,099	380	1,511
Employment & Skills	26,506	9,282	93,461	129,249	(10,747)	118,502	119,000	508	119,508	1,006	148,941
Student Support & Higher Education	2,586	(163,382)	363,583	202,787	(1,462)	201,325	942,418	(623)	941,795	740,470	618,555
Tourism Ireland Ltd	111	-	-	111	-	111	123	-	123	12	277
InterTradeIreland	129	-	-	129	-	129	140	-	140	11	159
Representation & Regulatory Services	1,609	18,566	376	20,551	(2,628)	17,923	18,332	-	18,332	409	15,978
EU Structural Funds – ERDF Support for Economic Development	-	-	650	650	(390)	260	289	-	289	29	194
EU Programmes	-	265	29,147	29,412	(20,703)	8,709	8,126	115	8,241	(468)	13,884
EU Community Initiative	-	-	8,072	8,072	(6,861)	1,211	1,222	-	1,222	11	783
EU Peace	-	-	5,750	5,750	(4,888)	862	901	-	901	39	1,046
Total	42,835	(124,275)	710,284	628,844	(51,136)	577,708	1,330,249	-	1,330,249	752,541	867,329

The notes on pages 131 to 183 form part of these accounts.

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							2021-22 £000			2020-21 £000	
	Outturn						Estimate			Outturn vs Estimate	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Virement*	Net Total inc. virements	(inc. Virements), saving/ (excess)	Prior- year outturn
Annually Managed Expenditure:											
Provisions	-	159	-	159	-	159	5,245	(387)	4,858	4,699	77
NI Renewable Heat Incentive	-	-	5,814	5,814	-	5,814	33,470	-	33,470	27,656	7,222
Student Support	-	(185,951)	-	(185,951)	(47,973)	(233,924)	(198,271)	-	(198,271)	35,653	(39,101)
Revaluations	-	180	-	180	-	180	185	-	185	5	-
Total	-	(185,612)	5,814	(179,798)	(47,973)	(227,771)	(159,371)	(387)	(159,758)	68,013	(31,802)
Non-Budget:											
Invest NI	-	-	157,446	157,446	-	157,446	157,185	261	157,446	-	508,140
Northern Ireland Tourist Board	-	-	38,500	38,500	-	38,500	43,781	(5,281)	38,500	-	30,400
General Consumer Council for Northern Ireland	-	-	2,293	2,293	-	2,293	2,320	(27)	2,293	-	1,774
Health and Safety Executive NI	-	-	806	806	-	806	847	(41)	806	-	695
Tourism Ireland Ltd	-	-	22,303	22,303	-	22,303	22,415	(112)	22,303	-	12,794
InterTradeIreland	-	-	5,098	5,098	-	5,098	6,896	(1,798)	5,098	-	5,203
Teachers' Premature Retirement – on-going liabilities	-	2,030	-	2,030	-	2,030	2,054	(24)	2,030	-	2,065
Construction Industry Training Board	-	-	-	-	-	-	1	(1)	-	-	-
Labour Relations Agency	-	-	4,850	4,850	-	4,850	4,850	-	4,850	-	4,714
Further Education Colleges	-	-	234,449	234,449	-	234,449	244,103	(9,654)	234,449	-	227,953
Higher Education Colleges	-	-	5,496	5,496	-	5,496	6,162	(666)	5,496	-	5,852
Northern Ireland Screen	-	-	15,746	15,746	-	15,746	15,789	(43)	15,746	-	15,844
Notional Charges	8,796	-	-	8,796	-	8,796	8,929	(133)	8,796	-	8,503
Prior Period Adjustment	-	17,906	-	17,906	-	17,906	-	17,906	17,906	-	-
Total Non-Budget	8,796	19,936	486,987	515,719	-	515,719	515,332	387	515,719	-	823,937
Resource Outturn	51,631	(289,951)	1,203,085	964,765	(99,109)	865,656	1,686,210	-	1,686,210	820,554	1,659,464

The notes on pages 131 to 183 form part of these accounts.

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Explanation of the variation between Estimate and Outturn (2021-22)

*Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can reconcile this Estimate back to the Estimates approved by the Assembly.

After virement, the most significant variances were as follows:

Resource DEL

Accounting for student loans has moved to fair value through profit and loss following the adoption of IFRS 9 Financial Instruments (IFRS 9). However nationally, budgeting for student loans, in agreement with HM Treasury, remains based on amortised cost, for which effective interest and impairment are still applicable terms.

The Resource DEL underspend of £752.5m mainly reflects unused budget cover set aside for potential volatility of student loan book related impairments which resulted in an under-spend of £738m. The movement in impairments is dependent on the Office for Budgetary Responsibility's (OBR) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate, which are published after Supplementary Estimates are finalised.

Resource AME

Outturn was £68m lower than the budget due to:

- Cover retained in respect of the potential to establish provisions £5m which were not required.
- £28m in respect of the RHI scheme, with expenditure based upon current tariffs and the current legal status of Judicial Reviews of the 2017 and 2019 regulations, and
- £36m in respect of student loans effective interest, which is based on the parameters outlined above in Resource DEL.

Detailed explanations of the variances are given in the Management Commentary.

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SOAS2 Reconciliation of Outturn to Net Operating Expenditure

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SoAS to the financial statements.

				2021-22 £000	2020-21 £000
	<i>Note</i>	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS1	865,656	1,686,210	820,554	1,659,464
Non-supply income (CFERs)	SOAS4	(2,019)	(3,063)	(1,044)	(18,569)
HMRC funding for IT development		(250)	-	250	-
Foreign Exchange	4	(131)	-	131	(877)
Prior Year Adjustment	1.24	(17,906)	-	17,906	-
Non-supply expenditure: Redundancy Fund Payments	4	4,092	3,750	(342)	3,666
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		849,442	1,686,897	837,455	1,643,684

Non-supply income includes amounts arising in excess of the amounts permitted in the Estimate and are payable to the Consolidate Fund as Extra Receipts. Foreign exchange relates to unrealised gains and losses on retranslation of year end balances. The Prior Year Adjustment relates to a correction of the opening fair value adjustment for student loans. More details can be found at Note 1.24.

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SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

	<i>Note</i>	Outturn £000	Estimate £000	Outturn vs Estimate, saving/(excess) £000
Resource Outturn	SOAS1	865,656	1,686,210	820,554
Capital				
Acquisition of property, plant and equipment	6,7	2,565	3,095	530
Investments	10.1, 11	407,631	418,387	10,756
Non-operating Accruing Resources				
Student loan repayments applied	10.1	(142,899)	(142,899)	-
PMS Loan repayment	11	(15,000)	(15,000)	-
NI Science Park – repayment of principal	11	(216)	(216)	-
NI Science Park – repayment of interest	11	(257)	(257)	-
Capital Funding (HMRC)		(250)	-	250
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items:</i>				
Depreciation, Impairment and Revaluations	3,4	334,815	(424,002)	(758,817)
New provisions & adjustments to previous provisions	10.2	(3,975)	(3,291)	684
Notionals	3	(8,796)	(8,929)	(133)
Prior Period Adjustments		-	-	-
Other non-cash items		-	-	-
Adjustments to reflect movements in working balances:				
Increase/(decrease) Receivables		58,679	60,000	1,321
Increase/(decrease) Financial Investment		4,350	-	(4,350)
(Increase)/decrease Payables due within one year		26,585	89,000	62,415
Changes in payables falling due after more than one year	15	-	-	-
Use of Provisions	10.2, 16	5,587	5,681	94
Foreign Exchange		(131)	-	131
Excess cash receipts surrenderable to the Consolidated Fund	SOAS4	-	-	-
Net cash requirement		1,534,344	1,667,779	133,435

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As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

The main reasons for the net cash requirement being lower than anticipated relate to the timing of receipts and payments, anticipated timing of delivery and the resulting impact on payable and receivable balances.

SOAS4 Amounts of Income to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund.

SOAS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	<i>Note</i>	Forecast 2021-22 £000		Outturn 2021-22 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	39	-
Other operating income and receipts not classified as Accruing Resources		3,063	1,822	1,980	1,882
		3,063	1,822	2,019	1,882
Non-operating income and receipts excess Accruing Resources	SOAS6	-	-	1,683	-
Amounts collected on behalf of the Consolidated Fund		-	-	4,216	1,118
Excess cash surrenderable to the Consolidated Fund	SOAS3	-	-	-	-
Total income payable to the Consolidated Fund		3,063	1,822	7,918	3,000

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

	<i>Note</i>	2021-22 £000	2020-21 £000
Operating income	5	53,365	22,590
Adjustments for transactions between RfRs		-	-
Gross Income	5	53,365	22,590
Income authorised to be Accruing Resources		(99,109)	(49,567)
Income in gross sub head netted off spend in SoCNE		47,763	45,546
Operating income payable to the Consolidated Fund	<i>SOAS4.1</i>	2,019	18,569

SOAS6 Non-operating income – Excess Accruing Resources

	2021-22 £000	2020-21 £000
Student Loan repayments	1,683	7,707
Proceeds on disposal of property, plant and equipment	-	(3)
Non-operating income – Excess Accruing Resources	1,683	7,704

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OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

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 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 2022, 98% of invoices from suppliers were paid within the timescale noted above (31 March 2021: 98%). 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. The Department is committed to this target and for the year ended 31 March 2022, 95% of invoices from suppliers were paid within this timescale (31 March 2021: 95%).

The following link to the Account NI website discloses Northern Ireland Departments' performance both in terms of paying invoices within 30 days and 10 days: [Prompt Payment 2021-22](#).

HM Treasury Cost Allocation

The Department has complied with the cost allocation and charging requirements set out in HM Treasury (HMT) and the Office of Public Sector Information guidance, applicable to the Department as a Public Sector Information Holder.

Entities outside the Accounting Boundary

DfE is a ministerial Department that is supported by its ALBs, including fourteen NDPBs, two North/ South bodies and four IABs as listed in the Note 21 of the Accounts.

Harland & Wolff Plc, a limited company which is wholly owned by the Department, is regarded as being outside the accounting boundary.

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Losses and Special Payments

The following sections are subject to audit

	2021-22	2020-21
Losses Statement		
Total number of losses	345	239
Total value of losses (£000)	240	167
Cash losses	-	-
Claims abandoned	343	239
Administrative write-offs	-	-
Special Payments		
Total number of special payments	2	-
Total value of special payments (£000)	8	-

There were no cases over £250,000 in 2021-22 or 2020-21.

Fees and Charges

This section is subject to audit.

	2021-22 (Surplus) /Deficit			2020-21 (Surplus) /Deficit		
	Income £000	Full Cost £000	/Deficit £000	Income £000	Full Cost £000	/Deficit £000
Insolvency Account	(2,063)	4,240	2,177	(2,216)	4,386	2,170

Fees and charges relate to the administration and realisation of assets in insolvency cases.

Remote Contingent Liabilities

This section is subject to audit.

In addition to contingent liabilities reported within the meaning of IAS37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The Department has no remote contingent liabilities to report.



Mike Brennan
Accounting Officer
06 September 2022

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

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Department for the Economy for the year ended 31 March 2022 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the Statement of Outturn against Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the effects of the matters described in the basis for qualified opinions section below, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2022 and of its net operating expenditure for the year then ended; and,
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Emphasis of Matter

I draw attention to the disclosures made in notes 1.9.1, 1.22, 9, and 10 to the financial statements concerning the uncertainties inherent in the valuation of student loans. My opinion is not modified in respect of this matter.

Qualified opinion on regularity

In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinions section below, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and,
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinions

I have qualified my true and fair opinion due to:

- A disagreement over the accounting treatment of COVID-19 business support grants administered by the Department for the Economy. These have been accounted for as if the expenditure was controlled by Invest Northern Ireland, however in my opinion it was operated, administered and controlled by the Department for the Economy itself and should have been accounted for as such to provide a true and fair view.

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I reached this view since the Department for the Economy designed and delivered the scheme and incurred the expenditure, while instructing Invest Northern Ireland to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. This has resulted in misstatements in 2021-22 of £16.8 million (2020-21: £286.1 million) of overstated Grant-in-Aid expenditure, £13.4 million (2020-21: £138.3 million - restated) of understated Grant expenditure, £nil (2020-21: £4.5 million - restated) of understated accruals and income from grant clawbacks of £3.1 million (2020-21: £nil) together with associated debtors of £0.5 million (2020-21: £nil) after providing for £1.5 million (2020-21: £nil) of debtors which are not expected to be recovered. My opinion is also modified with respect to the corresponding figures. The opening balance for accruals at 1 April 2020 was also understated by £152.3 million. The misstatements for corresponding amounts for 2020-21 noted above differ from my audit certificate for the 2020-21 financial statements because of information of a further £2.5 million error in the calculation of accruals for these grants at 31 March 2021 which was not passed to me at the time.

- Lack of disclosure on irregular expenditure, as required by the Accounts Direction issued by the Department of Finance, of £13.4 million expenditure on COVID-19 business support grants administered by the Department for the Economy which the C&AG considers to be irregular.

I have qualified my regularity opinion due to:

- Transactions of £13.4 million on COVID-19 business support grants administered by the Department for the Economy, which it did not have the legal authority to make.
- Grant-in-Aid paid by the Department for the Economy, funding expenditure of £14.7 million on COVID-19 business support grants administered by Invest Northern Ireland, where I was unable to obtain sufficient appropriate evidence. These schemes relied upon self-declarations made by applicants to assess eligibility. No corroborating evidence was available to verify the information in the declarations made by applicants and there were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of the Department for the Economy in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinions.

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Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department for the Economy's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department for the Economy's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for the Department for the Economy is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I report by exception

Except for information related to Net Expenditure and Net Resource Outturn in 2021-22, 2020-21 and 2019-20, which is impacted by my qualified opinion on the financial statements, and in the light of the knowledge and understanding of the Department for

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the Economy and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report. I have not received all of the information and explanations that I considered necessary to confirm the regularity of £14.7 million of COVID-19 business support grant expenditure administered by Invest Northern Ireland which was funded by the Department for the Economy.

Adequate accounting records have not been kept for the £13.4 million of expenditure for grants administered by the Department for the Economy.

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

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Except in respect of the matters set out in the basis for opinions section, 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
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Department for the Economy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Department for the Economy will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

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for the year ended 31 March 2022**

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Department for the Economy through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included Government Resources and Accounts Act (Northern Ireland) 2001, Industrial Development Act (Northern Ireland) 2002 and the Employment & Training Act (Northern Ireland) 1950;
- making enquires of management and those charged with governance on Department for the Economy's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Department for the Economy's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, expenditure on COVID-19 grant support measures including the High Street Voucher Scheme, expenditure on the Non-Domestic Renewable Heat Initiative Scheme and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate, and reviewing legislation, performing substantive testing on grant awards, carrying out data analytics on grant applicants;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;

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- assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
- investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate. In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My detailed observations are included in my report attached to the financial statements at pages 193 to 202.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

8 September 2022

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2022

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

		2021-22 £000	2020-21 £000 (restated)
	<i>Note</i>		
Revenue from Contracts with Customers	5.1	(2,867)	(3,100)
Other Operating Income	5.2	<u>(49,463)</u>	<u>(18,280)</u>
Total Operating Income		(52,330)	(21,380)
Staff costs	3,4	66,244	64,199
Purchase of Goods & Services	3,4	19,629	15,055
Depreciation and impairment charges	4	337	296
Provision Expense	4	257	88
Other Operating Expenditure	3,4	<u>816,340</u>	<u>1,604,545</u>
Total Operating Expenditure		<u>902,807</u>	<u>1,684,183</u>
Net Operating Expenditure		850,477	1,662,803
Finance Income	5.3	<u>(1,035)</u>	<u>(1,210)</u>
Net Expenditure for the year		<u>849,442</u>	<u>1,661,593</u>
Other Comprehensive Net Expenditure			
<i>Items that will not be reclassified to net operating expenditure:</i>			
Net (gain)/loss on revaluation of Property, Plant and Equipment/Intangibles	6	(131)	(62)
<i>Items that may be reclassified to net operating expenditure:</i>			
Net (gain)/loss on revaluation of investments		<u>-</u>	<u>-</u>
Comprehensive Net Expenditure for the year		<u>849,311</u>	<u>1,661,531</u>

The notes on pages 131 to 183 form part of these accounts.

**DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
as at 31 March 2022**

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

		2022 £000	2021 £000 (restated)	2020 £000
	<i>Note</i>			
Non-current assets:				
Property, plant and equipment	6	2,657	2,452	2,308
Intangible assets	7	3,000	845	919
Financial assets – Student loans	10.1	3,400,297	2,784,242	2,707,303
Financial assets – Other	11	7,064	18,764	67,070
Total non-current assets		3,413,018	2,806,303	2,777,600
Current assets:				
Trade and other receivables	14	104,817	48,634	50,046
Financial assets	11	14,548	13,879	17,971
Cash and cash equivalents	13	833	760	812
Total current assets		120,198	63,273	68,829
Total assets		3,533,216	2,869,576	2,846,429
Current liabilities:				
Trade and other payables	15	(182,518)	(209,324)	(75,572)
Provisions	16	(3,810)	(4,900)	(3,400)
Total current liabilities		(186,328)	(214,224)	(78,972)
Total Assets less Current Liabilities		3,346,888	2,655,352	2,767,457
Non-current liabilities:				
Provisions	16	(25,260)	(27,564)	(32,986)
Other payables		-	-	-
Financial liabilities	10.2	(2,008)	(225)	(1,140)
Total non-current liabilities		(27,268)	(27,789)	(34,126)
Total assets less total liabilities		3,319,620	2,627,563	2,733,331
Taxpayers' equity & other reserves:				
General fund		3,317,920	2,625,943	2,731,727
Revaluation reserve		1,700	1,620	1,604
Total equity		3,319,620	2,627,563	2,733,331

Signed



Mike Brennan
Accounting Officer
06 September 2022

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
for the year ended 31 March 2022

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

	Note	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net operating expenditure	SOAS2	(849,442)	(1,643,684)
Adjustments for non-cash transactions	3,4,5	(393,394)	169,487
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	(56,183)	1,412
Increase/(Decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	25,659	9,252
	15	(47,178)	125,485
Use of provisions	15	23,329	(26,849)
	10.2, 16	(5,586)	(5,418)
Net cash inflow/(outflow) from operating activities		<u>(1,302,795)</u>	<u>(1,370,315)</u>
Cash flows from investing activities			
Purchase of non-financial assets	6,7	(2,280)	(297)
Proceeds from disposal of non-financial assets		-	3
Repayment of Loans – principal	11	15,216	33,750
Repayment of Loans – interest	11	1,022	1,358
Student Loan Funding	10.1	(360,695)	(355,742)
Student Loan Repayments	10.1	142,991	117,668
Net cash inflow/(outflow) from investing activities		<u>(203,746)</u>	<u>(203,260)</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,497,120	1,553,960
From the Consolidated Fund (Supply) – prior year		15,904	4,845
Net financing from the National Insurance Fund		3,963	6,451
Net financing		<u>1,516,987</u>	<u>1,565,256</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund			
		10,446	(8,319)
Payments of amounts due to the Consolidated Fund		<u>(30,745)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		<u>(20,299)</u>	<u>(8,319)</u>
Cash and cash equivalents at the beginning of the period	13	(12,045)	(3,726)
Cash and cash equivalents at the end of the period	13	(32,344)	(12,045)

The notes on pages 131 to 183 form part of these accounts.

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2022

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

		General Fund £000 (restated)	Revaluation Reserve £000	Taxpayers ' Equity £000 (restated)
	<i>Note</i>			
Balance at 31 March 2020		2,731,727	1,604	2,733,331
Net Assembly Funding		1,553,960	-	1,553,960
National Insurance Fund		3,666	-	3,666
Supply (payable)/receivable adjustment	14	15,904	-	15,904
CFERs payable to the Consolidated Fund	15	(26,273)	-	(26,273)
Comprehensive Net Expenditure for the year	SOAS2	(1,643,684)	62	(1,643,622)
Notional costs	3	8,393	-	8,393
Auditor's remuneration	3	110	-	110
Other reserves movements including transfers		46	(46)	-
Balance at 31 March 2021		2,643,849	1,620	2,645,469
Prior period Adjustment		(17,906)	-	(17,906)
Balance at 1 April 2021		2,625,943	1,620	2,627,563
Net Assembly Funding		1,497,120	-	1,497,120
National Insurance Fund		4,093	-	4,093
Supply (payable)/receivable adjustment	14	37,224	-	37,224
CFERs payable to the Consolidated Fund	15	(5,865)	-	(5,865)
Comprehensive Net Expenditure for the year	SOAS2	(849,442)	131	(849,311)
Notional costs	3	8,676	-	8,676
Auditor's remuneration	3	120	-	120
Other reserves movements including transfers		51	(51)	-
Balance at 31 March 2022		3,317,920	1,700	3,319,620

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the Economy for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department 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 at pages 109 to 118 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 investment property, property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.2 Property, Plant, Equipment and Intangible Assets

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

Software and associated licences costing greater than £1,000 are capitalised under intangible assets. Licences running for a year or less than one year are not capitalised regardless of value. Databases are capitalised where the specific recognition criteria of IAS 38 are met.

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.

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

With the exception of land and buildings 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).

**DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022**

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

1.3 Depreciation

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is charged in the month of acquisition; none is charged in the month of disposal. The base useful lives of assets are as follows:

Buildings	50 years
Plant and Machinery	3 - 20 years
Fixtures and fittings	3 - 10 years
Computer equipment and software	3 - 10 years
Transport equipment	3 - 10 years
Intangibles (Software and Databases)	2 - 30 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 as it has an unlimited or very long established useful life. Items under construction are not depreciated until they are commissioned.

Legal title to the Government-owned land and specialised buildings occupied by the Department rests in the Department of Finance.

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

1.4 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 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

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022

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 *Income*

In line with IFRS 15 Revenue from Contracts with Customers, the Department recognises its income as either Revenue from contracts with customers or Other Operating Income.

- (a) Revenue from contracts with customers includes income that relates directly to operating activities of the Department and comprises fees and charges, to be recovered for services provided to external customers, including under legislation, and income repayable to the consolidated fund.
- (b) Other Operating Income includes income received from the European Union and other miscellaneous grants in support of departmental activities, interest receivable and income payable to the Consolidated Fund.

Income is stated net of Value Added Tax (VAT).

1.6 *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.

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.

1.7 *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.

1.8 *Investment in Associates*

An associate is an entity over which the Department is in a position to exercise significant influence, but not control or joint control, through participation in the

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022

financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies. Investments in associates are carried at the Department's share of the net assets of the associate.

1.9 Financial Assets

The Department measures and presents financial instruments in accordance with IAS 32, IFRS 7 and IFRS 9 as modified by the FReM. The Department holds financial assets in the form of loans to students, loans to Catalyst Inc. (formerly Northern Ireland Science Park) and Presbyterian Mutual Society, 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 student loan assets in respect of NI and eligible EU borrowers, administered by the Student Loans Company Limited and related financial liabilities, using information on the domicile of student receivables supplied by the Student Loans Company Limited on the Northern Ireland share of the relevant balances and transactions.

Student loans are currently issued under Articles 3 and 8(4) of the Education (Student Support) (Northern Ireland) Order 1998. The Department issues income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (2021-22: £19,895, and, from 1 April 2022, the threshold will be £20,195) and are collected by HMRC through the tax system. In cases where individuals work outside the UK tax system, or repay early, payments are made directly to the Student Loans Company Limited.

Measurement and carrying values

In accordance with IFRS 7 and IFRS 9, Student Loans are classified as Loans and Receivables and are recorded in the Accounts at fair value (FVTPL).

Student loans suffer a Day 1 fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Day 1 fair value losses are deferred to SoFP since student loans are classified as Level 3 per IFRS 13's hierarchy. Deferred balances are then expensed as part of the loans' first year end fair value re-assessment.

DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
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for the year ended 31 March 2022

The fair value adjustment involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is the higher of the rate intrinsic to the instrument, and the real long term discount rate as set by HMT. The rate is based on RPI plus -1.1% (2020-21 RPI plus 0.7%), which is the HMT discount rate.

The net present value calculation also takes account of an estimate of the future cost of policy write offs. This reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of the student.

Income contingent 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 Base Rate Cap'). The Department estimates the future cash flows arising from repayments and discounts these at RPI plus -1.1% (2020-21 RPI plus 0.7%) to represent the Government's cost of borrowing and thereby determining the current value of the loans. The Department increases or decreases the accumulated fair value adjustments 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.

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. IFRS 13 sets out 3 levels of input categories in terms of the drivers of the fair value calculation. Student loans falls into Level 3, measurements using significant unobservable inputs. 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.

There are significant judgements applied by the Department in assessing the actual likely costs and fair value adjustments will be affected by the assumptions used. These are formally reviewed by the Department each year and amounts included reflect the Department's current estimate. Disclosures relating to risk can be found in Note 9 while further details of the movements in the loan valuation can be found in Note 10.

1.9.2 Other Financial Assets

Loans to Catalyst Inc. and Presbyterian Mutual Society, together with current financial assets, such as trade receivables and cash, are measured at amortised cost as a reasonable approximation of fair value.

**DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022**

1.10 *Financial Liabilities*

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

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

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 Civil Service Pension Schemes in Northern Ireland. These defined benefit schemes are unfunded. 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 Civil Service Pension Schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Pension Schemes. 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 Civil Service Pension Schemes 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.

**DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022**

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.

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 16, this includes:

- the cost of paying Long Service Awards in respect of Judiciary relating to the Office of the Industrial and Fair Employment Tribunals;
- the cost of the Department's liability to Harland and Wolff. The provision reflects the Department's potential liability to meet claims against Harland and Wolff plc in respect of employers' and public liability arising from the collapse of the company's insurer, Chester Street Insurance Holdings Ltd, which went into liquidation on 10 January 2001. This provision is based on actuarial advice and includes known claims, largely in relation to asbestos related illnesses of former employees of Harland and Wolff plc, together with unreported claims which may be expected to crystallise over a significant number of years; and,
- legal claims.

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

**DEPARTMENT FOR THE ECONOMY
FINANCIAL STATEMENTS
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2022**

required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.18 *Third Party Assets*

Insolvency Account

The Department's Insolvency Account holds money received in respect of company liquidations, bankruptcies and estates of deceased insolvents, pending authorised appropriation. This is not a Departmental asset and is not included in the accounts, since neither the Department nor Government more generally has a direct beneficial interest in it.

Northern Ireland National Insurance Fund

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. Translation differences are charged directly to the Statement of Comprehensive Net Expenditure.

1.20 *Early Retirement Costs*

The Department is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early.

1.21 *Cash and Cash Equivalents*

Cash and cash equivalents are comprised entirely of cash on hand. The Department does not have any demand deposits or any short term, highly liquid investments.

1.22 *Critical Accounting Estimates and Key Judgements*

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated.

Where estimates have been required in order to prepare these financial statements in conformity with FReM, management has used judgements based on the latest available, reliable information. Management continually review estimates

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to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

The most significant area involving accounting estimates and key judgements is the carrying value of student loans. Information on these estimates and judgements are shown at Note 9 and Note 10.

In addition, property market conditions represent important estimation considerations for the loan to Presbyterian Mutual Society. As regards provision in respect of Harland and Wolff plc, estimation techniques included percentage apportionment between expected settlement values and legal costs to estimate total claim costs of existing claims, projected number of future claims and estimated recoveries from third parties.

1.23 *Impending Application of Newly Issued Accounting Standards not yet Effective*

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

Accounting boundary IFRS are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI (Review of Financial Process), which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2022-23, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may have changed as a result of these Standards.

Implementation of Review of Financial Process (RoFP)

The Department is implementing Review of Financial Process in 2022-23. The aim of RoFP is to align the boundaries of budgets, estimates and accounts as far as it is practicable, including consolidation of NDPBs and other central government bodies in Estimates and accounts. The bodies intended for inclusion within the 2022-23 departmental boundary are detailed in Note 21. The list of bodies is subject to change and the final list of bodies to be included within the departmental boundary will be designated each year in an Estimates and Accounts (Designation of Bodies) Order for consolidation into Department for the Economy annual Estimates and Accounts.

The consolidation process for the Departmental Group will bring some sixteen organisations within the accounting boundary. There is therefore scope for figures to fluctuate considerably from year to year. However, based on the 2020-21 Consolidated Accounts dry run, under the Review of Financial Processes:

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- The total Consolidated Assets less Liabilities are anticipated to be in the region of £3bn, and,
- The Consolidated Net Expenditure for the year is anticipated to be in the region of £1.6bn.

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 January 2023. In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2025. The Department does not anticipate this to have an impact on its operations.

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Department must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Department has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. Other than as outlined below, the Department considers that these standards are not relevant or material to its operations.

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	1 January 2019	2022-23	<p>Change:</p> <p>IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022.</p> <p>The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off balance sheet financing) and a finance lease (on balance sheet financing). The new standard requires recognition of all leases which last over twelve months to be recognised as a finance lease (on balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the</p>

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Standard	Effective	FReM Application	Change & Impact
			expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.
			Impact on the Department:
			The Department does not anticipate any material effect of bringing on-balance sheet former operating leases through applying the new standard.

1.24 Prior Period Adjustment

During the year a review was undertaken with regard to the forecasting model which underpins the calculation of the carrying value of student loans for Northern Ireland. It was established that the opening fair value adjustments for the loans had been understated due to adjustments required to the model. A prior period adjustment of £17.9m has been included in the accounts in order to bring the opening carrying value of the loans to £2,784m. 2020-21 has been restated accordingly, the adjustment was not deemed to be so significant as to require an adjustment to 2019-20. This adjustment impacts the carrying value of the Student Loan book, and the General Fund.

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2. 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:

1. **Economic Development & Infrastructure** - economic infrastructure in support of economic development including energy and minerals; sustainable energy; renewable heat incentive scheme; telecommunications; innovation and R&D policy; policy evaluation and research.
2. **Economic Development & Infrastructure: Repayment of Assistance in respect of the Presbyterian Mutual Society** - manage repayments of the fixed term loan made to Presbyterian Mutual Society (in administration).
3. **Invest Northern Ireland and Tourism** - driving the development of Northern Ireland tourism and delivery of the Department's policies and strategies in relation to business support in Northern Ireland. These include encouraging investment (foreign and indigenous); stimulating entrepreneurial activity; increasing exports and trade; promoting R&D/ innovation; and, providing development support.
4. **Employment & Skills** – Further and adult education, youth and adult skills training, management and enterprise training.
5. **Student Support & Higher Education** – Funding and support to students, including student loans, Education and Maintenance Allowances and other matters relating to tertiary education and funding and support of higher education, including universities and colleges of education.
6. **Tourism Ireland Ltd** - Tourism Ireland's role is to grow overseas tourism revenue and visitor numbers to Northern Ireland, and to help Northern Ireland to realise its tourism potential.
7. **InterTradeIreland** - to support SMEs across Northern Ireland and to develop North/ South trade and business development opportunities for the mutual benefit of both economies.
8. **Representation & Regulatory Services** – business regulation; including company law, Insolvency Service, Trading Standards and Consumer Affairs Services, Registry of Credit Unions and Industrial and Provident Societies, the provision of a debt advice service, Health & Safety Executive (NI); and, labour market services, including tribunals and labour relations, employment law and redundancy payments.
9. **EU Structural Funds – ERDF Support for Economic Development** – payments and associated income under European Union Structural Funds programmes.
10. **EU Programmes** – payments and associated income under European Social Funds Programmes.
11. **EU Community Initiatives** – payments and associated income under European Peace IV Programmes. The aim of the programme is to promote exchange, knowledge and best practice.

