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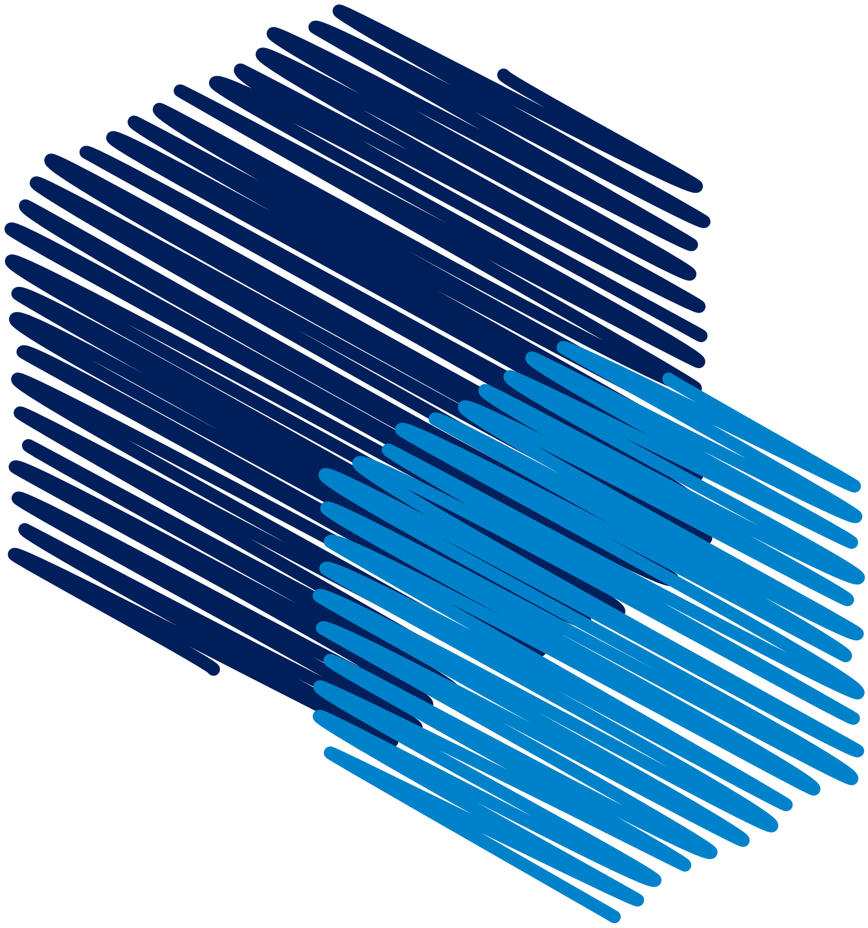

Resource Accounts

Annual Report and Accounts

for the year to 31 March 2016

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Annual Report and Accounts for the year ended 31 March 2016

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

on

01 July 2016

This publication is also available at www.economy-ni.gov.uk.

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Performance Report

Performance Report

A. OVERVIEW

i. PERMANENT SECRETARY'S STATEMENT

1. I am pleased to present the annual report for 2015-16 for the Department of Enterprise, Trade and Investment. The report provides information about the very wide range of activities in which the Department has been engaged over the past year and its performance against its commitments and targets.

2. In 2015/16 DETI continued to deliver progress on growing the economy and developing supporting economic infrastructure. A record number of jobs were promoted; and tourism numbers continue to grow – drawn in by: iconic visitor attractions; Northern Ireland's growing reputation as a venue for international sporting events; and the rapidly developing media industry.

3. In relation to infrastructure, successful delivery of the Broadband Improvement, Superfast Broadband, and Connected Cities projects mean that more premises than ever have access to high speed internet. In the energy sector, good progress was made on the projects to expand the gas network to the West of Northern Ireland and to east Down. Work continues on the new all-Island Integrated Single Electricity Market (ISEM); and the Department managed the difficult challenges of the closure of the Renewables Obligation (electricity) and the unexpected closure of the Renewable Heat Incentive. Economic policy milestones included Executive approval of a Better Regulation Action Plan, the publication of an Exports Action Plan, and agreement to establish a Digital Catapult Centre in Northern Ireland.

4. Our efforts to empower consumers took a step forward this year when the Executive approved the cross-cutting Financial Capability Strategy. DETI had led the work on developing this strategy which espouses a vision of informed, skilled and confident consumers, better able to manage, plan and take responsibility for their financial affairs.

5. The Department also took forward legislative changes to give credit unions and other registered societies greater operational flexibility. The Credit Unions and Co-operative and Community Benefit Societies Act allows over 160 credit unions to expand the range of services offered to their half a million members, and to reach out to new customers.

6. The Department's Trading Standards Service has, through its activities and interventions, reduced the monetary detriment suffered by consumers [last year] through unfair trading and sharp practice by an estimated £7.5m. These enforcement interventions have focussed on issues such as mass marketed telephone and postal scams, doorstep crime and have included a number of high profile prosecutions of businesses who were engaged in unfair practices.

7. During 2015/16 insolvencies decreased by approximately 26% compared with the previous year. Although the overall numbers remain high, the decreases reflect the improvements in general economic conditions. The Insolvency (Amendment) Act (Northern Ireland) 2016 allows the use of electronic communication in carrying out procedures in corporate and individual insolvencies, and establishes a new regime for authorisation and regulation of insolvency practitioners which received Royal Assent in January 2016. The Department's Insolvency Service also continued to have an important role to play in ensuring that individuals who were complicit in their own financial difficulties, and directors who were guilty of misconduct, are subject to appropriate periods of restriction or disqualification.

