
**Department of Justice
Annual Report and Accounts
For the year ended 31 March 2018**

*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*

5 July 2018

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PERFORMANCE REPORT

OVERVIEW

The purpose of the Overview is to provide sufficient information to ensure that the remit and purpose of the Department is understood. The Overview includes:

- a statement from the Permanent Secretary providing his perspective on the performance of the Department over the period;
- a statement of the purpose and activities of the Department;
- the key issues and risks that could affect the Department in delivering its objectives; and
- a performance summary.

FOREWORD BY PERMANENT SECRETARY

I am pleased to present the Department of Justice's annual report and accounts for 2017-18. This has been a busy year, and also a productive one.

The dissolution of the Assembly in January 2017 and the ongoing absence of a Northern Ireland Executive has meant that we could not make the degree of progress across the whole range of our business that we had hoped, but a considerable amount has nevertheless been achieved.

Important work, for example, has been done on new and innovative strategies. In the case of Problem Solving Justice, pilots for specialist courts dealing with domestic violence and substance abuse are being implemented; support hubs, involving the PSNI and other statutory agencies working to divert vulnerable individuals from the Justice system, have now been established in four local government areas and the use of Enhanced Combination Orders, designed to divert people from custody, are being expanded. Joint work is being done with colleagues in Health to improve still further support for children in care/custody.

A new Victim and Witness Action Plan for 2018-20 has been published and additional measures to support victims of domestic violence were introduced, including the Domestic Violence and Abuse Disclosure Scheme. A major review of sentencing policy has commenced. The new Fine Collection and Enforcement Service came into operation on 1 June 2018. Major continuous improvement programmes are underway in the Prison Service (Prisons 2020) and the Courts and Tribunals Service (Courts 2020). The Justice-related aspects of the Fresh Start Tackling Paramilitarism Programme are already having a visible impact in terms of arrests and seizures, and the Department continues to support the equally important wider work of supporting communities in shaking off the scourge of paramilitarism.

There are many other examples of specific initiatives, but alongside these the day-to-day delivery of core services, in the form of the work of the Prison Service, the Courts and Tribunals Service, the Youth Justice Agency, the Legal Services Agency and Forensic Science, has been going on professionally and effectively. We continue to work in partnership with other key arm's length bodies, including the Police Service of Northern Ireland, Probation Board for Northern Ireland, Policing Board and Office of the Police Ombudsman.

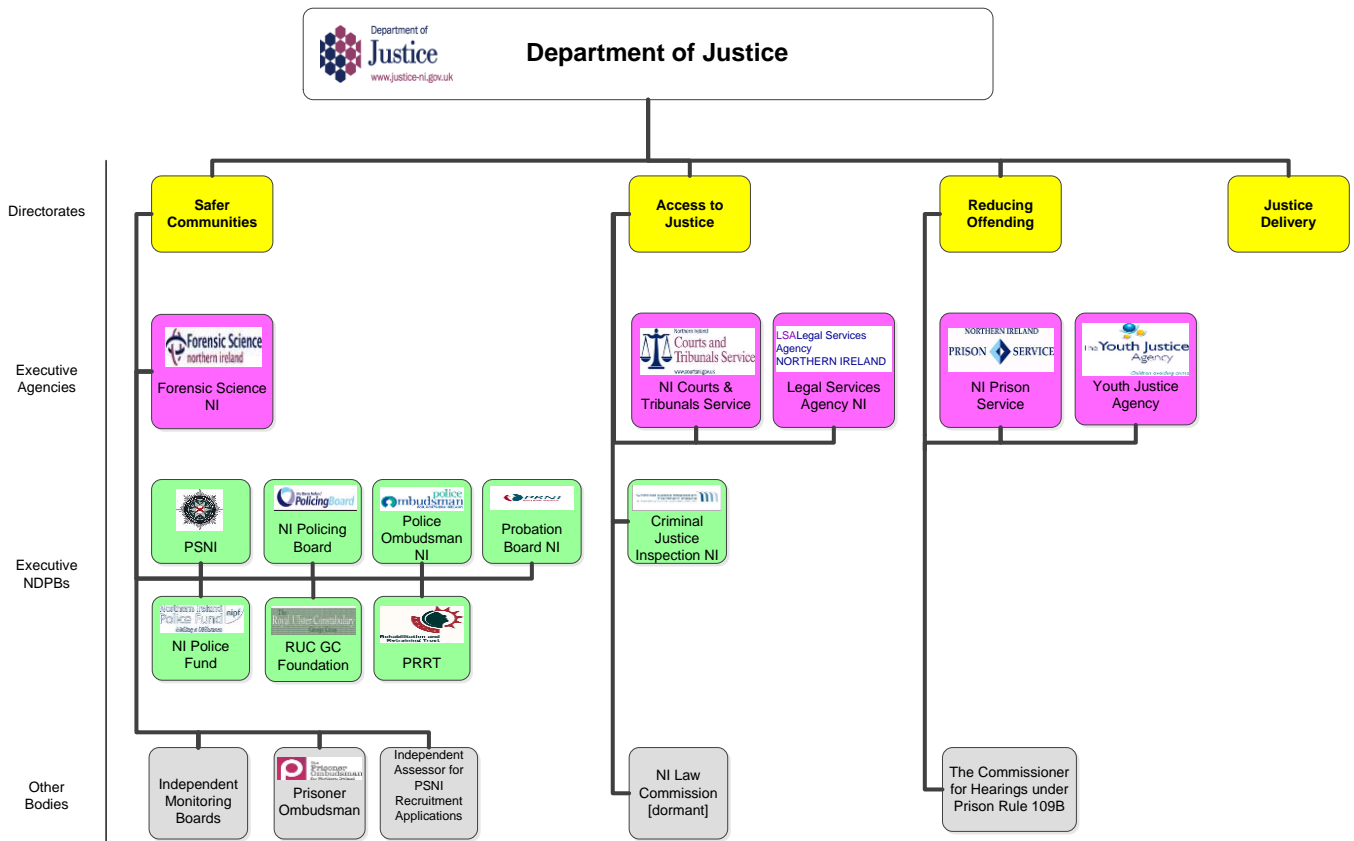
Details of all this work are contained in the attached report. I would like to take the opportunity to acknowledge once again the dedication and commitment of staff across the DoJ family who, whether in frontline, policy or corporate service roles, have worked hard to deliver a safe community where we respect the law and each other.

STATEMENT OF PURPOSE AND ACTIVITIES

Statutory background

The Department of Justice (the Department or DoJ) has a range of devolved policing and justice functions as set out in the *Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010*, including the functions transferred from the Northern Ireland Office and the former Northern Ireland Court Service.

In addition to its statutory functions, the Department provides resources and a legislative framework for its agencies and Non-Departmental Public Bodies (NDPBs), which jointly constitute most of the justice system in Northern Ireland.

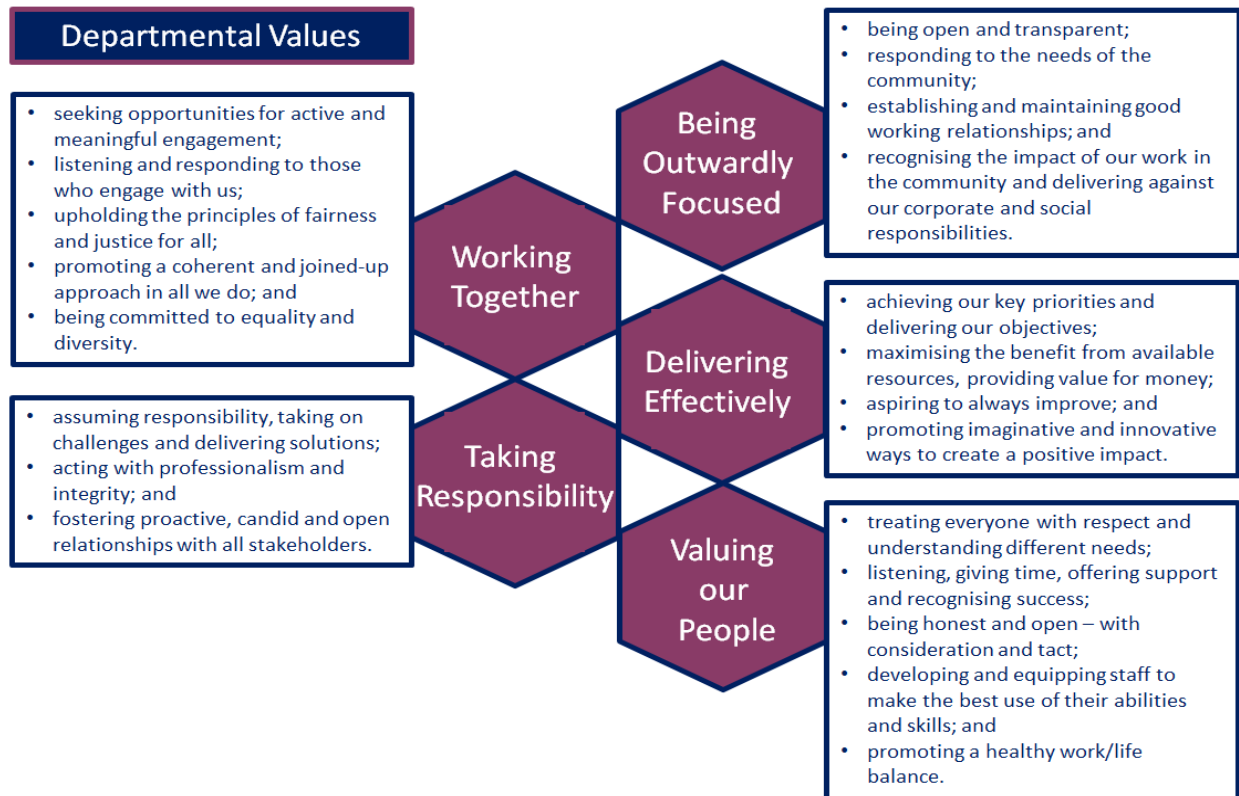


Mission and values

The mission of the Department is to support the Minister of Justice in building a fair, just and safer community for all the people of Northern Ireland. Working collaboratively with its agencies, NDPBs and stakeholders, the Department’s aim is to keep communities safe and reduce crime, make the justice system more effective, and reduce reoffending.

During the course of the year the mission statement was redefined as a statement of purpose that is more closely aligned to the Programme for Government. The Department’s statement of purpose is defined as:

The Department of Justice is working to create a safe community where we respect the law and each other.



Operating environment and key priorities for 2017-18

The Department has operated without the direction of a Minister since the Assembly election which took place on 2 March 2017, on which date all Ministers ceased to hold office. The Permanent Secretary, supported by the Board, agreed the following seven key priority areas for the business year:

- Programme for Government;
- keeping communities safe;
- reducing offending;
- access to justice;
- dealing with the past;
- Brexit; and
- budget.

Additionally, these priorities were supported by the following objectives:

- **governance** - to ensure appropriate governance arrangements are in place across the Department, its agencies and NDPBs;
- **people** - to work collaboratively with NICS Human Resources shared services (NICSHR) to provide timely and quality HR services in line with NICSHR policies and procedures to proactively support, develop and empower our people to deliver the Department's objectives; and
- **support services and equipment** - to provide services and equipment that support the delivery of the Department's objectives and comply with contractual agreements, service level agreements, performance targets, procurement policies, procedures and best practices.

Departmental boundary

The Accounts of the Department comprise a consolidation of the income, expenditure, assets and liabilities of those entities within the Departmental resource accounting boundary as follows (see Note 25 to the Accounts for full details):

- Core Department;
- Forensic Science Northern Ireland;
- Legal Services Agency Northern Ireland;
- Northern Ireland Courts and Tribunals Service;
- Northern Ireland Prison Service; and
- Youth Justice Agency.

Bodies outside of the Departmental boundary

The Department has lead policy responsibility for the following bodies outside the Departmental boundary that are classified as, or analogous to, an executive NDPB:

- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Police Fund;
- Northern Ireland Policing Board;
- Office of the Police Ombudsman for Northern Ireland;
- Police Rehabilitation and Retraining Trust;
- Police Service of Northern Ireland;
- Probation Board for Northern Ireland; and
- RUC George Cross Foundation.

These entities prepare separate annual reports and accounts that are audited by the Comptroller and Auditor General.

Departmental reporting cycle

The Estimates for the year to 31 March 2018 are contained in the *Northern Ireland Budget Act 2017* and the *Northern Ireland Budget (Anticipation and Adjustments) Act 2018*. The related Acts, Bills and Department of Finance (DoF) publications containing detailed supporting information are available from The Stationery Office Limited - www.tso.co.uk.

The Accounts of the year to 31 March 2018 report against the Supplementary Estimates and will be laid in the Assembly.

Key issues and risks

Risk management is embedded into the business planning process in the Department at both strategic and operational levels in line with DoF guidance. The system of internal control is designed to maintain risk at a manageable level, based on a risk appetite agreed by the Departmental Board. Risks to the delivery of Departmental aims and objectives are considered by the Board on an ongoing basis. The likelihood of risks being realised and the likely impact of realisation of those risks are considered in order to inform decisions on how to manage risk effectively.

The Board monitors the mitigation of strategic risks throughout the year. These include risks of a sufficient magnitude to threaten organisational success and reputation, or a scenario of combined risks that would have an impact. The corporate risk register is amended throughout the year to reflect changes to the assessment of risk and to take account of emerging risk areas. This supports the Accounting Officer in ensuring that there is regular and timely assurance on the issues that are important to organisational success; in particular, the proportionate management of risks that threaten the successful achievement of business outcomes and objectives.

The key risks and issues identified in 2017-18 included:

- **political** - failure to restore political institutions adversely impacts on the Department's ability to deliver its objectives and consequently has a detrimental impact on the morale of staff;
- **security** - security and/or public order risk assessment situation rises to a level that impacts adversely on the Department's business and wider Northern Ireland society;
- **finance** - unexpected costs or budget reductions in-year impact on the Department's ability to achieve overall strategic objectives or result in a failure to live within the Department's budget allocation;
- **governance** - a lack of an appropriately robust governance framework, operated throughout the Department, results in financial loss and/or reputational damage; a lack of robust health and safety governance across the Department results in injury, death or litigation;
- **contribution to Executive Programmes and Brexit** - failure to meet Departmental commitments results in reputational damage and delays;
- **operations** - cyber-attack, loss or disclosure of information results in non-compliance with legal requirements and financial penalty and/or operational failures within the Department damages public confidence in the justice system;
- **people** - too many competing priorities and/or unclear priorities results in capacity and capability issues and/or diminution in standards and delays to services; and
- **legacy issues** - insufficient resources to manage the increasing volume and complexity of legacy business.

Assurance on risk management in the Department's agencies and NDPBs is provided in the form of bi-annual assurance statements and annual governance statements, which are signed by the designated Accounting Officers.

PERFORMANCE SUMMARY

Programme for Government

Following the May 2016 election, the Assembly adopted an Outcomes Based Accountability (OBA) approach when developing the 2016-21 Programme for Government (PfG).

The OBA approach considers the outcomes for the citizen and delivers improvements aimed at having a positive impact on people's lives - reaching beyond simple income measures to consider an individual's place in society, their links to family and the wider community, their relationship with the natural environment and the inter-relationships between multiple aspects of society. A key feature of the approach is its dependence on collaborative working between government departments, organisations and groups, the public, voluntary, and private sectors, a programme in which individuals and communities can also play an active part.

There are 12 strategic outcomes within the current draft PfG which, when taken together, set a vision for wellbeing, prosperity and growth in Northern Ireland. The outcomes are supported by 49 population and performance indicators which are clear statements for change. The Department leads on Outcome 7 'We have a safe community where we respect the law and each other'. There are five indicators designed to measure the effectiveness of the initiatives being taken forward to deliver Outcome 7 underpin this outcome.

The DoJ leads on three indicators:

- Indicator 1: Prevalence rate;
- Indicator 38: Increased effectiveness of the justice system; and
- Indicator 39: Reoffending rate.

The Executive Office leads on the other two indicators:

- Indicator 26: Respect Index; and
- Indicator 35: Reconciliation.

The Department has developed delivery plans for each of the three DoJ-led indicators setting out what is already being done and what will be done in collaboration across government, the voluntary and community sector and other external stakeholders. The effectiveness of the actions will be assessed using the underpinning population and performance indicators. The Department also contributes directly to the successful delivery of Outcomes 9, 10 and 12 and, clearly, other Outcomes will impact on delivery of Outcome 7 and vice versa. A key aspect of the Department's response to delivering Outcome 7 is Problem Solving Justice. Further details are provided below within the Access to Justice section of the Departmental Business Plan.

Departmental Business Plan

Throughout the period of this Annual Report and Accounts the Department operated without the direction of a Minister. In the absence of a Minister, the Permanent Secretary supported by the Departmental Board agreed a draft Departmental Business Plan based on the draft PfG and the Department's key priorities.

The Business Plan translated the Board's priorities into actions and assigned responsibility and timescales for delivery with the ultimate aim of creating a safe community where people respect the law and each other. The Department is working to:

- keep communities safe and reduce crime;
- make the justice system more effective; and
- reduce reoffending.

Keeping Communities Safe

The Department has continued to have a focus on keeping communities safe and reducing crime. In the absence of Ministers the focus has been on the development and implementation of the PfG Indicator 1 delivery plan. A Reducing Crime Outcomes Group (RCOG) [a cross-Executive group established to monitor delivery of the actions identified in the delivery plan] has been established that, over and above implementation of the actions in the delivery plan, has agreed to undertake work around four collaborative gains themes:

- embedding people based approaches;
- developing place based approaches to address harm and vulnerability;
- using contacts with the justice system to address harm and vulnerability around the issues of alcohol, drugs and mental health; and
- partnership working between RCOG, Policing and Community Safety Partnerships and community planning partners.

Terms of reference for task and finish groups to work on each of these four themes are being established to address each of the four collaborative gains themes. Membership will be agreed with the RCOG. The Outcomes Group has also commissioned Ulster University to undertake work to develop a harm and vulnerability index and a report on this work was considered at the May Outcomes Group meeting. This research will help to develop agreed definitions for the terms harm and vulnerability so that they can be more accurately measured.

During the course of this year there has been a focus on implementing a range of initiatives for victims of crime. A new Victim and Witness Action Plan was published in April 2018, covering the period 2018-2020. Year one (2017-18) contained a number of initiatives, to improve the services and support provided to victims and witnesses of crime, which have now been completed. These include, among others, the roll out of Registered Intermediary schemes to Magistrates' Court; the introduction of body worn video cameras; providing funding for support services; gathering information from victims and witnesses about their experience of the criminal justice system; and a Victim Information Schemes promotional campaign. A Victim and Witness Steering Group, chaired by the Department, is responsible for overseeing the delivery of this plan.

The Department continues to support the rollout of support hubs which are designed to help vulnerable people get access to the right support, at the right time, from the right organisation in their local area. The hubs can help people who may be experiencing a range of problems.

The Department has had a specific focus on victims of domestic violence and abuse and a range of initiatives have been introduced, or are being progressed, aimed at enhancing the protection of victims and improving the support and advocacy services that are available. This has included the introduction of a Domestic Violence and Abuse Disclosure Scheme (allowing individuals, where they have concerns, to ask the police if a person has a history of domestic violence) as well as a pilot Domestic Violence Perpetrator Programme at Londonderry/Derry Magistrates' Court. A framework for advocacy support services is being drawn up and work is progressing around Domestic Violence Protection Notices and Orders. A Domestic Abuse Bill has been developed. However, in the absence of an Executive, timing on the Bill will be subject to the availability of a legislative process.

In addition scoping studies have been completed to inform legislative reviews of hate crime and anti-social behaviour and plans are in place to begin consultation on the proposals.

The Department has established a Steering Group to ensure any actions arising from the community plans for the Department are identified, and that community planning outcomes are integrated into its business planning. The Department continues to participate in Community Planning Partnership workshops, supporting the community planning link on community safety with the work of Policing and Community Safety Partnership action plans.

Access to Justice

The Department's Problem Solving Justice (PSJ) programme is our response to the PfG and by delivering projects that make the justice system more effective and reduce offending, we will have a safe community where we respect the law and each other. Problem solving justice is a new approach in Northern Ireland aimed at tackling the root causes of offending behaviour and reducing harmful behaviour within families and the community. The approach requires the relevant parts of Government such as Department of Education, Department of Health and Department for Communities to work with the Department of Justice in tackling offending behaviour.

By working together the aim is to deliver a safer Northern Ireland and one in which fewer families are broken up, fewer individuals repeatedly come back before the courts and for those that do, they are given the right support and assistance to change their behaviour. Five pilot initiatives are up and running in Northern Ireland:

- Substance Misuse Court;
- Family Drug and Alcohol Court;
- Enhanced Combination Orders;
- Support Hubs; and
- Domestic Violence Perpetrator Programme.

In addition, to raise awareness of PSJ, an animation video has been produced. The animation and Department's PSJ material can be accessed via the following link: <https://www.nidirect.gov.uk/campaigns/problem-solving-justice>.

Plans to introduce a new Fine Collection and Enforcement Service have been fully developed. This will provide a new way of dealing with people who default on fines imposed by the courts and will introduce a new range of recovery methods. The PSNI will no longer be involved in the recovery of fines.

A review of harassment legislation and developing proposals for the introduction of specific stalking legislation in Northern Ireland is also progressing. A Stalking Reference Group has been established to assist policy development.

A major review of sentencing policy also commenced. At this point significant research and information gathering has been completed on the main strands of the review. An expert reference group has been established comprising of academics, victims groups and other stakeholders to inform and critically challenge the development work on the various strands that comprise the review. A series of workshops commenced in March and these will continue over the next few months, the outcomes of which will inform ongoing development work.

Regulations for family cases are still being drafted and will then need a targeted consultation. Very serious consideration will need to be given to whether they can progress in the absence of the Assembly. The Regulations for the Registration Scheme are ready.

Following a competitive dialogue procurement process, the new Causeway IT contract was awarded in November 2017 to Fujitsu Services Limited for the delivery and enhancement of the Causeway system in partnership with the DoF Enterprise Shared Services. Causeway is a strategically important IT system which supports the operation of the criminal justice system in Northern Ireland by sharing information electronically between the five main criminal justice organisations. The new Causeway services will commence in April 2019.

Reducing Crime

A Reducing Reoffending Strategic Outcomes Group has been established and engagement events held for internal and external stakeholders. A number of “task and finish” groups will also be established to deliver a programme of innovative work to reduce reoffending linked to PfG.

A revised model for learning and skills in custody to enhance educational access and outcomes has been developed. The delivery of this was outsourced to Belfast Metropolitan College and North West Regional College in May 2017.

In September 2017 the Department completed the transfer of responsibility for education delivery at Woodlands Juvenile Justice Centre to the Education Authority.

The Prison Service has developed a continuous improvement programme called Prisons 2020 which will help deliver a safer community by challenging and supporting people in custody to change. This will be delivered through the four strands - our people; our services; our infrastructure; and our partners.

Further commentary is provided in the Performance Analysis section.

Brexit

The Department has a role in preparing for the impact of Brexit. A legislative work plan is in place to ensure that the legislative requirements are identified and in place in time to implement the outcome of Brexit negotiations. The Department is also developing plans to enable the continued operation of services to an agreed standard following Brexit and is working closely with others in the justice system, particularly PSNI.

Forward look

The Department of Justice is beginning the 2018-19 business year without a Minister. In looking ahead, the Departmental Board has reviewed the Department’s statement of purpose, recognising that the draft PfG sets the future direction for all departments. Moving forward, the Department has adopted PfG Outcome 7 as its statement of purpose: ‘We have a safe community where we respect the law and each other’.

The Department’s draft Business Plan for 2018-19 demonstrates that contributing to the achievement of PfG Outcome 7 is at the heart of all activities. The Department will measure success by looking at the actual impact of our work on people’s lives. This will ensure that the DoJ looks and operates across boundaries, and across sectors to deliver the best possible outcomes for our citizens.

The 2018-19 Departmental Business Plan will remain in draft until it is approved by a Minister. The draft Plan will then be reviewed and updated to reflect a new Minister’s priorities, policy agenda and legislative programme.