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12. **EU Peace** - payments and associated income under European Peace IV Programmes. This is a unique initiative designed to support peace and reconciliation.

Analysis of the significant movements since 2020-21 is shown in the Performance Analysis section (pages 39-48). The figures shown below include all budget categories, DEL, AME and Non-Budget, together with Non-Supply income and expenditure (SOAS2).

	2021-22		2020-21	
	Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Operating Segments				
Economic Development & Infrastructure	231,576	(2,606)	228,970	55,808
Economic Development & Infrastructure – Repayment of assistance in respect of the Presbyterian Mutual Society	(4,170)	(849)	(5,019)	17,415
Invest Northern Ireland & Tourism	206,667	(2)	206,665	540,051
Employment & Skills	370,226	(10,747)	359,479	383,655
Student Support & Higher Education	22,332	(49,435)	(27,103)	585,306
Tourism Ireland Ltd.	22,414	-	22,414	13,071
InterTradelreland	5,227	-	5,227	5,362
Representation and Regulatory Services	28,500	(2,628)	25,872	23,161
EU Structural Funds – ERDF Support for Economic Development	650	(390)	260	194
EU Programmes	29,412	(20,703)	8,709	13,884
EU Community Initiatives	8,072	(6,861)	1,211	783
EU Peace	5,750	(4,888)	862	1,046
Total	926,656	(99,109)	827,547	1,639,736

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

	2021-22			2020-21	
	Total Net Expenditure £000	Non Supply Income (CFERs) £000	Non Supply Expenditure £000	Total Net Expenditure per SoCNE £000	Total Net Expenditure per SoCNE £000
Operating Segments					
Economic Development & Infrastructure	228,970	(339)	-	228,631	55,640
Economic Development & Infrastructure – Repayment of assistance in respect of the Presbyterian Mutual Society	(5,019)	-	-	(5,019)	17,415
Invest Northern Ireland & Tourism	206,665	-	-	206,665	540,028
Employment & Skills	359,479	(57)	-	359,422	381,660
Student Support & Higher Education	(27,103)	(1,525)	-	(28,628)	567,160
Tourism Ireland Ltd.	22,414	-	-	22,414	13,071
InterTradeIreland	5,227	-	-	5,227	5,362
Representation and Regulatory Services	25,872	(98)	4,092	29,866	26,597
EU Structural Funds – ERDF Support for Economic Development	260	-	-	260	194
EU Programmes	8,709	-	-	8,709	13,884
EU Community Initiatives	1,211	-	-	1,211	783
EU Peace	862	-	-	862	1,046
Total	827,547	(2,019)	4,092	829,620	1,622,840

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	2021-22		2020-21	
	Total Net Expenditure £000	Non Supply income (CFERs) £000	Total Net Expenditure per SoCNE £000	Total Net Expenditure per SoCNE £000
Reconciling Items:				
Finance, Corporate Services and Top Management			20,203	21,721
Foreign exchange			(131)	(877)
HMRC funding for IT development			(250)	-
Total Net Expenditure per SOCNE			849,442	1,643,684

3. Other Administration Expenditure

	2021-22 £000	2020-21 £000
Staff Costs¹:		
Wages and Salaries	25,386	31,016
Social Security Costs	2,579	2,850
Other Pension Costs	7,470	8,282
Goods and Services	7,400	6,833
Non-cash items:		
Notional Accommodation costs (DoF)	3,794	3,739
Other notional costs	4,882	4,606
Minister Salary	-	48
Auditor's remuneration and expenses	120	110
Total	51,631	57,484

¹ Further analysis of staff costs is located in the Remuneration and Staff Report on page 86.

During the year, the Department did not procure any non-audit services from its auditor, the Northern Ireland Audit Office (2020-21: £1,250 in respect of the National Fraud Initiative Exercise).

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4. Programme Expenditure

	<i>Note</i>	2021-22 £000	2020-21 £000 (restated)
Staff Costs ¹ :			
Wages and Salaries		22,101	15,985
Social Security Costs		2,163	1,450
Other Pension Costs		6,545	4,568
Grants:			
Grant in Aid		486,987	813,366
Capital Grants and subsidies		86,799	69,518
Other Current Grants and subsidies		598,573	519,032
EU Grants		32,841	10,786
Goods and Services		12,229	8,222
Non-voted expenditure	SOAS2	4,092	3,666
Non-cash items:			
Student Loans Fair Value Adjustment	10.1	(401,166)	161,605
Financial liability and impairments	10.2	3,718	491
Borrowing costs (unwinding of discount) on financial liability	10.2, 16	157	88
Depreciation and Amortisation	6,7	337	296
Provision/(release) provided for in year	16	100	-
Expected credit loss - PMS	11	(4,350)	18,500
Holiday Pay Provision ¹		-	-
Foreign Exchange Unrealised	SOAS2	(131)	(877)
Investment Revaluation	11	180	-
Loss on disposal of property, plant and equipment		-	-
Total		<u>851,175</u>	<u>1,626,696</u>

¹ Further analysis of staff costs is located in the Remuneration and Staff Report on page 86.

EU Grants includes staff costs of £1.1m in 2021-22 which have been charged to EU Programmes as Technical Assistance. In 2020-21, the costs of this programme were nationalised for one year only, with the funding being provided by the Executive and so the corresponding front line staff costs of £1.1m were shown in Other Current Grants and Subsidies.

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Further information is available on page 7 in relation to the inherent risk of fraud and error within COVID-19 schemes, including the estimate in relation to fraud and error across all of the COVID-19 schemes of 2.08%. DfE acknowledges the difficulties in arriving at this estimate and notes the view of the C&AG on the methodology that means the actual rate of fraud and error may differ from the estimate.

Renewable Heat Incentive (RHI) Scheme

The Financial Statements include the following amounts in respect of the Renewable Heat Incentive Scheme (RHI), both Domestic and Non-Domestic:

- Grant expenditure (above) includes RHI expenditure of £6.4m (2020-21: £7.2m), all of which was included in the Statement of Assembly Supply (pages 109 to 118) as Annually Managed Expenditure (AME);
- Goods and services (admin and programme) includes RHI expenditure of £1.1m (2020-21: £0.4m);
- Trade payables at Note 15 includes £14m for RHI (2020-21: £12.8m); and,
- Financial Commitments at Note 8.2 includes £70m for RHI (2020-21: £75m).

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5. Income

5.1 Revenue from Contracts with Customers

	2021-22 £000	2020-21 £000
Income from Customers	<u>2,867</u>	<u>3,100</u>
Total Income from Contracts	<u>2,867</u>	<u>3,100</u>

Income from contracts is not material to the Department, and includes amounts that will be due to the Consolidated Fund.

5.2 Other Operating Income

	2021-22 £000	2020-21 £000
EU Income	42,644	10,786
Miscellaneous Grants & Disbursements	6,816	7,466
Other	<u>3</u>	<u>28</u>
Total Other Operating Income	<u>49,463</u>	<u>18,280</u>

Other Income includes the miscellaneous amounts that will be due to the Consolidated Fund.

5.3 Finance Income

	<i>Note</i>	2021-22 £000	2020-21 £000
Interest Receivable	11	<u>1,035</u>	<u>1,210</u>
Total Finance Income		<u>1,035</u>	<u>1,210</u>

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6. Property, Plant & Equipment

2021-22

	Land £000	Building £000	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or valuation						
At 1 April 2021	1,075	1,000	360	140	817	3,392
Additions	-	-	-	3	249	252
Disposals	-	-	-	-	(4)	(4)
Revaluations	-	-	1	9	29	39
At 31 March 2022	1,075	1,000	361	152	1,091	3,679
Depreciation						
At 1 April 2021	-	-	330	45	565	940
Charged in year	-	51	7	11	55	124
Disposals	-	-	-	-	(4)	(4)
Revaluations	-	(51)	-	-	13	(38)
At 31 March 2022	-	-	337	56	629	1,022
Carrying amount at 31 March 2022	1,075	1,000	24	96	462	2,657
Carrying amount at 31 March 2021	1,075	1,000	30	95	252	2,452
Asset financing						
Owned	1,075	1,000	24	96	462	2,657
Finance Leased	-	-	-	-	-	-
Carrying amount at 31 March 2022	1,075	1,000	24	96	462	2,657

Land and buildings have been professionally revalued by Land and Property Services, on the basis of existing use as at the following dates:

Land – Ulster American Folk Park, Omagh 31 March 2022
Buildings – Consumer Affairs Building, Newtownbreda, Belfast 31 March 2022

Transport Equipment, Information Technology and Fixtures & Fittings are valued using Office of National Statistics (ONS) indices.

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Accordingly, and for the avoidance of doubt, LPS considers that its valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Included in the above are fully depreciated assets with a valuation of £833,956 (2020-21: £818,510) which are still in use.

2020-21

	Land £000	Building £000	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or valuation						
At 1 April 2020	1,075	1,000	349	48	742	3,214
Additions	-	-	31	92	68	191
Disposals	-	-	(20)	-	-	(20)
Revaluations	-	-	-	-	7	7
At 31 March 2021	1,075	1,000	360	140	817	3,392
Depreciation						
At 1 April 2020	-	-	347	43	516	906
Charged in year	-	49	3	2	46	100
Disposals	-	-	(20)	-	-	(20)
Revaluations	-	(49)	-	-	3	(46)
At 31 March 2021	-	-	330	45	565	940
Carrying amount at 31 March 2021	1,075	1,000	30	95	252	2,452
Carrying amount at 31 March 2020	1,075	1,000	2	5	226	2,308
Asset financing						
Owned	1,075	1,000	30	95	252	2,452
Finance Leased	-	-	-	-	-	-
Carrying amount at 31 March 2021	1,075	1,000	30	95	252	2,452

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7. Intangible Assets

2021-22

	Externally Developed Software £000	Assets under Construction £000	Total £000
Cost or valuation			
At 1 April 2021	1,091	56	1,147
Additions	227	2,086	2,313
Disposals	-	-	-
Revaluations	87	-	87
Reclassification	-	-	-
At 31 March 2022	1,405	2,142	3,547
Amortisation			
At 1 April 2021	302	-	302
Charged in year	212	-	212
Disposals	-	-	-
Revaluations	33	-	33
At 31 March 2022	547	-	547
Carrying amount at 31 March 2022	858	2,142	3,000
Carrying amount at 31 March 2021	789	56	845
Asset financing			
Owned	858	2,142	3,000
Finance Leased	-	-	-
Carrying amount at 31 March 2022	858	2,142	3,000

Assets under construction comprise initial stage payments towards the upgrade of the Insolvency Service Case Management and Financial Management System and the development of the Apprenticeships, Careers & Vocational Education Line of Business Application and Digital Careers Platform.

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2020-21

	Externally Developed Software	Assets under Construction	Total
Cost or valuation			
At 1 April 2020	875	146	1,021
Additions	204	-	204
Disposals	-	-	-
Revaluations	12	-	12
Reclassification	-	(90)	(90)
At 31 March 2021	1,091	56	1,147
Amortisation			
At 1 April 2020	102	-	102
Charged in year	197	-	197
Disposals	-	-	-
Revaluations	3	-	3
At 31 March 2021	302	-	302
Carrying amount at 31 March 2021	789	56	845
Carrying amount at 31 March 2020	773	146	919
Asset financing			
Owned	789	56	845
Finance Leased	-	-	-
Carrying amount at 31 March 2021	789	56	845

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8. Capital and Other Commitments

8.1 Capital Commitments

There were no contracted capital commitments at 31 March 2022 or 31 March 2021 not otherwise included in these financial statements.

8.2 Other Financial Commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). Fulfilling the terms of letters-of-offer is included in this definition. The payments to which the Department is committed are as follows:

	2021-22 £000	2020-21 £000
Other		
Not later than one year	629,705	676,277
Later than one year and not later than five years	97,563	266,346
Later than five years	45,359	47,171
Total	<u>772,627</u>	<u>989,794</u>

Renewable Heat Incentive Scheme

Included in the commitments figure is an amount of £70m (2020-21: £75m) relating to the Renewable Heat Incentive Scheme, both Domestic and Non-Domestic. New regulations for the Renewable Heat Incentive Scheme were introduced from 1 April 2019.

Training Programmes

The Department has awarded contracts to training providers for the delivery of training programmes comprising ApprenticeshipsNI and Skills for Life and Work, to include the associated Disability Support service. Contract commencement dates for both the Apprenticeships and Skills for Life and Work programmes is 1 August 2021. The Apprenticeships contract is for two years with the option of two one year extensions. The Skills for Life and Work contract is for one year, with the option to extend for a further year, plus one year. A new Disability Support contract commenced on 1 February 2022, valid for a period of 18 months, with the option to extend for one year, up to 31 July 2024.

The Return Retain Result scheme and the New Apprentice Recruitment Incentive do not operate with Letters of Offer, contracts or partnerships, but rather funding is issued to employers upon receipt of a completed application and required evidence demonstrating eligibility criteria has been met.

The overall cost of the delivery will be dependent on demand and any direct knock on effects from the wider COVID-19 pandemic. Subject to Business case approval, the Department will look to implement subsequent programmes after completion of the current contracts.

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8.3 Commitments under Leases

Operating Leases

There were no operating leases for land or buildings at 31 March 2022 or 31 March 2021.

No future minimum lease payments under operating leases are committed to.

9. Investments - Financial Instruments

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 to very little credit, liquidity or market risk.

The Department measures and presents financial instruments in accordance with IAS 32, IFRS 7 and IFRS 9 as interpreted by the FReM. IFRS 7 (Financial Instruments: Disclosure) 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.

In addition to transactions reflected in these accounts, during the year, the Department has historically transferred budget allocation to The Executive Office in order to facilitate the provision of capital funding financing to the Universities under the Financial Transactions Capital Scheme (FTC). FTC takes the form of a repayable loan and is administered by Strategic Investment Board Limited (SIB) on behalf of The Executive Office. In the financial year 2021-22 the Department and SIB approved the issue of £21m (2020-21 £80m) FTC loans to the Ulster University in respect of its Greater Belfast Development project.

Financial Assets at Carrying Value

Student loans are included as loans and receivables, and are measured at fair value (FVTPL). Loans to Catalyst Inc. and Presbyterian Mutual Society, together with trade receivables, cash and cash equivalents are included as loans and receivables, and are measured at fair value initially and subsequently at amortised cost.

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	2021-22 £000	2020-21 £000 (restated)	2019-20 £000
Fair Value through Profit or Loss			
Student loans	3,400,297	2,784,242	2,707,303
Total	3,400,297	2,784,242	2,707,303
Amortised Cost			
Financial assets - Loans	21,612	32,643	85,041
Trade receivables	11,399	10,058	8,910
Cash and cash equivalents	(32,344)	(12,045)	(3,726)
Total	667	30,656	90,225

Financial Liabilities at Carrying Value

Trade payables and financial liabilities (debt sale) are measured at fair value initially and subsequently at amortised cost.

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts are considered to be the same as their fair values, due to their short term nature.

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.

Student Loans

The student loan asset is a significant part of the Department's Statement of Financial Position. The valuation is based on a complex set of assumptions, including borrowers' earnings on graduation and their likely earnings growth over the life of the loan (25 years). Any changes to these assumptions could have a significant impact on the value of the loan book included in the accounts. Note 10 provides more detail, including the potential for impact of COVID-19, and sensitivity analysis.

At a national level, the Government is continuing to seek to realise value for the taxpayer from a sale of its portfolio. While the Department is part of the project taking this forward, led by the Department for Education England (DfE England) and involving all devolved administrations, it has been decided not to take part in the current loan sale as there was no evidence of value for money for Northern Ireland.

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These accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. The Department has analysed the contractual terms of student loans, including interest rates, repayment and cancellation policies. The valuation basis of income contingent loans reflects the requirements of IFRS 9 to hold the loans at fair value (FVTPL).