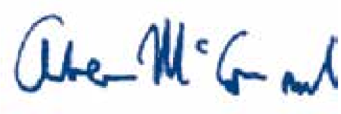
8. In the Department's management of ERDF Structural Funds, we achieved full programme expenditure of €566m to maximise drawdown under the 2007-2013 ERDF Sustainable Competitiveness Programme. This was accomplished in close cooperation with Programme delivery bodies and in the context of significant fluctuation in the sterling:euro exchange-rate. In June 2015 we secured European Commission approval for the 2014-2020 ERDF Investment for Growth and Jobs Programme which represents a total investment package of over €513m and will help to deliver a number of key priorities of the Executive's Economic Strategy and Innovation Strategy.

9. On 8th May 2016, the new Department for the Economy (DfE) was established through bringing together the functions of DETI with many of the functions of the Department for Employment and Learning. Considerable work was undertaken for the merger over the past twelve months involving many staff from both departments. A key consideration for the joint DETI/DEL Project Board which oversaw the work was the need for business continuity to avoid any disruption to services arising from the changes. The new Department creates opportunities through more effective management and integration of the functions for improving the services to business and the community and I am committed to realising the benefits for stakeholders and staff from doing so.

10. In recognition of the importance of learning and development, particularly during periods of change, DETI continued to place an emphasis on making opportunities available to staff on an ongoing basis. The Department has continued to invest in staff by supporting requests for Assistance to Study and attendance at external business related conferences/seminars. The Department also maintained Investors in People status following a strategic review in October 2015 – a significant achievement reflective of commitment and professionalism across the organisation. The 2015 Staff Attitudes Survey also reported positively across a number of categories, with the overall DETI employee engagement index again showing an increase. Indeed the DETI increase was the greatest of any Department. It will be important that we build on these encouraging trends going forward.

11. I have highlighted a number of important achievements over the past twelve months. This is inevitably only a sample of the range of activities progressed across the Department. The successes could not have been delivered without the hard work and commitment of staff at all levels of the organisation and against a challenging back drop of reduced resources, both financial and people, and the departure of a number of our colleagues under the Voluntary Exit Scheme. I would like to pay tribute to staff for the efforts that were made and successes delivered throughout the year.

12. As this is the final Annual Report for the Department of Enterprise, Trade and Investment I would like to formally record my thanks to all the staff, past and present, who have contributed to the considerable legacy of achievement that the Department has provided.



DR ANDREW MCCORMICK

ii. PURPOSE AND ACTIVITIES OF THE DEPARTMENT

Departmental Goal

1. In line with the Northern Ireland Executive's top priority within its Programme for Government, the goal of the Department is "To promote the growth of a competitive and export-led economy"

Principal Functions

2. The Department has responsibility for a range of functions. These include:

   a. Economic Development Policy
      - Enterprise;
      - Innovation;
      - Access;
      - Agrifood;
      - Tourism;
      - Energy;
      - Telecoms; and
      - Social Economy.

   b. Economic Advice & Research

   c. Research and Statistics Services

   d. Business Regulation including:
      - Company Law;
      - Registry of Credit Unions and Industrial Provident Societies:
      - Insolvency Service;
      - Consumer Affairs;
      - Trading Standards; and
      - Financial Capability

   e. Health and Safety at Work

   f. Mineral Development

Structure

3. DETI sponsors four Non-Departmental Public Bodies (NDPBs), which play a key role in shaping and implementing economic development policy:

   - Invest Northern Ireland (Invest NI);
   - Northern Ireland Tourist Board (NITB); - now known as Tourism Northern Ireland (Tourism NI);
   - Health and Safety Executive for Northern Ireland (HSENI); and
   - General Consumer Council for Northern Ireland (GCCNI)

4. DETI also acts as co-sponsor to two organisations set up under the Belfast Agreement:

   - InterTradeIreland (ITI); and
   - Tourism Ireland (TI).

5. In addition, DETI, along with the Department for Infrastructure (formerly Department for Regional Development), and the Department of Finance (formerly Department of Finance and Personnel), works with the independent Northern Ireland Authority for Utility Regulation (NIAUR) in the development and regulation of the electricity and gas industries.

Risks and Uncertainties

6. The Department's approach to the management of risk and the significant risks and uncertainties facing the Department is contained within the Governance Statement.

B. PERFORMANCE ANALYSIS

iii. PERFORMANCE

Key Performance Measures

	High Level Objectives	No of targets with Green status	No of targets with Amber/Green status	No of targets with Amber status	No of targets with Red status
A1	To devise strategies and policies for the development of a dynamic, innovative [export-led] economy in Northern Ireland.	5	5	0	0
A2	To stimulate Innovation, R&D and Creativity.	6	2	0	1
A3	To improve, in conjunction with DEL, employability and the level, relevance and use of skills.	1	0	0	0
A4	To help Northern Ireland businesses compete in the Global Economy.	7	5	0	0
A5	To encourage business growth.	6	0	0	0
A6	To promote the development of Economic Infrastructure.	15	7	2	1
A7	To improve employment opportunities.	1	1	0	1
A8	To deliver a regulatory framework which encourages business and commerce, while also protecting consumers and workers.	7	1	0	0
B1	To provide clear policy direction and targets, and the necessary resources to deliver those targets.	1	0	0	0
B2	To oversee the performance of our non-departmental public bodies and north-south bodies.	4	1	0	2
B3	To engage effectively with the European Union to secure the maximum financial and non-financial support available for growing the Northern Ireland economy.	4	0	0	0
C1	To ensure effective communication of Departmental objectives and performance to target audiences.	5	0	0	0
C2	To ensure the Department's policies, structures and processes, effectively support the delivery of its objectives.	0	0	1	0
C3	To maintain and review the effectiveness of the Department's processes for (i) financial management; (ii) corporate governance & risk management; (iii) information security; (iv) business continuity; (v) emergency planning.	6	1	0	1
D1	To have staff who are engaged, who have clear goals, objectives and targets, with the appropriate knowledge and skills to deliver them.	1	0	0	1
D2	To plan our activities so that we meet our objectives fairly and sustainably.	2	0	0	0
	Total	71	23	3	7

DETAILED PERFORMANCE ANALYSIS

ECONOMIC CONTEXT

Global Developments

1. The International Monetary Fund (IMF) notes that the global recovery continues, but at a slower and increasingly fragile pace. Global economic growth in 2015 was 3.1% which was largely driven by emerging and developing Asian economies. This was down from 3.4% in 2014.