PERFORMANCE ANALYSIS**Performance against draft Business Plan for 2017-18**

Key Priority Area: Programme for Government		
Key Area:	Deliverable:	Status
Problem Solving Justice	1. Deliver a portfolio of Problem Solving Justice initiatives to include the following pilots: <ul style="list-style-type: none"> • Substance Misuse Court; • Family Drug and Alcohol Court; • Enhanced Combination Orders; • Support Hubs; and • Domestic Violence Perpetrator Programme. 	Met
	2. Develop the Problem Solving Justice brand.	Met
Budget	3. Allocate and monitor budgets to spending areas. Final outturn within 1% of budget.	Met
	4. Produce financial information in line with DoF and statutory requirements.	Met
Governance	5. Deliver ongoing sponsorship and oversight of NDPBs in line with existing governance requirements e.g. Management Frameworks and Financial Memorandums.	Met
Harm and Vulnerability	6. Develop a new Executive Framework for addressing crime and community safety issues.	Met
	7. Support rollout of Support Hubs and develop concept of place based approaches.	Met
Interfaces	8. Reduce number of interface structures in line with Executive commitments.	Met

Key Priority Area: Programme for Government (continued)

Key Area:	Deliverable:	Status
Domestic and Sexual Violence	Introduce a portfolio of measures to enhance the protection of victims and improve support and advocacy services to those at risk and in the aftermath of a domestic violence incident including:	
	9. Domestic Violence Protection Notices and Orders.	Met
	10. Domestic Abuse Offence Bill.	Met
	11. Introduce a Domestic Homicide Review Model.	Partially met
	12. Introduce Domestic Violence Disclosure Scheme.	Met
	13. Develop a framework model to ensure that victims of domestic and sexual violence are afforded support and advocacy.	Met
	14. Early intervention: <ul style="list-style-type: none"> introduce Pilot Court-supervised behaviour change Domestic Violence Perpetrator Programme in Londonderry/Derry Magistrates Court; and introduce Alleged Domestic Violence Perpetrator Programme in Londonderry/Derry. 	Met
15. Referrals to alleged domestic violence perpetrator programme.	Met	
Victims and Witnesses	16. Publish a new Victim and Witnesses Action Plan and oversee delivery of the associated 2017-18 actions.	Met
	17. Ensure that adult victims of human trafficking are adequately supported in line with legislative requirements.	Met
Paramilitary and Organised Crime	18. Deliver 2017-18 commitments in the Tackling Paramilitarism Programme. This is an ongoing programme of work to March 2021.	Met
	19. Commence a strategic review of the response to organised crime in Northern Ireland including the structure of Organised Crime Task Force and a public consultation on legislative proposals.	Partially met

Key Priority Area: Modernising The Justice System

Key Area:	Deliverable:	Status
Modernising Justice and Legislative Reform	20. Develop a legislative programme for the next mandate in line with the Minister's priorities.	Met
	21. Review the law on harassment and develop proposals for the introduction of specific stalking legislation in Northern Ireland.	Met
	22. Complete implementation of Live Links provisions in <i>Justice Act (NI) 2015</i> .	Partially met
	23. Complete scoping studies to inform legislative reviews of: <ul style="list-style-type: none"> • Hate Crime; and • Anti-Social Behaviour. 	Met
	24. Scoping study of explosives/pyrotechnics legislation to inform a legislative review is continuing, but will be impacted by Brexit priorities.	Partially met
	25. Introduce new Fine Collection and Enforcement Service.	Met
Speeding up Justice	26. Progress the legislation on Committal Reform and supporting arrangements towards the target implementation date in 2019. Work is ongoing and will continue until 2019.	Partially met
	27. Progress and consult on the regulations for Statutory Case Management and project manage towards implementation in 2018.	Partially met
	28. Produce an options paper on Statutory Time Limits for approval of new Justice Minister.	Partially met
Review of sentencing policy	29. Publish Consultation Paper and make recommendations for improvements, including legislation where required.	Met
Causeway II	30. Procure new contract for new Causeway services to commence April 2019.	Met

Key Priority Area: Modernising The Justice System (continued)

Key Area:	Deliverable:	Status
Legal Aid Reform	31. Develop strategy for legal aid which will maintain affordable access to justice for the most vulnerable.	Partially met
	32. Deliver standard fees for family cases at all court tiers and for criminal appeals in the Court of Appeal.	Met
	33. Implement statutory Registration Scheme for legal aid providers.	Met

Key Priority Area: Reducing Offending

Key Area:	Deliverable:	Status
Reducing Offending	34. Extend restorative principles to the adult justice system: <ul style="list-style-type: none"> • complete a Feasibility Study into the viability of a Centre of Restorative Excellence; and • develop an adult restorative justice strategy. 	Met Partially met
	35. Establish a strategic steering group encompassing Reducing Offending Directorate, Probation Board for Northern Ireland (PBNI), Northern Ireland Prison Service (NIPS) and Youth Justice Agency (YJA) to develop a programme of innovative work to reduce reoffending linked to PfG.	Met
	36. Commence delivery of 'Improving Health within Criminal Justice - a Joint Strategy and Action Plan'.	Partially met
	37. Implement a revised model for learning and skills in custody to enhance educational access and outcomes.	Met

Key Priority Area: Reducing Offending (continued)

Key Area	Deliverable	Status
Reducing Offending	38. Deliver on Scoping Study proposals to adopt a cross-government welfare approach to children engaged in offending behaviour by: <ul style="list-style-type: none"> • developing and delivering coordinated Early Intervention support and services to children on the cusp of the Criminal Justice System to reduce reoffending; • reviewing current provision and developing proposals to streamline and simplify Youth Justice legislation and sentencing; and • considering the repurposing of Woodland Juvenile Justice Centre as part of an overarching review of secure facilities for children. 	Met
	39. Complete the transfer of responsibility for education delivery at Woodlands Juvenile Justice Centre to the Education Authority.	Met
	40. Develop a continuous improvement programme for the Prison Service with rehabilitation at its core <ul style="list-style-type: none"> • develop a workforce planning model which is sustainable and enhances staff development and services; • ensure that Voluntary and Community Sector services are aligned to pathways supporting resettlement and desistance from crime; and • review of the prison infrastructure, including estates and technology. 	Met

Key Priority Area: Brexit

Key Area:	Deliverable:	Status
Brexit	41. Oversee the Department's legislative and operational planning for Brexit and implement outcomes from the negotiations.	Met

Key Priority Area: Dealing with the Past

Key Area:	Deliverable:	Status
Dealing with the Past	42. Support political talks; contribute to policy and legislation to establish the Historical Investigations Unit; support improvements to legacy inquests.	Met
	43. Undertake pre-planning/scoping work to give effect to political decisions.	Met

Key Priority Area: Corporate Support Services

Key Area:	Deliverable:	Status
Corporate Services Support	44. Services delivered by the Department's Information Services Division achieve agreed performance targets in terms of quality, cost and availability across a range of service areas such as: Records and Information Management, ICT Support and AccessNI.	Met
	45. Deliver actions in the Staff Engagement Strategy.	Met

Financial review

The table below summarises the Estimate and Outturn position for 2017-18:

	Estimate £000	Outturn £000	Variance £000
Departmental Expenditure Limit (DEL)	219,508	198,698	20,810
Annually Managed Expenditure (AME)	159,812	76,929	82,883
Non-budget	933,650	919,449	14,201
Net Resource Outturn	1,312,970	1,195,076	117,894

Detailed explanations for the variance between Estimate and Outturn are provided in SOAS 1 within the Accountability Report.

The Department's Net Expenditure for the three most recent financial years is outlined below:

	2017-18 £000	2016-17 £000	2015-16 £000
Total operating income	(47,565)	(44,375)	(46,280)
Staff costs	125,374	146,146	160,914
Purchase of goods and services	103,888	99,559	100,942
Depreciation and impairment charges	22,201	33,668	22,183
Provision expense	80,752	123,894	120,174
Grants	917,710	922,136	903,568
Total operating expenditure	1,249,925	1,325,403	1,307,781
Net operating expenditure	1,202,360	1,281,028	1,261,501
Finance expense	921	176	1,107
Net Expenditure	1,203,281	1,281,204	1,262,608

Long-term expenditure trends

Following departmental restructuring in May 2016, the Planning Appeals Commission and Water Appeals Commission (PACWAC) transferred from the then Office of the First and Deputy First Minister to the NI Courts and Tribunals Service, an Executive Agency of the Department of Justice. The figures given for long-term expenditure trends have not been restated in line with the Statement of Assembly Supply not being restated. Consequently, the figures given for 2014-15 and 2015-16 do not include PACWAC expenditure of approximately £2.0m.

The charts below show:

- **Chart 1:** the movement in the Department of Justice non-ringfenced Resource DEL opening baseline over the period 2014-15 to 2018-19; and
- **Chart 2:** the 2018-19 non-ringfenced Resource DEL budget split by the Core Department, Executive Agencies and Non-Departmental Public Bodies.

Chart 1: DoJ Non-Ringfenced Resource DEL opening baselines

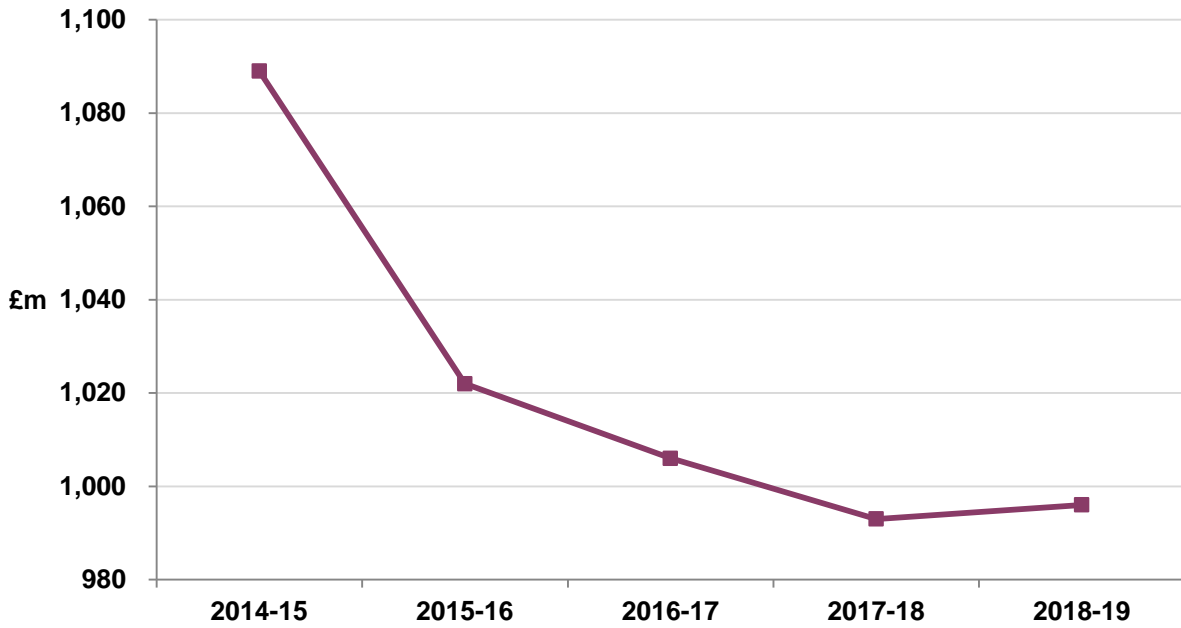
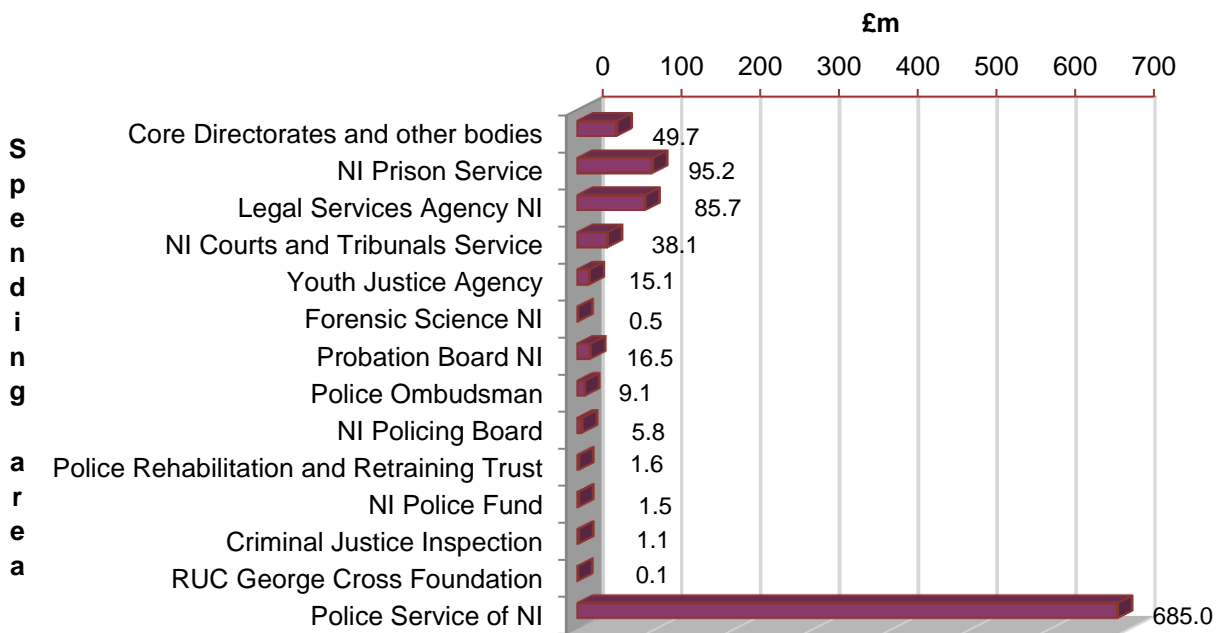


Chart 2: DoJ 2018-19 Non-Ringfenced Resource DEL opening budgets



2015-16 financial year

In 2015-16, the DoJ ringfence was removed. The starting point for the Department's budget was a 15.1% cut against the 2014-15 baseline - a cut equivalent to £165m. The Executive then provided an allocation of £90m, equivalent to 8.3%. In total, PSNI received £65m of the £90m with the balance allocated to priority areas.

£29.5m of non-ringfenced resource DEL and £1.5m of capital DEL additional security funding was also provided by HM Treasury in 2015-16. This was a particular package of funding for a specific purpose, treated separately from the PSNI's baseline funding. This is in addition to security funding from the NI Executive.

2016-17 financial year

The 2016-17 Budget outcome for the Department is summarised below:

- with the exception of PSNI, the starting point for all DoJ spending areas was a reduction of 5.7% from 2015-16 opening baselines;
- the reduction to the core PSNI budget was limited to 2%;
- £32m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement;
- in recognition of the ongoing pressures facing the Department in respect of legal aid, an allocation of £15m was provided by the Executive; and
- additional VES funding of £12.4m was available.

The Department also accessed £3.1m of funding for tackling paramilitary activity and £1.6m of funding for 'A Shared Future' contained within the 'Fresh Start' Agreement.

2017-18 financial year

As noted above, in a statement to the House of Commons on 24 April 2017 the Secretary of State for Northern Ireland outlined an indicative Budget position for NI departments. This position was based on the advice of the Head of the NI Civil Service (NICS) in conjunction with the NICS Board. The purpose of this statement was to provide clarity to departments as to the basis for departmental allocations in the absence of an Executive, so that Permanent Secretaries could plan and prepare to take more detailed decisions in that light. The departmental allocations set out by the Secretary of State provided the basis on which departments could plan for 2017-18. The Department's budget was confirmed on 13 November 2017 when the Secretary of State announced a 2017-18 Northern Ireland budget.

The starting point for the Department of Justice's non-ringfenced Resource DEL budget was as follows:

- a 4% cut was applied to the opening budget;
- 25% of the PSNI budget was protected and had no % cut;
- £34m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement; and
- £20m was provided towards pressures identified by the Department.

The Department also accessed £5.1m of funding for tackling paramilitary activity and £0.4m of funding for 'A Shared Future' contained within the 'Fresh Start' Agreement.

2018-19 financial year

The Secretary of State announced a Northern Ireland 2018-19 budget on 8 March 2018.

The starting point for the Department of Justice's non-ringfenced Resource DEL Budget was as follows:

- a 2% cut was applied to the opening budget;
- 25% of the PSNI budget was protected and had no % cut;
- £34m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement; and
- £20m was provided towards pressures identified by the Department.

Capital investment priorities

The Department's 2018-19 capital DEL budget of £87.1m will allow a number of important projects to be taken forward including a new accommodation block at Maghaberry prison, key capital projects in PSNI and a new case management system for the Legal Services Agency.

Looking ahead - budgets beyond 2018-19

In her Statement on 8 March 2018, the Secretary of State noted that preparatory work for 2019-20 and beyond will be taken forward over the coming months and further strategic decisions will need to be made to ensure that a budget is in place in good time before 2019-20 and to make departments' financial positions sustainable.

Summary of expenditure 2013-14 to 2017-18

The table below provides details of outturn against Budget for resource and capital expenditure in each DoJ organisation during the five most recent financial years. The table also includes a reconciliation of total expenditure to Net Resource Outturn in each year.

	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn Restated £000	2016-17 Outturn Restated £000	2017-18 Outturn £000
Unringfenced Resource DEL					
Core Department and Compensation Services	65,339	62,762	52,884	54,269	50,356
Forensic Science NI	343	573	1,769	884	846
NI Courts and Tribunals Service	37,138	40,446	44,565	43,561	41,157
Legal Services Agency NI	-	-	95,867	89,447	87,961
NI Prison Service	108,948	103,171	104,737	94,169	94,924
Youth Justice Agency	17,862	18,271	23,253	19,605	21,062
Executive Agencies total	164,291	162,461	270,191	247,666	245,950
PSNI	800,813	709,550	692,528	703,983	691,166
NI Policing Board	6,488	6,692	5,639	5,654	5,547
Police Ombudsman	9,103	8,655	8,443	8,510	8,830
NI Police Fund	1,648	1,625	1,448	1,487	1,455
RUC George Cross Foundation	143	136	134	126	122
Police Rehabilitation and Retraining Trust	2,210	1,808	1,691	1,805	1,604
Probation Board NI	19,370	17,385	17,211	17,287	17,695
NI Legal Services Commission	107,288	111,393	-	-	-
Criminal Justice Inspection NI	1,208	1,129	1,054	1,067	1,027
Executive NDPBs total	948,271	858,373	728,148	739,919	727,446
Total Unringfenced Resource DEL	1,177,901	1,083,596	1,051,223	1,041,854	1,023,752
Total Ringfenced Resource DEL	65,872	69,123	65,146	61,145	59,526
Total Resource DEL	1,243,773	1,152,719	1,116,369	1,102,999	1,083,278
Capital DEL					
PSNI	44,768	32,652	25,422	32,385	28,726
NI Prison Service	4,171	8,286	9,884	16,423	12,013
Other	6,538	16,577	8,861	8,629	16,542
Total Capital DEL	55,477	57,515	44,167	57,437	57,281
Total Resource AME	254,518	359,094	310,780	290,857	266,286
Total Capital AME	-	-	32,532	(988)	-
Total Resource and Capital - DEL and AME	1,553,768	1,569,328	1,503,848	1,450,305	1,406,845
Reconciling items	(189,598)	(307,119)	(251,763)	(177,623)	(211,769)
Net Resource Outturn	1,364,170	1,262,209	1,252,085	1,272,682	1,195,076

Departmental auditor

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

The notional audit fee for the work performed by the staff of the C&AG during the reporting period was £315,000 (2016-17: £312,000) for the Core Department, its agencies and the Northern Ireland Judicial Pension Scheme.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's financial statements, such as Value for Money (VFM) reports. The C&AG issued two VFM reports during 2017-18 relating to the Department:

- Managing children who offend - 6 July 2017; and
- Speeding up justice: avoidable delay in the criminal justice system - 27 March 2018.

The Department has reviewed the recommendations contained in both these reports and is taking forward the necessary work to address the issues.

Payment of suppliers

The Department's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier. During the financial year, the Department achieved an average of 90.0% (2016-17: 89.8%) of invoices paid to suppliers within 10 working days following receipt of a properly rendered invoice. The Department achieved an average of 95.02 % (2016-17: 96.2%) of invoices paid to suppliers within 30 calendar days following receipt of a properly rendered invoice.

Sustainable development

The Department is committed to continuing its drive on sustainable development and reducing its impact on the environment, by promoting and maintaining a positive and inclusive culture amongst staff and stakeholders. Its aim is to foster governance and leadership in sustainability and work collaboratively to avoid and minimise adverse impacts of Departmental activities on the environment and society, and reduce the Department's carbon footprint.

The Department takes pride in its proactive approach to initiatives which have included continued participation in the Carbon Reduction Commitment Energy Efficiency Scheme. The waste management service introduced in April 2015 has resulted in increased staff awareness and an improvement in the segregation of waste for recycling across the Department.

During 2017-18, the Department continued to make improvements to property which contributes to increasing energy efficiency. In addition, the sustainability intranet pages were reviewed to provide up to date information and provide advice on all relevant aspects of sustainability.

Health and safety

The Department has developed an effective management system based on the HSG65 management model issued by the Health and Safety Executive for Northern Ireland (HSENI). This system ensures that legislative requirements are met and relies on the commitment of management and staff at all levels. The Department also continues to work closely with the HSENI on related matters.

The programme of health and safety inspection audits across the core estate continues on a rolling basis. The aim of these audits is to ensure proactive monitoring of health and safety, and to inform management of legal requirements and best practice. The audits also provide valuable information that contributes to policy development. The audit programme for 2017-18 has been completed.

To complement the inspection programme, the Department continues to monitor performance through the health and safety management checklist which is used at both a local and corporate level to improve the management of health and safety within the Department.

Basic health and safety training continues to be provided via e-learning including Fire Safety, Office Safety and Display Screen Equipment Awareness. Completion of this suite of courses is mandatory for all staff. Additional training for specialist roles and training needs identified by the risk assessment process will continue to be provided by the Centre for Applied Learning within the NICS.

The Department also continues to promote the importance of reporting all accidents no matter how minor. Accidents are investigated and appropriate control measures introduced to help avoid reoccurrence.

Approval was obtained for the purchase of four defibrillators to be located in the following DoJ premises; Knockview Buildings, Massey House, Block B Castle Buildings and Millennium House. These came into operation during May 2017.

Corporate social responsibility

Working in a socially responsible way underpins the Department's values of delivering effectively, valuing our people, working together, being outwardly focused and taking responsibility. The Department aims to make a positive impact on the wider community through being environmentally friendly, promoting staff wellbeing and engaging with local communities on a range of issues.

Rural needs

The *Rural Needs Act (Northern Ireland) 2016* came into operation for departments and district councils on 1 June 2017 and for remaining specified public authorities from 1 June 2018. The Act provides a statutory duty on public authorities to "have due regard to rural needs" in the development and delivery of strategies and policies. A Rural Needs Impact Assessment should be carried out in each case. The Department is required to compile information on how it has paid due regard to rural needs; to include that information in its annual report and to send a return to the Department of Agriculture, Environment and Rural Affairs.

Human rights

Civil servants have a statutory duty to respect, protect and fulfil people's human rights when developing and delivering government policy and services. The Northern Ireland Human Rights Commission (NIHRC) interactive guide to Human Rights is available to staff in the Department to ensure they have knowledge of human rights law and standards and the core principles through which human rights are realised. The training is designed to increase human rights knowledge and strengthen the culture of human rights awareness and good practice within the Department.

Anti-corruption and anti-bribery

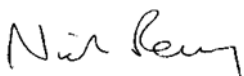
The Department is committed to the values of probity and accountability which foster a positive organisational culture. It is also committed to the elimination of any fraud within the Department, to the rigorous investigation of any prima facie case, and, where fraud or other criminal acts are proven, to ensure that wrongdoers are dealt with appropriately. The Department will take proportionate steps to recover any assets lost as a result of fraud, corruption or theft. The Department has a zero tolerance approach towards acts of bribery and corruption by staff, associated persons and organisations.