In the absence of an active market for the income contingent loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans in Note 10 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 RPI plus -1.1% (2020-21 RPI plus 0.7%). If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's RPI plus -1.1% (2020-21 RPI plus 0.7%). If the discount rate applied was greater than RPI plus -1.1% (2020-21 RPI plus 0.7%), the fair value of the student loans may be lower than the values calculated on the basis applied here.

Credit Risk

The Department 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 10 and the accounting policy Note 1.9.1, 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 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 DfE England and the devolved administrations, including the Department 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 DfE England's Accounting Officer on progress towards the agreed targets and performance indicators.

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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. The model incorporates the assumption that rates will continue to be less than 1% in the medium term.

Financial modelling uses short and long term forecasts as published by the Office for Budgetary Responsibility (OBR). Any change to these assumptions has the potential to lead to an adjustment to the Department's calculations as highlighted in Note 10.

Liquidity Risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by NI Assembly. 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 2022, with a 10% weakening or strengthening of sterling against the euro, the outturn for the year would have increased by £3.61m or decreased by £3.61m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated payables.

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10. Investments - Financial Instruments

10.1 Student Loans

<i>Note</i>	2021-22 £000	2020-21 £000 (restated)	2019-20 £000
Total value of loans at 1 April	2,784,242	2,707,303	2,542,115
Adjustment to opening balance	(1)	3	-
Additional Loan funding	359,472	357,118	350,191
Repayments	(144,582)	(118,577)	(106,836)
Effective Interest	-	-	-
New impairments	-	-	-
Fair value adjustment	401,166	(143,699)	(78,167)
Prior period Adjustment	-	(17,906)	-
	<hr/>	<hr/>	<hr/>
Total value of loans at 31 March	<u>3,400,297</u>	<u>2,784,242</u>	<u>2,707,303</u>

The Student Loans Company Limited issues loans on behalf of the Department for Northern Ireland, the Department for Education in England, the Welsh government and the Scottish Executive. The split of total loans is provided by the Student Loans Company.

Student loans are held at fair value (FVTPL). This involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is RPI plus -1.1% (2020-21 RPI plus 0.7%), which is the HMT discount rate. In 2021-22, the effective interest was 7.9% (2020-21: 2.21%).

During the year a review was undertaken with regard to the forecasting model which underpins the calculation of the carrying value of student loans for Northern Ireland. It was established that the opening fair value adjustments for the loans had been understated due to adjustments required to the model. A prior period adjustment of £17.9m has been included in the accounts in order to bring the opening carrying value of the loans to £2,784m.

As outlined on the Statement of Cash Flows, student loan cash advances for the period were £360.7m (2020-21: £355.7m) and repayments were £143m (2020-21: £117.7m).

Student Loans issued during the year comprise Tuition Fee Loans paid directly to the Higher Education Institutions and Maintenance Loans paid directly to students. The total of both loans is repayable by the students. Loans issued can be summarised as follows:

	2021-22 £000	2020-21 £000
Tuition Fee Loans payable to Institutions	219,701	217,537
Maintenance Loans payable to students	139,771	139,581
Total	<u>359,472</u>	<u>357,118</u>

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10.1a Face Value

The face value of the loan book (gross amount owed by students) is made up of the opening face value, plus additions and capitalised interest, less write offs and repayments. The face value of the loan book at 31 March 2022 was £4,420m (31 March 2021: £4,158m).

	<i>Note</i>	2021-22 £000	2020-21 £000 (restated)	2019-20 £000
Opening face value of loan book at 1 April		4,157,942	3,874,894	3,539,300
Less: opening balance adjustment		-	3	-
		4,157,942	3,874,897	3,539,300
Additional loan funding	SOAS3	359,472	357,118	350,191
Repayments		(144,582)	(118,577)	(106,836)
Capitalised interest		48,012	45,478	93,000
Policy write offs		(996)	(973)	(761)
Closing face value of loan book at 31 March		4,419,848	4,157,943	3,874,894
Closing fair value adjustments at 31 March		(1,019,550)	(1,355,795)	(1,167,591)
Prior Period Adjustment		-	(17,906)	-
Carrying value at 31 March		3,400,298	2,784,242	2,707,303

During 2019-20, the Student Loans Company (SLC) and HMRC launched their More Frequent Data Sharing Project (MFDS). The purpose of this project was to provide the Student Loans Company with details of loan repayments collected through HMRC's pay as you earn scheme (PAYE), which means that SLC know exactly how much graduates are repaying each week or month that they are paid. Prior to this repayments were only shared with SLC on an annual basis after the end of the financial year. With the launch of MFDS, that year the SLC have effectively been able to apply two year's interest to the loan book, resulting in a significant increase in interest applied in 2019-20. The result is a reduction in 2021 in terms of interest added to the loan book to normal levels.

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10.1b Forecasting Model

The estimates underpinning the fair value adjustments are based on a forecasting model (the Stochastic Earnings Path model, which holds NI borrower 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). Any changes to these assumptions could have an impact on the value of the loan book included in these accounts.

In addition, 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 costs of capital on loans, which is known as the interest subsidy. This reflects the cost to the Government of issuing and holding the loan. The Department increases the subsidy based on a percentage of loans issued in year.

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 2022.

Impact of macroeconomic outlook uncertainty on the carrying value of Student Loans

Due to the ongoing COVID-19 pandemic and the Russian invasion of Ukraine, there are high levels of uncertainty in the short and medium term as to the impact that these events will have on the macroeconomic data used to calculate the carrying value of the student loan book in these accounts. The Department has incorporated the macroeconomic forecast data published by the Office of Budget Responsibility (OBR) in line with existing policies and procedures. Given the high levels of near-term uncertainty, the forecasts have taken into account the impact of the pandemic and Ukraine invasion with a number of assumptions made. The OBR will continue to review the long-term determinants, aiming to reflect any long-term implications of the unfolding situation.

Assurance over the Carrying Value

Each year the carrying value of the student loan book in the accounts is compared with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

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Changes in Assumptions and Modelling

The model was subject to some minor amendments to better reflect current policy in 2021-22, updated forecasts by the Office for Budget Responsibility (OBR) and Office for National Statistics (ONS) were also applied.

Key Assumptions used to calculate the Student Loan balance at 31 March 2022

The key assumptions that impact on the value of the loan book are the discount rate used, and assumptions made about graduate earnings. In December 2021, HMT announced a decrease in the discount rate to be used, from 0.7% to -1.1%, this has been reflected in the valuation as at 31 March 2022.

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.

Discount Rate

To value the future cash flows, the Department has used RPI plus the HM Treasury's long-term discount rate (-1.1%). 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 Stochastic Earnings Path model (adapted for Northern Ireland) assumes future real earnings growth (net of RPI inflation) to be 0.93 percentage points, as this is OBR's long-term forecast. The Stochastic Earnings Path model assumes average nominal earnings growth will be in line with long-term OBR forecasts.

Graduate Income Distribution

The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel and administrative data held by the Student Loans Company.

Base Rates

The model assumes that Bank of England base rates will be in line with long-term OBR forecasts.

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Sensitivity Analysis

The tables below indicate the sensitivity of the valuation of future cash flows to key assumptions that affect the value of the student loan book. They show the changes required in RPI, earnings growth and the Bank of England base rate to create an increase/decrease in the carrying value of the loan book of 1%.

A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by more than 1%. There are no earnings growth forecasts specifically for graduates, so the assumptions include both graduates and non-graduates.

RPI

The ONS figure for March RPI in 2021-22 is 9.0%, and is forecasted by the OBR to increase to 9.95% in 2022-23 and decrease to 2.90% over the long term. The table below shows the relative percentage changes in RPI that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% carrying value change = £32.9m*
Increase by 1%	-2.129%
Decrease by 1%	2.097%

Earnings Growth

Higher earnings growth will increase repayments. The OBR forecast for 2021-22 average earnings growth is 4.97%, falling to 4.16% in 2022-23 and to 3.83% in the long term. The table below shows the relative percentage changes in earnings growth that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% carrying value change = £32.8m
Increase by 1%	2.738%
Decrease by 1%	-2.666%

Bank of England Base Rate

The Bank of England base rate increased from 0.10% to 0.75% during 2021-22, with OBR forecasting a rate of 3.44% in the long term on average (between 2026-27 and 2068-69). The table below shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% carrying value change = £32.6m*
Increase by 1%	21.392%
Decrease by 1%	-16.590%

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Historical data over the last five years shows the extent of change to earnings growth, RPI rates and base rates compared to current levels is:

- The long term OBR assumption for earnings growth is currently 3.83%. Between 2015-16 and 2020-21, the ONS outturn figures for the financial year average of earnings growth have varied between 2.30% and 3.13%.
- The long term OBR assumption for RPI is currently 2.90%. Between 2015-16 and 2020-21, the ONS outturn figures for March RPI have varied between 1.5% and 3.3%.
- The long term OBR assumption for base rates is currently projected to rise to 3.44% on average. Between 2015-16 and 2020-21, the outturns have varied between 0.10% and 0.75%.

10.2 Financial Liabilities

	2021-22 £000	2020-21 £000
Balance at 1 April	225	1,140
New Impairment	3,718	491
Borrowing costs	98	11
Receipts/(Payments)	(2,033)	(1,417)
Balance at 31 March	<u>2,008</u>	<u>225</u>

Student Loan Debt Sale Costs

The student loan debt sale subsidy is classified within other financial liabilities and is measured at amortised cost in accordance with IFRS 9.

The student debt sale subsidy is the additional cost to the Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999 and represents the proportion of the national sale applicable to Northern Ireland. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2025, which is the 25 year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for loan repayments which are deferred or written off, under the terms of the original loan contracts with borrowers.

During the year, the Department has reviewed the liability and impaired accordingly.

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11. Financial Asset Investments

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total £000
Gross amount:				
Balance at 1 April 2021	25,293	4,600	7,350	37,243
Revaluation	(180)	-	-	(180)
Additions	-	-	-	-
Interest charged	850	-	187	1,037
Loan Repayment – Principal	(15,000)	-	(216)	(15,216)
Loan Repayment – Interest	(765)	-	(257)	(1,022)
Reduction to expected credit loss	4,350	-	-	4,350
Balance at 31 March 2022	14,548	4,600	7,064	26,212
Provision:				
Opening provision at 1 April 2021	-	(4,600)	-	(4,600)
Reclassification	-	-	-	-
Balance at 31 March 2022	-	(4,600)	-	(4,600)
Balance at 31 March 2022	14,548	-	7,064	21,612

Analysis of expected timing of cash flows

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total £000
Not later than one year	14,548	-	-	14,548
Later than one year	-	-	7,064	7,064
	14,548	-	7,064	21,612

The Department holds these financial assets in order to collect the contractual cash flows of principal and interest. As a result, in line with IFRS 9, the loans are recorded at amortised cost.

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Presbyterian Mutual Society

On 1 August 2011, a ten year fixed rate loan of £175m at a rate of 2.02% and an interest free loan of £50m were issued to the Presbyterian Mutual Society Limited (in administration).

The loan facility agreement with DfE was for a period of ten years and was due to cease in November 2020, however the UK lockdowns have seriously impacted the planned sales strategy therefore on advice, a further two year extension to the loan facility has been approved.

The latest forecast from the Joint Supervisors has indicated a potential £14.15m shortfall on the £175m loan, for which the department has reflected an Expected Credit Loss in line with requirements under IFRS 9. Given the shortfall in the £175m loan, and the order of repayment, the £50m loan is considered unrecoverable. Previously this has been presented as being through the creation of a provision, but it has been established that an adjustment was made to the carrying value in 2012. As this loan had been carried at nil value it will not require any further adjustment to the carrying value.

As required under IFRS 9, the £175m loan has been recorded at amortised cost at an effective interest rate of 1.916%. In November 2013, the Joint Supervisors of the Presbyterian Mutual Society Limited (in administration) produced financial projections on the timing and quantum of cash flows in respect of repayment of the ten year fixed term loan. Under the 2016 Amending and Restatement agreement between the Department and the Joint Supervisors an adjustment to the timing and quantum of cash flows in certain years was agreed. In keeping with this, the Department annually records an adjustment to the fair value of the fixed term loan. In the 2021-22 year, the value of the adjustment was £180,000.

Harland and Wolff plc

The Department holds all 10,996,082 shares of H&W plc which were purchased in September 1989 at a cost of £4.6m. The amount has been fully provided for to reflect the fact that due to the level of the company's liabilities the share capital is deemed to have no value.

Catalyst Inc.

In 2016-17, a loan of £3.67m was provided to Catalyst Inc. (formerly Northern Ireland Science Park) under the Financial Transactions Capital Loan Scheme for the development of Concourse III. As per IFRS 9, the loan has been recorded at amortised cost at an effective interest rate of 2.596%. A £2.75m loan was advanced in prior years for the same project. This loan has been recorded at amortised cost at an effective interest rate of 2.429%.

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The cash advanced to Catalyst Inc. in 2015-16 and 2016-17 totalled £6.42m. An initial repayment free period was granted as part of the terms of the loan agreement. Actual cash repayments commenced in 2021-22, with the loan due to be repaid over twenty equal annual instalments.

11.1 Financial Asset Investments (*comparative*)

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total 2020-21 £000
Gross amount:				
Balance at 1 April 2020	102,816	4,600	7,225	114,641
Reclassification	(25,000)			(25,000)
Additions	-	-	-	-
Interest charged	1,085	-	125	1,210
Loan Repayment – Principal	(33,750)	-	-	(33,750)
Loan Repayment – Interest	(1,358)	-	-	(1,358)
Expected credit loss	(18,500)	-	-	(18,500)
Balance at 31 March 2021	25,293	4,600	7,350	37,243
Provision:				
Opening Provision at 1 April 2020	(25,000)	(4,600)	-	(29,600)
Reclassification	25,000	-	-	25,000
Balance at 31 March 2021	-	(4,600)	-	(4,600)
Balance at 31 March 2021	25,293	-	7,350	32,643

12. Investments and Loans in other Public Sector Bodies

Student Loans Company Limited

The Department holds one share, with a nominal value of fifty pence, in the Student Loans Company Limited. The other shares are held by the Government in England and the Devolved Administrations in Scotland and Wales.

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13. Cash and Cash Equivalents

	2021-22 £000	2020-21 £000
Balance at 1 April	(12,045)	(3,726)
Net change in cash and cash equivalent balances	<u>(20,299)</u>	<u>(8,319)</u>
Balance at 31 March	<u>(32,344)</u>	<u>(12,045)</u>

	<i>Note</i>	2021-22 £000	2020-21 £000
The following balances at 31 March were held at:			
Commercial Banks	15	(33,177)	(12,805)
Mineral and Petroleum Bank Account		833	760
Cash in hand		<u>-</u>	<u>-</u>
Balance at 31 March		<u>(32,344)</u>	<u>(12,045)</u>

Mineral and Petroleum Account

Under the authority of the Minerals (Miscellaneous Provisions) Act (Northern Ireland) 1959 and the Mineral Development Act (Northern Ireland) 1969, all minerals, with certain minor exceptions, are vested in the Department. The transactions arising are reflected in the accounts of the Mineral Account and are not included in these financial statements.

Under the authority of the Petroleum (Production) Act (Northern Ireland) 1964, petroleum rights are vested in the Department. The transactions arising are reflected in the accounts of the Petroleum Account and are not included in these financial statements.

Both of these receipts and payments accounts are audited separately by the Comptroller and Auditor General.