2. The euro area continued to grow in 2015 experiencing growth of 1.6%, up from 0.9% in 2014. The US economy grew by 2.4% for the whole of 2015, the same rate as 2014. Output expanded by 2.2% in the UK down from 2.8% in 2014.

Northern Ireland Performance

3. There have been further positive developments on the economic front for Northern Ireland in 2015-16. The improvements have been particularly evident in the labour market with improvement also recorded in economic output of Northern Ireland's two largest sectors, services and production and more recently construction.

4. Overall labour market conditions continued to improve in Northern Ireland, however, after consecutive falls from February 2013 the number of people claiming unemployment benefits has increased over the two months of February and March 2016 by 500. That being said, the number of people claiming unemployment benefits has fallen by 6,600 over the year and by over 26,000 from the most recent peak in February 2013.

5. The number of employee jobs, across all sectors, continued to increase throughout 2015. The total number of employee jobs increased by 1.6% (11,590 jobs) over the year to December 2015. Over the same period, manufacturing employee jobs increased by 2.2%, service sector jobs rose by 1.4%, and the number of construction jobs was up by 5.2%. These latest figures will not take into account the recently announced job losses across a number of local manufacturers, many of which are planned for the future.

6. The latest Northern Ireland Composite Economic Index estimates that on a rolling annual average basis NI economic output grew by 1.4% in 2015 compared to 2014, with growth seen across the construction, services and production sectors. These increases were however partly offset by a decrease in the public sector jobs index.

7. In 2015 the value of goods exported from NI (based on HMRC Regional Trade Statistics) increased by almost 6% (or almost £350 million) when compared to 2014 – the highest growth of any of the UK nations. The largest contributor to this increase was the United States (£470.8 million), followed by South Korea (£47.3 million) and Poland (£27.0 million).

8. R&D results for 2014, published in December 2015, show that R&D expenditure by Businesses, Higher Education and Government in Northern Ireland was £602.3 million in 2014, decreasing by 5% from 2014 levels. Business expenditure on R&D (BERD), which accounts for some 67% of total R&D, was down by 15% in 2014 compared to the previous year, although proportionately decreases were higher in Higher Education expenditure (21%) and (29%) in Government expenditure. In-house BERD is currently equivalent to 1.0 % of GVA, with NI ranking as the seventh highest performing UK region.

Outlook

9. The International Monetary Fund estimate that the global economy grew by 3.1% in 2015. Whilst expectations were that the global economy would grow by 3.4% in 2016 the forecast has now been reduced to 3.2% with a pick-up in growth of 3.5% expected in 2017.

10. In the Euro Zone projections have also been revised downwards to 1.5% in 2016 and 1.6% in 2017. Growth projections for the Republic of Ireland remain the highest of any EU country in 2016 at 5% and are then forecast to fall to 3.6% in 2017.

11. The Office for Budgetary Responsibility has revised downwards the UK growth forecasts estimating that the economy will now grow by 2% in 2016, then 2.2% in 2017, and then 2.1% in each of the three years after that.

12. In Northern Ireland growth has been seen right across the private sector during the recovery, although there are signs of a slowdown in recent months in both services and manufacturing. The outlook for growth however, remains broadly positive with independent economic forecasters on average expecting local growth of 1.6% in 2016, albeit below projections for the UK and Republic of Ireland.

PERFORMANCE FOR THE YEAR 2015/16

Payment of Suppliers

1. DETI payment processing is carried out by the Account NI shared services centre.

2. DETI is committed to the NICS 10 day prompt payment target implemented to assist local businesses. Northern Ireland departments have a target to pay supplier invoices within 10 working days of receipt. For the year to March 2016, DETI paid 96% (2014-15: 96%) within 10 working days, against a NICS average of 92% (2014-15: 91%).

3. Up until the implementation of the 10 day target, the Department was committed to the prompt payment of bills for goods and services in accordance with the Late Payment of Commercial Debts (interest) Act 1998 (as amended by The Late Payment of Commercial Debts Regulations 2002). The Department's policy was to pay bills in accordance with contractual conditions or, where no such conditions existed, within thirty days of receipt of goods and services or the presentation of a valid invoice, whichever was the later. For the year to March 2016, DETI paid 99% (2014-15: 99%) within this standard, against a NICS average of 97% (2014-15: 97%).

4. A monthly breakdown of payment performance across the year can be found on the Account NI website using the following link:

   https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/NICS-Prompt-Payment-Table-2015-2016-March-2016.pdf

Operating Plan 2015/16

5. DETI has lead responsibility for ten commitments within the Programme for Government (PfG) for 2011/16 and has joint responsibility with other Northern Ireland departments, the Department of Finance (DoF), (formerly DFP)/the Executive Office (EO), (formerly OFMDFM), the Department of Agriculture, Environment and Rural Affairs (DAERA), (formerly DARD) and the former Department for Employment and Learning, on a further three commitments.