Managing the risk of fraud and bribery is seen by the Department in the context of managing a wider range of risks. The Department promotes an anti-fraud and anti-bribery culture by encouraging management to create conditions in which staff members have neither the motivation nor the opportunity to commit fraud or either offer or accept bribes. Professional staff are the first line of defence against these issues, supported by the establishment and maintenance of carefully designed and consistently operated procedures. Managers have prime responsibility for establishing internal control arrangements to minimise the risk of fraud, corruption and other irregularities within their business areas.

Whistleblowing

The Department has a Whistleblowing policy in place, designed to reassure staff that it is safe and acceptable to speak up, when they have a concern about malpractice. The procedures provide arrangements so that such concerns can be addressed at an early stage and in a fair and proper way. The Head of Internal Audit is involved in conducting independent investigations into issues raised under the policy.

PERFORMANCE REPORT



Nick Perry CB
Accounting Officer

27 June 2018

ACCOUNTABILITY REPORT

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 to explain the composition and organisation of the Department's governance structures and how they support the achievement of its objectives.

As a minimum, the corporate governance report must include:

- Directors' Report;
- Statement of Accounting Officer's responsibilities; and
- Governance Statement.

ii Remuneration and Staff Report

This section sets out the Department's 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 information relating to remuneration and staff that the Assembly and other users see as key to accountability.

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 Assembly Supply and supporting notes;
- regularity of expenditure;
- Assembly accountability disclosures; and
- Certificate and Report of the Comptroller and Auditor General to the Assembly.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Minister

The Minister of Justice has overall political responsibility and accountability for all the Department's activities. However, the Northern Ireland Assembly was dissolved in January 2017 and for the period of this Annual Report and Accounts the Department has operated without a Minister.

The Permanent Secretary

Nick Perry is the Permanent Secretary of the Department of Justice. He is the most senior civil servant in the Department and the Departmental Accounting Officer. The Permanent Secretary is also responsible for reviewing the performance of the Non-Executive Members of the Board.

Departmental Board

The Board is chaired by the Permanent Secretary and it is the senior tier for decision making within the Department. Its role is to provide corporate leadership within the policies determined by the Minister and for the establishment and scrutiny of the corporate governance arrangements. The Board operates as a collegiate forum; it takes ownership of the Department's performance and provides advice to the Minister. The Board meets monthly to consider progress on policy and management issues, including finance and personnel. It also monitors performance against the draft Business Plan on a quarterly basis. It is supported by the Departmental Audit and Risk Committee and Strategic Resources Committee.

Membership of the Board is shown below:

Position	Member
Permanent Secretary	Nick Perry, CB - Chair
Director, Safer Communities	Anthony Harbinson
Director, Access to Justice	David A Lavery, CB
Director, Justice Delivery	Lianne Patterson
Director, Reducing Offending and Head of Northern Ireland Prison Service	Ronnie Armour
Non-Executive Member (NEM)	Clarke Black - Chair, Departmental Audit and Risk Committee
Non-Executive Member (NEM)	Heather Baily - Departmental Audit and Risk Committee (from August 2017)

Directors

In their role as Board Members, Directors are responsible for the development of strategy and for supporting the delivery of that strategy. They are also the lead Information Asset Owners (IAOs) for all business areas falling within their area of responsibility including effectively managing the relationship with sponsored bodies under their Directorate.

Non-Executive Members

The Non-Executive Members seek to improve the rigour of the Board processes and bring their specific expertise and experience to Board discussions. They provide constructive challenge across the Board's business and an objective perspective and new ideas.

Register of interests

A register of interests is maintained by the Department and no significant interests are currently held by Board members which may conflict with their management responsibilities.

Information assurance

One incident was reported as a breach to the Information Commissioner's Office (ICO). The Department provided replies to supplementary questions and no further action was required by the ICO. To maintain Departmental focus on these risks, the Information Assurance risk register continues to be reviewed at every meeting of the Departmental Information Risk Owners' Council (IROC), and the Chief Information Officer presents a report for discussion covering new incidents.

Further details regarding Information Assurance are contained in the Governance Statement section of the Accountability Report.

Complaints

The Department is committed to providing a high quality service across all areas of the Department. Key to demonstrating this commitment is a robust and effective complaints procedure which addresses any customer dissatisfaction fairly, comprehensively and with a view to early resolution. The complaints procedure allows customers to report when they are unhappy with the quality of service provided, and receive redress where appropriate. The Department has a three stage Complaints Procedure, with the complaint being dealt with by the relevant business area. All complaints receive a detailed form of investigation and response within a specified timescale. The DoJ Complaints Officer monitors the progress of all complaints to ensure compliance with procedures, including adherence to the timescales contained within the policy, and to ensure the Department operates a transparent and consistent complaints system, with all complaints being treated fairly.

If there are lessons to be learnt these are highlighted by the relevant business area, collated by the Complaints Officer and disseminated accordingly, with a view to improving service delivery and maximising quality.

There were three complaints recorded for the Core Department during 2017-18. Two of the three complaints were not upheld and for the remaining complaint, the feedback received will be considered as part of a review of the DoJ complaints handling process.

Complaints are handled by DoJ Complaints Officer, Information Services Division (ISD) and can be made:

- in writing to: Standards Unit
Information Services Division
Knockview Buildings
Stormont
Belfast BT4 3SL;
- by telephone: 028 9037 8631; or
- by e-mailing: standardsunit@justice-ni.x.gsi.gov.uk.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

- observe the Accounts Direction issued by the Department of Finance, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by executive agencies;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the Accounts; and
- prepare the Accounts on a going concern basis.

The Department of Finance has appointed the Permanent Head of the Department as Accounting Officer of the Department of Justice. 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 the Accounting Officers' Memorandum issued by the Department of Finance and published in *Managing Public Money Northern Ireland*.

The Accounting Officer is also required to confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

GOVERNANCE STATEMENT

1. Role and responsibilities of the Department

The mission of the Department is to support the Minister of Justice in building a fair, just and safer community for all the people of Northern Ireland. Working collaboratively with its agencies, NDPBs and stakeholders, the Department's aim is to keep communities safe and reduce crime, make the justice system more effective, and reduce reoffending.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

2. Purpose of the governance framework

The Corporate Governance Framework is the system which ensures the effectiveness of direction and control of the Department. The framework encompasses the following internal controls:

- **governance** - how the Department plans, sets, communicates and monitors its corporate objectives;
- **risk management** - how the Department identifies, considers and manages the risks to the achievement of corporate objectives; and
- **business controls** - how the Department assures itself and its stakeholders that it is in control of its business and the risks to the achievement of its objectives.

The governance framework is designed to manage risk to a reasonable level rather than to eliminate all risk. The framework is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. Governance framework

During 2017-18 the Department complied with the Corporate Governance Code. The key organisational structures which support the delivery of effective corporate governance are:

- Departmental Board;
- Departmental Audit and Risk Committee;
- Strategic Resources Committee;
- Internal Audit;
- Procurement Governance Board; and
- Information Risk Owners Council.

Departmental Board

The role of the Board is as set out previously in the Directors' Report. Key work of the Departmental Board during the year included:

- delivery of the Department's key priorities against the draft Business Plan 2017-18 within the constraints of significant financial pressures and political uncertainty;
- contributing to the delivery of the draft Programme for Government;
- monitoring and mitigating against Departmental risks;
- overseeing the management of the Department's resources including staff, information, physical and financial resources including the Department's readiness for the introduction of the General Data Protection Regulations;
- reviewing the Department's Business Continuity Plan;
- working collaboratively with the Department's Strategic HR Business Partner to plan, monitor and address HR issues; and
- monitoring the Department's legislative programme.

Attendance by members is shown below for the 11 meetings of the Board during 2017-18:

POSITION	MEMBER	ATTENDANCE
Permanent Secretary	Nick Perry, CB - Chair	11/11
Director, Safer Communities	Anthony Harbinson	10/11
Director, Access to Justice	David A Lavery, CB	11/11
Director, Justice Delivery	Lianne Patterson	9/11
Director, Reducing Reoffending	Ronnie Armour	8/11
Non-Executive Member	Clarke Black	11/11
Non-Executive Member	Heather Baily (from 1 August 2017)	6/7

Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee (DARC) is constituted as a sub-committee of the Departmental Board and acts in an advisory capacity. It provides assurance to the Board that effective systems are in place to monitor risk management, internal controls and governance across the Department and its ALBs. The DARC also oversees the performance and work of Internal Audit in those bodies funded by the Department.

The Committee is chaired by an independent Non-Executive Member of the Departmental Board and membership is made up of two other members. Other DARC attendees include the Directors of Safer Communities, Justice Delivery and Reducing Offending together with representatives from the Northern Ireland Audit Office (NIAO), Internal Audit, Financial Services Division and the Risk Improvement Manager.

Attendance by members is shown below for the four meetings of the Committee during 2017-18:

POSITION	MEMBER	ATTENDANCE
Non-Executive Member	Clarke Black - Chair	4/4
Non-Executive Member	Heather Baily (from 1 August 2017)	3/3
Independent Member	David Small	1/4

Key work of the DARC included consideration of:

- NIAO audit strategy and reports to those charged with governance;
- Internal Audit’s plan including strategy, activity reports and progress updates;
- Head of Internal Audit’s annual opinion and report;
- risk management and corporate governance;
- financial governance, fraud reporting and accountability grids;
- annual reports and accounts;
- audit qualification issues and recommendations from Public Accounts Committees and Value for Money reports;
- programme and project management delivery confidence landscape; and
- information assurance report.

Strategic Resources Committee

The Strategic Resources Committee is constituted as a sub-committee of the Departmental Board to assist and enhance strategic resource decision making in the Department from a finance and HR perspective. The Committee is responsible and accountable to the Departmental Board for:

- analysing, discussing and reaching agreement on strategic resource issues, bringing forward relevant recommendations on key resource strategies and decisions to the Board for discussion and ratification;
- assisting the Accounting Officer in judging strategic resourcing priorities in the face of financial and/or operational challenges and competing priorities;
- ensuring a consistent approach to financial and HR management across the Department and enabling standards to be agreed and applied within the Department and its ALBs;
- enhancing the quality, standard and accuracy of resourcing plans, projections and management across the Department and its ALBs; and
- providing a forum for senior management to discuss resource matters and recommend courses of action applicable to the Department, including the allocation of budgets, HR resources, value for money targets, cost reduction exercises and capital plans.

Attendance by members is shown below for the six meetings of the Committee during 2017-18:

POSITION	MEMBER	ATTENDANCE
Permanent Secretary	Nick Perry, CB - Chair	6/6
Director, Safer Communities	Anthony Harbinson	6/6
Director, Access to Justice	David A Lavery, CB	6/6
Director, Justice Delivery	Lianne Patterson	6/6
Director, Reducing Reoffending	Ronnie Armour	6/6
Non-Executive Member	Clarke Black	5/6
Non-Executive Member	Heather Baily (from 1 August 2017)	2/4
Head of Financial Services Division	Glyn Capper	6/6
NICSHR representative	Mark Goodfellow	3/5

Key work of the Committee during the year included:

- reviewing the in-year Departmental funding position and making key decisions to manage cost pressures through the reprioritising of budget allocations, effective cost control and the recycling of proactive savings into front line programmes; and
- planning for the 2018-19 budget, considering PfG and other Departmental priorities and commitments and allocating funding to the Department, its agencies and NDPBs.

Internal Audit

Internal Audit services to the Department are provided by a Group Internal Audit and Fraud Investigation Service ('the Group Service') which was fully centralised within DoF in October 2017. Internal Audit staff are outposted from DoF to DoJ to deliver the Internal Audit service to the Core Department, its agencies and a number of ALBs including:

- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Police Fund;
- Police Rehabilitation and Retraining Trust;
- Prisoner Ombudsman;
- Probation Board for Northern Ireland; and
- RUC George Cross Foundation.

A Memorandum of Understanding and Service Level Agreement covering the Internal Audit arrangements have been agreed between DoF and DoJ. The SLAs in relation to agencies and ALBs are currently being updated to include a Data Sharing Agreement to ensure compliance with the General Data Protection Regulation.

Procurement Governance Board

The Procurement Governance Board provides the governance mechanism for the implementation and delivery of public procurement policy across the Department. The Board takes its lead on policy based on guidance and advice from the NICS Procurement Board, Central Procurement Directorate (CPD) within DoF and its Centre of Procurement Excellence.

The Board ensures that the Department has a robust, open and transparent procurement process in compliance with regulations. It has the remit to influence and advise on the activity undertaken by the Department in relation to:

- **procurement policy** - development, adoption and implementation, and the embedding of procurement policies including the approach to Collaborative Opportunities, Social Clauses and Community Benefits;
- **strategic direction** - provision of strategic direction on procurement related activities to the Department through the Procurement Forum including the management of risk;
- **procurement skills** - capacity and capability development through the Procurement Forum, the Intranet and endorsement of training as required; and
- **eProcurement** - through the Department's procurement and contract management database, the CPD run Purchasers Portal, Account NI and Digital Marketplace (G-Cloud).

The Department continues to ensure that best practice is followed across the various business areas with regards the procurement of goods and services, and the management of contracts.

The Department's Procurement Support Team liaises closely with CPD and is the primary point of contact for business areas needing advice and assistance on procurement issues. The Procurement Support Team is also the contact for CPD for the majority of collaborative contracts, ensuring all DoJ business area requirements are covered in the tender documents and that these contracts are managed effectively.

The Procurement Forum includes representatives from the various business areas across the Department, and works to promote best practice, address ongoing matters and inform the Procurement Governance Board of significant issues.

Information Risk Owners Council (IROC)

IROC members are accountable for the management of the information assurance risks in their respective business areas. As a Council it reports to the Senior Information Risk Owner and consults with the Department's Departmental Security Officer. The membership is made up of lead senior representative Information Asset Owners at Senior Civil Service level drawn from across the business areas of the Department, its agencies and ALBs. The Departmental Information Manager attends IROC ex officio, as the responsibilities of the post include Data Protection and relations with the Information Commissioner. The role of the Council is to ensure that the value of information the Department holds or uses is identified and utilised to the fullest extent to support the Government's strategic objectives, while understanding the risks to information and ensuring that the necessary controls are in place to protect information from inappropriate use. The members are also responsible for managing all information in their business areas in ways that preserve its confidentiality, integrity and availability appropriately.

Implementation of the new European General Data Protection Regulation (GDPR) on 25 May 2018 saw the raising of the bar for the assurance of personal data, and IROC has oversight of how this is rolled out within DoJ. During the year, the Chief Information Officer led a GDPR implementation project, to ensure the Department and its agencies were ready for the new data protection regime coming into force. Relevant policies and procedures have been revised, awareness sessions have been conducted and a Data Protection Officer will be appointed. Although the Bill is still subject to amendments, the Department is compliant with the main requirements.

Other assurances

Additional assurance on various elements of the Department's operations is provided by a range of bodies including Criminal Justice Inspection Northern Ireland and the Office of the Police Ombudsman for Northern Ireland. These bodies tend to focus on specific areas providing additional scrutiny, reporting and in some cases making recommendations for improvement.

4. Risk management and internal control

Risk management is embedded into the business planning process in the Department at both strategic and operational levels in line with DoF guidance. The system of internal control is designed to maintain risk at a manageable level, based on a risk appetite agreed by the Departmental Board, in order to provide a reasonable assurance of effectiveness. The Department's risk appetite will vary according to the perceived importance of risks and their timing.

Risks to the delivery of Departmental aims and objectives are considered by the Board on an ongoing basis. The likelihood of risks being realised and the likely impact of realisation of those risks are considered in order to inform decisions on how to manage risk effectively.

The Departmental Board monitors the mitigation of strategic risks throughout the year. These include risks of a sufficient magnitude to threaten organisational success and reputation, or a scenario of combined risks that would have an impact. The corporate risk register is amended throughout the year to reflect changes to the assessment of risk and to take account of emerging risk areas. This supports the Accounting Officer in ensuring that there is regular and timely assurance on the issues that are important to organisational success; in particular, the proportionate management of risks that threaten the successful achievement of business outcomes and objectives.

Board assessments on the effectiveness of internal controls and emerging issues are informed by:

- reports to those charged with governance provided by the Northern Ireland Audit Office as part of their annual audit work;
- findings of Internal Audit reviews;
- bi-annual stewardship statements by Heads of Division, agencies and ALBs;
- reports provided by the DARC; and
- feedback from the IROC and Procurement Governance Board.

Assurance on risk management in the Department's agencies and ALBs is provided in the form of bi-annual stewardship statements and annual governance statements, which are signed by the designated Accounting Officers. The quality of the information received by the Board proved satisfactory.

The risk management process in the Department is dynamic, with evidence of regular review and re-assessment of risks to identify where risk assessments have increased or decreased, as well as identifying emerging risks to be considered and managed. The Head of Internal Audit attends Audit Committees across the Departmental family and, as a result, is able to provide satisfactory assurance on the active and dynamic operation of effective risk identification and management.

The Department is subject to public expenditure controls, and its expenditure forms part of the Departmental Expenditure Limit and Annually Managed Expenditure. Decisions on allocations to the Department rest within the Northern Ireland Block's agreed allocations and controls.

5. Review of effectiveness of the governance framework

The Accounting Officer has responsibility for reviewing the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit, the internal control framework and comments made by external audit in their reports to those charged with governance and other reports. A sound governance framework has been established across the Department which includes:

- management boards;
- audit committees with independent membership;
- management statement and financial memorandum with sponsored bodies;
- governance reviews;
- sponsor control monitoring;
- annual governance statements;
- stewardship statements; and
- independent reviews by Internal Audit.

Information presented to the Board is fundamental for its assessment and understanding of the performance of the department. The Board receives a variety of standard information, and other papers, which are quality reviewed by the Board secretariat. The information received is considered to be of a high standard and allows the Board to be kept informed of any issues that it needs to be aware of to support decision making and drive improvement. The Board considers that it is fulfilling its governance requirements.

For the period covered by this Annual Report and Accounts the Department operated without a Minister. No Ministerial Directions were given during the year.

6. Budget position

The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, the *Northern Ireland Budget Act 2017* was progressed through Westminster, receiving Royal Assent on 16 November 2017, followed by the *Northern Ireland Budget (Anticipation and Adjustments) Act 2018* which received Royal Assent on 28 March 2018. The authorisations, appropriations and limits in these Acts provide the authority for the 2017-18 financial year and a vote on account for the early months of the 2018-19 financial year as if they were Acts of the Northern Ireland Assembly.

7. Significant internal control issues

The following sections outline the significant internal control issues at a Departmental level together with details of the plans in place to address any weaknesses identified. Further details regarding the issues for individual agencies and NDPBs are contained in their respective annual reports and accounts.

Legal Aid

The C&AG qualified the 2017-18 financial statements of LSANI on the basis of a limitation of scope in respect of:

- the regularity of transactions in the period - LSANI was unable to provide sufficient evidence to assure the NIAO that a material amount of legal aid expenditure had not been claimed fraudulently or in error; and
- the true and fair view of the balance of provisions for legal aid liabilities stated in the Statement of Financial Position and the resulting adjustments required to the annual legal aid expenditure. LSANI was unable to provide sufficient evidence to support its estimate of the provision for legal aid liabilities to the level of accuracy required.

The 2016-17 financial statements were previously qualified in respect of completeness of income arising from LSANI not effectively implementing legislation introduced to allow for the recovery of defence costs in criminal legal aid cases. The 2017-18 financial statements have not been qualified for this matter. The Department and LSANI have undertaken work to review the legislation and operational requirements governing Recovery of Defence Costs Orders (RDCOs).

LSANI has continued with a work programme to address these qualifications and has been taking this forward in conjunction with both the Department of Justice and the Department for Communities (DfC). A number of the changes required remain dependent on the future digitised Legal Aid Management System (LAMS), which is scheduled to be introduced in April 2019. These elements of the work programme will therefore continue to span a number of financial years.

Regularity of expenditure

LSANI has continued with a range of initiatives to address this qualification. The ongoing partnership with DfC has resulted in two significant developments. Firstly, DfC has reviewed LSANI's approach to tackling fraud and has presented a range of potential solutions and options to enhance and strengthen LSANI counter-fraud arrangements. The preferred option will be presented to the Department's Legal Aid Strategy Group for discussion and approval in the coming months.

A 1% check sample is being maintained pending commencement of the Registration Scheme and implementation of any revised arrangements. In addition, the DfC Standards Assurance Unit (SAU) has been working closely with LSANI to gain an understanding of LSANI's business and to develop a methodology to identify and measure the potential level of error within legal aid. The SAU now carries out monthly error testing of legal aid payments and LSANI has set up a dedicated team to manage the business interface with SAU and to address the out-workings of the error testing.

An LSANI team has continued to review the ongoing financial eligibility of individuals who remain in receipt of civil legal aid. The initial review of error methodology by the SAU has also identified the potential for DfC to undertake face-to-face applicant review visits for relevant Assisted Persons. LSANI is exploring the options to develop this as a further form of assurance in respect of ongoing financial eligibility.

Provisions

LSANI continues to support work led by the Department to improve the techniques and methodology used when estimating outstanding liabilities for publicly funded legal services provided by legal practitioners. Incremental work remains ongoing to analyse the payment profiles and the life cycle of claims to provide an enhanced suite of analysis to inform the estimates. The scheduled implementation of the digitised LAMS in April 2019 will further assist the process through access to much improved management information.

Given the complex nature of provisions for publicly funded legal services and the range of issues which remain outside LSANI's control, providing the necessary levels of assurance to the NIAO to have this qualification removed remains a significant challenge. LSANI will continue to work with the Department to enhance controls in this area with the aim of removing the qualification in future years. LSANI has developed separate approaches for Forecasting and Provisions to recognise the distinct processes involved.

Reports by the Northern Ireland Audit Office and Public Accounts Committee

The Comptroller and Auditor General (C&AG) may also undertake other statutory activities that are not related to the audit of the body's financial statements, such as Value for Money (VFM) reports. The C&AG issued two VFM reports during 2017-18 relating to the Department:

- Managing children who offend - 6 July 2017; and
- Speeding up justice: avoidable delay in the criminal justice system - 27 March 2018.

The Department has reviewed the recommendations contained in both these reports and is taking forward the necessary work to address the issues.

The C&AG previously issued a VFM report on Managing Legal Aid in June 2016 and the PAC published its report in January 2017. A draft Departmental response to the PAC report has been prepared but cannot be finalised due to the absence of an Assembly. In the meantime, the Department is taking forward the necessary work to address the issues raised.

The PAC also held an evidence session on the NICTS Trust Statement in October 2014 and published a report on the matter in January 2015. In line with the PAC recommendations, plans are now in place to significantly reform the existing fine enforcement processes by implementing a Fine Collection and Enforcement Service (FCES). It was planned that the new FCES would be operational from April 2017, however this was delayed due to the inability to progress the required secondary legislation until the Executive/Assembly is re-established. In the absence of a functioning Executive, the required secondary legislation has been progressed via the Departments (DoJ and DfC), and the new FCES commenced on 1 June 2018.

8. 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 2017-18 year an overall satisfactory assurance was provided. A small number of internal audits provided limited assurance and the implementation of any priority 1 recommendations relating to these audits will be subject to review by both the Departmental Audit and Risk Committee and Internal Audit.

NICS Shared Services

An NICS wide Information Assurance Internal Audit Review was carried out in 2016-17 and provided a limited opinion. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all departments. A further review of the issues highlighted in the report was completed in March 2018 and the review noted significant progress in the development of new processes and systems to improve the control framework. As a result of this work the opinion has been raised to satisfactory.

An NICS wide Readiness for GDPR Internal Audit review has been completed and the draft report for the Department has now issued. The report provided a satisfactory level of assurance. The Department, with a few minor exceptions, will be compliant with the requirements of GDPR by 25 May 2018. While there may be some residual risk remaining this should not significantly add to the risk to which the Department is exposed.

An NICS wide Internal Audit review of whistleblowing arrangements across the NICS is currently being carried out and is nearing completion. A report will be prepared and issued in due course.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration policy

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

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

Service contracts

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

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

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

Clarke Black was appointed as a Non-Executive Member of the Departmental Board on 8 September 2014 for an initial three year period and this was subsequently extended to 7 September 2020. He is also the Chair of The Departmental Audit and Risk Committee (DARC). Heather Baily was appointed as an Non-Executive Member of the Departmental Board on 1 August 2017 for an initial period of three years to 31 August 2020. Non-Executive Members may terminate the appointment by providing one month's notice in writing.