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14. Trade Receivables, Financial and Other Assets

	2021-22 £000	2020-21 £000
Amounts falling due within one year:		
Trade receivables	88	442
Other receivables	11,311	9,616
Deposits and advances	-	-
Other receivables:		
VAT	656	447
EU receivables	49,431	19,262
Due from National Insurance Fund	1,678	1,703
Prepayments and accrued income	2,376	1,260
CFERS due	2,053	-
Amounts due from the Consolidated Fund in respect of supply	37,224	15,904
	104,817	48,634

Trade receivables include the following amounts due to the Consolidated Fund once the debts are collected:

- Accrued income £0.1m (2020-21: £0.2m)
- Other receivables £1.7m (2020-21: £7.7m)
- Other CFERS due £2.1m (2020-21: £nil)

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15. Trade Payables, Financial and Other Liabilities

	2021-22 £000	2020-21 £000
Amounts falling due within one year:		
Trade payables	7,941	39,404
Accruals and deferred income	119,821	112,021
EU Programme Advances	13,324	13,860
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:		
Received	4,044	501
Receivable	2,151	230
Amounts due to the Consolidated Fund in respect of excess Accounts Receivable:		
Received	-	2,594
Receivable	1,722	27,422
Amounts due to Consolidated Fund in respect of EU CFERs	-	-
Amounts due to National Insurance Fund	338	487
Bank overdraft	<u>33,177</u>	<u>12,805</u>
	<u>182,518</u>	<u>209,324</u>
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	<u>-</u>	<u>-</u>
Total	<u>182,518</u>	<u>209,324</u>

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16. Provisions for Liabilities and Charges

	H&W £000	Long Service Award £000	Legal Claims £000	2021-22 £000
Balance at 1 April 2021	30,355	1,699	410	32,464
Borrowing costs (unwinding of discount)	59	-	-	59
Provided in year	-	100	-	100
Provisions release	-	-	-	-
Bad debts previously provided for and written off in the year	-	-	-	-
Provisions utilised in year	<u>(3,400)</u>	<u>(153)</u>	<u>-</u>	<u>(3,553)</u>
Balance at 31 March 2022	<u>27,014</u>	<u>1,646</u>	<u>410</u>	<u>29,070</u>

Analysis of expected timing of discounted flows

	H&W £000	Long Service Award £000	Legal Claims £000	2021-22 £000
Not later than one year	3,400	-	410	3,810
Later than one year and not later than five years	16,731	-	-	16,731
Later than five years	<u>6,883</u>	<u>1,646</u>	<u>-</u>	<u>8,529</u>
Balance at 31 March 2022	<u>27,014</u>	<u>1,646</u>	<u>410</u>	<u>29,070</u>

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16. Provisions for Liabilities and Charges (*comparative*)

	H&W £000	Long Service Award £000	Legal Claims £000	2020-21 £000
Balance at 1 April 2020	34,277	1,699	410	36,386
Borrowing costs (unwinding of discount)	78	-	-	78
Provided in year	-	-	-	-
Provisions release	-	-	-	-
Bad debts previously provided for and written off in the year	-	-	-	-
Provisions utilised in year	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
Balance at 31 March 2021	<u>30,355</u>	<u>1,699</u>	<u>410</u>	<u>32,464</u>

16.1 Harland and Wolff plc

The provision in respect of Harland and Wolff plc activities is based on assumptions as to future liabilities and revenues. The outcome of these matters cannot be certain. The provision reflects the approximate amount that the Department may be required to contribute to enable Harland and Wolff plc to fulfil its obligations as they fall due.

The provision reflects the Department's potential liability to meet claims against Harland and Wolff plc in respect of employers' and public liability arising from the collapse of the company's insurer, Chester Street Insurance Holdings Ltd, which went into liquidation on 10 January 2001. This provision is based on actuarial advice and includes known claims, largely in relation asbestos related illnesses of former employees of Harland and Wolff plc, together with unreported claims which may be expected to crystallise over a significant number of years. The amount £27m, as at 31 March 2022 (2020-21: £30.4m), represents the total estimated liability discounted back to today's prices. The accuracy of the provision is subject to a considerable number of uncertainties including future mortality rates, emergence of new diseases, improvements in medical treatments, and the outcome of future legal cases.

An updated actuarial review outlining projected future cash flows was completed during 2019-20, which resulted in a decrease in the overall discounted liability. This was primarily due to a reduction in real terms of legal cases being brought over the past number of years as the pool of claimants by its nature decreases over time. The overall undiscounted liability in relation to the employers' and public liability claims referred to above, based on actuarial advice, amounts to £27.6m (2020-21: £31m).

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16.2 Long Service Award

Provision has been made for a long service award for members of the judicial pension scheme within the Office of the Industrial and Fair Employment Tribunals. The purpose of the long service award is that, subject to any future changes in legislation, the award will compensate for any tax or national insurance charges on lump sums payable from the deregistered judicial pension schemes on retirement, whatever the personal circumstances of the judge or his/her other pension benefits.

16.3 Legal Claims

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can be taken back to 1998. However, the PSNI has appealed the CoA judgment to the Supreme Court. The Supreme Court hearing was scheduled for June 2021 but this has subsequently been adjourned and re-listed for December 2022. The 2021-22 Holiday Pay provision has been estimated by NICS HR and covers the period from November 1998 to 31 March 2020. There are still some very significant elements of uncertainty around this estimate for a number of reasons:

- The appeal to the Supreme Court (as detailed above);
- Lack of accessible data for years previous to 2011;
- Ongoing negotiations with Trade Unions; and,
- Obtaining relevant approvals.

17. Contingent Liabilities

The Department has the following quantifiable contingent liabilities:

a. *Litigation Cases*

There are 110 outstanding cases as at 31 March 2022. The estimated total potential liability is £0.5m.

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b. Renewable Heat Incentive Scheme

There are two main ongoing legal challenges in respect of the Non-Domestic Renewable Heat Incentive (RHI) Scheme. Judgment of the case against the introduction of the Northern Ireland (Regional Rates and Energy) Act 2019 was delivered on 14 October 2021, with the Court dismissing the application for Judicial Review. An appeal of this judgment will be heard in conjunction with the outstanding appeal of the earlier judgment on the 2017 Regulations, over three days commencing 30 May 2022. The prospect of complex and prolonged litigation is foreseeable, the ultimate outcome difficult to predict and likely not be known for some time, however if challenges were to be successful then there could be a significant impact. In January 2020, the New Decade, New Approach (NDNA) document included a specific commitment to closure of RHI and replacement with a scheme which effectively cuts carbon emissions. The Department launched an eight week consultation in February 2021 which sought views on options for the future of the Non-Domestic RHI Scheme. The final decision on the future of the Non-Domestic RHI Scheme will be taken by the Executive collectively, informed by the outcome of the consultation and legal advice.

c. Presbyterian Mutual Society

As described at Note 11, on 1 August 2011, a ten year fixed rate loan of £175m, at a rate of 2.02%, was issued to the Presbyterian Mutual Society Limited (in Administration).

In prior years, DfE have included any projected shortfalls as a contingent liability as the timing and final outturn were fluid, however as the scheme draws closer to the end the Joint Supervisors have estimated that the final shortfall will be £14.15m. DfE have recognised the Expected Credit Loss in line with the requirements of IFRS 9 and reduced the carrying value of the investment by £14.15m.

The Joint Supervisors have also alluded to potential upsides which may reduce this shortfall however any potential shortfall is contingent upon the performance of the property market.

The Departmental loan facility to PMS was due to cease in November 2020, however, the United Kingdom lockdowns seriously impacted the sales strategy. As a result, and based on advice, a two year extension to the loan facility has been granted.

d. Abandoned Mines

Abandoned Mines are vested in the Department under the Mineral Development Act (NI) 1969. Presently there is one issue with Abandoned Mines that are being investigated; specifically in Rathkenny. A new adit has been identified and remedial action will be required. Contractors have been engaged to investigate and a plan of action has been drawn up.

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18. Financial Guarantees, Indemnities and Letters of Comfort

Other than those noted below, the Department did not enter into any other quantifiable guarantees, indemnities or did not provide any letters of comfort in 2021-22 or 2020-21. There is, therefore, no 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 IFRS 9.

18.1 Construction and Industry Training Board Northern Ireland (CITB-NI) Pension Scheme

The Department has entered into a Guarantee Agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of Construction and Industry Training Board–Northern Ireland (CITB-NI), an NDPB sponsored by this Department. In the event of the organisation being wound up, the Industrial Training (NI) Order 1984, Section 19 provides for the making of a revocation order in the event of the winding up of an industrial training board (such as CITB-NI).

Section 19 (2) states:

“A revocation order may provide -

- (a) for the imposition of a levy on employers in the industry, other than such, if any, as may be exempted by the order, for the purpose of raising the whole or part of any amount by which the assets of the individual training board may be insufficient to meet the liabilities of the board and the expenses of the winding up.”

The Department anticipates that in the event of CITB-NI being wound up, it would be prepared to consider issuing a revocation order in respect of any agreed remaining liabilities. In the event that such a levy was insufficient to extinguish an agreed remaining pension liability, the Department would ultimately be prepared to assume the liability on behalf of CITB.

18.2 Tourism Northern Ireland Pension Scheme

The Department has entered into a Guarantee Agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of the Tourism Northern Ireland. The Department has guaranteed any and all obligations in respect of pension liabilities if the NDPB ceases to exist or is otherwise unable to discharge its liabilities under the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

There are no associated costs to be disclosed to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

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19. Related Party Transactions

The Department sponsors the Non-Departmental Public Bodies (NDPBs), Independent Autonomous Bodies (IABs) and North/South Bodies listed in Note 21. In addition, Harland & Wolff Plc, a limited company which is wholly owned by the Department, is also regarded as being outside the accounting boundary. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department, its NDPBs, IABs and North/South Bodies have undertaken a number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Department of Education, the former Social Security Agency (now Department for Communities); and, the Department of Finance.

Transactions that the Department, has undertaken with Members of the Departmental Board and Departmental Audit Committee or companies/ bodies in which they have an interest were as follows. All transactions are conducted at arm's length and in accordance with departmental financial procedures.

The Minister has not undertaken any material transactions with the Department during the year.

Compensation for key management personnel has been disclosed via the Remuneration Report on page 86 to 108.

Harland and Wolff plc

A company wholly owned by the Department received £3.4m (2020-21: £4m) to enable it to meet its liabilities. The directors of Harland and Wolff plc are appointed ex-officio. During 2021-22, the directors were Sharon Hetherington, Iain McFarlane and Rachel Linton, all of whom were departmental employees. Rachel Linton and Iain McFarlane resigned as Directors in February 2022 and Clare McCullagh, David Bell and Susan Butler were then appointed.

Grace Nesbitt

Grace Nesbitt was an Independent Member of the Audit and Risk Assurance Committee (ARAC) until 21 September 2021 and is also a Director of Access Employment Limited previously known as Acceptable Enterprises Limited.

During the year, the Department provided funding to Access Employment Limited under the ESF Programme of £154,542 (2020-21: £126,267, Retail, Hospitality, Tourism and

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Leisure Grant Scheme £25,000). At 31 March 2022, the outstanding amount payable was £13,960 (2020-21: £28,151).

Fiona Keenan

Fiona Keenan is an Independent Member of the ARAC and a close family member is a Director of Bedeck Limited. During the year ended 31 March 2021, the Department provided £25,000 of funding to Bedeck Limited under the Invest NI £25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme.

Maeve Hamilton

Maeve Hamilton was Director of European Fund Management for DfE during 2021-22. During the year, Maeve Hamilton was an interim Governor to the Board of North Regional College (NRC) and the Deputy Chair of the Audit and Risk Committee of NRC until 31 December 2021. NRC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2021-22, the Department provided total funding of £37,994,391 (2020-21: £31,546,652) to NRC. At 31 March 2022, the outstanding amount payable was £1,245,190.

Sharon Hetherington

Sharon Hetherington was Director of Finance for DfE during 2021-22. During the year, a close family member was the Interim Chair of the South Eastern Regional College (SERC) and Director of the Ulster University Economic Policy Centre. SERC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2021-22, the Department provided total funding of £50,658,235 (2020-21: £48,936,896). At 31 March 2022, the outstanding amount payable was £1,679,616. Ulster University is an Independent Autonomous Body as outlined above, the Department provided total funding of £103,836,605 (2020-21: £106,814,104), the outstanding amount payable was £15,046,167.

Graeme Wilkinson

Graeme Wilkinson was Director of Skills for DfE during 2021-22. During the year, Graeme Wilkinson was on the Northern Regional College Board of Governors (NRC) until 31 December 2021. NRC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2021-22, the Department provided total funding of £37,994,391 (2020-21: £31,546,652) to NRC. At 31 March 2022, the outstanding amount payable was £1,245,190.

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20. Third Party Assets

The assets held at the reporting period date to which it was practical to ascribe monetary values comprised. They are set out in the table below:

	31 March 2021 £000	Gross inflows £000	Gross outflows £000	31 March 2022 £000
Insolvency Account	21,147	9,335	(9,148)	21,334
Northern Ireland National Insurance Fund	47,177	4,117	(1,506)	49,788

These are not departmental assets and are not included in these financial statements. Further information is contained in the published Insolvency Account and the accounts of the Northern Ireland National Insurance Fund.

Insolvency Account

Under Article 358 (1) of the Insolvency (Northern Ireland) Order 1989, trustees in bankruptcy and liquidators of companies must pay the money received in respect of Company Liquidations, Bankruptcies and Estates of Deceased Insolvents, including

Arrangements under the control of the Court up to 30 September 1991, into the Insolvency Account pending authorised appropriation.

Northern Ireland National Insurance Fund

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

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21. Entities within the Departmental Boundary

These financial statements reflect the accounts of the core Department only. Bodies not consolidated in these accounts but for which the Department is responsible for their sponsorship and oversight of are:

Non-Departmental Public Bodies:

- Invest Northern Ireland (Invest NI);
- Northern Ireland Screen (NIS);
- Construction and Industry Training Board–Northern Ireland (CITB-NI);
- Tourism Northern Ireland (Tourism NI);
- Health and Safety Executive for Northern Ireland (HSENI);
- General Consumer Council for Northern Ireland (GCCNI);
- Labour Relations Agency (LRA);
- Stranmillis University College; and,
- the six Further Education (FE) Colleges.

Independent Autonomous Bodies:

- Ulster University;
- Queens University Belfast;
- St Mary's University College; and,
- the Open University.

The Department also acts as co-sponsor Department to two North/ South bodies set up under the Belfast Agreement which are also regarded as falling outside the accounting boundary. These are:

- InterTradeIreland; and,
- Tourism Ireland.

In addition, Harland & Wolff Plc, a limited company which is wholly owned by the Department, is also regarded as being outside the accounting boundary.

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

22. COVID-19 Financial Support and Recovery

COVID-19 Financial Support Schemes

On 11 March 2020, the Chancellor announced during his Spring Budget of 2020 that the Government would introduce measures to help businesses with their business rates bills and to assist with the economic challenges presented by COVID-19. On 18 March 2020, the NI Executive announced measures to support the most vulnerable businesses to assist with the economic challenges presented by COVID-19. A grant of £10,000 for businesses in receipt of small business rate relief and a grant of £25,000 to firms with a

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rateable value of between £15,000 and £51,000 in the retail, tourism and hospitality sectors were announced.

Small Business Grant Scheme

Grants of £10,000 to small businesses that already pay reduced rates because of Small Business Rate Relief were launched in 26 March 2020. This was applied automatically to properties with a total Net Annual Value of £15,000 and below although certain exclusions were applied. The Department worked with Land and Property Services and Invest NI to devise the policy and deliver the scheme.

In 2019-20, funding for the payments of £67.7m was provided by the Department in the form of cash-based Grant in Aid which appeared as Programme Costs in the DfE accounts for that year, with the payments being administered by Land and Property Service (Department of Finance). Expenditure for the scheme appeared on an accruals basis in the accounts of Invest NI. The remainder of the payments for the scheme were made in 2020-21, with £175.3m Grant in Aid provided by the Department in the same way as shown below.