6. The DETI Corporate Plan 2011/15 was published in May 2012 and was extended by one year to 2016 in line with the Assembly Mandate and the PfG. The DETI Operating Plan 2015/16 was published in July 2015. Both are fully aligned with the PfG, the Northern Ireland Economic Strategy and the Investment Strategy for Northern Ireland.

7. DETI's performance against its 2015/16 Operating Plan targets is published on the DETI website, https://www.economy-ni.gov.uk/deti-corporate-planning-and-delivery. This includes (i) £131million secured business investment in R&D; (ii) promotion of 11,129 jobs by Invest NI; (iii) over 1,967 trade interventions to help companies diversify into new markets; (iv) supporting the delivery of the Giro d'Italia; (v) securing the Irish Open 2015 and 2017, The Open and the Tall Ships 2015; (vi) DETI's interventions that have kept Northern Ireland ahead of other UK regions in terms of Next Generation Broadband Access; (vii) continued increase in renewable electricity generation during the year; (viii) continued Regional Aid for (a) SMEs and (b) large enterprises for initial investments, new products and new process innovations.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
To Devise Strategies and Policies for the Development of a Dynamic, Innovative Export-Led Economy in Northern Ireland.	Thirteen research projects to be carried out in 2015/16 as part of the DETI Research Agenda. In addition to these, a further three projects were also taken forward during the year in line with the identified priorities.	Seven projects have been completed; 8 projects are currently ongoing and/or nearly completed; and one project is not yet started. Any projects involving external funding were delivered within budget.
	Engagement with the EU Commission on the HM Treasury's Pre-notification of the Northern Ireland Corporation Tax Regime.	Alongside DoF (formerly DFP), DETI provided support and guidance to HM Treasury on the technical development of the NI Corporation tax regime.
To Stimulate Innovation, R&D and Creativity	Complete an update of the Innovation Strategy for the period to 31 December 2015.	An Innovation Strategy Update for the period to 31 December 2015 was completed in February 2016. This included updating statistics and narrative to reflect performance during 2015.
	Use of the joint Small Business Research Initiative to support projects aimed at improving the efficiency, or sustainability of public services.	A joint DETI/ DoF (formerly DFP) competition was launched in February 2016. Applications were received and selection process identified 2 large projects and 3 smaller projects to proceed with total funding of just under £1.1m.
	Development of an Open Data Strategy for Northern Ireland.	Funding pressures within DoF (formerly DFP) meant that the Open Data competition did not progress in 2015/16.
	€145million in funds won over the life of the Horizon 2020 programme. Conduct a review of the current support mechanisms for Horizon 2020 applicants in Northern Ireland.	Latest report (March 2016) indicates that €52 million has been won from the Horizon 2020 programme. This involves €28.5 million in main listed funding and €23.5 million in an Innovative Medicines Initiative project won by Queens University Belfast. The review of the support mechanisms is nearing completion. It is anticipated that the final report will be published by the end the end of June 2016.
	Secure £45m Investment in R&D.	In 2015/16, Invest NI offered over £23m of assistance to 204 companies that contributed towards a total of £70m of planned investment in R&D in Northern Ireland against a target of £45m. Of this total planned investment, £37m (or 53%) will be from SME's.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
To Help Northern Ireland Business Compete in the Global Economy.	To support the work of the Agri-Food Strategy Board through the delivery of the DETI actions in the 'Going for Growth' Strategy.	Five meetings of the Agri-Food Strategy Board were held during 2015/16, including one Joint Ministerial meeting. Progress against the DETI actions within Going for Growth monitored on a quarterly basis. A Progress Report on actions to support the NI agri-food industry was published at the end of March 2016. DETI (with support from the Strategic Investment Board) has worked with the AFSB to establish a new industry led body, Northern Ireland Food Marketing Association Limited.
	To increase tourism revenue to £800m and visitor numbers to 4.4m, split as follows: • Target for GB/Overseas Markets (Tourism Ireland) - £524m revenue and 1.878m visitors. • Target for Domestic/Republic of Ireland Markets (Tourism Northern Ireland) - £276 million revenue and 2.5 million visitors.	There were 4.5 million overnight visitors to NI during 2015 (no change on 2014 and +2% on the 2015 target of 4.4 million) with associated expenditure from these visitors at £760 million(+1% on 2014 and 95% of the 2015 target of £800 million).
	Implementation of independent Hunter Review recommendations in respect of tourism in Northern Ireland by March 2016.	Tourism NI was tasked with leading on the implementation of the 33 recommendations contained in the Hunter Review and developing an Action Plan. DETI chaired quarterly meetings with Tourism NI and Invest NI to monitor implementation. The majority (24) of the 33 recommendations have been implemented, with work well underway on the remaining recommendations.
	To assist the development of the tourism sector by supporting 9 capital projects under the Tourism Development Scheme.	Seven of the 9 projects were completed during 2015/16, one project was substantially completed and one was delayed. The overall budget used to support capital projects during 2015/16 was £15.7 million.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	To deliver a Tourism Event Programme aimed at delivering: • 9 International events • 40 National events 598,000 visitors/ participants • 1 major event secured.	Twelve international events were supported against the target of 9. 40 National events were supported. 641,000 visitors/ participants benefited from the Tourism Event Programme funded events. One major event (the Open Championship 2019) was secured. During 2015/16 the Events Funding Programme Budget was £2.4 million.
	3% increase in value of manufacturing exports.	On a rolling 12 month basis, as at 31st December 2015 growth against the 2014/15 baseline was 4.71%. Final figures for Quarter 4, ending 31st March 2016, will be released by HMRC on Thursday 2nd June 2016.
To Encourage Business Growth.	Sponsorship of Social Enterprise NI and the delivery of Social Enterprise Hubs Project under the Delivering Social Change Initiative.	During 2015/16, DETI continued to fund Social Enterprise NI (at an annual cost of £150k) to manage and deliver a three year Social Economy Work Programme. The final year (year 3) of that Work Programme was extended to March 2016 to bring it in line with the Programme for Government and DETI Corporate Plan periods. DETI along with Invest NI, has also been supporting the Department for Communities (formerlyDSD) in the development of eleven Social Economy Incubation Hubs across Northern Ireland under the Executive Office's (formerly OFMDFM's) Delivering Social Change Initiative. All eleven hubs became operational during 2014/15.