Salary and pension entitlements

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

Remuneration (including salary) and pension entitlements

[Audited information]

Ministers	2017-18*				2016-17			
	Salary £	Benefits in kind (to nearest £100)	**Pension Benefits (to nearest £1,000)	Total (to nearest £1,000)	Salary £	Benefits in kind (to nearest £100)	**Pension Benefits (to nearest £1,000)	Total (to nearest £1,000)
Claire Sugden MLA (from 25 May 2016 until 2 March 2017)	-	-	-	-	29,419	-	9,000	38,000
David Ford MLA (until 5 May 2016)	-	-	-	-	3,677	-	1,000	5,000

*No Minister was in place during 2017-18.

*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 increases or decreases due to a transfer of pension rights.

[Audited information]

Officials and Non-Executive Members	Salary	Benefits in kind (to nearest £100)	*Pension Benefits (to nearest £1,000)	2017-18 Total
	£000	£	£000	£000
Nick Perry, CB Permanent Secretary	125-130	-	2	125-130
Anthony Harbinson Director, Safer Communities	95-100	-	3	100-105
David A Lavery, CB Director, Access to Justice	110-115	-	(19)	90-95
Lianne Patterson Director, Justice Delivery	90-95	-	24	115-120
Ronnie Armour Director, Reducing Offending	85-90	-	151	235-240
Clarke Black Non-Executive Member	5-10	1,100	-	10-15
Heather Baily** Non-Executive Member (from 1 August 2017)	5-10	3,900	-	5-10

[Audited information]

Officials and Non-Executive Members	Salary	Benefits in kind (to nearest £100)	*Pension Benefits (to nearest £1,000)	2016-17 Total
	£000	£	£000	£000
Nick Perry, CB Permanent Secretary	120-125	-	50	170-175
Anthony Harbinson Director, Safer Communities	95-100	-	33	125-130
David A Lavery, CB Director, Access to Justice	110-115	-	3	110-115
Lianne Patterson Director, Justice Delivery	90-95	-	33	120-125
Ronnie Armour Director, Reducing Offending (from 1 February 2017)	10-15 (full year equivalent 85-90)	-	33	45-50
Phil Wragg Acting Director, Reducing Offending (from 31 October 2016 until 31 January 2017)	25-30 (full year equivalent 95-100)	-	12	30-35
Sue McAllister Director, Reducing Offending (until 30 October 2016)	55-60 (full year equivalent 100-105)	10,200	(2)	65-70
Rotha Johnston** Non-Executive Member (until 31 August 2016)	5-10	-	-	5-10
Clarke Black Non-Executive Member	10-15	-	-	10-15

*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.

** Payment to the Independent Board Members is on a per diem basis for attendance at meetings and therefore a figure for full year equivalent is not applicable. Amounts disclosed as benefits in kind relate to payments for travel and subsistence.

Salary

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

The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, there has been no Minister in place in the Department during the 2017-18 year.

Prior to the election on 2 March 2017, the Department of Justice was under the direction and control of Claire Sugden MLA (from 25 May 2016 until 2 March 2017) and David Ford MLA (until 5 May 2016). Their salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in the prior year comparatives within these accounts. These amounts do not include costs relating to the Minister's role as MLA which are disclosed elsewhere.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The net benefits in kind shown above are in respect of detached duty allowances and expenses, on which the tax payable is met by the Department.

Fair pay disclosure

[Audited information]

	2017-18	2016-17
	Core Department and Agencies	Core Department and Agencies
Band of highest paid Director's Total Remuneration*	£125-130,000	£125-130,000
Median Total Remuneration*	£25,356	£26,413
Ratio	5.0	4.8

*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.

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

The banded remuneration of the highest-paid director in Department in the financial year 2017-18 was £125,000 - £130,000 (2016-17: £125,000 - £130,000). This was 5 times (2016-17: 4.8) the median remuneration of the workforce, which was £25,300 (2016-17: £26,413). In 2017-18, 3 employees (2016-17: 3) received remuneration in excess of the highest paid director. Remuneration ranged from £16,000 to £154,000 (2016-17: £16,000 (restated) to £152,000).

Pension benefits - Ministers

This section is not required for 2017-18 as no Ministers were in place.

Pension entitlements - Officials

[Audited information]

Officials	Accrued pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV	Employer contribution to partnership pension account (Nearest £100)
	£000	£000	£000	£000	£000	
Nick Perry, CB Permanent Secretary	55-60 plus 170-175 lump sum	0-2.5 plus 0-2.5 lump sum	1,315	1,231	2	-
Anthony Harbinson Director, Safer Communities	40-45 plus 125-130 lump sum	0-2.5 plus 0-2.5 lump sum	889	827	2	-
David A Lavery, CB Director, Access to Justice	50-55 plus 150-155 lump sum	0 plus 0 lump sum	1,151	1,148	(19)	-
Lianne Patterson Director, Justice Delivery	20-25 plus 0 lump sum	0-2.5 plus 0 lump sum	309	280	7	-
Ronnie Armour Director, Reducing Offending	40-45 plus 105-110 lump sum	5-7.5 plus 15-17.5 lump sum	745	591	115	-

No pension benefits are provided to the Non-Executive Members.

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.

The alpha pension scheme was 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 existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

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 Price Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 to 31 March 2019 are as follows:

Annualised rate of Pensionable Earnings (Salary Bands)		Contribution rates - classic members or classic members who have moved to alpha	Contribution rates - all other members
From	To		
£0	£15,000.99	4.60%	4.60%
£15,001.00	£21,636.99	4.60%	4.60%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website:

<https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

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 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.

Pension liabilities

The treatment of pension costs and liabilities is disclosed in the Remuneration Report and Note 1.19 of the Statement of Accounting Policies (Note 1 to the Accounts).

Compensation on early retirement or for loss of office

There were no compensation benefits paid by the Department to any senior staff members during the financial year (2016-17: £Nil).

STAFF REPORT

Staff costs

Staff costs for the Core Department and its agencies comprise:

[Audited information]

Core Department and Agencies

	Permanently Employed Staff*	Others	Minister	2017-18	2016-17
				£000	£000
				Total	Total
Wages and salaries	96,679	1,895	-	98,574	99,155
Social security costs	9,784	1	-	9,785	9,867
Other pension costs	19,983	-	-	19,983	20,481
Pension provision	(2,968)	-	-	(2,968)	16,643
Total Gross Costs	123,478	1,896	-	125,374	146,146
Less recoveries in respect of outward secondments	(335)	-	-	(335)	(383)
Total Net Costs**	123,143	1,896	-	125,039	145,763

Of which:	Charged to Administra- tion	Charged to Programme	2017-18	Charged to Administra- tion	Charged to Programme	2016-17
			£000			£000
			Total			Total
Core Department	15,119	4,665	19,784	17,290	5,163	22,453
Agencies	7,497	98,093	105,590	7,228	116,465	123,693
Total Gross Costs	22,616	102,758	125,374	24,518	121,628	146,146

* Permanently employed staff includes the cost of the Department's Special Adviser. The two holders of this post were paid in the pay band £59,627 to £91,809 in 2016-17. There were no Special Advisers in post during 2017-18.

** In addition, staff costs of £638,647 (2016-17: £648,468) have been capitalised in respect of staff directly assigned to major capital projects.

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £19,962,132 were payable to the NICS pension arrangements (2016-17: £20,497,183) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will also range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £24,081 (2016-17: £21,429) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £942; 0.5% (2016-17: £804; 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

48 persons (2016-17: 69 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £95,382 (2016-17: £152,104).

Public appointments

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the classic scheme in the NICS pension arrangements. The scheme liabilities were calculated by an independent Actuary in April 2017 and amount to £1.263m at 31 March 2017 (2016-17: £1.190m).

Northern Ireland Courts and Tribunals Service

Judicial office holders are covered by the provisions of the Judicial Pension Schemes (JPS). The terms of most of the pension arrangements are set out in (or in some cases are analogous to) the provisions of two Acts of Parliament, the *Judicial Pensions Act 1981* and the *Judicial Pensions and Retirement Act 1993*, as well as the *Judicial Pensions Regulations 2015* and the *Judicial Pensions Regulations (Northern Ireland) 2015*. The JPS are unfunded public service schemes, providing pensions and related benefits for members of the Judiciary. The costs of benefits accruing for each year of service are shared between the Appointing Bodies and the judicial office-holders.

Following the Hutton Review on Public sector pensions, two new pension schemes, Judicial Pension Scheme (JPS) 2015 and Northern Ireland Judicial Pension Scheme have been introduced from 1 April 2015. These mirror each other and other public sector career average pension schemes. From 1 April 2015 NICTS pay 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 38.45% which includes an element of 0.25% as a contribution towards the administrative costs of the schemes paid to Ministry of Justice.

The Fee-Paid Judicial Pension Scheme, established under the *Judicial Pensions (Fee-Paid Judges) Regulations 2017*, was implemented from 1 April 2017 to deliver the litigation remedy to eligible fee-paid office-holders in the case of O'Brien v Ministry of Justice and related litigation, including in Northern Ireland.

Youth Justice Agency

The Agency contributes to the Teachers' Superannuation Scheme - a contributory scheme administered by the Department of Education. The conditions of the *Superannuation (NI) Order 1972*, the *Teachers' Superannuation Regulations (NI) 1998*, and subsequent amendments apply to the Scheme. The Scheme is presently notionally funded.

The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Department of Finance. For 2017-18, the contribution rates were 17.7% for employers, and range from 10.2% to 11.3% for employees (2016-17: 9.6% to 11.3%). The total employer pension cost during the year was £0.007m (2016-17: £0.024m).

The Agency also previously made employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). NILGOSC is able to identify the share of the assets and liabilities of the scheme for the Agency and as a result a liability is recognised for the share of any deficit in the scheme. The NILGOSC scheme for YJA closed on 1 April 2015 - further details are contained in Note 17 Provisions and Note 18 Contingent Liabilities.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Core Department as well as its agencies and other bodies included within the consolidated Departmental resource account (including senior management, ministers, special advisers, staff on secondment or loan into the Department and agency/temporary staff, but excluding staff on secondment to other organisations).

[Audited information]

Core Department and Agencies					2017-18	2016-17
	Permanently Employed Staff*	Others	Minister	Special Advisers	Total	Total
Safer Communities	267	1	-	-	268	279
Access to Justice	787	52	-	-	839	835
Reducing Offending	1,686	13	-	-	1,699	1,705
Justice Delivery	246	4	-	-	250	297
Total*	2,986	70	-	-	3,056	3,116
Of which:						
Core Department	417	5	-	-	422	472
Agencies	2,569	65	-	-	2,634	2,644
Total*	2,986	70	-	-	3,056	3,116

* Of the total, 15 members of staff (2016-17: 7) were engaged on capital projects.

Staff composition

The number of persons employed at 31 March 2018 by the Core Department and its agencies was as follows:

	Female staff	Male staff	Total staff
Departmental Board	2	5	7
Senior Civil Service	7	14	21
Departmental employees	1,590	1,515	3,105

The breakdown of Senior Civil Service staff by pay scale is as follows:

	Total staff
Pay Scale 1 - £68,961 to £79,058	16
Pay Scale 2 - £88,596 to £101,092	4
Pay Scale 3 - £114,047 to £133,327	1

Managing attendance

[Audited information]

Sickness absence reduction remains a priority for the NICS departments. Provisional outturn statistics for days lost per staff year due to sickness absence in 2017-18 was 14.9 days, representing a continuing downward trend from 15.3 days in 2016-17 and 15.9 days in 2015-16. Figures include uniformed Prison Service staff. Validation of the 2017-18 outturn is still required and it may be the autumn before the official Northern Ireland Statistics and Research Agency figure is available.

Reducing sickness absence continues to be a standing agenda item at the Departmental Board. NICS HR provides a detailed report to the Board and the Department's Strategic HR Business Partner attends monthly Departmental Board Meetings to provide an update on human resource related issues including sick absence.

Managers at all levels have a critical role in addressing the level of sickness absence. HR business partners proactively engage with Directors, Heads of Divisions, Chief Executives, Line Managers and in business areas, offering appropriate advice and support to help manage sickness absence, staff wellbeing and potential measures to reduce absence.

Staff policies

Equal opportunities and diversity

The policy of the NICS and DoJ is that all eligible persons will have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for work. Under the policy, everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere where they are treated with dignity and respect. The Department aims to provide opportunities for all sections of the community and continue to strive to create an inclusive working environment in which difference is recognised and valued.

DoJ is an Equal Opportunity employer and is fully committed to the elimination of all forms of harassment, bullying, discrimination and victimisation. The Department recognises the legal obligations under which it operates and ensures working relationships are based on mutual trust, respect and understanding. This allows the maximum potential to be made of the wide variety of skills, abilities and attributes available within the Department. DoJ aims to ensure that people with a disability suffer no detriment in recruitment and advancement, and that its policies and practices comply with the requirements of the *Disability Discrimination Act 1995*. The consideration and implementation of reasonable adjustments help to ensure that staff with disabilities can fully utilise their skills and abilities.

The Board has recently agreed the revised Departmental Equality and Disability Action Plans which have now been remodelled to reflect the outcomes and commitments as identified under the draft PfG. The Board also continues to support its commitment to diversity; a NICS Diversity Strategy and Action Plan are led by a Board level Champion. The Strategy informs the work of the NICS Diversity Champions Network, which has developed a cross-departmental work programme with commitments to be delivered both corporately and within individual departments.

During 2017-18, the Department, in collaboration with colleagues in Probation Board for Northern Ireland, Public Prosecution Service and Northern Ireland Policing Board, engaged with the wider public at the Belfast Pride and Mela festivals by providing information to raise awareness of the important work of the Department and its agencies. The Department's stand was staffed and included information on themes such as hate crime, modern day slavery and human trafficking and drug awareness. The Department also held several charity events including the annual Christmas Diversity Giving Campaign and awareness events such as highlighting the difficulties of homelessness and the work of the Simon Community.

Pay, workforce planning and performance management

All general service staff in the Department have now been on-boarded to HR Connect. This standardises the use of the performance management module on HR Connect for these staff. Work has now commenced on a project for the future provision of HR and Payroll services for Prison Service operational, industrial and support Grades.

Pay policy

Under the *Civil Service (NI) Order 1999*, DoF is responsible for the pay arrangements of NICS civil servants (apart from those agencies, non-ministerial government departments and other bodies with an agreed pay delegation). The pay award system aims to:

- be a system which will help to recruit, retain and motivate staff to perform efficiently the duties required of them;
- encourage staff to improve their individual performance by providing a direct and regular link between satisfactory performance and pay;
- ensure equity of treatment in respect of pay in accordance with legal requirements and the equal opportunities policy of the NICS;
- secure the confidence of staff that their pay will be determined fairly;
- secure the confidence of the public and their representatives in the system for determining the pay of the staff; and
- enable the Government to reconcile its responsibilities for the control of public expenditure with its responsibilities as an employer.

Current pay scales are available online. NI public sector pay guidance for 2017 is now in place and formal negotiations with trades unions on the 2017 pay award are ongoing.

Pensions and early departure costs

Present and past employees of the Department and its agencies are covered by either the NICS pension arrangements, Civil Service pension arrangements, Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC), Teachers' Superannuation Scheme or Broadly By Analogy (BBA) Pensions. Those entities covered by each scheme meet the costs of pensions provided for the staff they employ by the payment of charges called Accrued Superannuation Liability Charges. This is charged to the Statement of Comprehensive Net Expenditure on an accrued basis annually.

The Department is also required to meet the additional cost of benefits beyond the normal benefits in respect of employees who retire early. The Department provides in full for this cost, charged against the Statement of Comprehensive Net Expenditure, when the early retirement programme has been announced. In addition to information contained within the Remuneration and Staff Report, Notes 1.19, 1.20 and 17 to the Accounts provide further detail on how the pension liabilities are calculated.

Trade union relationships

DoF is responsible for the policy on how the NICS consults and negotiates with its staff through industrial relations. NICS HR has continued to consult on central matters with all recognised Trade Unions (Non-industrial Trades Unions: Northern Ireland Public Service Alliance, First Division Association, Prison Officers' Association; Industrial Trades Unions: Unite the Union and GMB), throughout the year. Arrangements also exist at local level within each Department to consult on matters specific to that Department or individual business area. A Review of NICS Trade Union Arrangements is ongoing. Phase 1 of the review culminated in a new Trade Union Arrangements chapter, published in the NICS HR Handbook in January 2016. Phase 2 of the Review is at the planning stage.

Staff engagement

Work continued on the implementation of the Board's 'Valuing Our People - Staff Engagement Strategy', launched last year and comprising five strands of activities:

- **visible leadership** - this programme continues with Permanent Secretary, the Board and Directors holding meetings with staff at different locations throughout the Department. This provides an opportunity to discuss corporate developments, including updates on the political situation, and gain a deeper understanding of key business issues and challenges within business areas. A Board Question and Answer session was held which provided an opportunity for all staff to put a wide range of questions directly to the Board.
- **communication** - the Department published regular staff bulletins, messages from the Permanent Secretary, Board briefings for staff and updates from the Head of Civil Service via e-mail and intranet. Managers also held regular section and team meetings to communicate with staff, receive feedback, and give staff the opportunity to raise any issues for the attention of senior management. Taken together these served as a communications framework to delivery information to staff on a timely basis.
- **staff engagement forum** - the Department developed and delivered on the Staff Engagement Action Plan including hosting successful events during NICS Staff Engagement Week.
- **wellbeing** - the NICS WELL Programme provides staff with support, education and information on a wide range of health and wellbeing issues as a way of improving our overall health and wellbeing. This is supported by the infrastructure of the NICS Health and Wellbeing Charter, the WELL Support Team, a network of WELL Champions and WELL website, underlining the NICS's commitment to improving the health and wellbeing of its entire staff. The Department's Wellbeing team delivered a substantial programme of events promoting health messages and initiatives.
- **reward and recognition** - the Department's Valuing Our People Awards were held in March 2018. There were 124 members of staff nominated and awards were presented to the winner in each of the 16 categories. The Department launched a campaign to promote and encourage managers to utilise the Honours system and official Garden Party events as a way of rewarding and recognising staff contributions. The Queen's Imperial Service Medal for exemplary service at Administrative Officer level or equivalent was awarded to five former members of staff.

Career development

The NICS is committed to career development, acknowledging that skilled and engaged staff are an essential resource in meeting current and future business needs.

This NICS Career Development Policy emphasises that career development is a collaborative process between individual staff members, line managers, and departments, and takes account of the NICS Competency Framework and Performance Management System. As well as the individual's role in managing their career development, the NICS provides opportunities to enhance the skills, capabilities and performance of staff so that they, in turn, can contribute to achieving corporate objectives.

There is a wide range of career development options available within the NICS and within the Career Development Policy that support various career development interventions including secondment and interchange opportunities, elective transfers, temporary promotion, job rotation, job shadowing, as well as mentoring. In line with the NICS People Strategy 2018 - 2021 further development in the area is planned, including Talent Management Proposals to support a more corporate approach to talent management across the NICS.

Learning and development

The Department continues to be committed to increasing the core skills of staff in line with the NICS and Departmental Corporate Learning and Development priorities by providing generic training and specialist external training.

The NICSHR Centre for Applied Learning (CAL) purpose is to enable the achievement of the PfG outcomes through the delivery of generic learning and development services aligned to the NICS People Strategy. The CAL approach to delivering its services is designed to respond to the changing needs of the NICS.

Off-payroll payments

[Audited information]

The Department had the following 'off-payroll' engagements during the financial year as per the criteria set by the Department of Finance:

Number of engagements at 1 April 2017	3
New engagements during the year	-
Engagements that have come onto the organisation's payroll during the year	-
Engagements that have come to an end during the year	-
Number whose earnings fell below the threshold in 2017-18	(1)
Number of engagements at 31 March 2018	2

Expenditure on consultancy

[Audited information]

In 2017-18, the Department paid £1,000 (2016-17: £7,938) to external consultants. This amount is included in Professional and consultancy costs disclosed within Notes 5 and 6 to the financial statements.

Reporting of Civil Service and other compensation schemes - exit packages

[Audited information]

Core Department and Agencies	2017-18			2016-17
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
Exit package cost band				
below £10,000	-	2	2	2
£10,000 - £25,000	-	1	1	1
£25,000 - £50,000	-	1	1	4
£50,000 - £100,000	-	1	1	1
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
over £200,000	-	-	-	-
Total number of exit packages	-	5	5	8
Total resource cost £	-	£87,640	£87,640	£248,282

Redundancy and other departure costs have been paid in accordance with the provisions of the *Civil Service Compensation Scheme (Northern Ireland)*, a statutory scheme made under the *Superannuation (Northern Ireland) Order 1972*. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. In 2016-17, the Special Advisers received an exit package in accordance with the Code Governing the Appointment of Special Advisers issued under the *Civil Service (Special Advisers) Act (Northern Ireland) 2013*.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT**ASSEMBLY ACCOUNTABILITY****Statement of Assembly Supply**

[The SOAS and related notes are subject to audit]

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the *Government Financial Reporting Manual (FReM)* requires the Department to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show Resource Outturn against the Supply Estimate presented to the Assembly, in respect of each Request for Resources.

Summary of Resource Outturn 2017-18

				2017-18			2016-17	
				£000			£000	
				Estimate			Outturn	
				Outturn			Outturn	
Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn compared with Estimate: saving/(excess)	Net Total
Request for Resources A SOAS 1	1,360,536	(47,566)	1,312,970	1,242,641	(47,565)	1,195,076	117,894	1,272,682
Total Resources SOAS 2	1,360,536	(47,566)	1,312,970	1,242,641	(47,565)	1,195,076	117,894	1,272,682
Non-operating cost Accruing Resources			-			-	-	-

Net Cash Requirement 2017-18

				2017-18		2016-17
				£000		£000
				Estimate		Outturn
				Outturn		Outturn
Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/(excess)		Outturn	
Net Cash Requirement	SOAS 3	1,266,235	1,223,232	43,003	1,249,415	

The notes on pages 73 to 124 form part of these Accounts.

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 Northern Ireland Consolidated Fund (cash receipts being shown in italics):

		2017-18 £000	2017-18 £000
	Note	Income	Income
		<i>Forecast Receipts</i>	<i>Outturn Receipts</i>
Total	SOAS 4	11,000	9,337
		<i>11,000</i>	<i>15,451</i>

Explanations of variances between Estimate and Outturn are given in SOAS 1.

The notes on pages 73 to 124 form part of these Accounts.

SOAS 1 Analysis of Net Resource Outturn by function

						2017-18 £000			2016-17 £000
						Outturn	Estimate		
Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net Total Outturn compared with Estimate	Net Total Outturn compared with Estimate, adjusted for virements	Prior-year Outturn
Departmental Expenditure Limit (DEL):									
Forensic Science Northern Ireland	-	12,915	-	12,915	(9,992)	2,923	3,222	299	2,654
Access to Justice Directorate	6,827	3,228	169	10,224	(1,388)	8,836	13,378	4,542	11,569
Compensation Services	-	2,130	-	2,130	(118)	2,012	2,496	484	2,110
Safer Communities Directorate	7,853	8,655	7,120	23,628	(1,777)	21,851	27,958	6,107	25,100
Northern Ireland Prison Service	10,563	95,353	1,932	107,848	(3,792)	104,056	110,018	5,962	97,112
Youth Justice Agency	-	14,735	-	14,735	(115)	14,620	17,396	2,776	14,411
NI Courts and Tribunals Service	5,181	62,043	-	67,224	(27,585)	39,639	38,994	(645)	41,468
Legal Services Agency Northern Ireland	-	7,538	21	7,559	(2,798)	4,761	6,046	1,285	5,045
Annually Managed Expenditure (AME):									
Safer Communities Directorate	-	225	-	225	-	225	-	(225)	(11)
Northern Ireland Prison Service	-	942	-	942	-	942	10,266	9,324	16,976
Youth Justice Agency	-	(2,934)	-	(2,934)	-	(2,934)	10,295	13,229	11,269
Access to Justice Directorate	-	1,056	-	1,056	-	1,056	5,438	4,382	(1,787)
Compensation Services	-	9,023	-	9,023	-	9,023	22,100	13,077	18,467
NI Courts and Tribunals Service	-	(225)	-	(225)	-	(225)	280	505	96
Legal Services Agency Northern Ireland	-	68,970	-	68,970	-	68,970	111,413	42,443	107,077
Forensic Science Northern Ireland	-	(128)	-	(128)	-	(128)	20	148	299
Non Budget:									
Police Service of Northern Ireland	-	-	724,404	724,404	-	724,404	735,370	10,966	719,009
Police Pensions	-	-	147,796	147,796	-	147,796	145,244	(2,552)	156,491
Office of the Police Ombudsman for Northern Ireland	-	-	8,859	8,859	-	8,859	9,147	288	8,766
Northern Ireland Policing Board	-	-	4,959	4,959	-	4,959	5,642	683	6,005
Probation Board for Northern Ireland	-	-	18,051	18,051	-	18,051	17,967	(84)	17,589
Criminal Justice Inspection Northern Ireland	-	-	1,021	1,021	-	1,021	1,095	74	1,071

The notes on pages 73 to 124 form part of these Accounts.