Similar to the Small Business Grant Scheme launched in March 2020, further funding provided by the Department in 2020-21, to fund schemes developed to provide assistance reflecting the widely felt impact of the lockdowns in response to the pandemic, as well as the extensions to those lockdowns, has been included in these accounts in the form of cash-based Grant in Aid (in line with FReM and Managing Public Money NI), appearing on an accruals basis in the accounts of the NDPB administering the scheme. The following expenditure is included within these accounts under Grants (Grant in Aid note 4) and Non Budget Grant in Aid in the Statement of Outturn against Assembly Supply:

	2021-22 £000	2020-21 £000
£10k Small Business Grant Support Scheme	-	175,317
£25k Grant for Retail, Hospitality, Tourism & Leisure sector	-	73,630
Micro-Business Hardship	-	23,233
Newly Self Employed Support Scheme	-	8,680
Limited Company Directors Support Scheme	4	20,541
COVID Restrictions Business Support Scheme Part A & Part B	14,698	76,911
Wet Pub Business Support	93	3,917
Large Tourism & Hospitality	17,537	33,229
Bed & Breakfast, Guest House Support	-	1,879
	32,332	417,337

Details on the schemes can be found at Annex B.

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COVID-19 Financial Recovery Schemes

The following schemes were designed and implemented by NDPBs, funded by the Department through Grant in Aid in these accounts, set up to help kick start the recovery of the economy. Details will be provided in the accounts of the NDPBs.

	2021-22 £000	2020-21 £000
<i>Invest NI</i>		
Business Financial Planning Grant Scheme (BFPG)	-	710
Digital Selling Capability Grant	952	894
Aero/Customer Diversification	-	164
Communication Campaign	-	3,000
<i>IntertradeIreland</i>		
COVID E-Merge	-	600
COVID Emergency Business Solutions	-	480
<i>NI Screen</i>		
Screen Re-boot	-	400
Tourism NI		
Marketing COVID Support	-	5,819
COVID Research and Insight	-	459
COVID Crisis Management and Turnaround Support Fund	-	729
Digital Innovation and Intelligence	-	245
	952	13,500

COVID-19 Financial Recovery Aid

The Department delivered a range of financial recovery aid packages to help kick start the recovery of the economy. These are all schemes administered by the Department.

	2021-22 £000	2020-21 £000
Apprenticeships, Careers, Vocational Education & Skills Schemes		
Apprenticeships Return, Retain Result	(1,318)	5,699
Apprenticeships Recruit	7,567	6,497
Challenge Fund	140	441
Youth Training	5,400	4,125
PPE	-	163
IT Hardship	-	693
Supplier Support	-	10,223
Accredited online upskilling & re-training	-	5,954

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	2021-22 £000	2020-21 £000
Higher Education Sector		
One Off payment to students	-	20,369
Student Hardship, Digital Poverty and Mental Health Provision	-	11,220
Safe Learning & Research Environment	-	6,637
Lost Accommodation Income Support	-	3,059
HE Teaching Grant Maximum Student Uplift	2,530	1,572
HE Teaching Grant Additional A level Places	723	343
HE Teaching Grant Part Time Provision	1,200	750
Loss of Commercial Research Income	-	1,000
Support of University Research & Development	-	13,000
Student Postgraduate Award Extension	1,116	2,000
COVID-19 Rapid Response Research & Innovation Funding	-	991
Further Education Sector		
Provision of Safe Learning Environment	3,161	3,907
IT Support	(630)	7,571
Loss of Income due to COVID-19	2,000	2,944
FE Student Support	(45)	1,767
FE COVID-19 Curriculum	2,930	-
Free School Meals & Holiday Meals	356	649
Student Hardship Fund	-	716
	25,130	112,290

Details of the schemes can be found at Annex B.

Summary

This funding is included in these accounts within the total figures at Note 4 Programme Expenditure:

	Grant £'000	Capital Grant £'000	Grant in Aid £'000	Total £'000 2021-22	Total £'000 2020-21
COVID 19 Financial Support Schemes	-	-	32,332	32,332	417,337
COVID 19 Financial Recovery Schemes	-	-	952	952	13,500
COVID 19 Financial Recovery Aid	24,670	-	460	25,130	112,290
TOTAL	24,670	-	33,744	58,414	543,127

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23. Harland and Wolff plc

Harland and Wolff plc is wholly-owned by the Department.

The Department holds all 10,996,082 shares of H&W plc which were purchased in September 1989 at a cost of £4.6m (fully provided, see Note 11). Details of the group's trading are contained in its accounts, which are prepared under UK GAAP. Key figures extracted from these accounts are:

Statement of income and retained earnings for the year ended 31 March 2022

	2021-22 £000	2020-21 £000
Turnover	-	-
Administration expenses	-	-
Operating loss	-	-
Interest receivable and similar income	-	-
Profit on ordinary activities before taxation	-	-
Tax on ordinary activities	-	-
Profit for the financial year	-	-

Statement of Financial Position as at 31 March 2022

	2021-22 £000	2020-21 £000
Current Assets		
Debtors	26,277	29,794
Cash at bank and in hand	2,205	562
	<u>28,482</u>	<u>30,356</u>
Creditors: amounts falling due within one year	(12)	(3)
Net current assets	28,470	30,353
Provisions for liabilities	(28,470)	(30,353)
Net assets	-	-
Capital and reserves		
Called up share capital	10,996	10,996
Profit and loss account	(10,996)	(10,996)
Total shareholders' funds	-	-

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24. Material Irregular Expenditure

The Accounts Direction given by the Department of Finance requires departments to disclose any material expenditure or income that has not been applied for the purposes intended by the relevant legislature or material transactions that have not confirmed to the authorities which govern them.

In 2021-22 expenditure of £32.2m (funded by Grant in Aid) was provided for business support schemes which relied on self-declarations from applicants as evidence that some of their eligibility criteria had been met (total expenditure from 2019-20 - 2021-22: £516m). The decision to rely on self-declarations was taken in the context of the exceptional circumstances brought about by the Covid-19 pandemic and the extreme urgency with which businesses required these financial support interventions. High risks of fraud and error, in addition to insufficient assurance on value for money, were all acknowledged at the time and as such Ministerial Directions were sought and received for all of these schemes.

The Department accepts that as the schemes were designed to rely on self-declarations, insufficient audit evidence is available to determine if all of the eligibility criteria were met in all cases.

Clawback arrangements were incorporated into all the schemes and recovery of grant payments is ongoing. Applying the estimated error rate of 2.08% the estimated total amount of spend relating to fraud and error is £10.73m. We also estimate on a proportionate basis that irregular expenditure in 21-22 is £0.66m. Due to further work carried out by the Department the potential overpayments identified due to error totalled £6.5m as at June 22, and a total of £4.186m has been recovered up to that date with anticipated future recoveries from agreed settlement plans of £0.701m.

In addition, material irregular expenditure in relation to three apprenticeship recovery intervention schemes (Return, Retain, Result; Recruit; and, Apprenticeship Challenge Fund) was identified in 2020-21. The Employment & Training Act (Northern Ireland) 1950 was used to provide the legal vires to make the payments under these schemes; however, the legislation specifically required DoF approval to be obtained in advance of any payments being made. When this oversight was identified, DoF approval was sought for future payments. However, £6.2m of payments had already been made and could not be approved retrospectively.

Other instances of irregular expenditure which the Department does not consider material are disclosed elsewhere in the Governance Statement.

25. Events after the Reporting Period

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

Date of Authorisation for Issue

The Accounting Officer authorised the issue of these financial statements on 08 September 2022.

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ANNEX A – FINANCIAL DATA
for the year ended 31 March 2022

(1) Total Departmental Spend

The table below shows an analysis of Resource Departmental Expenditure Limits (DEL) and Annual Managed Expenditure (AME).

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
Table 1.1	Outturn	Outturn	Outturn	Outturn	Outturn
Resource DEL					
Economic Development & Infrastructure	16,020	17,025	16,626	56,463	165,195
Economic Development & Infrastructure – Repayment of Assistance PMS	(2,298)	(2,144)	(1,886)	17,415	(5,199)
Invest NI & Tourism	487	(329)	1,160	1,511	720
Employment & Skills	95,483	92,860	100,241	147,466	118,306
Student Support & Higher Education	480,739	431,383	475,726	542,412	170,708
Tourism Ireland Ltd	156	144	222	277	111
Intertrade Ireland	163	118	156	159	129
Representation & Regulatory Services	8,355	13,221	15,632	15,978	17,923
EU Structural Funds – ERDF Support	295	270	321	194	260
EU Programmes	8,845	8,914	4,176	13,884	8,709
EU Community Initiative	194	777	1,164	783	1,211
EU Peace	143	871	1,121	1,046	863
Total Resource DEL	608,582	563,110	614,659	797,588	478,936
<i>of which:</i>					
Salaries	41,724	48,310	55,939	64,151	60,140
Consultancy	388	523	970	1,050	406
Depreciation	101	110	153	99	124
Support to Higher Education	225,636	198,888	197,730	224,504	222,088
Support to Students	91,084	113,762	112,448	145,133	109,410
Notional Student Loan Subsidy/ Fair Value Adjustment	160,966	115,932	163,025	201,448	(163,388)
Training Programmes	60,279	52,218	58,545	89,272	64,377
Support to Further Education	14,445	14,855	13,474	15,400	11,510
Renewable Heat Incentive Scheme	2,235	824	815	325	929
European Programmes	15,268	10,763	6,458	34,425	10,819
PMS	-	-	-	17,415	(5,199)
Other	(3,544)	6,925	5,102	4,366	167,720
Resource AME					
Economic Development & Infrastructure	19,570	23,997	(5,492)	7,299	6,155
Employment & Skills	-	-	410	-	-
Student Support & Higher Education	(96,840)	(88,968)	(83,337)	(39,101)	(233,924)
Total Resource AME	(77,270)	(64,971)	(88,419)	(31,802)	(227,769)
<i>of which:</i>					
Harland & Wolff Provision	(2,614)	246	(12,239)	77	59
Renewable Heat Incentive Scheme	22,300	23,798	6,680	7,222	5,815
Holiday Pay	-	-	410	-	-
Take up/ Revaluation of Debt Sale	(450)	(329)	(50)	502	3,815
Student Loan Effective Interest/ Fair Value Adjustment	(96,390)	(88,639)	(83,287)	(27,332)	(237,739)
Other	(116)	(47)	67	(12,271)	281
Total Resource Budget	531,312	498,139	526,240	765,786	251,167

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ANNEX A – FINANCIAL DATA
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The table below shows an analysis of Capital Departmental Expenditure Limit (DEL) and Capital Annual Managed Expenditure (AME) categories.

Table 1.2

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
	Outturn	Outturn	Outturn	Outturn	Outturn
Capital DEL					
Economic Development & Infrastructure	6,772	2,063	32,569	25,260	57,890
Economic Development & Infrastructure – Repayment of Assistance PMS	(8,000)	(13,500)	(20,500)	(33,750)	(15,000)
Invest NI & Tourism	-	-	-	-	10,000
Employment & Skills	804	(3)	98	824	2,248
Student Support & Higher Education	18,556	9,331	7,537	43,854	30,617
Representation & Regulatory Services	61	169	78	231	46
EU Structural Funds – ERDF Support	47				
EU Programmes	-	(51)	-	-	-
Business and Employment Regulation	-	-	-	-	2
Total Capital DEL	18,240	(1,991)	19,782	36,419	85,803
<i>of which:</i>					
Broadband Stimulation	5,639	-	-	-	7,500
Presbyterian Mutual Society	(8,000)	(13,500)	(20,500)	(33,750)	(15,000)
Learning and Teaching for HE Sector	13,029	6,259	4,269	39,844	22,180
University Funding	3,302	3,310	2,968	5,114	7,503
Catalyst Inc.	-	185	190	124	(186)
FE IT System	1,080				
BIS Receipt	(1,330)	(1,307)	(1,330)	(2,974)	(1,330)
Student Loans Company	3,283	1,069	1,605	1,849	1,991
Capitalised Salaries	1,190	411	407	443	414
Research & Development	-	1,442	1,999	2,686	2,772
Project Stratum	-	-	-	21,100	42,300
Energy Infrastructure	-	-	-	785	5,065
Apprenticeship Capital Grants	-	-	-	826	90
Gas to the West	-	-	30,000	-	-
HMS Caroline	-	-	-	-	10,000
LOB Application Replacement	-	-	-	-	1,999
Other	47	140	174	372	505
Capital AME					
Economic Development & Infrastructure	(38)	(26)	-	-	(2)
Student Support & Higher Education	290,915	311,221	336,355	284,018	262,902
Total Capital AME	290,877	311,195	336,355	284,018	262,900
<i>of which:</i>					
Renewable Heat Incentive Scheme	(38)	(26)	-	-	(2)
Student Loan Issued	345,503	354,434	350,191	357,117	359,472
Student Loan Receipts	(89,999)	(92,752)	(106,836)	(118,577)	(144,582)
Student Loan Capitalised Interest	35,411	49,539	93,000	45,478	48,012
Total Capital Budget	309,117	309,204	356,137	320,437	348,703
Total Departmental Spending	840,429	807,343	882,377	1,086,223	599,870
<i>of which:</i>					
Total DEL	626,822	561,119	634,441	834,007	564,739
Total AME	213,607	246,224	247,936	252,216	35,131

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ANNEX A – FINANCIAL DATA
for the year ended 31 March 2022

Non-Budget

The table below shows an analysis of Non-Budget expenditure.

Table 2	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
	Outturn	Outturn	Outturn	Outturn	Outturn
Grant in aid	350,010	359,288	488,236	815,434	506,922
Notionals	8,610	8,871	9,200	8,503	8,796
Total Non-Budget	358,620	368,159	497,436	823,937	515,718
<i>of which:</i>					
Invest NI	123,616	96,000	175,751	508,140	157,446
Tourism NI	17,000	23,819	23,601	30,400	38,500
Tourism Ireland	12,568	13,503	12,287	12,794	22,303
FE Colleges	180,967	193,705	247,246	227,953	234,449
NI Screen	-	14,582	14,859	15,844	15,746
Other	24,469	26,550	23,692	28,806	47,274

The table below shows the reconciliation between the tables above and SOAS1.

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
	Outturn	Outturn	Outturn	Outturn	Outturn
SOAS1 Analysis of NET Resource					
Outturn by Function					
Request for Resources A	634,599	574,241	654,658	867,329	577,708
Annual Managed Expenditure	(77,269)	(64,998)	(88,419)	(31,802)	(227,771)
Non-Budget	358,620	368,159	497,436	823,937	515,719
	915,950	877,402	1,063,675	1,659,464	865,656
Tables Above					
Resource DEL	608,582	563,110	614,659	797,588	478,936
Capital DEL	18,240	(1,991)	19,782	36,419	85,803
Resource AME	(77,270)	(64,971)	(88,419)	(31,802)	(227,769)
Capital AME	290,877	311,195	336,355	284,018	262,900
Non-Budget	358,620	368,159	497,436	823,937	515,718
	1,199,049	1,175,502	1,379,813	1,910,160	1,115,588
Reconciling Items	283,099	298,100	316,138	250,696	249,932

Reconciling items relate to capital transactions recorded in the Statement of Financial Position and not SOAS1.

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(2) Departmental Administration Spend

Table 3

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
	Outturn	Outturn	Outturn	Outturn	Outturn
Economic Development & Infrastructure	7,895	10,326	14,255	18,857	11,543
Invest NI & Tourism	485	536	660	783	350
Employment and Skills	20,275	21,136	22,464	24,279	26,506
Student Support & Higher Education	2,325	2,209	2,430	2,968	2,586
Tourism Ireland Ltd	156	144	222	277	111
IntertradeIreland	163	118	156	159	129
Representation & Regulatory Services	1,132	1,277	1,568	1,655	1,609
Total Admin	32,431	35,746	41,755	48,978	42,834
<i>of which:</i>					
Salaries	27,244	29,561	35,286	42,148	35,435
Consultancy	359	505	944	997	382
Other	4,828	5,680	5,525	5,833	7,017

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ANNEX B – COVID-19 FINANCIAL SUPPORT AND RECOVERY
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COVID-19 Financial Support Schemes

£10k Small Business Grant Scheme

Grants of £10,000 to small businesses that already pay reduced rates because of Small Business Rate Relief were launched in 26 March 2020. This is applied automatically to properties with a total Net Annual Value of £15,000 and below although certain exclusions were applied. The Department worked with Land and Property Services and Invest NI in order to devise the policy and deliver the scheme. The scheme was expanded further in 2020-21.