	Agreement by the Executive to a new regulatory reform agenda for Northern Ireland, building on the recommendations set out in the Review of Business Red Tape report.	DETI established an inter departmental group to consider the recommendations in the independent review report 'Making Life Simpler: Improving Business Regulation in NI'. Better Regulation: An Action Plan for Reform, was agreed by the NI Executive in February 2015. The DETI Minister published the Action Plan on 25 March 2016.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Secure total investment commitments of £220 million.	Invest NI has exceeded the Total Investment target set within the extended Programme for Government and the DETI Business Plan 2015/16. The total investment in 2015/16 in the local economy from Invest NI's support intervention to new projects secured was £341 million. The investment was split across the 3 Economic Strategy categories as follows: • £184 million through Local Rebalancing projects; • £75 million through External Rebalancing projects; and, • £82 million through Rebuilding projects.
	£10 million of business loans made to SMEs through the Growth Loan Fund.	Through the Growth Loan Fund, loans of £10.2 million were provided in 2015/16 to 21 companies operating across a diverse range of sectors.
To Promote the Development of Economic Infrastructure.	Core and shell of Concourse III of the NI Science Park completed by March 2016 .	The core and shell of Concourse III were completed with a "topping out" ceremony launched by the DETI Minister on 23 March 2016.
	Engagement with the Northern Ireland Authority for Utility Regulation (NIAUR) and the Department of Energy and Climate Change (DECC) on the development and implementation of EU Electricity and Gas Codes. Support NIAUR's delivery of licence modifications underpinning requirements of EU law (including the Energy Efficiency Directive (EED), new licence modification arrangements, network code and other EU obligations.	The first of the electricity Network Codes (the Guideline on Capacity Allocation and Congestion Management) came into force in August 2015 and is driving the I-SEM project. DETI has engaged with the Utility Regulator in relation to gas Network Code compliance: the first gas Network Code on Capacity Allocation Mechanisms came into force on 1 November 2015. DETI also made legislation (The Electricity (Single Wholesale Market) Order (Amendment) Regulations (NI) 2016) to clarify the functioning of the I-SEM within the EU legal framework.
	Maintain a legal and strategic energy framework which complies with EU requirements.	The Department made 8 other pieces of legislation during the year on a range of energy issues. This included changes to the ownership unbundling requirements adopted pursuant to the IME 3 Electricity and Gas Directives.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
		In November 2015, the Department consented to licence modifications made by the Regulator to ensure compliance with Articles 9-11 and 15 of the EED.
	Exercise Competent Authority role under the EU Ten-E Infrastructure Regulation relating to Projects of Common Interest.	The Department liaised with developers, Regulators, the Department of the Environment in NI, DCENR, and DECC to agree and support significant energy projects to be assessed and selected as PCIs under the EU TEN-E Infrastructure Regulation. This resulted in a number of energy storage and network projects being designated as Projects of Common Interest, including Islandmagee gas storage and related proposals for reverse gas flow on the Scotland to NI gas pipeline network, Gaelectric compressed air storage, and the second North-South electricity interconnector. DETI also supported the two energy storage projects in their bids for Connecting Europe Facility funding.
	Work with NIAUR and the energy industry to extend the availability of natural gas.	The Department continued to liaise with Gas to the West licensees and project developers to agree the terms of a Letter of Offer (up to £32.5 million) in respect of the planned grant support towards the gas transmission element of the project.
	Monitor progress on delivery of an additional 250MW of generation capacity.	DETI liaised with the Utility Regulator and System Operator NI to monitor progress on provision of the additional reserve capacity, and obtained confirmation that it was available for dispatch from 1 January 2016. The Department also continued to work with the industry to maintain adequate electricity security of supply margins. This included monitoring progress on cable laying works by Mutual Energy in late 2015, which resulted in interim restoration of the Moyle electricity interconnector to full capacity in advance of its permanent restoration by 2017.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Work with NIAUR, DCENR, Commission for Energy Regulation (CER), DECC and Ofgem to progress regional market integration/ Target Model delivery.	The redesign of SEM is led by the Regulatory Authorities in NI (NIAUR) and the Republic of Ireland (CER) under a governance framework established by the two Departments (DETI/DCENR). Extensive engagement with the GB energy lead (DECC) and Regulator (Ofgem) is also in place to promote regional coupling of the two markets. The work programme in 2015/16 also involved direct engagement with the European Commission to demonstrate project progress and establish the case for a capacity mechanism as a security of supply measure in the new market arrangements.
	Engage with NIAUR, energy industry and the Consumer Council NI on all electricity/gas tariff reviews and price determinations.	Arrangements for the 6th Northern Ireland Electricity Networks Price Determination period commencing in October 2017 included extensive engagement with a range of stakeholder/consumer groups to establish views on those aspects of its operating programme which are important to customers and stakeholders but which may be viewed as optional expenditure (i.e. not covered by core activities to continue to meet legislative and licensing obligations). The resulting report will form part of the NIE Networks business plan which is the basis of its discussions with the Regulator on the level of required funding for the Price Determination period. On 16 March 2016, the Utility Regulator published its draft determination for GD 17 gas distribution price controls for Phoenix Natural Gas, *firmus energy* and SGN Natural Gas.
	Support delivery of grid investment, including the North/South interconnector.	In 2015/16 progress was made in both NI and the Republic of Ireland on the respective planning applications. DETI supports the delivery of the Interconnector in the most technically efficient and cost-effective manner. Expert studies advise that this is by way of overhead line.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Undertake a re-assessment of the cost/ benefit analysis for smart metering to inform implementation policy.	The reassessment of the Cost Benefit Analysis (CBA) for smart metering has now been completed.
	By March 2016, complete the legislative provisions for the Northern Ireland Renewables Obligation (NIRO).	The following items of legislation relating to the NIRO were made during 2015/16: • Energy (Amendment) Order (Northern Ireland) 2015 • The Renewables Obligation (Amendment) Order (Northern Ireland) 2015 • The Renewables Obligation Closure Order (Northern Ireland) 2015 • The Renewables Obligation (Amendment) Order (Northern Ireland) 2016 • The Renewables Obligation Closure Order (Northern Ireland) 2016.
	Continue to work with DECC on implementation of renewable incentives. By March 2016, agree NI Electricity Market reform (EMR) and small scale Feed-in Tariff (FIT) arrangements with DECC.	EMR work was paused in-year to take account of likely increase in cost to the consumer resulting from NI's integration into a competitive allocation-based UK-wide Contracts for Difference scheme which might not benefit NI renewable electricity generators. During the year DECC confirmed that it would not be integrating Northern Ireland into the existing GB small scale FIT mainly due to budgetary concerns.