SOAS 1 Analysis of Net Resource Outturn by function (continued)

	Outturn						2017-18 £000			2016-17 £000
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Outturn	Net Total Outturn compared with Estimate	Estimate	Prior-year Outturn
RUC George Cross Foundation	-	-	125	125	-	125	131	6	6	120
Northern Ireland Police Fund	-	-	1,426	1,426	-	1,426	1,463	37	37	1,485
Police Rehabilitation and Retraining Trust	-	-	1,827	1,827	-	1,827	1,827	-	-	1,848
Notional Charges	10,981	-	-	10,981	-	10,981	15,764	4,783	4,783	8,443
Resource										
Outturn	41,405	283,526	917,710	1,242,641	(47,565)	1,195,076	1,312,970	117,894	117,894	1,272,682

Explanation of the variation between Estimate and Outturn

The analysis above shows that a saving of £117.9m was made on the Net Total Outturn compared with the Estimate (before virements). This is made up of a number of elements including:

- Departmental Expenditure Limit (DEL) - saving of £20.8m;
- Annually Managed Expenditure (AME) - saving of £82.9m; and
- Non-budget - saving of £14.2m.

The main reasons for these variances are outlined below.

Spending in Departmental Expenditure Limits

The most significant element of the variance is the fact that the Department had surplus ringfenced resource DEL (non-cash) funding that cannot be used in other areas.

This is the main reason for the variance in the following areas:

- Access to Justice Directorate;
- Safer Communities Directorate; and
- Northern Ireland Prison Service.

The main reasons for the other variances are:

Youth Justice Agency - the saving includes underspends in staff and non-staff costs and lower than forecast depreciation costs.

Legal Services Agency - the saving relates to underspends in staff and non-staff costs, additional income received in year and lower than forecast depreciation costs.

The notes on pages 73 to 124 form part of these Accounts.

SOAS 1 Analysis of Net Resource Outturn by function (continued)**Spending in Annually Managed Expenditure**

NI Prison Service - the saving was mainly due to underspends in provisions for legal costs which were lower than forecast during 2017-18 plus the impact of the revaluation of land and buildings in the prison estate.

Youth Justice Agency - the saving was mainly due to the provision relating to the transfer of staff from the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme to the NICS pension arrangements. The number of staff transferring was less than forecast, hence the underspend.

Access to Justice Directorate - the saving was mainly due to underspends in provisions for miscarriage of justice and other legal cases which were lower than forecast during 2017-18.

Compensation Services - the saving was mainly due to underspends in provisions, specifically in relation to the impact of the statutory discount rate.

Legal Services Agency - the saving was mainly due to underspends in civil and criminal legal aid provisions, reflecting the downward trend in legal aid costs.

Spending in Non-Budget

Police Service of Northern Ireland - the saving mainly relates to the timing of cash drawdowns to service payables at the year end.

Police Pensions - the excess was mainly due to higher than forecast pension payments.

Notional Charges - the savings was due to lower than anticipated notional charges for shared service costs from the Department of Finance.

SOAS 2 Reconciliation of Net Resource Outturn to Net Expenditure

	Note	Outturn	Supply Estimate	2017-18 £000 Outturn compared with Estimate	2016-17 £000 Outturn
Net Resource Outturn	SOAS 1	1,195,076	1,312,970	117,894	1,272,682
Non-supply expenditure*	6	8,205	8,248	43	8,522
Net Expenditure in SCNE		1,203,281	1,321,218	117,937	1,281,204

* Non-supply expenditure comprises costs in respect of Judicial Salaries.

The notes on pages 73 to 124 form part of these Accounts.

SOAS 3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	2017-18 £000 Net Total Outturn compared with Estimate: saving/ (excess)
Resource Outturn	SOAS 1	1,312,970	1,195,076	117,894
Capital:				
Acquisition of non-current assets	8, 9	29,077	28,160	917
Financial assets	11	-	(62)	62
Non-operating Accruing Resources:				
Net book value of asset disposals	8,9	-	(218)	218
Accruals to cash adjustments:				
Depreciation, impairments and revaluations	4	(41,753)	(22,201)	(19,552)
New provisions and adjustments to previous provisions	4	(158,262)	(77,784)	(80,478)
Notional charges	5,6	(16,080)	(11,296)	(4,784)
Other non-cash items		-	(799)	799
Movement in working capital		25,000	(2,499)	27,499
Use of provision	17	115,283	114,855	428
Net Cash Requirement		1,266,235	1,223,232	43,003

SOAS 4 Income payable to the Consolidated Fund**SOAS 4.1 Analysis of income payable to the Consolidated Fund**

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

	Note	Forecast 2017-18 £000		Outturn 2017-18 £000	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess Accruing Resources	SOAS 5	-	-	-	-
Non-operating income and receipts - excess Accruing Resources	SOAS 6	-	-	9	9
		-	-	9	9
Other non-operating income and receipts not classified as Accruing Resources		-	-	132	182
Amounts collected on behalf of the Consolidated Fund	SOAS 4.2	8,000	8,000	6,296	10,516
Excess cash surrenderable to the Consolidated Fund		3,000	3,000	2,900	4,744
Total income payable to the Consolidated Fund		11,000	11,000	9,337	15,451

The notes on pages 73 to 124 form part of these Accounts.

SOAS 4.2 Consolidated Fund Income

This note provides details of income collected by the Northern Ireland Courts and Tribunals Service (NICTS) acting as an agent for the Northern Ireland Consolidated Fund (NICF). The related financial information will be separately disclosed in Trust Statements prepared by NICTS in line with an Accounts Direction issued by the Department of Finance. It is expected that the Trust Statements for 2017-18 will be audited and published before the end of 2018.

NICTS accepts payment for fines imposed in the Magistrates and Crown courts for onward transmission to the NICF via the Core Department. Fines imposed can be cleared either by payment or by means other than payment including committal to prison. NICTS also receives payments for fines that are imposed externally to the Courts including fixed penalties imposed for motoring offences.

Consolidated Fund Income shown in SOAS 4.1 includes amounts collected by the Department in the instances described above, as it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) are outlined below.

[Unaudited information]

	2017-18 £000	2016-17 £000 <i>Restated</i>
<u>Revenue</u>		
Fines and penalties	8,713	9,661
Confiscation orders	1,274	2,692
	9,987	12,353
<u>Less</u>		
Expenditure	(2,215)	(1,244)
Disbursements	(2,215)	(2,675)
	(4,430)	(3,919)
Net Revenue for the Consolidated Fund	5,557	8,434
Movement in working capital adjustment	739	(1,973)
Amount payable to the Consolidated Fund	6,296	6,461
Balance held on Trust at 1 April	647	532
Payments into the Consolidated Fund	(6,677)	(6,346)
Balance held on Trust at 31 March	266	647

The notes on pages 73 to 124 form part of these Accounts.

SOAS 5 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2017-18 £000	2016-17 £000
Operating income	7	47,565	44,375
Adjustment for transactions between Requests for Resources		-	-
Gross income		47,565	44,375
Income authorised to be Accruing Resources	SOAS 1	(47,565)	(44,375)
Operating income payable to the Consolidated Fund	SOAS 4.1	-	-

SOAS 6 Non-operating income - Excess Accruing Resources

	Note	2017-18 £000	2016-17 £000
Proceeds on disposal of property, plant and equipment		9	4
Non-operating income - excess Accruing Resources	SOAS 4.1	9	4

The notes on pages 73 to 124 form part of these Accounts.

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and Special Payments

[Audited information]

Losses statement

Core Department and Agencies	2017-18		2016-17	
	Number of cases	£000	Number of cases	£000
Cash losses	5	3	8	1
Administrative write-offs	168	769	221	786
Fruitless payments	8	1	4	1
Total	181	773	233	788

There were no individual losses in either year exceeding £0.250m.

Special payments

Core Department and Agencies	2017-18		2016-17	
	Number of cases	£000	Number of cases	£000
Compensation payments	1,941	18,591	2,184	17,082
Miscarriages of justice	1	213	2	1,381
Ex gratia	-	-	1	16
Total	1,942	18,804	2,187	18,479

Compensation payments

During 2017-18, final compensation payments were made in 1,468 cases (2016-17: 1,326) by Compensation Services. The total amount of compensation paid in these cases was £12.274m (2016-17: £13.270m).

Included in the litigation provision in Note 17 are special payments made by the Northern Ireland Prison Service. Amounts utilised during the year included 404 compensation payments (2016-17: 845 totalling £2.999m (2016-17: £3.504m). There were no individual payments exceeding £0.250m in 2017-18 (2016-17: None).

During 2017-18, final compensation payments were made in 43 cases (2016-17: 9 cases) by Northern Ireland Courts and Tribunals Service. The total amount of compensation paid in these cases was £1.764m (2016-17: £0.142). One payment of £0.325m was in relation to a longstanding Official Solicitor's Office fraud case which settled during the year. Another payment of £1.128m was settlement for a case successfully taken by a number of judicial office holders to an Industrial Tribunal under the *Part Time Workers (Prevention of Less Favourable Treatment) Regulations (Northern Ireland) 2000*.

Miscarriages of justice

There were no miscarriage of justice payments during 2017-18 in excess of £0.250m (2016-17: 2). Further details are contained in Note 17.5.

The notes on pages 73 to 124 form part of these Accounts.

Fees and charges

[Audited information]

An analysis of income from services provided to external and public sector customers is as follows:

	2017-18			2016-17		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
AccessNI	3,498	(2,701)	797	3,318	(2,209)	1,109
NI Courts and Tribunals Service	21,738	(26,659)	(4,921)	20,043	(27,352)	(7,309)
Forensic Science NI	10,521	(13,038)	(2,517)	10,510	(13,157)	(2,647)
Total	35,757	(42,398)	(6,641)	33,871	(42,718)	(8,847)

The above information is provided for fees and charges purposes, and not for IFRS 8 *Operating Segments* purposes.

AccessNI

AccessNI commenced operations on 1 April 2008, delivering a criminal history disclosure service for Northern Ireland under powers legislated in Part V of the *Police Act 1997*. The AccessNI Business Model requires the organisation to operate on a Full Cost Recovery Basis in compliance with the requirements set out in *Managing Public Money Northern Ireland*. Volunteers are not charged for AccessNI checks.

Northern Ireland Courts and Tribunals Service

The civil business fee recovery target above is based on expenditure net of exemptions and remissions. Applicants in receipt of certain means-tested benefits are entitled to automatic fee exemption. Total fee exemptions during 2017-18 amounted to £0.072m (2016-17: £0.046m). Remission of fees is considered on an individual basis and is granted in cases of hardship. Total fees remitted during 2017-18 amounted to £0.006m (2016-17: £0.009m).

Forensic Science Northern Ireland

Forensic Science Northern Ireland (FSNI) is working towards the financial aim of full cost recovery and to this end is currently renegotiating contracts with customers on a transactional pricing basis. Whilst there is a deficit of £2.517m (2016-17: £2.647m) on its Statement of Comprehensive Net Expenditure, this is offset by non-cash charges. Funding is provided by the Department to reflect the fact that the current pricing arrangement with customers was agreed prior to the introduction of resource accounting and therefore did not include depreciation.

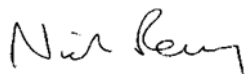
Remote contingent liabilities

[Audited information]

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Department had no significant remote contingent liabilities during 2017-18 that require disclosure. Note 18 provides further details regarding the contingent liabilities that are included within the financial statements.

The notes on pages 73 to 124 form part of these Accounts.

ACCOUNTABILITY REPORT



**Nick Perry CB
Accounting Officer**

27 June 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Justice for the year ended 31 March 2018 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2018 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.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2018 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities 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 of Justice in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, 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 opinions.

Other information

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

In connection with my audit of the financial statements, 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, 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.

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

Opinion on other matters

In my opinion:

- 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

I am required to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**Matters on which I report by exception**

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

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

Report

I have no observations to make on these financial statements.



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

4 July 2018

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

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.

		2017-18 £000	2016-17 £000
	Note	Core Department and Agencies	Core Department and Agencies
Income from sale of goods and services	3	(2,640)	(2,638)
Other operating income	3	(44,925)	(41,737)
Total operating income		(47,565)	(44,375)
Staff costs	3	125,374	146,146
Purchase of goods and services	3	103,888	99,559
Depreciation and impairment charges	3	22,201	33,668
Provisions expense	3	80,752	123,894
Grants	3	917,710	922,136
Total operating expenditure		1,249,925	1,325,403
Net operating expenditure		1,202,360	1,281,028
Finance expense	3	921	176
Net expenditure for the year		1,203,281	1,281,204
Other comprehensive net expenditure			
Items that will not be reclassified to Net operating expenditure:			
- net (gain)/loss on revaluation of property, plant and equipment	8	(28,731)	(464)
- net (gain)/loss on revaluation of intangibles	9	(200)	(191)
- actuarial (gain)/loss on pension liability	17	10,818	14,375
Comprehensive net expenditure for the year		1,185,168	1,294,924

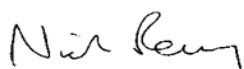
The notes on pages 73 to 124 form part of these Accounts.

Consolidated Statement of Financial Position

As at 31 March 2018

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

		2018 £000	2017 £000
	Note	Core Department and Agencies	Core Department and Agencies
Non-current assets			
Property, plant and equipment	8	504,529	472,472
Intangible assets	9	15,103	14,248
Trade and other receivables	15	1	3
Financial assets	11	23	29
Total non-current assets		519,656	486,752
Current assets			
Assets classified as held for sale	12	1,760	-
Inventories	13	992	1,173
Trade and other receivables	15	21,915	15,230
Financial assets	11	17	63
Cash and cash equivalents	14	3,775	24,952
Total current assets		28,459	41,418
Total assets		548,115	528,170
Current liabilities			
Cash and cash equivalents	14	(12,527)	(3,865)
Trade and other payables	16	(50,694)	(69,317)
Provisions	17	(91,203)	(87,257)
Total current liabilities		(154,424)	(160,439)
Total assets less current liabilities		393,691	367,731
Non-current liabilities			
Provisions	17	(136,315)	(167,099)
Other payables	16	(13,797)	(15,195)
Total non-current liabilities		(150,112)	(182,294)
Total assets less total liabilities		243,579	185,437
Taxpayers' equity and other reserves			
General fund		33,573	(3,341)
Revaluation reserve		210,006	188,778
Total equity		243,579	185,437



Nick Perry CB
Accounting Officer

27 June 2018

The notes on pages 73 to 124 form part of these Accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

The Statement 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.

		2017-18 £000	2016-17 £000 <i>Restated</i>
	Note	Core Department and Agencies	Core Department and Agencies
Cash flows from operating activities			
Net expenditure for the year		(1,203,281)	(1,281,204)
Adjustment for non-cash transactions	4	112,298	183,816
(Increase)/decrease in trade and other receivables	15	(6,683)	(8,032)
<i>Movement in receivables relating to items not passing through the SCNE</i>		4,902	5,415
(Increase)/decrease in inventories	13	181	81
Increase/(decrease) in trade and other payables	16	(20,021)	10,037
<i>Movement in payables relating to items not passing through the SCNE</i>		28,325	(29,689)
Use of provisions	17	(115,440)	(118,812)
Net cash outflow from operating activities		(1,199,719)	(1,238,388)
Cash flows from investing activities			
Purchase of property, plant and equipment		(27,108)	(14,217)
Purchase of intangible assets		(3,953)	(4,872)
Proceeds of disposal of property, plant and equipment		9	4
Repayments from other bodies	11	62	202
Net cash outflow from investing activities		(30,990)	(18,883)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,211,398	1,269,815
From the Consolidated Fund (Supply) - prior year		(20,399)	(482)
From the Consolidated Fund (non-Supply)		8,790	9,072
Capital element of payments in respect of "on-balance sheet" (SoFP) PPP/PFI contracts		(1,305)	(1,214)
Net financing		1,198,484	1,277,191
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(32,225)	19,920
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		15,442	6,596
Payments of amounts due to the Consolidated Fund		(13,056)	(6,562)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(29,839)	19,954
Cash and cash equivalents at the beginning of the period	14	21,087	1,133
Cash and cash equivalents at the end of the period	14	(8,752)	21,087

The notes on pages 73 to 124 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Department, 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 the Department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2016		17,995	195,127	213,122
Net Assembly Funding - drawn down		1,269,333	-	1,269,333
Net Assembly Funding - deemed		482	-	482
Consolidated Fund Standing Services		9,072	-	9,072
Supply (payable) adjustment	16	(20,399)	-	(20,399)
Excess Accruing Resources	16	(4)	-	(4)
Comprehensive net expenditure for the year		(1,295,579)	655	(1,294,924)
Auditor's remuneration	5, 6	312	-	312
Other notionals		8,443	-	8,443
Transfer between reserves		7,004	(7,004)	-
Balance at 31 March 2017		(3,341)	188,778	185,437
Net Assembly Funding - drawn down		1,190,999	-	1,190,999
Net Assembly Funding - deemed		20,399	-	20,399
Consolidated Fund Standing Services		8,790	-	8,790
Supply receivable adjustment	15	11,835	-	11,835
Excess Accruing Resources	16	(9)	-	(9)
Comprehensive net expenditure for the year		(1,214,099)	28,931	(1,185,168)
Auditor's remuneration	5, 6	315	-	315
Other notionals	5, 6	10,981	-	10,981
Transfer between reserves		7,703	(7,703)	-
Balance at 31 March 2018		33,573	210,006	243,579

The notes on pages 73 to 124 form part of these Accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Justice 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 show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

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

The Accounts are stated in sterling, which is the Department's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

1.2 Basis of consolidation

These Accounts comprise a consolidation of the non-agency parts of the Department (the Core Department) and those entities which fall within the Departmental boundary as defined in the *FReM*, interpreted for Northern Ireland. Transactions between entities included in the consolidation are eliminated.

A list of the entities within the Departmental boundary is given at Note 25.

1.3 Property, plant and equipment

Property, plant and equipment comprises land, buildings, vehicles, plant and machinery, information technology and assets under construction.

The Department of Justice occupies a number of properties within the Northern Ireland Executive Estate. These are managed by the Department of Finance (DoF). The costs of occupancy of such properties are recovered on a notional basis from the Department of Justice by DoF. Terms of occupancy of these buildings are outlined in an agreement known as the 'Memorandum of Terms of Occupancy'.

Consolidation of asset categories

The property, plant and equipment note requires the amalgamation of asset categories under the vehicles, plant and machinery heading. The asset categories represented by this heading include:

- plant and machinery;
- motor vehicles;
- furniture and fittings;
- office equipment;
- security equipment; and
- antiques.

1.4 Valuation of property, plant and equipment

Expenditure on property, plant and equipment of over £1,000 is capitalised. Within the Core Department the grouping of a range of property, plant and equipment has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

In compliance with IAS 16 *Property, Plant and Equipment*, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is treated as revenue.

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

All property, plant and equipment are carried at fair value. Professional valuations of land and buildings are carried out independently by Land and Property Services (LPS) within the Department of Finance. Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Institute of Revenues Rating and Valuation and the Incorporated Society of Valuers and Auctioneers. Land and buildings are restated to current value using professional valuations, in accordance with IAS 16, every 5 years and in the intervening years by the use of indices provided by LPS, specific to the Northern Ireland property sector.

In addition, a number of properties owned by the Department have been valued by LPS for the purposes of these Accounts. Properties regarded as operational are valued on the basis of existing use, unless there is no market for the property or they are deemed to be specialised, in which case they are valued on a depreciated replacement cost basis.

NIPS has considered the impact of analysing property, plant and equipment assets into identifiable components with different useful lives and accounting for them separately. NIPS has componentised new buildings and significant enhancements to existing buildings and added them to the property, plant and equipment register from 1 April 2010 analysed between building structure, engineering systems, equipment and security installations and external works.

FSNI has depreciated separately identified components of its buildings assets according to the useful life of that component, with individual lives applied to each component.

Antiques held by NICTS are included in the furniture and fittings classification and are professionally valued every five years. The valuation was carried out at 31 March 2014 by John Ross & Co.

Upward revaluations are credited to the Revaluation Reserve and permanent reductions in the value of property, plant and equipment are charged to the Statement of Comprehensive Net Expenditure. Any subsequent revaluation of assets is credited to the Statement of Comprehensive Net Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense.

1.5 Intangible assets

Expenditure on computer software licenses lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

All intangible assets are carried at fair value. Software licences are revalued annually using appropriate indices provided by the Office for National Statistics (ONS).

1.6 Depreciation and amortisation

All property, plant and equipment and intangible assets are depreciated/amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point when the asset is brought into use.

Estimated useful lives, which are reviewed regularly, are:

Asset category	Useful Life
Land	No depreciation
Buildings (including temporary buildings)	10 - 80 years
Vehicles, plant and machinery	2 - 40 years
Information technology	1 - 16 years
Assets under construction	No depreciation
Intangible assets (software and licences)	1 - 15 years

1.7 Realised element of depreciation from Revaluation Reserve

Depreciation is charged to expenditure on the revalued amount of property, plant and equipment. An element of depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on disposal and is transferred from the Revaluation Reserve to the General Fund.

1.8 Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation is not charged once an asset has been classified as held for sale.

1.9 Inventories

Inventories shown on the Statement of Financial Position relate to essential inventories held by the Northern Ireland Prison Service and Forensic Science Northern Ireland. These are valued at the lower of cost or net realisable value. Inventories which are deemed consumable are written off in the year of purchase.

In addition, Forensic Science Northern Ireland holds exhibits on behalf of a third-party but the exhibits are not included in the financial statements of either the Agency or the Department.

Assets seized by the Enforcement of Judgments Office (within Northern Ireland Courts and Tribunals Service) are not included in inventories on the basis that they are not owned by the Department, but are held for resale in settlement of third-party creditors. Third-party assets held by the Enforcement of Judgments Office at the year end are disclosed in Note 24.

1.10 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 and intangible assets. VAT is recoverable on a Departmental basis.

1.11 Leases

Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

Finance leases

Leases of property, plant and equipment where the Department holds substantially all the risks and rewards of ownership are classified as finance leases.

Finance lease assets are capitalised at the commencement of the lease term at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease commitment is included in the Statement of Financial Position as a finance lease obligation. Depreciation on capitalised leased assets is charged in line with the depreciation policy for similar assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding obligation so as to achieve a constant rate of interest on the remaining balance of the liabilities.

1.12 Public Private Partnership (PPP)/Public Finance Initiatives (PFI) transactions

Where the balance of control of the PPP/PFI scheme is borne by the Department, the scheme is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease, in accordance with IFRIC 12 *Service Concession Arrangements*. Contract payments are apportioned between an imputed finance lease charge and a service charge. The services received under the contract are recorded as operating expenses. Further details of current ongoing agreements are shown in Note 20 to the Accounts.