(Expenditure included in Invest NI accounts in 2021-22 is £nil (2020-21: £23,017k)).

£25k Grant for the Retail, Hospitality, Tourism and Leisure sectors

The £25,000 Business Support Grant Scheme was launched in April 2020 to support businesses that were experiencing financial hardship, as a result of the COVID-19 pandemic. The Executive agreed to deliver the Business Support Grant to help protect jobs, prevent business closures and promote economic recovery across the retail, hospitality, tourism and leisure sectors, as these were some of the most immediate and significantly affected industries at that time.

Recoveries during the year totalled £847k for the £10k Small Business Grant Scheme, and £144k for the £25k Grant for the Retail, Hospitality, Tourism and Leisure sectors scheme.

(Expenditure included in Invest NI accounts 2021-22 is £nil (2020-21: £73,630k)).

Micro-Business Hardship Fund

The NI Micro-business Hardship Fund was developed to respond quickly and proportionately through the provision of funding to micro-businesses and qualifying social enterprises that were facing immediate cash flow difficulties due to the impact of COVID-19. The Hardship Fund was open to all micro-businesses that had not qualified for other regional and national support measures.

(Expenditure included in Invest NI accounts in 2021-22 is £nil (2020-21: £23,233k)).

Newly Self Employed Support Scheme

The Newly Self-Employed Support Scheme, was launched on 3rd December 2020. It was designed to provide support to newly self-employed individuals (sole traders and those in partnerships) who have been adversely impacted by COVID-19 and who had not been able to access support from the UK government's Self-Employed Income Support Scheme. The scheme was extended on 7 January, to remove the criteria for over 50% of income to come from self-employment, and allow those who became self-employed later to qualify.

(Expenditure included in Invest NI accounts in 2021-22 is £nil (2020-21: £8,680k)).

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Limited Company Directors Support Scheme

The Limited Company Directors Scheme (LCDSS) was launched on 11 January 2021. Many company directors who had been adversely affected by COVID-19 had found themselves in financial difficulty and this scheme aimed to help to address the gap in national support for this group. The LCDSS provided payments of £3,500.

(Expenditure included in Invest NI accounts in 2021-22 is £3,5k (2020-21: £20,542k).

COVID Restrictions Business Support Scheme

The COVID Restrictions Business Support Scheme (CRBSS) was announced in October 2020 and provided support to businesses affected by the restrictions in place from 16 October (or 5 October for the Derry City and Strabane District Council area) who were not eligible for the Localised Restrictions Support Scheme. This scheme closed temporarily between 16 December 2020 and 26 December 2020. It operated in two parts.

- Part A - A business that was required to close or cease trading under the Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020 but was not eligible for the Localised Restrictions Support Scheme.
- Part B - A business that was not named in the Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020, but which supplies goods or services to such a business, or was reliant upon such a business being open and fully operational in order to trade.

(Expenditure included in Invest NI accounts in 2021-22 is £14,698k (2020-21: £76,911k).

Wet Pubs Business Support Scheme

The Wet Pubs Business Support Scheme was launched on 6 January 2021. NI's hospitality industry had been hugely impacted as a result of COVID Health Regulations and amongst those hardest hit were traditional pubs serving only alcohol. The Wet Pubs Business Support Scheme launched on 11 January and provided support to those drink-only public houses which remained closed between 4 July and 23 September 2020 when the rest of the hospitality sector were permitted to open and trade.

(Expenditure included in Invest NI accounts in 2021-22 is £93k (2020-21: £4,100k).

Large Tourism and Hospitality Business Support Scheme

A scheme to provide grant support to large tourism and hospitality businesses. This scheme aimed to provide qualifying businesses with grant payments towards fixed cost overheads during the lockdown period from 5 October/ 16 October to 11 December and the additional lockdown period from 26 December to 6 February 2021. The scheme was intended to provide "top-up" grant payments to those large businesses in tourism and hospitality sectors receipt of the LRSS – in recognition of the significant fixed cost overhead outlays faced by these businesses.

(Expenditure included in Invest NI accounts in 2021-22 is £17,537k (2020-21: £39,900k).

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Bed and Breakfast, Guest House and Guest Accommodation Support Scheme

A scheme to support tourist accommodation providers in the Bed and Breakfast, Guest House and Guest Accommodation sectors opened for applications on 28 January 2021. The scheme provided grant to support eligible businesses on a flat per room amount plus a percentage of 2019's turnover. The inclusion of turnover gives some recognition to business performance. The maximum grant any one business could receive was capped at £12,500.

(Expenditure included in Tourism NI accounts in 2021-22 is £nil (2020-21: £1,980k).

COVID-19 Financial Recovery Aid

Apprenticeships, Careers, Vocational Education and Skills Schemes

- The Return Retain Result Incentive Scheme – provided phased payments to support employers to return apprentices from furlough and retain their employment through to successful completion of their apprenticeship. This Return Retain Result scheme opened for applications on 1 December 2020. Employers can avail of up to £3,700 for each apprentice who is returned from furlough and retained until the successful completion of their apprenticeship.
- Create Apprenticeship Opportunities – A further scheme encouraged and supported businesses to create apprenticeship opportunities for new apprentices and those that have been made redundant by other employers. The scheme opened for applications on 16 October 2020. The scheme offers up to £3,000 to employers for each new apprenticeship opportunity created with employers able to avail of £2,000 after 90 days retention following start of apprenticeship and a further £1,000 available after 200 days retention following start of apprenticeship.
- Apprenticeship Challenge Fund – developed to promote greater collaboration between employers and suppliers in identifying innovative approaches to address barriers related to the recruitment of apprenticeships.
- Youth Training Provision – was incremented to support increased participants joining the Training for Success Programme.
- Digital Hardship Fund – developed to support the purchase of equipment and support connectivity for on-line learning for disadvantaged learners undertaking DfE commissioned vocational training in the non-statutory sector.
- Provision of PPE – Support was made available to ensure that training providers of vocational training programmes were adequately funded to remain open safely and in line with Public Health guidance. Funding could be used as a contribution towards spending on adaptations to premises, the purchase of personal protection equipment and additional cleaning or sanitation costs that were necessary to enable adherence with government and PHA advice to ensure the safety of staff and learners.
- Supplier Relief (contractual payments) – provided to the non-statutory training providers of the Department's Apprenticeships NI & Training for Success programmes together with Disability Support Service provider, to ensure they could continue to support learners and maintain the training infrastructure for recovery.

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- The Skills Intervention Programme – provided accredited online upskilling and re-training opportunities to over 5,900 individuals over the course of the year. Training was provided through the six Further Education Colleges and three local Universities, ranging from entry level to masters, in priority economic sectors including digital, green technologies, healthcare, and with key skills including leadership, project management and employability. Additional support was given to a number of graduate placement opportunities, a bespoke trade and export award, and a programme to support women returners reskill into the IT sector.

Higher Education

- One Off COVID Disruption payment to students – A one-off discretionary payment of £500 to all students from the UK and EU who are in full time higher education in Northern Ireland, whether that is in a university or further education college setting.
- Student Hardship, Digital Poverty & Mental Health Provision – Funding to address student financial hardship, digital poverty and to support student unions with mental health provision.
- Safer Learning and Research Environment – In the context of the COVID-19 pandemic, the HEIs are required to plan for the safe resumption of educational delivery and research activities. This has required the HEIs to spend, or commit to spend, funding on a range of equipment and activities.
- Lost Accommodation Income Support – Funding to compensate universities for lost income arising from rental pauses and releasing students from accommodation contracts.
- HE Teaching Grant: Maximum Student Numbers Uplift – Additional HE teaching grant funding for the NI universities to allow for flexibility in the offering of local student places following an increase in demand as a result of COVID-19.
- HE Teaching Grant: Additional A level Places – Additional HE Teaching Grant to accommodate enrolment increases for the 2020-21 academic year due to the change in policy on awarding of A-Level Results in 2020.
- HE Teaching Grant: Part Time Provision – Additional support for part-time distance learning higher education course provision in response to COVID-19.
- Loss of Commercial Research Income – Funding to replace university research income from industry which has been lost or reduced due to the COVID 19 pandemic, in order to sustain the university research base.
- Support for University Research & Development – Research funding for the NI Universities to replace lost research income, protect research jobs, and help universities focus more effort on the high priority research needed both to fight the COVID-19 outbreak, and to support the economy and society as they recover post pandemic.
- Student Postgraduate Awards Extension – Funded extensions to final year PGA scheme students to ensure they do not suffer economic hardship as a result of COVID-19 and to enable them to complete their PhD to the desired quality standard.

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- COVID-19 Rapid Response Research & Innovation Funding – A scheme to fund NI university participation in Science Foundation Ireland’s COVID-19 Rapid Response Research & Innovation Funding Call in 2020-21.

Further Education

- Provision of a Safe Learning Environment – Supports the preparation for safe resumption of onsite delivery including increased staff costs, IT equipment, protective screens, signage and additional cleaning within the six further education colleges.
- IT Support – Significant and ongoing investment to enable online course delivery and examinations across the FE College network since April 2020.
- Loss of Income due to COVID 19 – Provides for loss of income from reduced student fees, business income, and lost income for Training for Success, Apprenticeships NI and Higher Level Apprenticeships in the six further education colleges.
- Student Direct Support - £60 one-off discretionary payment to all eligible full time and part time FE students to address data poverty and the provision of 500 additional iPad devices for FE students to access to facilitate online learning.
- Free School Meals – Additional funding to the on-going funding for Free School Meal Allowance, and together allowing DfE to facilitate direct payment into the households of almost 1,900 eligible school-age FE students during and outside of term time.
- FE Student Hardship Fund – Uplift of this established Hardship Fund to support eligible students to maintain their study and to overcome barriers as a consequence of COVID-19.

The High Street Scheme

The High Street Scheme which launched in September 2021 providing a much needed economic boost for local businesses that had been most severely impacted by the pandemic. Further details about the scheme can be found at page 83.

**DEPARTMENT FOR THE ECONOMY
ANNEX C – REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR
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for the year ended 31 March 2022**

Introduction

1. In 2020-21, the Department for the Economy (the Department) was tasked by the Executive to implement urgently a series of business support schemes designed to ease the difficulties and disruption being faced by businesses arising from the COVID-19 pandemic. Expenditure on a number of the schemes continued into the 2021-22 financial year, albeit at much reduced expenditure levels.
2. I noted in my 2020-21 report, these schemes were delivered at extreme pace and in a challenging environment. The situation was made worse by the imposition of home working and a lack of appropriate resources. Given the urgency and speed with which these schemes were designed and delivered, the accounting treatment, and consequently the audit activity, has been complex and at times, a challenge.

Purpose of the report

3. Under the Government Resources and Accounts Act (Northern Ireland) 2001 I am required to examine, certify and report upon the financial statements prepared by the Department for the Economy (the Department). This report explains the background to my qualifications on the Department's Resource Accounts for 2021-22. In addition, it provides information on certain other issues I identified during the audit which did not result in a qualification of my audit opinion, together with an update on other recurring matters.
4. All qualifications of my opinions on the Department's Resource Accounts in 2021-22 relate to grant schemes established to support businesses during the pandemic. Within this report I comment on qualifications on two separate groups of COVID-19 business support schemes administered during 2021-22:
 - Department administered schemes of £13.4 million in 2021-22 and £138.3 million (restated) in 2020-21 – see Figure 1; and
 - Invest NI administered schemes of £14.7 million in 2021-22 and £129.8 million in 2020-21 – see Figure 3.

Qualified audit opinion on the financial statements

5. The Department sponsors Invest Northern Ireland (Invest NI), a Non Departmental Public Body which is not part of the Department and whose accounts are not consolidated with the Department's. The Department instructed this body to include expenditure on a number of emergency COVID-19 business support grants in its financial statements using its powers under the Industrial Development (Northern Ireland) Order 1982. The Invest NI 2021-22 financial statements included £13.4 million for this expenditure and £138.3

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million (restated) for related prior year expenditure. The opening balance of net assets at 1 April 2020 was also affected by transactions related to these schemes. However, it is my opinion that these schemes were in reality administered and controlled by the Department itself meaning the Department should have included the expenditure in its own accounts; but it did not, as it did not have the legislative power available to it to incur the expenditure.

Figure 1: Department for the Economy administered COVID-19 business support schemes

Scheme	Expenditure in 2021-22 £ million	Expenditure in 2020-21 £ million	Expenditure in 2019-20 £ million
Small Business Grant Scheme	(0.1)	23.2	220.0
Tourism and Retail Sectors Grant	0.03	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	13.5	37.4*	0.0
Wet Pubs Scheme	(0.06)	4.1	0.0
TOTAL	13.37	138.3*	220.0

Source: Invest NI 2021-22, 2020-21 and 2019-20 Annual Report and Accounts

*These figures have been restated since the C&AG's 2020-21 report, see paragraph 13-14 below.

6. This unusual accounting arrangement was used because the Department did not in fact have the legal authority to make the grant payments itself and determined it would take too long to obtain such powers under the Financial Assistance Act (Northern Ireland) 2009. The aim of this arrangement was to reflect scheme expenditure in the entity with the appropriate legal authority to make the payments. Invest NI has the relevant authority under the Industrial Development (NI) Order 1982. So essentially the Department designed and delivered these schemes and incurred the expenditure, while instructing Invest NI to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition.
7. The Department, Invest NI, DoF's Land & Property Services (LPS) and Account NI all agreed a Memorandum of Understanding (MOU) which set out the roles and responsibilities of those involved in the policy, design, operation and delivery of the Covid-19 business support grants. In the MOU, the sole duty allocated to Invest NI is to "record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts". However, the primary duties in relation to establishing the scheme, its design and delivery, payment approval and taking responsibility for any losses arising from its administration, were allocated to, and accepted by, the Department. While there was some early consultation with Invest NI on the scheme, no Invest NI staff were involved in scheme delivery and Invest had no role in the payments that were made to grant recipients.

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8. The Department is required to provide financial statements which show a true and fair view of its financial transactions and its financial position. Therefore, instructing Invest NI to account for this expenditure rather than accounting for it itself, led to misstatements within the Department’s resource accounts in 2021-22, including the corresponding figures for 2020-21 and the opening balance of net assets at 1 April 2020. The Department only reflected the expenditure on a cash basis and described it as Grant-in-Aid to Invest NI, rather than Grant expenditure that it had paid directly to recipients. I have therefore qualified my audit opinion on the financial statements.

Figure 2: Misstatements resulting from the accounting treatment for Department for the Economy administered COVID-19 business support schemes

Account area	Misstatement in 2021-22 £ million	Misstatement in 2020-21 £ million	Misstatement in 2019-20 £ million
Grant-in-Aid – i.e. payments to grant recipients made from the Department’s bank account	(16.8)	(286.1)	(67.7)
Grant expenditure on DfE administered schemes - per INI accounts	13.4	138.3*	220.0
Accruals	-	(4.5)*	(152.3)
Charge for expected credit loss (ECL) on grant clawback debtors	1.5		
Income from clawback of grants for these schemes	(3.1)		
Debtor – grant clawback still owed net of ECL	0.5		
General Fund – relating to opening accruals	4.5	152.3	0.0

**These figures have been restated since the C&AG’s 2020-21 audit certificate, reducing each by £2.5 million, see paragraph 13-14 below.*

9. The Department consulted with the Departmental Solicitor’s Office (DSO) and the Department of Finance (DoF) on this novel accounting treatment and both bodies gave their support to it. However, the legal advice is not based on the application of relevant accounting standards and DoF, although supportive, did

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not issue an accounts direction to the Department to provide a clear basis for the approach taken. It is a requirement of my role to form an independent audit opinion on whether the financial statements reflect a true and fair view, and comply with accounting standards and the Government Financial Reporting Manual. Since the Department controlled and administered the schemes and made the payments to recipients, without any meaningful involvement of Invest NI, it is my opinion that this money was spent by the Department.