	Co-ordinate cross-departmental activity on community energy. By December 2015, seek Executive approval for a cross-departmental community energy action plan.	Community Energy implementation deferred due to need to consider wider policy context.
	Engage with NIAUR, energy industry, and CCNI on all electricity/gas tariff reviews and price determinations. By June 2015 complete cost benefit analysis of the 40% renewable energy target.	The Department liaised with all relevant parties as part of the annual gas and electricity tariff reviews. The Cost Benefit Analysis was completed in May 2015.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Co-ordinate implementation of cross-departmental activity for the Energy Efficiency Directive (EED). By March 2016, confirm policy measures to meet NI energy savings requirements under Article 7 of the EED.	The Northern Ireland Sustainable Energy Programme (NISEP) is currently NI's only contribution towards energy savings under Article 7 of the EED. It was due to close in 2016 but has been extended by the Utility Regulator to enable a replacement scheme to be developed and put in place. Work is ongoing to develop a suitable replacement scheme (EnergyWise) to replace NISEP in the longer term. The scheme will seek to ensure a cross governmental approach to provision of energy efficiency advice and support.
	Promote uptake of renewable heat technologies through the Renewable Heat Incentive (RHI). By October 2015, implement Phase 2 of the Non-Domestic RHI.	Demand for both RHI schemes increased significantly during 2015/16 with over 4,700 renewable heating installations now incentivised. The Executive's target of achieving 4% renewable heat by 2015 was exceeded and is now at just over 6%. The increased demand together with reductions in available funding led to both RHI schemes closing to new applications from 29 February 2016. The planned Phase 2 development of the non-domestic scheme has been deferred.
	To achieve improvement in broadband services for 15,000 premises by December 2015 under the NI Broadband Improvement Project (NIBIP).	£7.35 million contributed to the implementation of NIBIP during 2015/16 with support from DCMS, DETI and the EU. Verified reports from the supplier, BT, show that 40,469 premises have benefitted from the infrastructure upgrades delivered by NIBIP to 31 December 2015, some 17,100 which were realised in the 2015/16 year (figures to 31 March will not be available until late June 2016). Almost 180 successful applications submitted by Northern Ireland premises to the Basic Broadband Support Scheme supported under NIBIP. According to Ofcom, this has contributed to some 94% of premises now being connected to a broadband service of 2Mbps or greater.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Planning, surveys and network infrastructure build for Phase 1 of the Superfast Roll-out Programme (SRP) to be completed by 31 March 2016.	£2.37 million contributed to the SRP during 2015/16 with support from DCMS and DETI leading to completion of the Phase 1 surveys, design and solutions in line with the project implementation plan. Ofcom statistics show that in terms of superfast broadband connectivity some 77% of premises across Northern Ireland can now access services of 30Mbps or greater.
To Improve Employment Opportunities.	Support the Promotion of 4,000 new jobs.	During 2015/16, Invest NI exceeded the total jobs promoted target for the organisation within the extended Programme for Government and the DETI Business Plan 2015/16 by promoting 5,550 jobs across the following job categories: • Local Rebalancing (2,541 jobs); • External Rebalancing (1,044 jobs); and • Rebuilding (1,965 jobs).
To Deliver a Regulatory Framework which Encourages Business and Commerce, while also Protecting Consumers and Workers.	To deliver an integrated debt service to consumers up to 31st March 2016.	A contract of £955k was awarded to Advice NI for Debt Action NI to deliver the free debt advice service. Advice NI operated this contract under the title `Debt Action NI', which provided free, impartial and confidential advice to clients on a varying range of debt related matters. The face-to-face element of the service was available at 28 centres located throughout Northern Ireland and was integrated with a telephone and internet based debt advice service. Up to 31 December 2015, the service handled almost £30 million of debt related matters, assisting over 3,000 clients with debt related issues (end of March 2016 figures will not be available until end May 2016). Debt Action NI reached its target of delivering 842 hours of debt advice.
	To measurably reduce the negative financial impact of consumer detriment on the NI economy while encouraging and supporting legitimate business growth and competitiveness.	The Trading Standards Service in Northern Ireland achieved its target to reduce consumer detriment by £7.5 million.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
	Introduce the Credit Unions and Co-operatives and Community Benefit Societies Bill in the Assembly by June 2015.	The Bill was introduced into the Assembly in June 2015 and received Royal Assent in April 2016.
	To file Directors Disqualification and Bankruptcy Restriction Order proceedings against all high priority cases within statutory periods.	In the period 1 April 2015 to 31 March 2016, the statutory filing date for 32 high priority Director Disqualification Cases fell due and all were filed before the statutory deadline. In the same period, the statutory filing date for 26 high priority Bankruptcy Restriction Order cases fell due and all were filed before the statutory deadline.
	To ensure that Northern Ireland Insolvency legislation is kept in parity with that applying in Great Britain.	The Insolvency (Amendment) Bill received Royal Assent in January 2016. The statutory rule to commence the majority of the Act's provisions was made in March 2016.
To Engage Effectively with the European Union to Secure the Maximum Financial and Non-Financial Support Available for Growing The NI Economy	Monthly monitoring of Intermediate Bodies expenditure forecasts (taking corrective action where necessary) to ensure that eligible expenditure equating to the total €283 European Regional Development Fund (ERDF) allocated to the European Sustainable Competitiveness Programme for NI is available to be drawn down from the Commission.	At 31st March 2016 eligible expenditure of €283 million was available to be drawn down from the Commission, thereby allowing use of the full ERDF allocation and providing a "buffer" of €250k for use as contingency should any financial corrections be applied prior to closure deadline (31 March 2017).
	Establishment and monitoring of progress against 2015/16 EU Priorities and Action Plan and analysis and apportionment of FP7/Horizon 2020 BIS data to produce Departmental estimates.	DETI achieved a drawdown of £13.5 million EU Competitive funds in the year to 31 December 2015.
	Work with local Government to agree a plan to maximise the benefits of The European Entrepreneurial Region (EER) Award.	DETI participated in an number of EER related events which provided access to senior representatives in the Commission, policy developers and private businesses.
	Arrange launch event for ERDF Investment in Growth and Jobs Programme.	DETI hosted an event in Titanic centre Belfast in June 2015. The purpose was to raise the profile of the Investment in Jobs Growth Programme 2014-2020, part funded by the ERDF.