1.13 Provisions

Provision is made 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 the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the general provision discount rates as set out by HM Treasury which varies by the term of the liability, as shown in the table below:

Rate	Term	Real Rate
Short-term	Up to 5 years	(2.42%)
Medium-term	5 to 10 years	(1.85%)
Long-term	Over 10 years	(1.56%)

1.14 Contingent liabilities

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses as contingent liabilities, potential future obligations arising from past obligating events where the existence of such obligations remain uncertain pending the outcome of future events outside the Department's control, unless their likelihood is considered to be remote.

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

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

1.15 Third-party assets

Third-party assets are assets for which the Department acts as custodian or trustee, but in which neither the Department nor Government more generally has a direct beneficial interest. Third-party assets are not public assets, and hence are not recorded in the primary financial statements. In the interests of general disclosure and transparency, details of the Department's third-party assets are provided in Note 24.

1.16 Administration and programme analysis

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 under the administrative cost control regime set by the Department of Finance. Broadly, administration expenditure reflects the costs of running the Department while programme costs relate directly to service delivery activities.

For the purposes of these financial statements, income and expenditure relating to Forensic Science Northern Ireland, Legal Services Agency Northern Ireland and Youth Justice Agency is regarded as programme whilst Northern Ireland Prison Service and Northern Ireland Courts and Tribunals Service are regarded as both administrative and programme.

1.17 Financing and operating income

Financing

The Department is primarily resourced by funds approved by the Assembly through the annual Supply process. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. In addition, the Department is financed by non-supply funding from the Northern Ireland Consolidated Fund in respect of the costs relating to Judicial Salaries.

Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full cost basis to external customers as well as public repayment work. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income. Operating income is stated net of VAT.

Consolidated Fund Extra Receipts which do not fall to be treated as operating income are payable directly to the Consolidated Fund. These amounts comprise sundry receipts which have not been

incorporated into the Estimate due to their irregular nature and/or uncertainty of receipt. Fines income received by Northern Ireland Courts and Tribunals Service is not treated as Accruing Resources for the purposes of these Accounts. All fine income is payable to the Northern Ireland Consolidated Fund via the Department as consolidated fund extra receipts. Further details are contained in SOAS 4.2.

1.18 Staff costs

Under IAS 19 *Employee Benefits*, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the costs of any untaken leave as at the reporting date. The cost of untaken leave has been determined from a sample of staff leave records.

1.19 Pension costs

Past and present employees of the Department are covered by the provisions of the NICS pension arrangements, which are defined benefit schemes. The 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 NICS pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the NICS pension arrangements. In respect of defined contribution schemes, the Department recognises the contributions payable for the year.

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the classic schemes in the NICS pension arrangements. The Department and members are obliged to make contributions in line with the NICS pension scheme. Provision has been made for the future cost of benefits under these schemes.

The Youth Justice Agency (YJA) and Legal Services Agency Northern Ireland (LSANI) previously made employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). NILGOSC is able to identify the share of the assets and liabilities of the scheme for both agencies and as a result a liability is recognised for their share of the deficit in the scheme. The NILGOSC schemes for both YJA and LSANI closed on 1 April 2015 - further details are contained in Note 17 Provisions and Note 18 Contingent Liabilities.

The Teachers' Superannuation Scheme is a contributory scheme administered by the Department of Education on behalf of the Youth Justice Agency. The conditions of the *Superannuation (NI) Order 1972*, the *Teachers' Superannuation Regulations (NI) 1998*, and subsequent amendments apply to the scheme.

Further details regarding the above schemes are contained in the Staff Report and Note 17 to the Accounts.

1.20 Early departure costs

The Department and its agencies are required to meet the additional cost of benefits beyond the normal NICS pension arrangements and NILGOSC benefits in respect of employees who retire early by paying the required amounts annually to the NICS pension arrangements and NILGOSC over the period between early departure and normal retirement age, and in some cases for the lifetime of the retired staff member and his/her spouse. The Department and its agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

1.21 Grants payable and paid

The Department recognises grants due to its executive non-departmental public bodies in the period in which they are paid.

The Department also makes a number of grants to a variety of public sector, private sector and voluntary bodies. These grants are recognised at the point in which an authorised request is received from the recipient body, in accordance with the relevant financial memoranda.

1.22 Notional charges

Notional charges, in respect of services received from other Government departments and agencies, are included to reflect the full economic cost of services.

1.23 Segmental reporting

Under the requirements of IFRS 8 *Operating Segments*, the Department must disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business in which it engages and the economic environment in which it operates. 'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the Chief Operating Decision Maker. As total assets for segments are not regularly reported to the Chief Operating Decision Maker the Department has adopted this option. This does not have a material impact on the Department's financial statements. Full details of the reporting segments are contained within Note 2.

1.24 Financial instruments

Recognition and de-recognition of financial assets and financial liabilities

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when the Department becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Department no longer has rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management. Financial assets held in this category are initially recognised and subsequently measure at fair value, with changes in value recognised in the income statement in the line which most appropriately reflects the nature of the item or transaction.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the Statement of Comprehensive Net Expenditure in a manner which most appropriately reflects the nature of the item or transaction.

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective method less provisions for doubtful receivables. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts.

Impairment of financial assets

The Department assesses at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Comprehensive Net Expenditure. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is only reversed if it can be related objectively to an event after the impairment was recognised and is reversed to the extent that carrying value of the asset does not exceed its amortised cost at the date of reversal.

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

Impairment losses are recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. If a financial asset is deemed unrecoverable, the amount of the asset is reduced directly and the impairment loss recognised in the Statement of Comprehensive Net Expenditure to the extent a provision was not previously recognised.

Financial liabilities***Trade and other payables***

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transactions costs. Where loans and other borrowings contain a separable embedded derivative, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the loan or borrowing. The fair value of the embedded derivative and the loan or borrowing is recorded separately on initial recognition.

1.25 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Department's accounting policies. The Department continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts are discussed below.

(i) - Provisions for legal aid

The Legal Services Agency Northern Ireland (LSANI) continually evaluates its estimates, assumptions and judgements for the calculation of legal aid provisions based on available information and experience.

There are a number of key assumptions applied in the calculation of the provisions which are detailed below:

- lifecycle of certificates - an analysis of the reports authorised for payment, aged to the certificate granted date to determine a lifecycle per certificate within each business area of the LSANI;
- average costs - based on an analysis of historical payment values and volumes a series of average costs within defined bands are calculated by category within each business area. This series of averages is then applied to the certificate volume to be provided in line with the latest historical payment profile; and
- no bills adjustments - this specifically relates to Civil legal aid certificates and cases that are concluded with a Direct Authority designation. These are cases where the legally aided party wins the case and their legal costs are met by the non-legally aided party and not by the legal aid fund. An analysis of historical data determines a percentage reduction covering the expected incidence of Direct Authority cases which is then incorporated in the provisions calculations.

(ii) - Provisions for compensation payments made by Compensation Services

Provisions have been made for compensation which will be payable at a future date. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(iii) - Pension and other post-retirement benefits

The Department accounts for pension and other post-retirement benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of the pension schemes a number of assumptions are used which include the discount rate, salary growth, price inflation, the expected return on the schemes' investments and mortality rates.

(iv) - Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation is provided in the consolidated accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.6.

Other than as noted above, no material accounting estimates or judgements were made by the Department in preparing these accounts.

1.26 Accounting Standards, interpretations and amendments to published Standards and *FReM*

Review of Financial Process:

Standard	Comments
IFRS 10 - <i>Consolidated Financial Statements</i> IFRS 11 - <i>Joint Arrangements</i> IFRS 12 - <i>Disclosure of Interests in Other Entities</i>	<p>The International Accounting Standards Board (IASB) issued new and amended Standards (IFRS 10, IFRS 11 and 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.</p> <p>Accounting boundaries for IFRS purposes are currently adapted in the <i>FReM</i> so that the Westminster departmental accounting boundary is based on Office of National Statistics control criteria, as designated by HM Treasury. A similar review in NI, 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 2020-21, the accounting boundary for departments will change to include NDPBs and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.</p>

There were no accounting initiatives issued and effective in 2017-18 for the first time.

1.27 Accounting Standards, interpretations and amendments to published Standards not yet effective

The Department has considered those new Standards, interpretations and amendments to existing Standards which have been published and are mandatory for the Department's accounting periods beginning on or after 1 April 2018 or later periods, but which the Department has not adopted early. Other than as outlined below, the Department considers that these Standards are not relevant or material to its operations.

Standard	IFRS 9 - Financial Instruments
Effective date	1 January 2018 (EU endorsed 22 November 2016)
<i>FReM</i> application	2018-19
Description of revision	<p>IFRS 9 includes several improvements, and introduces substantially greater disclosure requirements, to the previous IAS 39 which includes:</p> <ul style="list-style-type: none"> • a single approach to classification and measurement; • a new forward-looking 'expected loss' impairment model; and • a revised approach to hedge accounting. <p>The application of this standard is retrospective (without restatement). This has been mandated in the <i>FReM</i> with approval from the Financial Reporting Advisory Board.</p>
Comments	IFRS 9 will affect all public sector bodies that have any financial Instruments (including trade receivables, lease receivables, loan commitments and contract assets).

Standard	IFRS 16 - Leases (replaces IAS 17 Leases and related interpretations)
Effective date	1 January 2019 (EU endorsed 31 October 2017)
FReM application	2019-20
Description of revision	<p>The IASB issued IFRS 16 in January 2016 with an effective date for annual periods beginning on or after 1 January 2019. Early application is permitted for those entities applying IFRS 15.</p> <p>IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position. There are corresponding changes to the disclosure requirements to show the effect that leases have on the financial position, financial performance and cash flows of the lessee.</p> <p>The lessor accounting model is significantly unchanged from IAS 17 but entities should be aware of the introduction and impacts of IFRS 9 Financial Instruments and the enhanced disclosure requirements.</p>
Comments	The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 during 2018 in advance of the effective date.

1.28 Financial reporting - future developments

The Department has considered the accounting initiatives identified by HM Treasury for which the Standards are under development and considers that these changes are not relevant or material to its operations.

2. Statement of Operating Costs by Operating Segment

The following operating segments are reported to the Departmental Board and Strategic Resources Committee for financial management purposes:

- Safer Communities Directorate;
- Access to Justice Directorate;
- Reducing Offending Directorate; and
- Justice Delivery Directorate.

The segmental analysis below includes an elimination of £0.835m (2016-17: £0.828m) in respect of intra-departmental income and £1.809m (2016-17: £4.336m) in respect of intra-departmental expenditure transactions occurring between bodies within the Departmental boundary for accounts purposes.

					2017-18 £000
	Safer Communities Directorate	Access to Justice Directorate	Reducing Offending Directorate	Justice Delivery Directorate	Core Department and Agencies
Gross expenditure	939,194	161,003	119,720	30,929	1,250,846
Income	(10,382)	(30,382)	(2,520)	(4,281)	(47,565)
Net expenditure	928,812	130,621	117,200	26,648	1,203,281

					2016-17 £000
	Safer Communities Directorate	Access to Justice Directorate	Reducing Offending Directorate	Justice Delivery Directorate	Core Department and Agencies
Gross expenditure	943,730	196,246	145,102	40,501	1,325,579
Income	(10,257)	(27,331)	(2,587)	(4,200)	(44,375)
Net expenditure	933,473	168,915	142,515	36,301	1,281,204

2. Statement of Operating Costs by Operating Segment (continued)

Description of segments

(i) - **Safer Communities Directorate** is responsible for the lead interface with PSNI and for work on Community Safety.

Financial information relating to the following agency and NDPBs is reported within this segment:

- Forensic Science Northern Ireland;
- Northern Ireland Police Fund;
- Northern Ireland Policing Board;
- Office of the Police Ombudsman for Northern Ireland;
- Police Rehabilitation and Retraining Trust;
- Police Service of Northern Ireland;
- Probation Board for Northern Ireland; and
- RUC George Cross Foundation.

(ii) - **Access to Justice Directorate** is responsible for criminal justice policy and legislation, and improving access to justice through design of the court and tribunal structures and reform of the legal aid system.

Financial information relating to the following agency and NDPBs is reported within this segment:

- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Courts and Tribunals Service; and
- Legal Services Agency Northern Ireland.

(iii) - **Reducing Offending Directorate** is responsible for the oversight of the Prison Service, responsible for the management of offenders in custody and the reform and operation of prisons across Northern Ireland, and the Youth Justice Agency. It also leads the development of Reducing Offending policy in the Department.

Financial information relating to the following agencies is reported within this segment:

- Northern Ireland Prison Service; and
- Youth Justice Agency.

(iv) - **Justice Delivery Directorate** provides Finance, HR, IT and other central services to the Department. Financial information relating to AccessNI and Compensation Services for victims of crime is included in this segment.

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

	Safer Communities Directorate	Access to Justice Directorate	Reducing Offending Directorate	Justice Delivery Directorate	2017-18 £000 Core Department and Agencies
Total net expenditure reported for Operating Segments	928,812	130,621	117,200	26,648	1,203,281
Reconciling items	-	-	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	928,812	130,621	117,200	26,648	1,203,281

	Safer Communities Directorate	Access to Justice Directorate	Reducing Offending Directorate	Justice Delivery Directorate	2016-17 £000 Core Department and Agencies
Total net expenditure reported for Operating Segments	933,473	168,915	142,515	36,301	1,281,204
Reconciling items	-	-	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	933,473	168,915	142,515	36,301	1,281,204

2.2 Reconciliation between Operating Segments and Consolidated Statement of Financial Position

'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the Chief Operating Decision Maker. As total assets for segments are not regularly reported to the Chief Operating Decision Maker, the Department has adopted this option. This does not have a material impact on the Department's financial statements.

3. Summary of operating income and expenditure

		2017-18 £000		
		Core Department and Agencies		
	Note	Administration	Programme	and Agencies
Income from sale of goods and services	7	(243)	(2,397)	(2,640)
Other operating income	7	(491)	(44,434)	(44,925)
Total operating income		(734)	(46,831)	(47,565)
Staff costs	4	22,616	102,758	125,374
Purchase of goods and services	5, 6	14,967	88,921	103,888
Depreciation and impairment charges	5, 6	1,338	20,863	22,201
Provisions expense	6	-	80,752	80,752
Grants	6	-	917,710	917,710
Total operating expenditure		38,921	1,211,004	1,249,925
Net operating expenditure		38,187	1,164,173	1,202,360
Finance expense	5, 6	(1)	922	921
Net expenditure for the year		38,186	1,165,095	1,203,281

		2016-17 £000		
		Core Department and Agencies		
	Note	Administration	Programme	and Agencies
Income from sale of goods and services	7	(259)	(2,379)	(2,638)
Other operating income	7	(559)	(41,178)	(41,737)
Total operating income		(818)	(43,557)	(44,375)
Staff costs	5, 6	24,518	121,628	146,146
Purchase of goods and services	5, 6	13,140	86,419	99,559
Depreciation and impairment charges	5, 6	1,163	32,505	33,668
Provisions expense	6	-	123,894	123,894
Grants	6	-	922,136	922,136
Total operating expenditure		38,821	1,286,582	1,325,403
Net operating expenditure		38,003	1,243,025	1,281,028
Finance expense	5, 6	(93)	269	176
Net expenditure for the year		37,910	1,243,294	1,281,204

4. Non-cash costs

			2017-18 £000
	Note	Administration	Programme and Agencies
Minister's salary		-	-
Pension provision and employer service cost	6	-	(2,968)
Purchase of goods and services	5, 6	8,733	3,590
Depreciation and impairment charges	5, 6	1,338	20,863
Provisions expense	6	-	80,752
Finance expense	5, 6	-	(10)
Total		10,071	102,227

			2016-17 £000
	Note	Administration	Programme and Agencies
Minister's salary		42	-
Pension provision and employer service cost	6	-	16,643
Purchase of goods and services	5, 6	6,780	2,793
Depreciation and impairment charges	5, 6	1,163	32,505
Provisions expense	6	-	123,894
Finance expense	5, 6	-	(4)
Total		7,985	175,831

5. Other administration expenditure

		2017-18 £000	2016-17 £000 <i>Restated</i>
	Note	Core Department and Agencies	Core Department and Agencies
Staff costs*			
Wages and salaries		17,085	18,449
Social security costs		1,733	1,896
Other pension costs		3,798	4,173
		22,616	24,518
Purchase of goods and services			
Staff related costs		647	607
Rentals under operating leases		172	170
Accommodation costs, maintenance and utilities		581	504
IT, communications and office services		1,247	1,095
Contracted out and managed services		2,172	2,570
Professional and consultancy costs		629	962
Consumables, materials and equipment costs		712	415
Other		74	37
		6,234	6,360
Non-cash items:			
Loss on disposal of non-current assets	8, 9	-	1
Auditor's remuneration and expenses		201	210
Notional charges		8,532	6,569
		8,733	6,780
		14,967	13,140
Depreciation and impairment charges			
Depreciation	8	767	805
Amortisation	9	607	393
Revaluation released to SCNE	8, 9	(36)	(35)
		1,338	1,163
Finance expense		(1)	(93)
Total administration expenditure		38,920	38,728

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

6. Programme expenditure

		2017-18 £000	2016-17 £000 <i>Restated</i>
	Note	Core Department and Agencies	Core Department and Agencies
Staff costs*			
Wages and salaries		81,489	80,706
Social security costs		8,052	7,971
Other pension costs		16,185	16,308
Pension provision		(2,968)	16,643
		102,758	121,628
Purchase of goods and services			
Staff related costs		2,296	2,189
Rentals under operating leases		1,320	1,299
Accommodation costs, maintenance and utilities		17,203	15,716
IT, communications and office services		5,344	3,783
Contracted out and managed services		8,791	11,673
PFI service charges		2,953	2,591
Professional and consultancy costs		4,900	4,236
Consumables, materials and equipment costs		2,712	2,405
Commissions and Tribunals costs		7,983	9,481
Client and other programme operating costs		14,355	14,703
Judicial costs		6,866	6,727
Judicial costs - Consolidated Fund		8,205	8,522
Other		2,403	301
		85,331	83,626
Non-cash items:			
Loss on disposal of non-current assets	8, 9	209	26
Auditor's remuneration and expenses		114	102
Notional charges		2,449	1,832
(Decrease)/increase in impairment of trade receivables		818	833
		3,590	2,793
		88,921	86,419
Depreciation and impairment charges			
Depreciation	8	18,902	17,715
Amortisation	9	2,779	2,904
Revaluation released to SCNE	8, 9	(818)	11,886
		20,863	32,505
Provisions expense			
Provided in year	17	107,758	158,047
Written back in year	17	(27,948)	(34,793)
Borrowing costs	17	942	640
		80,752	123,894
Grants			
Grant-in-aid to NDPBs		908,468	912,384
Other grants		9,242	9,752
		917,710	922,136
Finance expense			
		922	269
Total programme expenditure		1,211,926	1,286,851

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

7. Income

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
<u>Administration income</u>		
Sales of goods and services	243	259
Other operating income		
Other rentals	123	124
Other non-trading income	33	52
Seconded costs	335	383
	491	559
Administration income	734	818
<u>Programme income</u>		
Sales of goods and services	2,397	2,279
Other operating income		
Other rentals	373	392
Fees, levies and charges	36,151	33,710
Other non-trading income	7,910	7,039
Grant income	-	37
	44,434	41,178
Programme income	46,831	43,557
Total operating income	47,565	44,375

8. Property, plant and equipment

	Land £000	Buildings £000	Vehicles, Plant and Machinery £000	Information Technology £000	Assets Under Construction £000	2017-18 Core Department and Agencies £000
Cost or valuation						
At 1 April 2017	37,739	422,260	57,067	12,199	20,916	550,181
Additions	-	2,012	1,240	226	20,769	24,247
Disposals	-	(112)	(18,095)	(2,960)	(24)	(21,191)
Reclassification	(1,730)	17,712	(3,574)	(4)	(14,293)	(1,889)
Revaluation released to SCNE	(8)	988	(5)	-	-	975
Revaluation	40	31,026	374	158	-	31,598
At 31 March 2018	36,041	473,886	37,007	9,619	27,368	583,921
Depreciation						
At 1 April 2017	-	26,658	41,567	9,484	-	77,709
Charged in year	-	15,892	2,732	1,045	-	19,669
Disposals	-	(2)	(18,016)	(2,955)	-	(20,973)
Reclassification	-	2,884	(2,884)	(1)	-	(1)
Revaluation released to SCNE	-	113	5	3	-	121
Revaluation	-	2,657	106	104	-	2,867
At 31 March 2018	-	48,202	23,510	7,680	-	79,392
Carrying amount at 31 March 2018	36,041	425,684	13,497	1,939	27,368	504,529
Carrying amount at 31 March 2017	37,739	395,602	15,500	2,715	20,916	472,472
Asset financing:						
Owned	36,041	387,966	13,497	1,939	27,368	466,811
PPP/PFI contracts	-	37,718	-	-	-	37,718
Carrying amount at 31 March 2018	36,041	425,684	13,497	1,939	27,368	504,529
Of the total:						
Core Department	825	6,755	614	634	66	8,894
Agencies	35,216	418,929	12,883	1,305	27,302	495,635
Carrying amount at 31 March 2018	36,041	425,684	13,497	1,939	27,368	504,529

8. Property, plant and equipment (continued)

	Land £000	Buildings £000	Vehicles, Plant and Machinery £000	Information Technology £000	Assets Under Construction £000	2016-17 Core Department and Agencies £000
Cost or valuation						
At 1 April 2016	37,223	477,525	55,622	11,138	12,735	594,243
Additions	-	2,502	1,524	897	14,036	18,959
Disposals	-	(121)	(476)	(110)	-	(707)
Transfers	-	-	(25)	-	-	(25)
Reclassification	-	4,998	(83)	-	(5,602)	(687)
Revaluation released to SCNE	38	(15,523)	2	18	(403)	(15,868)
Revaluation	478	(47,121)	503	256	150	(45,734)
At 31 March 2017	37,739	422,260	57,067	12,199	20,916	550,181
Depreciation						
At 1 April 2016	-	62,923	38,904	8,275	-	110,102
Charged in year	-	14,467	2,894	1,159	-	18,520
Disposals	-	(121)	(451)	(104)	-	(676)
Transfers	-	-	(25)	-	-	(25)
Reclassification	-	-	-	-	-	-
Revaluation released to SCNE	-	(4,036)	11	11	-	(4,014)
Revaluation	-	(46,575)	234	143	-	(46,198)
At 31 March 2017	-	26,658	41,567	9,484	-	77,709
Carrying amount at 31 March 2017	37,739	395,602	15,500	2,715	20,916	472,472
Carrying amount at 31 March 2016	37,223	414,602	16,718	2,863	12,735	484,141
Asset financing:						
Owned	37,739	357,296	15,500	2,715	20,916	434,166
PPP/PFI contracts	-	38,306	-	-	-	38,306
Carrying amount at 31 March 2017	37,739	395,602	15,500	2,715	20,916	472,472
Of the total:						
Core Department	801	6,467	550	980	-	8,798
Agencies	36,938	389,135	14,950	1,735	20,916	463,674
Carrying amount at 31 March 2017	37,739	395,602	15,500	2,715	20,916	472,472

8. Property, plant and equipment (continued)

Notes:

- (i) Core Department - land and buildings were externally valued by the Land and Property Services (LPS) at 1 April 2016 in accordance with the RICS Appraisal and Valuation Manual on the basis of existing use value, market value and depreciated replacement cost as appropriate to the individual assets. The next valuation of LPS will be effective from 1 April 2021. Indexation is applied between asset revaluations to update the asset register, taking into account the general market in land and property values and building costs.
- (ii) Forensic Science Northern Ireland - a full valuation of land and buildings was carried out by LPS at 31 March 2014 in accordance with the RICS Appraisal and Valuation Manual.
- (iii) Northern Ireland Courts and Tribunals Service - land and buildings were valued as at 31 March 2014 by LPS. The valuation was carried out by LPS in accordance with the RICS Appraisal and Valuation Manual. In accordance with the accounting policy the land and buildings have been revalued using appropriate indices as provided by LPS. All buildings are valued at Depreciated Replacement Cost with the exception of two courthouses that were valued at 31 March 2018 at market value, due to their non-operational status, with one of these courthouses being reclassified as held for sale during the year. Antiques have been included in the furniture and fittings classification and are professionally valued every five years. The valuation was carried out at 31 March 2014 by John Ross & Co.
- (iv) Northern Ireland Prison Service - a full valuation of land and buildings was carried out by LPS at 1 April 2016 in accordance with the RICS Appraisal and Valuation Manual and on a componentised basis. The next full valuation of land and buildings will be 1 April 2021.
- (v) Youth Justice Agency - a full valuation of land and buildings was carried out by LPS at 31 March 2012 in accordance with the RICS Appraisal and Valuation Manual. LPS valued the land and building at Juvenile Justice Centre at 31 March 2018 at depreciated replacement cost using Building Cost Information Service indices.
- (vi) Other property, plant and equipment were adjusted to their current value by reference to the appropriate indices compiled by the Office for National Statistics.