10. This is a matter of ‘substance over form’, an accounting concept which means that, in order to present a true and fair view, financial statements should reflect the economic substance of transactions or events, not their legal form. Financial statements representing a legal form that differs from the economic substance, do not result in a faithful representation. Following a detailed technical review, it is my opinion that the economic substance of the grant schemes outlined in Figure 1, is that the Department, not Invest NI, controlled and delivered the schemes and made the payments to recipients with assistance from the Land and Property Services (LPS). As a result, these transactions should have been recorded in the Department’s financial statements. I also note that the Invest NI Accounting Officer had no opportunity to govern those schemes or influence the expenditure.
11. I provided the Department with an opportunity to reconsider its accounting treatment and proposed that it make an adjustment to its 2020-21 financial statements to resolve the issue. However, after consideration, it decided not to do so. There was a further opportunity for the Department to resolve this issue by amending its 2021-22 financial statements, including its corresponding figures for 2020-21 and opening balances at 1 April 2020, but it declined to do so. Therefore, I must provide my opinion on the basis of my disagreement with the accounting treatment of these grants and the related transactions and balances.
12. I have also qualified my audit opinion on the financial statements on a related issue, because they do not disclose this expenditure as material irregular expenditure as required by its Accounts Direction. I have provided further detail on this in paragraph 16 below.

An error in the prior period had not been notified on a timely basis

13. I issued my audit opinions on the Department’s 2020-21 financial statements on 2 March 2022, having received representations from the Accounting Officers of both the Department and Invest NI that they had provided me with the relevant audit information that I would need to undertake my audit work. As noted in Figure 2 above, in its 2021-22 financial statements Invest NI has restated the corresponding figures relating to 2020-21 for DfE administered COVID-19 business support scheme grants and associated accruals, after reducing both by £2.5 million following identification of an overaccrual.

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Since it was the Department that administered the schemes and made the payments, they possessed all the relevant information. Invest NI was therefore dependent on the Department for the provision of information on these financial transactions. Whilst both bodies appear to have been aware of a potential overaccrual in the 2020-21 Invest NI financial statements, the Department had clearer detail on the issue as far back as January 2022.

14. Both bodies had a responsibility to bring this to my attention before I certified the Department's 2020-21 financial statements, but failed to do so. Although both assure me that this was not intentional, I am none-the-less concerned that this was not disclosed to me in a timely manner and I expect both bodies to put communications in place to prevent this from happening again in the future. Had I received this information before I had certified the Department's 2020-21 financial statements, I would have taken account of this additional error in my report and audit certificate on those accounts.

Qualified audit opinion on irregular expenditure

15. In addition to forming an opinion on whether the financial statements show a true and fair view I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them.

The Department did not have legal powers in place to cover expenditure on certain COVID-19 business support schemes it administered

16. Since in my opinion, it was the Department that spent £13.4 million in 2021-22 on the COVID-19 business support grants in Figure 1 which it administered, I must now consider the regularity of this expenditure. As outlined in paragraph 6 above, the Department did not have legal powers in place to provide legal vires for this expenditure. As such, I consider expenditure of £13.4 million for 2021-22 of grants administered by the Department to be irregular, albeit that as shown in Figure 2, it has not been appropriately reflected in the financial statements at this value or description.
17. As I noted in my report on the Design and Administration of the Northern Ireland Small Business Support Grant Scheme⁴, looking ahead, it is important that departments consider what powers may be available to facilitate urgent Executive business, how those powers can be used and how collaboration will work in a crisis.

There was insufficient audit evidence that eligibility criteria for certain COVID-19 business support schemes had been met

⁴ [NIAO Report - Design and Administration of the Northern Ireland Small Business Support Grant Scheme.pdf](https://niauditoffice.gov.uk/NIAO-Report-Design-and-Administration-of-the-Northern-Ireland-Small-Business-Support-Grant-Scheme.pdf) (niauditoffice.gov.uk)

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18. As part of my work on whether expenditure is regular, I must gather independent audit evidence to assess whether grants administered by Non-Departmental Public Bodies (NDPBs), which were funded by the Department, complied with the eligibility criteria established for each scheme.
19. Part of the Grant-in Aid expenditure within the Department’s financial statements relates to funding it provided for COVID-19 business support schemes run by Invest NI, which relied on self-declarations from applicants as evidence that eligibility criteria for these schemes had been met. As the schemes were designed to rely on self declaration, sufficient appropriate audit evidence was not available to me to determine whether all of the eligibility criteria were met. Expenditure on these schemes reflected in the Invest NI financial statements totalled £14.7 million in 2021-22 and is set out in Figure 3 below.
20. All of these schemes relied heavily upon self-declarations made by applicants to confirm eligibility. Therefore, Invest NI could not provide me with sufficient appropriate audit evidence to verify whether the self-declarations made were, in fact, accurate. There were no alternative audit procedures available to me to obtain sufficient appropriate audit evidence to inform my regularity audit opinion in respect of these schemes.

Figure 3: Invest NI administered COVID-19 business support schemes in 2021-22 for which sufficient audit evidence was not available to support self-declarations

Grant scheme	Key self-declarations made to determine eligibility	Expenditure during 2021-22 £ million
COVID Restrictions Business Support Scheme (CRBSS) Part A	○ Income had dropped by at least 50 per cent due to COVID-19	10.
COVID Restrictions Business Support Scheme (CRBSS) Part B	○ Income had dropped by at least 40 per cent due to COVID-19	4.0
TOTAL		14.7

Source: Invest NI 2021-22 Annual Report and Accounts

21. Approval for the implementation of these new schemes was given by Ministerial Direction, since the Department’s Accounting Officer was unable to provide evidence that these schemes would provide value for money or that there

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would not be an unacceptably high risk of error or loss of funds. Reliance on self-declarations without corroborating evidence does not mitigate the risk of fraud and error occurring.

Reporting on fraud and error in the COVID-19 business support schemes

22. The Department is required to disclose a fraud and error analysis of its' COVID-19 government support schemes, providing an evidenced based estimate of the extent of the level of fraud and error in these schemes; identifying risks of fraud and error; and explaining how these risks are managed. In addition, its Accounts Direction requires disclosure of any material irregular expenditure or income. The Department has made these disclosures in the Performance Report and within Note 24 of the 2021-22 Annual Report and Accounts.
23. Protecting public funds from fraud and error is a key responsibility for all public bodies. We accept that these schemes were delivered in response to an emergency situation, nonetheless, public funds were at risk, particularly in light of self-declarations being accepted by the organisation as proof of eligibility for the grant schemes that it administered, as shown in Figure 3.
24. In my report on the Department's 2020-21 financial statements, I recommended that post payment checks were performed, proof of eligibility from corroborating evidence sought and, where necessary, funds are recouped.
25. The Covid Grants Fraud and Error Project (the Project) was established by the Department in December 2020 "to review all of DfE's Covid-19 Business Support Grant Schemes to validate and provide assurance of payments under the schemes; identify fraud and error; initiate recovery measures and manage the risk of error and fraud going forward". Ten schemes were reviewed during the Project, with a total spend of £516.2 million between 2019-20 and 2021-22. The Project was terminated in November 2021, having estimated a fraud and error rate of 2.08%, suggesting that £10.7 million of spend over that time had been incurred due to fraud and error. By June 2022, the Department had recovered or agreed repayment plans for £4.9 million.
26. Internal audit has recently undertaken a review of the Project. I reviewed the draft internal audit report and note that:
 - An external support contract for staff substitution of a multi-disciplinary team with expertise in fraud and error risk, fraud investigation and data analytics was awarded under a Direct Award Contract. The estimated budget at the outset of this work was £350,000 in total. However before all phases of the work were completed, the contract was terminated with actual costs of £305,000. It was estimated that to complete the work in full would have cost an additional £267,000. The Project continued within the Department, however without this work being completed, all of the objectives of the Project may not have been met.

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- Testing focussed solely on the first three schemes and targeted the risk of duplication of support with other COVID business support schemes. Testing was not undertaken to address other key risk areas identified, including the validity of self-declarations provided to confirm compliance with certain eligibility criteria for Invest NI administered schemes, despite the recommendation in my report on the 2020-21 financial statements that this was undertaken. A broad assumption was made by the Department that the fraud and error rate for risk areas not tested would be the same as that rate identified by duplicate testing. The Department told me that it was its best estimate, based on the evidence available at the time.
 - A risk assessment was made for each of the schemes reviewed. The methodology used to calculate an overall risk rating meant that inclusion of a number of low risk aspects reduced the overall scheme risk rating, despite high risk aspects being identified. For example for the CRBSS Part B scheme there were 3 high, 3 medium and 21 low risks, creating an overall assessment of low risk. However, given that this scheme used self-declarations to confirm certain eligibility criteria there was a clear risk of significant fraud and error. While the Department's low risk ratings of the schemes not tested were used to inform the Department's decision to terminate the Project before all phases of the work had been completed, the decision was also informed by the detailed risk assessments.
 - Not all schemes and not all high risks were tested, and broad assumptions were used that the duplication error rate identified for the three schemes tested could be used to estimate fraud and error for other risk categories and across the other schemes. In addition, the work undertaken was not subject to review by qualified statisticians. This means that the fraud and error rate calculated may not be statistically valid, and the actual level of fraud and error across these schemes may be higher or lower than estimated.
27. Whilst I acknowledge the recoveries made to date and payment plans agreed, by the Department's own estimation there may have been over £5 million of fraud and error on the schemes which has not been investigated and recovered. Indeed, given the weaknesses in the methodology used to calculate an error rate, I am concerned that fraud and error not addressed could be significantly more. Whilst I acknowledge the urgent need to support businesses at the time meant that normal controls could not be applied before the grants were issued, I am disappointed to note the clear weaknesses in the Department's Project.

Other issues identified which did not lead to audit qualification

Non-Domestic Renewable Heat Incentive (RHI) Scheme

28. In five years from 2015-16 to 2019-20, I reported on aspects of the RHI scheme including its total cost, progress of site inspections, judicial reviews following amendments to reduced tariffs payable under the scheme, and the future of the scheme. In 2021-22 costs of the scheme were again under budget, at £6.4 million (for both domestic and non-domestic RHI schemes), well below estimated costs of £33.5 million. As in previous years, I was still unable to obtain sufficient evidence that the controls over spending of £3.3 million on the non-domestic RHI scheme were adequate to prevent or detect abuse of the scheme. I have not, however, qualified my audit opinion on the 2021-22 financial statements in this respect because I do not consider the issue to be material for 2021-22.
29. During 2021-22 £0.83 million (2020-21 : £2.3 million) of RHI expenditure relating to payments made in respect of applications received between 1 April 2015 and 28 October 2015 was irregular since DoF approval had not been renewed for the scheme during this period. The total irregular expenditure relating to these applications continues to accumulate each year, however I do not consider the amount relating to 2021-22 payments to be material.
30. In October 2021 a judicial review against the change in tariffs brought about by the Northern Ireland (Regional Rates and Energy) Act 2019 was dismissed by the High Court in October 2021. An appeal, however, is ongoing in respect of reduced tariffs made under the RHI Scheme (Amendment) Regulations (NI) 2017. In February 2021 the Department launched a consultation on the future of the scheme, with its preferred option to close the scheme with compensation paid to legitimate current participants. I will continue to monitor future developments.
31. I published a report in March 2022 on the progress made in implementing recommendations made by the RHI public inquiry. This report considered developments in governance arrangements across the Northern Ireland Civil Service (NICS), and specifically within the Department since issues around RHI emerged. It also considered what improvements have been made across government in response to recommendations made by the independent public inquiry into the Non-Domestic RHI Scheme. It noted that two years on from the publication of the RHI Inquiry Report, progress in addressing the recommendations across the NICS has been disappointing in areas. I welcomed improvements in governance structures at the Department and noted the Organisational Development Programme it has set up, under which it will take forward its own response to a number of the Inquiry's recommendations.

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However, it is critical that this is supported by an appropriate corporate culture within the Department, grounded in the Nolan Principles to ensure the highest standards in public life, underpinned by transparency.

High Street Voucher Scheme (HSVS)

32. In 2021-22 DfE delivered the High Street Voucher Scheme (HSVS). At a total cost of almost £141.6m, the scheme formed part of the wider range of COVID-19 support packages agreed by the Northern Ireland Executive to assist businesses since the onset of the pandemic. The purpose of the scheme was to provide financial assistance to businesses through the provision of pre-paid cards with a value of £100 each to eligible applicants which could be then used to buy goods and services from businesses physically present in Northern Ireland. Arrangements were made to exclude the use of the cards for certain types of businesses such as gambling and online sales.
33. Issues arose when:
- some cards were not received; or
 - some cards could not be activated; or
 - the full balance could not be spent for reasons outside of the cardholder's control; or
 - eligibility was not verified due to a service failure by the Department.
34. This necessitated a 'remedy scheme' where cash payments of £0.6 million were made into individuals' bank accounts. The High Street (Coronavirus, Financial Assistance) Scheme Regulations (Northern Ireland) 2021 and the Interpretation Act (Northern Ireland) 1954 allowed the Department to make these cash payments. Whilst I consider the payments to be regular, because the Department had the legislative powers to make them, I note that the Department had no practical way to restrict how recipients used the remedy payment, as it could with the pre-paid cards. This means that remedy payments may not have been used to provide financial support to Northern Ireland businesses as was originally intended.
35. The Accounting Officer noted in his request for a Ministerial Direction for the scheme there were significant doubts over the value for money and impact on the high street. The scheme has received a considerable amount of media coverage, particularly in trying to assess the impact that it has made. I may consider this in more detail at a later stage.

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Updates on matters noted in previous audits
Presbyterian Mutual Society

36. At the height of the financial crisis in 2008 the Presbyterian Mutual Society (PMS) went into administration. Loans of £225 million were made by the former Department of Enterprise to bail out PMS. Of this balance, £50 million is at the bottom of the creditors' priorities and is considered unrecoverable. The remaining £175 million was repayable by instalments and was due to be settled in full by November 2020. The Joint Supervisors of the PMS requested an extension to this repayment period due to the pandemic limiting its ability to sell assets to fund the repayments. Following professional advice on the matter, the Department extended the repayment period to November 2022.
37. At 31 March 2022, the total amount still due was £28.7 million, however only £14.5 million of this is expected to be recovered and the financial statements reflects this. The actual loss which materialises will depend upon market conditions at the time that remaining assets are sold.

HMS Caroline

38. I reported last year on the significant challenges the Department has faced restoring HMS Caroline and transforming the ship into a viable marine heritage visitor attraction. Visitor numbers have been disappointing since the ship's opening, resulting in operating deficits. It was then closed to the public in March 2020, due to the pandemic.
39. The interim operating agreement between the Department and the National Museum of the Royal Navy (NMRN), who operated the ship on behalf of the Department, expired in June 2020. The Department was unable to put a new arrangement in place, establish a new funding model or to procure a new operator. The attraction therefore remained closed. During this time the NMRN continued to provide oversight and maintenance of the ship, and the Department met the associated costs.
40. In December 2021, a tripartite agreement was reached between the Department, the National Memorial Heritage Fund and the NMRN. Under this agreement an endowment fund was established to maintain the ship as a visitor attraction in Northern Ireland to 2038 at least, whilst releasing the Department of future obligations and liabilities. The endowment fund was agreed at £12.5 million, with the Department contributing £10 million and the National Memorial Heritage Fund contributing £2.5 million.

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41. The Department advised me that plans for re-opening this visitor attraction have been discussed with NMPN and HMS Caroline should be ready to be open in Autumn 2022.

Conclusion

42. The majority of issues in this report are the outworkings of issues which occurred in previous years. I encourage the Department to continue making improvements to its governance structures and the work it is taking forward through its Organisational Development Programme.



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8 September 2022