OBJECTIVE	KEY OUTPUTS	PERFORMANCE
To Maintain and Review the Effectiveness of the Departments' Processes for: Financial Management; Corporate Governance and Risk Management; Information Security; Business Continuity; and Emergency Planning.	Promote and monitor compliance with relevant information security requirements.	The annual Security Risk Management Overview was completed on target and did not highlight any significant issues with information security in the Department.
To have Staff who are Engaged, who have Clear Goals, Objectives and Targets, with the Appropriate Knowledge and Skills to Deliver them.	To comply with NI Civil service absence policies and targets.	Departmental HR conducted an ongoing analysis of absence cases, referring cases to the Occupational Health Service, visiting staff to encourage a return to work as appropriate and holding discussions over adjustments with local managers and staff. The procedures are designed to assist in reducing the annual days sick absence per employee to 7.5 days. The position at end of March 2016 was 7.9 days.

iv. SUSTAINABILITY REPORT

1. Sustainable Development (SD) is founded on achieving a balance between the three pillars of environmental, social and economic progress. Whilst DETI is the key department leading on economic development, the Department's policies and strategies recognise that the development of the economy, society and the enhancement and protection of the local and global environment are inextricably linked.

2. The DETI Corporate Plan 2011-15 is closely aligned with the Programme for Government which, in turn, reflects SD principles.

3. SD issues arise both directly and indirectly within the Department and are at the heart of energy, tourism and economic development policies, programmes and initiatives. DETI works with a number of stakeholders to deliver these policies, programmes and initiatives. For example:

    - DETI works with partners to help deliver the actions laid out in the Strategic Energy Framework – the SEF includes a significant number of actions that will increase the sustainability of energy in Northern Ireland;
    - Invest NI provides industry with advice, information and finance to reduce its consumption of water, energy and materials;
    - The Deputy Secretary, Policy Group, is the SD Champion for DETI.

4. Strategic electricity matters, including sustainable electricity issues, have been taken forward through an Electricity Stakeholders Group (ESG) which has met 5 times. This group is chaired by the Permanent Secretary and provides a forum for cooperation on key strategic policy, regulatory and infrastructure issues along with Ministerial priorities. A sub-group of ESG has been established to facilitate the maximum MWs/projects deployed within the framework of the NIRO Closure Orders. The sub-group has met 3 times and is chaired by the Head of Renewable Electricity Branch.

    - The two Programme for Government targets of 20% renewable electricity generation and 4% renewable heat by 2015 continue to place sustainability at the heart of energy policy along with cost and security of supply. The 2015 target of 20% electricity consumption from renewable sources has been achieved with the renewable heat target currently estimated to be 6% although a more definitive assessment is awaited.

5. Invest NI has worked to enhance resource efficiency through the provision of advice and assistance and in some cases financial support, to businesses particularly in the areas of reducing waste, introducing clean and renewable technologies and enhancing energy efficiency. This work continues to be delivered through a range of support including:

    - Industrial Symbiosis– In 2015/16, £511,274 of additional sales and resource savings were achieved through industrial symbiosis activity.
    - The Energy Efficiency Loan Scheme, funded by Invest NI and administered by Carbon Trust provided £4,784 million in 0% interest energy efficiency loans to Northern Ireland businesses during 2015/16 which will realise combined annual energy savings of £1.704 million; these savings will be annually recurring for the lifetime of the installed equipment.
    - During 2015/16 Invest NI's Resource Efficiency Capital Grant scheme helped SME businesses in Northern Ireland to purchase and install new equipment to realise a total of £535,177 in water and materials savings; these savings will be annually recurring for the lifetime of the installed equipment.