9. Intangible assets

	Software and Licences £000	Assets Under Construction £000	2017-18 Core Department and Agencies £000
Cost or valuation			
At 1 April 2017	40,380	6,414	46,794
Additions	644	3,269	3,913
Disposals	(2,650)	-	(2,650)
Transfers	-	-	-
Reclassification	3,897	(3,768)	129
Revaluation	580	-	580
At 31 March 2018	42,851	5,915	48,766
Amortisation			
At 1 April 2017	32,546	-	32,546
Charged in year	3,386	-	3,386
Disposals	(2,650)	-	(2,650)
Transfers	-	-	-
Reclassification	1	-	1
Revaluation released to SCNE	-	-	-
Revaluation	-	-	-
	380	-	380
At 31 March 2018	33,663	-	33,663
Carrying amount at 31 March 2018	9,188	5,915	15,103
Carrying amount at 31 March 2017	7,834	6,414	14,248
Asset financing:			
Owned	9,188	5,915	15,103
Carrying amount at 31 March 2018	9,188	5,915	15,103
Of the total:			
Core Department	2,123	-	2,123
Agencies	7,065	5,915	12,980
Carrying amount at 31 March 2018	9,188	5,915	15,103

9. Intangible assets (continued)

	Software and Licences £000	Assets Under Construction £000	2016-17 Core Department and Agencies £000
Cost or valuation			
At 1 April 2016	35,940	5,027	40,967
Additions	2,025	2,805	4,830
Disposals	(264)	-	(264)
Transfers	228	(228)	-
Reclassification	1,877	(1,190)	687
Revaluation released to SCNE	34	-	34
Revaluation	540	-	540
At 31 March 2017	40,380	6,414	46,794
Amortisation			
At 1 April 2016	29,133	-	29,133
Charged in year	3,297	-	3,297
Disposals	(264)	-	(264)
Reclassification	-	-	-
Revaluation released to SCNE	31	-	31
Revaluation	349	-	349
At 31 March 2017	32,546	-	32,546
Carrying amount at 31 March 2017	7,834	6,414	14,248
Carrying amount at 31 March 2016	6,807	5,027	11,834
Asset financing:			
Owned	7,834	6,414	14,248
Carrying amount at 31 March 2017	7,834	6,414	14,248
Of the total:			
Core Department	2,887	-	2,887
Agencies	4,947	6,414	11,361
Carrying amount at 31 March 2017	7,834	6,414	14,248

10. Financial instruments

10.1 Disclosures

IFRS 7 *Financial Instruments: Disclosures* requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the non-trading nature of its activities and the way in which Government departments are financed, the Department of Justice is not exposed to the degree of financial risk faced by business entities.

The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change risks facing the Department in undertaking its activities.

Classification of financial instruments

All Departmental financial instruments are measured at amortised cost. The Department's financial assets are classified as loans and receivables and comprise trade and other receivables (Note 15) and cash and cash equivalents (Note 14). The Department's financial liabilities comprise payables excluding tax assets, accruals and deferred income (Note 16). The carrying value of these financial assets and liabilities, as disclosed in the notes to the Accounts, approximates to fair value because of their short maturities. The Department recognises the components of net gain/loss through the Statement of Comprehensive Net Expenditure. Interest on financial instruments is recognised as a finance expense under Programme Costs in Note 6.

Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is exposed to credit risk in relation to the carrying amounts of the trade receivables carried in the Statement of Financial Position. The size of the risk is reflected in the receivables impairment (Note 15.1).

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. The Department's net revenue resource requirements are financed by resources voted annually by the Assembly, as is capital expenditure. The Department is therefore not exposed to significant liquidity risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Department does not have the authority to manage currency risk through hedging.

Embedded derivatives

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, the Department reviews contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. In relation to the Laganside PFI contract for NICTS, there is a payment mechanism that determines the charge that NICTS will pay from 2009 to 2026 which is based on the UK Retail Price Index (RPI) and UK Gross Domestic Product Index (GDP). The embedded derivative is deemed to be closely related to the host contract as the amounts charged are in relation to the economic environment in which NICTS operates.

Northern Ireland Prison Service Housing Loans

In accordance with IAS 39 balances in respect of Northern Ireland Prison Service (NIPS) Home Loans are stated in the statement of financial position at their amortised cost, being the carrying amount discounted to present value at the effective rate of interest of 3.7%. Further details are disclosed in Note 11. They have not been affected by current credit risk as repayments are deducted directly from payroll and are not considered a significant medium or long-term risk to NIPS.

10.2 Financial guarantees, indemnities and letters of comfort

The Department has not entered into any unquantifiable guarantees, indemnities or provided letters of comfort. There are no contingent liabilities within the meaning of IAS 39 since the likelihood of a transfer of economic benefit in settlement is too remote.

The Department has not entered into any quantifiable guarantees, indemnities or provided letters of comfort that fall to be measured under IAS 39.

11. Financial assets

	2017-18 £000	2016-17 £000
	<u>Core Department and Agencies</u>	<u>Core Department and Agencies</u>
Balance at 1 April	92	290
Repayments	(62)	(202)
Revaluations	10	4
Carrying amount at 31 March	<u>40</u>	<u>92</u>

The figures represent the principal element of the Northern Ireland Prison Service Housing Loans. These are classified as loans and receivables and are included in the Statement of Financial Position with their carrying value being discounted to present value at the effective rate of interest of 3.7%.

Balances for Financial assets are disclosed in the Statement of Financial Position as follows:

	2017-18 £000	2016-17 £000
	<u>Core Department and Agencies</u>	<u>Core Department and Agencies</u>
Current assets	17	63
Non-current assets	23	29
Balance at 31 March	<u>40</u>	<u>92</u>

12. Assets classified as held for sale

	2017-18 £000	2016-17 £000
	<u>Core Department and Agencies</u>	<u>Core Department and Agencies</u>
Balance at 1 April	-	-
Reclassification from Property, plant and equipment	1,760	-
Carrying amount at 31 March	<u>1,760</u>	<u>-</u>

13. Inventories

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Raw materials and consumables	821	975
Fuel	171	196
Work in progress	-	2
Total	992	1,173

14. Cash and cash equivalents

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Balance at 1 April	21,087	1,133
Net change in cash and cash equivalent balances	(29,839)	19,954
Balance at 31 March	(8,752)	21,087

The following balances at 31 March are held at:

Commercial banks and cash in hand	(8,752)	21,087
Balance at 31 March	(8,752)	21,087

Balances for Cash and cash equivalents are disclosed in the Statement of Financial Position as follows:

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Current assets	3,775	24,952
Current liabilities	(12,527)	(3,865)
Total	(8,752)	21,087

15. Trade receivables, financial and other assets

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Amounts falling due within one year:		
Trade receivables	2,629	2,251
Other receivables	1,241	7,159
Prepayments and accrued income	4,227	3,808
VAT recoverable	1,983	2,012
Amounts due from the Consolidated Fund in respect of supply	11,835	-
	21,915	15,230
Amounts falling due after more than one year:		
Other receivables	1	3
	1	3
Total	21,916	15,233

Included within 'Other receivables' is £251,864 (2016-17: £6,366,048) that will be due to the Consolidated Fund once the debts are collected.

15.1 Impairment

Trade receivables are stated net of the following impairment:

	2017-18 £000	2016-17 £000 <i>Restated</i>
	Core Department and Agencies	Core Department and Agencies
Balance at 1 April	6,175	5,342
Increase in impairment during the year	1,743	1,911
Impairment written back during the year	(925)	(1,078)
Balance at 31 March	6,993	6,175

16. Trade payables, financial and other liabilities

	2017-18 £000	2016-17 £000
	<u>Core Department and Agencies</u>	<u>Core Department and Agencies</u>
Amounts falling due within one year:		
Trade payables	1,739	1,823
Other payables	2,273	1,876
Accruals and deferred income	41,952	36,862
Current part of imputed finance lease element of "on-balance sheet" (SoFP) PPP/PFI contracts	1,395	1,305
Amounts issued from the Consolidated Fund for supply but not yet spent at year end	-	20,399
Consolidated Fund Extra Receipts to be paid to the Consolidated Fund:		
Received	3,074	684
Receivable	252	6,364
Excess accruing resources	9	4
	<u>50,694</u>	<u>69,317</u>
Amounts falling due after more than one year:		
Imputed finance lease element of "on-balance sheet" (SoFP) PPP/PFI contracts	13,797	15,193
Consolidated Fund Extra Receipts receivable and due to be paid to the Consolidated Fund	-	2
	<u>13,797</u>	<u>15,195</u>
Total	<u>64,491</u>	<u>84,512</u>

Included within 'Consolidated Fund Extra Receipts to be paid to the Consolidated Fund: Received' is £265,480 (2016-17: £645,774) held on trust on behalf of the Consolidated Fund in respect of fines and other income collected by Northern Ireland Courts and Tribunals Service. See SOAS 4.2 for further details.

17. Provisions for liabilities and charges

							2017-18 £000
	Legal Aid	Early Departure Costs	Compen- sation Payments	Litigation Claims	Pensions	Others	Core Department and Agencies
Balance at 1 April	146,056	38,929	32,243	12,989	20,228	3,911	254,356
Provided in the year	88,360	1,065	13,568	4,488	10,099	277	117,857
Actuarial loss/(gain)	-	12,982	-	-	(2,446)	282	10,818
Provisions not required written back	(19,518)	(128)	(4,545)	(3,285)	(13,539)	-	(41,015)
Provisions utilised in the year	(79,232)	(5,002)	(15,656)	(3,408)	(11,557)	-	(114,855)
Provisions settled from Consolidated Fund	-	-	-	-	-	(585)	(585)
Borrowing costs	-	823	-	-	78	41	942
Balance at 31 March	135,666	48,669	25,610	10,784	2,863	3,926	227,518

							2016-17 £000
	Legal Aid	Early Departure Costs	Compen- sation Payments	Litigation Claims	Pensions	Others	Core Department and Agencies
Balance at 1 April	126,785	30,300	30,243	17,403	9,503	4,022	218,256
Provided in the year	127,953	1,112	22,545	5,983	17,556	342	175,491
Actuarial loss/(gain)	-	11,652	-	-	2,674	49	14,375
Provisions not required written back	(26,354)	-	(4,078)	(4,361)	(801)	-	(35,594)
Provisions utilised in the year	(82,328)	(4,784)	(16,467)	(6,036)	(8,644)	(2)	(118,261)
Provisions settled from Consolidated Fund	-	-	-	-	-	(551)	(551)
Borrowing costs	-	649	-	-	(60)	51	640
Balance at 31 March	146,056	38,929	32,243	12,989	20,228	3,911	254,356

17. Provisions for liabilities and charges (continued)**17.1 Analysis of expected timing of discounted flows**

							2017-18 £000
	Legal Aid	Early Departure Costs	Compen- sation Payments	Litigation Claims	Pensions	Others	Core Department and Agencies
Due within one year	64,944	4,020	12,669	7,737	1,486	347	91,203
Due later than one year and not later than five years	61,627	8,266	12,941	3,047	224	1,390	87,495
Due later than five years	9,095	36,383	-	-	1,153	2,189	48,820
Balance at 31 March	135,666	48,669	25,610	10,784	2,863	3,926	227,518

							2016-17 £000
	Legal Aid	Early Departure Costs	Compen- sation Payments	Litigation Claims	Pensions	Others	Core Department and Agencies
Due within one year	52,812	4,702	12,894	10,186	6,320	343	87,257
Due later than one year and not later than five years	86,751	11,847	19,349	2,803	12,518	1,371	134,639
Due later than five years	6,493	22,380	-	-	1,390	2,197	32,460
Balance at 31 March	146,056	38,929	32,243	12,989	20,228	3,911	254,356

17.2 Legal aid - £135.666m (2016-17: £146.056m)

The balance in respect of civil legal services and criminal legal aid is based on the estimated provision calculated for existing certificates issued by Legal Services Agency Northern Ireland. This amount does not represent the forecast funding requirements within and after one year, as there will also be the costs of new certificates authorised post 31 March 2016 that would fall due for payment in due course.

The payment of civil legal services and criminal legal aid is determined by when solicitors or counsel submit their final bill after a case has concluded. The timing of each submission is outside the direct control of the LSANI, but every effort is made to encourage legal representatives to submit their bills as expeditiously as possible. The LSANI continues to seek to limit the duration of emergency certificates as far as is practical to minimise the debt which arises if the recipient proves to be financially ineligible for legal aid or fails to co-operate with the assessment process.

17.3 Early departure costs - £48.669m (2016-17: £38.929m)**(i) NICS and NILGOSC costs - £1.779m (2016-17: £1.532m)**

The Department and its agencies meet the additional costs of benefits beyond the normal NICS pension arrangements and NILGOSC benefits in respect of employees who retire early by paying the required amounts annually to the NICS pension arrangements and NILGOSC over the period between early departure and normal retirement date, and in some cases for the lifetime of the retired staff member and his/her spouse. The Department and its agencies provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

(ii) Northern Ireland Prison Service - injury on duty benefits - £41.070m (2016-17: £28.400m)

From 1 April 2006 all benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to the Northern Ireland Prison Service (NIPS) are charged to NIPS by Civil Service Pensions (Northern Ireland) on a monthly basis. The allowance is payable to the former employee for life.

The Northern Ireland Prison Service has provided for the costs payable for the period between the date the allowance was awarded and 70 years of age. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards, and also on estimated life expectancy of these pensioners.

The injury awards were valued under IAS 19 by the Government Actuary's Department. IAS 19 requires the employer to value the expected injury awards for active members, who may become injured in the future, and include the value in the Accounts.

(iii) Northern Ireland Prison Service - Voluntary Early Retirement (VER) Scheme - £5.644m (2016-17: £8.684m)

This provision relates to the early retirement payments arising in respect of employees who leave under the VER Scheme. The provision consists of additional pension costs due to the NICS pension arrangements, which the Northern Ireland Prison Service provides for when the VER becomes binding by establishing a provision for the estimated payments. These costs are payable over the period between early departure and normal retirement date for the respective employees. The provision runs through to 2021-22.

(iv) Forensic Science Northern Ireland - Injury Awards - £0.176m (2016-17: £0.313m)

Benefits payable under the Civil Service Injury Benefit Scheme (Northern Ireland) relating to Forensic Science Northern Ireland (FSNI) are charged to FSNI by Civil Service Pensions (Northern Ireland) on a monthly basis. The allowance is payable to the former employee for life. An estimated life expectancy of 83 years has been applied. Provision is made for the costs of providing injury awards to employees based on the current number of injury awards, and also on estimated life expectancy of these pensioners.

17.4 Compensation payments - £25.610m (2016-17: £32.243m)

The Core Department provides for future obligations arising from all claims for compensation held at the reporting date by the Compensation Services. All such claims will either be allowed or denied (including abandoned/withdrawn claims). Estimates are made of the likely ratio of allowances to denials and also estimates of the potential average value of each allowed claim. The total expected future liability is then calculated for each of the compensation schemes operated.

17.5 Provision for litigation claims - £10.784m (2016-17: £12.989m)***(i) Miscarriages of justice - £Nil (2016-17: £0.090m)***

When a person has been convicted of a criminal offence and their conviction has subsequently been reversed or they have been pardoned on the ground that a new or newly discovered fact shows beyond reasonable doubt that there has been a miscarriage of justice, the Department shall pay compensation for the miscarriage of justice. Compensation is payable under section 133 of the Criminal Justice Act 1988, to the person who suffered punishment as a result of such conviction or, if that person is dead, to their personal representatives, unless the non-disclosure of the unknown fact was wholly or partly attributable to the person convicted. If the Department determines that there is a right to such compensation, the amount shall be assessed by an assessor appointed by the Department.

(ii) Other provisions for litigation claims - £10.784m (2016-17: £12.899m)

The litigation provision relates to claims against the Department and its agencies by staff, prisoners and third parties for injuries and other damages including fair employment and industrial tribunal cases. The provision reflects all known claims where it is considered that it is probable that the claim will be successful and the amount can be reliably estimated. The timing of the settlement of claims depends on the circumstances of each case.

17.6 Pensions - £2.863m (2016-17: £20.228m)**(i) Youth Justice Agency - NILGOSC pension liability - £1.434m (2016-17: £13.900m)**

Prior to 1 April 2015, the Agency made employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme, which is a funded scheme of the defined benefit type. However, a policy decision was taken by Corporate HR within the Department of Finance (DoF) to recruit all new entrants to the Agency on Northern Ireland Civil Service terms and conditions. Subsequently it was deemed more appropriate for staff previously contributing to the NILGOSC scheme to transfer to the NICS pension arrangements.

The NILGOSC Scheme closed on 31 March 2015 for YJA employees but the accrued pension benefits of NILGOSC for pensioners and deferred members will remain in NILGOSC.

Current members of YJA staff have been given the option to retain their accrued pension benefits up to 31 March 2015 in NILGOSC or transfer to NICS pension arrangements by way of a bulk transfer. Whilst it is not currently possible to quantify the actual financial exposure, the following provisions have been included in the financial statements as the best estimate of the potential liabilities.

	2017-18	2016-17
	£000	£000
NILGOSC - cessation payment	1,066	1,800
NICS pension - shortfall payment	368	12,100
	1,434	13,900

At the time of preparing the 2016-17 financial statements, the actual number of staff transferring to NICS pension arrangements had not been finalised. The pension provision was calculated on the estimated basis of 50% of staff electing to transfer accrued pension benefits to NICS. When the transfer was finalised during 2017-18, 1% of staff elected to transfer their accrued pension benefits to NICS and this resulted in a decrease in the pension provision during 2017-18.

Given the underlying uncertainty in terms of timings, number of staff and amounts involved, a Contingent Liability has been disclosed in Note 18.

NILGOSC - IAS 19 disclosures

The NILGOSC Scheme is governed by the Northern Ireland Government Officers' Superannuation Committee. No employee of the Youth Justice Agency sits on this committee. Under the Local Government Pension Scheme Regulations (Northern Ireland), an actuarial valuation of the NILGOSC Scheme must be completed every three years. Following these valuations, the Committee agrees the level of Employer Contributions. As the Youth Justice Agency no longer admits new employees to the NILGOSC Scheme, an individual employer contribution is calculated for the Agency.

Since 2006-07 it has been possible to define the Agency's share of the Fund's assets and liabilities and as a result the following disclosures are provided in line with IAS 19. The latest actuarial valuation of the Scheme was carried out at 31 March 2010. The actuarial valuation of the scheme as at 31 March 2013 was finalised after 31 March 2014. The liability and cost calculations are based on actuarial assumptions as at 31 March 2018.

(i) Youth Justice Agency - NILGOSC pension liability (continued)

The market value of assets in the scheme and the expected rate of return were:

	Value at 31/03/18 £000	Value at 31/03/17 £000	Value at 31/03/16 £000
Equities	71,234	67,268	51,923
Property	10,234	9,481	9,519
Gilts	12,642	10,384	8,726
Cash	6,221	3,160	1,948
Total value of assets	100,331	90,293	72,116
Defined benefit obligation	(101,397)	(92,093)	(68,793)
Defined benefit asset/(liability)	(1,066)	(1,800)	3,323
Restriction to defined benefit asset due to asset ceiling	-	-	-
Unfunded liabilities	-	-	-
Total defined benefit asset/(liability)	(1,066)	(1,800)	3,323
Related deferred tax (liability)/asset	No allowance	No allowance	No allowance
Net asset/(liability)	(1,066)	(1,800)	3,323
Assumptions	2017-18	2016-17	2015-16
	%	%	%
Discount rate	2.60	2.50	3.50
Future Increase in RPI	3.05	3.20	3.00
Future Increase in CPI	2.05	2.20	2.00
Rate of increase in salaries	3.55	3.70	3.50
Rate of increase in pensions in payment			
- Guaranteed Minimum Pension (CPI max 3%)	1.85	1.95	2.00
- Excess pension (CPI)	2.05	2.20	2.00
Assumptions - average expected future life at age 65 for:	2017-18	2016-17	2015-16
	Years	Years	Years
Male staff currently aged 65	23.0	21.0	21.8
Female staff currently aged 65	25.5	23.4	24.3
Male staff currently aged 45	24.8	22.7	23.6
Female staff currently aged 45	27.4	25.3	26.3
Reconciliation of the value of the assets		2017-18	2016-17
		£000	£000
Scheme assets at 1 April		90,293	72,116
Movement in the year:			
Expected return		2,237	2,496
Actuarial gains/(losses)		2,621	11,667
Employer contributions		6,800	5,600
Benefits paid		(1,620)	(1,586)
Closing value of assets at 31 March		100,331	90,293

(i) Youth Justice Agency - NILGOSC pension liability (continued)

Return on scheme assets	2017-18 £000	2016-17 £000			
Actual return on scheme assets	4,858	14,163			
Analysis of movement in scheme liabilities	2017-18 £000	2016-17 £000			
Opening defined benefit obligation	92,093	68,793			
Movement in the year:					
Interest cost	2,282	2,380			
Actuarial (gains)/losses	91	12,577			
Settlements	8,551	9,929			
Benefits paid	(1,620)	(1,586)			
Closing defined benefit obligation at 31 March	101,397	92,093			
Expense to be recognised in the Statement of Comprehensive Net Expenditure	2017-18 £000	2016-17 £000			
Settlement	8,551	9,929			
Interest charged/(credited) in respect of defined benefit liability/(asset)	45	(116)			
	8,596	9,813			
Actuarial (gain)/loss to be recognised in the Statement of Changes in Taxpayers' Equity	2017-18 £000	2016-17 £000			
Actuarial gain/(loss)	2,530	(910)			
Cumulative actuarial gain or loss recognised in the Statement of Changes in Taxpayers' Equity	2017-18 £000	2016-17 £000			
Cumulative gain/(loss)	3,781	1,251			
History of liabilities/assets and experience (gains)/losses	2017-18 £000	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
Defined benefit obligation	(101,397)	(92,093)	(68,793)	(71,539)	(62,271)
Fair value of assets	100,331	90,293	72,116	65,608	55,988
Surplus/(deficit)	(1,066)	(1,800)	3,323	(5,931)	(6,283)
Experience adjustment on liabilities - gain/(loss)	-	-	-	2,547	-
Experience adjustment on assets - gain/(loss)	2,621	11,667	168	5,468	2,161

(i) Youth Justice Agency - NILGOSC pension liability (continued)**Sensitivity analysis**

The key assumptions used to calculate the IAS 19 liabilities are: discount rate, salary growth, inflation and mortality.

The sensitivity of the liabilities to these assumptions are as follows:

Assumption	Change in assumption	Increase/(Decrease) in liabilities
Discount Rate	Increase by 0.5%	(8%)
	Decrease by 0.5%	10%
Salary Growth	Increase by 0.5%	1%
	Decrease by 0.5%	(1%)
CPI Inflation (excluding salary growth impact)	Increase by 0.5%	6%
	Decrease by 0.5%	(5%)
Life Expectancy	Increase by 1 year	3%

(ii) Legal Services Agency NI (LSANI) - NILGOSC pension liability - £Nil (2016-17: £4.500m)

Prior to 1 April 2015, the Northern Ireland Legal Services Commission (NILSC) made employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme, which is a funded scheme of the defined benefit type.

The NILGOSC Scheme closed on 31 March 2015 for NILSC employees following the machinery of government transfer from NILSC to the LSANI. The accrued pension benefits of NILGOSC for pensioners and deferred members will remain in NILGOSC.

Current members of LSANI staff have been given the option to retain their accrued pension benefits up to 31 March 2015 in NILGOSC or transfer to NICS pension arrangements by way of a bulk transfer. Whilst it is not currently possible to quantify the actual financial exposure, the following provisions have been included in the financial statements as the best estimate of the potential liabilities.

	2017-18 £000	2016-17 £000
NILGOSC - cessation payment	-	1,100
NICS pension - shortfall payment	-	3,400
	<u>-</u>	<u>4,500</u>

Given the underlying uncertainty in terms of timings, number of staff and amounts involved, a Contingent Liability has been disclosed as in Note 18.

(ii) Legal Services Agency NI (LSANI) - NILGOSC pension liability (continued)**NILGOSC - IAS 19 disclosures**

Under the Local Government Pension Scheme Regulations (Northern Ireland), an actuarial valuation of the NILGOSC Scheme must be completed every three years. Following these valuations, the Committee agrees the level of Employer Contributions. As LSANI no longer admits new employees to the NILGOSC Scheme, an individual employer contribution is calculated for LSANI.

Since 2006-07 it has been possible to define each organisation's share of the Fund's assets and liabilities, and as a result the following disclosures are provided in line with IAS 19. The latest actuarial valuation of the Scheme was carried out at 31 March 2010. The actuarial valuation of the scheme as at 31 March 2013 was finalised after 31 March 2014. The liability and cost valuations are based on actuarial assumptions as at 31 March 2018.

The market value of assets in the scheme and the expected rate of return were:

	Value at 31/03/18 £000	Value at 31/03/17 £000	Value at 31/03/16 £000
Equities	-	23,842	17,544
Property	-	3,360	3,216
Gilts	-	3,680	2,948
Cash	-	1,120	658
Total value of assets	-	32,002	24,366
Defined benefit obligation	-	(33,102)	(24,906)
Defined benefit (liability)/asset	-	(1,100)	(540)
Restriction to defined benefit asset due to asset ceiling	-	-	-
Unfunded liabilities	-	-	-
Total defined benefit (liability)/asset	-	(1,100)	(540)
Related deferred tax (liability)/asset	no allowance	no allowance	no allowance
Net (liability)/asset	-	(1,100)	(540)
Assumptions	2017-18 %	2016-17 %	2015-16 %
Discount rate	-	2.50	3.50
Future Increase in RPI	-	3.20	3.00
Future Increase in CPI	-	2.20	2.00
Rate of increase in salaries	-	3.70	3.50
Rate of increase in pensions in payment			
- Guaranteed Minimum Pension (CPI max 3%)	-	1.95	2.00
- Excess pension (CPI)	-	2.20	2.00
Assumptions - average expected future life at age 65 for:	2017-18 Years	2016-17 Years	2016-17 Years
Male staff currently aged 65	-	21.0	21.8
Female staff currently aged 65	-	23.4	24.3
Male staff currently aged 45	-	22.7	23.6
Female staff currently aged 45	-	25.3	26.3

(ii) Legal Services Agency NI (LSANI) - NILGOSC pension liability (continued)

Reconciliation of value of assets	2017-18	2016-17	
	£000	£000	
At 1 April	32,002	24,366	
Movement in the year:			
Expected return	-	848	
Actuarial (losses)	-	4,065	
Bulk transfer payment to NICS pensions scheme	(2,477)	-	
Adjustment for final settlement	(3,735)	-	
Employer contributions	2,648	3,000	
Benefits paid	-	(277)	
Value of assets on exit	(28,438)	-	
Closing value of assets	-	32,002	
Return on the assets	2017-18	2016-17	
	£000	£000	
Actual return on the assets	-	4,913	
Reconciliation of the value of the defined benefit obligation	2017-18	2016-17	
	£000	£000	
At 1 April	33,102	24,906	
Movement in the year:			
Interest cost	-	867	
Actuarial (gains)/losses	-	5,662	
Adjustment for final settlement	(4,664)	1,944	
Benefits paid	-	(277)	
Value of liabilities on exit	(28,438)	-	
Closing defined benefit obligation	-	33,102	
Expense to be recognised in the Statement of Comprehensive Net Expenditure	2017-18	2016-17	
	£000	£000	
Bulk transfer payment to NICS pensions scheme	2,477	-	
Settlement	(929)	1,944	
Interest charged in respect of defined benefit liability	-	19	
	1,548	1,963	
Actuarial loss/(gain) to be recognised in the Statement of Changes in Taxpayers' Equity	2017-18	2016-17	
	£000	£000	
Actuarial gain	-	(1,597)	
History of liabilities/assets and experience (gains)/losses	2017-18	2016-17	2016-17
	£000	£000	£000
Scheme liabilities	-	(33,102)	(24,906)
Scheme assets	-	32,002	24,366
Surplus/(deficit)	-	(1,100)	(540)
Experience adjustment on liabilities - gain/(loss)	-	-	-
Experience adjustment on assets - gain/(loss)	-	4,065	(786)

(iii) Broadly By Analogy pension schemes - £1.263m (2016-17: £1.190m)

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the classic scheme in the NICS pension arrangements. The Department and members are obliged to make contributions in line with the NICS pension arrangements and the Department is responsible for paying accrued benefits.

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the Department for service provided. There is no fund, and therefore no surplus or deficit. The scheme liabilities at 31 March 2018 were £1.263m (31 March 2017: £1.190m) as per the actuarial valuation.

Present value of scheme liabilities	2017-18 £000	2016-17 £000	2015-16 £000
Current pensioners	1,263	1,190	1,030
Total	1,263	1,190	1,030

Liabilities are valued on an actuarial basis using the Projected Unit Method.

Assumptions	2017-18 %	2016-17 %	2015-16 %
Rate used to discount scheme liabilities	2.55	2.80	3.60
CPI Inflation assumption	2.45	2.55	2.20
Rate of increase in salaries	4.45	4.55	4.20
Rate of increase for pensions in payment	2.45	2.55	2.20

Assumptions - Life expectancy at Retirement

Current Pensioners	2017-18 Years	2016-17 Years	2015-16 Years
Exact Age:			
Male officers currently aged 65	24.2	24.2	24.2
Female officers currently aged 65	26.4	26.4	26.4
Male officers currently aged 45	26.4	26.4	26.4
Female officers currently aged 45	29.0	29.0	29.0

Analysis of movement in scheme liability

	2017-18 £000	2016-17 £000
At 1 April	1,190	1,030
Movement in the year:		
Interest cost	33	37
Actuarial(gain)/loss	56	167
Benefits paid	(44)	(44)
Closing value of liability	1,235	1,190

Expense to be recognised in the Statement of Comprehensive Net Expenditure

	2017-18 £000	2016-17 £000
Service cost	-	-
Interest cost	33	37
Total expense/(income)	33	37

(iii) Broadly By Analogy pension schemes (continued)

Actuarial (gain)/loss to be recognised in the Statement of Changes in Taxpayers' Equity	2017-18 £000	2016-17 £000
Experience loss/(gain)/ arising on the scheme liabilities	56	(18)
Changes in assumptions underlying the present value of the scheme liabilities	28	185
Total actuarial(gain)/loss	84	167

History of experience (gains)/losses	2017-18	2016-17	2015-16	2014-15	2013-14
Experience (gain)/loss arising on the scheme liabilities:					
Amount (£000)	56	(18)	9	(9)	12
Percentage of scheme liabilities at the end of year	4.4%	(1.5%)	0.9%	(0.9%)	1.2%

The remaining members of the BBA scheme are current pensioners and therefore there are no future contributions payable to the scheme.

Sensitivity Analysis

The key assumptions used to calculate the IAS 19 liabilities are: discount rate, salary growth, inflation and mortality.

The sensitivity of the liabilities to these assumptions is as follows:

Assumption	Change in assumption	Increase/(Decrease) in liabilities
Discount Rate	Increase by 0.1%	(£20,000)
	Decrease by 0.1%	£21,000
CPI Inflation	Increase by 0.1%	£21,000
	Decrease by 0.1%	(£20,000)
Life Expectancy	Increase by 1 year	£38,000

(iv) Fee paid office holders pension - £0.166m (2016-17: £0.638m)**Judicial Service Award**

Following a ruling by the UK Supreme Court on 6 February 2013 that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder, a provision has been recognised by NICTS in respect of Judicial Service Award liabilities relating to fee paid judges.

Provision was also made by the NICTS for claims in respect of fee paid judicial office holders' employment terms and conditions that historically have not matched salaried comparators claims. This obligation has now been settled by the Ministry of Justice.

The provisions recognised have been calculated based on the assumptions as determined by the latest judgments issued by relevant tribunals for:

- non-legal members;
- time limit;
- entitlement date; and
- transitional protection.

The judgments upon which these assumptions have been based are considered lead cases which bind all related stayed cases. These judgments are subject to appeal and therefore the assumptions on which the provisions have been estimated are subject to a degree of uncertainty.

The provision of the service award for each member has been calculated based on their lump sum at retirement. The net service award that members receive is the same as the tax paid on the lump sum. The service award is itself an employee benefit that is subject to income tax and national insurance, and NICTS's liability for the service award is grossed-up for both the income tax (at an assumed marginal rate) and employer National Insurance payable by NICTS on the service awards.

17.7 Others - £3.926m (2016-17: £3.910m)**Judicial Service Awards - £3.926m (2016-17: £3.910m)**

Provision has been made for Judicial Service Awards for salaried judicial office holders who are members of the Judicial Pension Scheme. The purpose of the Judicial 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. The provision has been estimated by the Government Actuary's Department and takes into account the number of reckonable years served and an estimate of the projected final salaries of existing members. The result has then been discounted to present value using the rates set by HM Treasury. The provision includes estimated amounts due to Judiciary funded by both NICTS and the Consolidated Fund.

18. Contingent liabilities

The Department has the following contingent liabilities with settlement dates unknown in all cases:

<i>(i) Description of liability:</i>	<i>Youth Justice Agency - NILGOSC bulk transfer</i>
Uncertainties/major assumptions:	The transfer of staff to the NICS pension arrangements on 1 April 2015 may give rise to an increase in the estimated cost of the bulk transfer (per Note 17.6) as the cessation payment due to NILGOSC has not yet been finalised by the actuary. As a result, it is not possible to quantify the exact liability at the reporting date.
<i>(ii) Description of liability:</i>	<i>Judicial Review on Fine Enforcement within the Northern Ireland Courts and Tribunals Service (NICTS)</i>
Uncertainties/major assumptions:	Claims have been processed, relating to the previous Divisional Court decision in 2013 that the enforcement of unpaid fines and other monetary penalties in Northern Ireland was unlawful. From this, offers of settlement have been issued. The majority of claims were rejected as they fell outside the one year limitation period pursuant to section 7(5) of the Human Rights Act 1998. A number of writs and civil bills have been issued challenging NICTS decision to refuse compensation. Statements of Claim have been received and Counsel have been instructed for NICTS. Depending on the outcomes of these writs, there may be financial implications in the future for NICTS and the Department.
<i>(iii) Description of liability:</i>	<i>Fee paid judicial office holders' pension rights and other non-pension entitlements within the Northern Ireland Courts and Tribunals Service (NICTS)</i>
Uncertainties/major assumptions:	The UK Supreme Court ruled on 6 February 2013 that a retired fee paid judicial office holder was entitled to a pension on terms equivalent to those applicable to a salaried judicial office holder. There are further appeals from claimants in relation to the scope of retrospective remedies arising from this decision. The UK Supreme Court heard these cases in March 2017, and in July 2017 referred one of the appeals to the Court of Justice of the European Union. Judgment on this appeal is still pending.

18. Contingent liabilities (continued)

(iv) Description of liability: **Supplier contracts, employment, personnel and legal cases outstanding against the Department**

Uncertainties/major assumptions: These claims have not been provided for in the Department's financial statements as they are considered unlikely to be successful.

There are a number of strategic litigation cases that have been lodged in relation to holiday pay for Northern Ireland Civil Service employees. Given the nature of these cases and stage of the proceedings it is not possible to determine the outcome or to quantify any potential financial impact.

(v) Description of liability: **Discount rate for compensation claimants**

Uncertainties/major assumptions: A new discount rate which courts must consider when awarding compensation for future financial losses in a lump sum in personal injury cases came into effect in England and Wales in March 2017. The Department of Justice has power to prescribe the discount rate for Northern Ireland (in consultation with the Government Actuary and the Department of Finance). The discount rate has been under active consideration by the Department but any change requires secondary legislation and has not been taken forward in the absence of a Minister. As such, it has not been possible at this time to quantify the potential impact on the Department of any change in the discount rate.

19. Leases

19.1 Operating leases

£1.492m (2016:17: £1.469m) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2017-18 £000	2016-17 £000
	<u>Core Department and Agencies</u>	<u>Core Department and Agencies</u>
Obligations under operating leases comprise:		
<i>Land and buildings</i>		
Due within one year	1,600	1,164
Due later than one year and not later than five years	3,475	1,360
Due later than five years	95	383
	<u>5,170</u>	<u>2,907</u>
<i>Photocopiers and vehicles:</i>		
Due within one year	7	9
Due later than one year and not later than five years	4	3
Due later than five years	-	-
	<u>11</u>	<u>12</u>
Total	<u>5,181</u>	<u>2,919</u>

19.2 Finance leases

The Department has no obligations under finance leases other than the PPP/PFI commitments contained in Note 20.

20. Commitments under PPP/PFI contracts

20.1 On-Balance Sheet (SoFP)

The following PPP/PFI transactions have been accounted for in accordance with IFRIC 12 entitled Service Concession Arrangements as being "on-balance sheet".

Northern Ireland Courts and Tribunals Service (NICTS) - Laganside Complex

In February 1999, NICTS entered into a Public Finance Initiative (PFI) agreement with a private sector provider for the provision and maintenance of a high quality court complex in Belfast. In accordance with the agreement, service charges became payable with effect from February 2002 to December 2026 and these are charged to the Statement of Comprehensive Net Expenditure. The court complex has been accounted for as an asset and included in the Accounts as Property, plant and equipment.

The liabilities to pay for the assets are in substance finance lease obligations and therefore contractual payments comprise two elements - imputed finance lease charges and service charges.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of "on-balance sheet" (SoFP) transactions was £2.953m (2016-17: £2.591m). Total future obligations under "on-balance sheet" arrangements are given in the table below for each of the following periods:

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Minimum lease payments:		
Due within one year	2,182	2,182
Due later than one year and not later than five years	8,728	8,729
Due later than five years	8,119	10,301
	19,029	21,212
Less interest element	(3,837)	(4,714)
Present value of obligations	15,192	16,498
Service elements due in future periods:		
Due within one year	1,503	1,488
Due later than one year and not later than five years	6,166	6,090
Due later than five years	5,971	7,496
Total service elements due in future periods	13,640	15,074
Total commitments	28,832	31,572

21. Capital and other commitments

21.1 Capital commitments

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	23,624	44,180
Intangible assets	516	2,221
Total	24,140	46,401

21.2 Other financial commitments

The payments to which the agencies are committed are as follows:

	2017-18 £000	2016-17 £000
	Core Department and Agencies	Core Department and Agencies
Due within one year	2,606	2,417
Due later than one year and not later than five years	826	2,434
Due later than five years	25	71
Total	3,457	4,922

The Causeway Programme was established by the Department to deliver significant improvements to the effectiveness and efficiency of criminal justice in Northern Ireland through improved integration of information systems. This was initially let as a Public Private Partnership (PPP) contract with Fujitsu Services in August 2003 for a ten year period to February 2014, with an option to extend for a further five years. The Department subsequently renegotiated its contract with Fujitsu Services to extend managed services until March 2019 for the original contract and the technology refresh was completed in March 2014. The contract extension no longer includes a capital investment from the private sector as the new capital investment has been provided by the Department. As a result this contract is no longer accounted for as a PPP.

The Youth Justice Agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for reception, security duties and planned maintenance at the Juvenile Justice Centre, service fees relating to its leasehold properties, and funding payable to certain voluntary and community sector organisations for the delivery of programmes and initiatives.

23. Related party transactions

The Department of Justice is the parent Department of a number of entities. During the year the Department had a number of material transactions with these entities and with other entities which, for financial reporting purposes, are regarded as related parties. These include:

Executive agencies:

- Forensic Science Northern Ireland;
- Legal Services Agency Northern Ireland;
- Northern Ireland Courts and Tribunals Service;
- Northern Ireland Prison Service; and
- Youth Justice Agency.

Executive non-departmental public bodies:

- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Police Fund;
- Northern Ireland Policing Board;
- Office of the Police Ombudsman for Northern Ireland;
- Police Rehabilitation and Retraining Trust;
- Police Service of Northern Ireland;
- Probation Board for Northern Ireland; and
- RUC George Cross Foundation.

In addition, the Department had various material transactions with other Government departments and other central government bodies. Most of these transactions have been with the Department of Finance.

The Director of Access to Justice is a Visiting Professor in Regulatory Reform and Law, at the Ulster Business School which is part of the Ulster University.

Details of related party transactions for staff members working in agencies within the Departmental boundary are separately disclosed in the individual annual report and accounts of each agency.

24. Third-party assets

The Department holds as custodian or trustee monies belonging to third parties, over and above those monies disclosed in Note 14 Cash and cash equivalents.

Compensation Services

Bank balances for minors under the *Criminal Injuries Compensation (Northern Ireland) Order 2002* are held until the minors attain the age of 18. These balances attract compound interest at variable rates that are dependent on the outstanding balance.

Legal Services Agency Northern Ireland (LSANI)

Awards for damages to funded clients may be required by LSANI to offset any liability to the Legal Aid Fund. LSANI places these funds on deposit in separate individual client bank accounts until the liability to the Fund, if any, is determined. Any remaining balance of the damages awarded is refunded once the liability to the Fund has been settled. The amounts retained to cover any shortfall to the Fund are recorded in income as 'Damages retained'.

Northern Ireland Prison Service

All prisoners have a private account (Prisoners' Private Cash - PPC) into which prison earnings and cash received from visits or through the post are lodged. These accounts are also used by prisoners to fund all purchases from the prison tuckshop. When prisoners are finally discharged they are paid the full balance of their PPC account. Each prison establishment also administers a Prisoners' Amenities Fund. Payments from the fund are used for the welfare/benefit of all prisoners. Fund receipts include income from the sale of tuck shop items, phone credits and donations.

Northern Ireland Courts and Tribunals Service

The Northern Ireland Courts and Tribunals Service, through the Court Funds Office, provides a banking and investment service for funds that are deposited in court. The investment service is carried out by an external service provider. Examples of the types of funds include monies held for minors, certain assets of some mental health patients, and payments into court in satisfaction of a claim as well as statutory deposits and unclaimed balances in court.

The Court Funds Office prepares separate annual reports and accounts that are audited by the Comptroller and Auditor General.

Youth Justice Agency

Young people in custody have a private cash facility for the lodgement of their pocket money and funding of tuckshop purchases. When the young people are discharged they are paid in full the balance on their account. Where a youth conference plan requires a young person to compensate a victim, the money is collected by the Agency and also held in a separate bank account until it is paid over to the victim.

24. Third-party assets (continued)**Assets held**

The monies noted above are not Departmental assets and not included in the Accounts. The assets held at 31 March to which it was practical to ascribe monetary values are set out in the table below and comprise monetary assets such as bank balances, monies on deposit and listed securities.

Core Department and Agencies	31 March 2017 £000	Gross Inflows £000	Gross Outflows £000	31 March 2018 £000
Monetary assets such as bank balances and monies on deposit	115,175	127,213	(138,297)	104,091
Listed securities	206,692	67,577	(74,466)	199,803
Total	321,867	194,790	(212,763)	303,894

The Official Solicitor may be appointed to act as a financial controller for persons deemed by the courts to be incapable of managing their financial affairs and assets. In such capacity the Official Solicitor acts as custodian of a number of property assets. Title deeds for property may also be held by the Northern Ireland Courts and Tribunals Service as security or bails in relation to legal actions.

Other significant assets held at the reporting date to which it was not practical to ascribe monetary values comprised:

Core Department and Agencies	2017-18 Number of cases	2016-17 Number of cases
Property assets	925	1,111

25. Entities within the Departmental boundary

The entities within the boundary during 2017-18 were as follows:

Executive agencies:

- Forensic Science Northern Ireland;
- Legal Services Agency Northern Ireland;
- Northern Ireland Courts and Tribunals Service;
- Northern Ireland Prison Service; and
- Youth Justice Agency.

The annual reports and accounts of these executive agencies are published separately.

Other entities:

- Care Tribunal;
- Charity Tribunal;
- Commissioner for Hearings under Prison Rule 109B;
- Criminal Injuries Compensation Appeals Panel Northern Ireland;
- Health and Personal Social Services Disqualification Tribunal;
- Independent Assessor of PSNI Recruitment Vetting;
- Independent Monitoring Boards;
- Lands Tribunal;
- Mental Health Review Tribunal;
- Northern Ireland Charity Tribunal;
- Northern Ireland Health and Safety Tribunal;
- Northern Ireland Traffic Penalty Tribunal;
- Northern Ireland Valuation Tribunal;
- Parole Commissioners;
- Pensions Appeal Tribunal;
- Planning Appeals Commission;
- Prisoner Ombudsman;
- Social Security and Child Support Commissioners;
- Special Educational Needs and Disability Tribunal;
- State Pathologist; and
- Water Appeals Commission.

26. Events after the reporting period

There were no events after the reporting period date that required disclosure.

Date for authorisation of issue

The Accounting Officer authorised these financial statements for issue on 4 July 2018.

ACRONYMS

Acronym	Details
ALBs	Arm's Length Bodies
AME	Annually Managed Expenditure
BBA	Broadly By Analogy
C&AG	Comptroller and Auditor General
CAL	Centre for Applied Learning
CARE	Career Average Revalued Earnings
CETV	Cash Equivalent Transfer Value
CJINI	Criminal Justice Inspection Northern Ireland
CPD	Central Procurement Directorate
CPI	Consumer Price Index
DARC	Departmental Audit and Risk Committee
DEL	Departmental Expenditure Limit
DoF	Department of Finance
DoJ	Department of Justice
FReM	Financial Reporting Manual
FSNI	Forensic Science Northern Ireland
GAD	Government Actuary's Department
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
HR	Human Resources
HSENI	Health and Safety Executive for Northern Ireland
IAO	Information Asset Owner
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICO	Information Commissioner's Office
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IROC	Information Risk Owners' Council
ISD	Information Services Division
JPS	Judicial Pension Scheme
LSANI	Legal Services Agency Northern Ireland
LPS	Land and Property Services
MLA	Member of the Legislative Assembly
MOJ	Ministry of Justice
NDPB	Non-Departmental Public Body
NIAO	Northern Ireland Audit Office
NICF	Northern Ireland Consolidated Fund
NICS	Northern Ireland Civil Service
NICSHR	Northern Ireland Civil Service Human Resources
NICTS	Northern Ireland Courts and Tribunals Service
NILSC	Northern Ireland Legal Services Commission
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
NIPB	Northern Ireland Policing Board
NIPF	Northern Ireland Police Fund
NIPS	Northern Ireland Prison Service
OBA	Outcomes Based Accountability
ONS	Office for National Statistics
OPONI	Office of the Police Ombudsman for Northern Ireland
PAC	Public Accounts Committee
PACWAC	Planning Appeals Commission and Water Appeals Commission
PBNI	Probation Board for Northern Ireland
PfG	Programme for Government
PFI	Public Finance Initiatives
PPC	Prisoners' Private Cash
PPP	Public Private Partnership
PRRT	Police Rehabilitation and Retraining Trust

ACRONYMS (continued)

Acronym	Details
PSJ	Problem Solving Justice
PSNI	Police Service of Northern Ireland
RCOG	Reducing Crime Outcomes Group
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RUCGC	RUC George Cross Foundation
SCNE	Statement of Comprehensive Net Expenditure
SCS	Senior Civil Service
SLA	Service Level Agreement
SOAS	Statement of Assembly Supply
SoFP	Statement of Financial Position
TEO	The Executive Office
UK	United Kingdom
VAT	Value Added Tax
VER	Voluntary Early Retirement
VES	Voluntary Exit Scheme
VFM	Value for Money
YJA	Youth Justice Agency