6. DETI has in place a SD Action Plan, which sits alongside its Waste Management Action Plan. These plans contain targets in relation to waste, water, energy, estate, procurement and travel. DETI is committed to "green housekeeping" and many aspects of this are already well embedded within the Department's processes. The Department continues to actively monitor its energy consumption to avoid wastage and reduce our carbon footprint by increasing our use of renewable energy. In addition general office waste is recycled where possible. A number of programmes have been introduced to ensure all staff are aware of the need to reduce energy use and improve resource efficiency.

7. DETI and its agencies will continue to ensure that sustainable economic development is enshrined in key strategies and programmes where appropriate.

DR ANDREW MCCORMICK
Accounting Officer
22nd June 2016

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Accountability Report

ACCOUNTABILITY REPORT

A. CORPORATE GOVERNANCE REPORT

i. DIRECTORS' REPORT

Introduction

1. The Department's annual report and accounts for the financial year to 31 March 2016 demonstrate the resources that have been consumed in delivering its objectives.

2. This Annual Report has been prepared in accordance with the guidance set out in the Government Financial Reporting Manual and guidance issued by the Department of Finance and Personnel.

3. The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new Departments were agreed by Ministers and details can be found in the Departments Act 2016 and the Departments (Transfer of Functions) Order 2016. The 9-departmental model constitutes a Machinery of Government change and the Department of Enterprise, Trade and Investment (DETI) became the Department for the Economy (DFE) on 8th May 2016, receiving additional functions from the former Department of Employment and Learning (DEL).

Departmental Accounting Boundary

4. The Department's accounting boundary excludes Executive Non-Departmental Public Bodies (NDPBs).

5. The core Department is the only entity within the boundary.

Public Sector Bodies Outside the Departmental Accounting Boundary

6. The Department has four Executive NDPBs falling outside the accounting boundary. These are:

(i) Invest Northern Ireland (Invest NI);

(ii) Tourism Northern Ireland (Tourism NI);

(iii) Health and Safety Executive for Northern Ireland (HSENI); and

(iv) General Consumer Council for Northern Ireland (GCCNI).

7. The Department acts as co-sponsor Department to two organisations set up under the Belfast Agreement which are also regarded as falling outside the accounting boundary. These are:

(i) InterTradeIreland (Trade and Business Development Body); and

(ii) Tourism Ireland Limited (jointly owned by Tourism NI and the Irish Tourism Body, Failte Ireland).

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

8. Further details are contained in the Notes to the Resource Accounts.

Minister/Directors

9. Ministerial responsibility for the Department of Enterprise, Trade and Investment, for the financial year 2015-16, rested with Arlene Foster MLA until the 10th May 2015. On the 11th May 2015, Jonathan Bell MLA, was appointed Minister for the Department of Enterprise, Trade and Investment.

10. The Permanent Secretary for the Department of Enterprise, Trade and Investment, for the financial year 2015-16, was Andrew McCormick.

11. The Board Members for the Department of Enterprise, Trade and Investment are listed in the Governance Statement on page 27 of this report.

Register of Interests

12. 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. Public access to the register can be arranged by email request to information@economy-ni.gov.uk .

Personal Data Related Incidents

13. There were no Personal Data related incidents in DETI during the 2015/16 period.

Complaints Procedure

14. DETI has been operating its current complaints procedure since 2009. Details of the Complaints

Procedure are available on the DETI website. During the 2015/16 period it received no formal complaints.

Pension Liabilities

15. The treatment of pension costs and liabilities is disclosed in the Remuneration Report and note 1.14 to the Departmental resource accounts.

Information Security

16. The Department has continued to work towards full implementation of the NICS Information Management Strategy. During the reporting period Information Management Unit set up an Information Asset Register which was completed by all business areas. The Annual Information Security Survey was updated to include detailed questions reflecting the role of the Information Asset Owner in the Department. The Information Commissioners Office delivered training sessions to staff on Data Protection matters. The Security Risk Overview report to the Head of the Civil Service was completed in July 2015 with no significant issues identified.

17. An updated Risk Management and Accreditation Document Set (RMADS) was completed in Q4 and this is essential for the internal departmental applications to maintain accreditation. The departmental public facing application websites underwent an external IT Health Check/ Penetration Test with no significant issues reported.

ii. DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES YEAR TO 31 MARCH 2016

Under the Government Resources and Accounts Act (Northern Ireland) 2001 the Department of Finance (formerly the Department of Finance and Personnel) has directed the Department to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Department of Finance (formerly the Department of Finance and Personnel), including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis;
- confirm that, as far as he or she is aware, there is no relevant audit information of which the entity's auditors are unaware, and has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information; and
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Department of Finance (formerly the Department of Finance and Personnel) has appointed the Permanent Head of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in Managing Public Money NI issued by the Department of Finance (formerly the Department of Finance and Personnel).

iii. GOVERNANCE STATEMENT

1. This Governance Statement reflects the Department of Enterprise, Trade and Investment's governance, risk management and internal control arrangements as they have operated during the 2015-16 financial year. It also provides details of future actions planned by the Department to mitigate risks and to address any internal control weaknesses that have been identified.

The DETI Governance Framework

2. Corporate Governance refers to the way in which organisations are directed and controlled. DETI's governance framework, which ensures the effectiveness of the direction and control of the Department, is set out in the following paragraphs:

Individual Responsibilities

The DETI Minister

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

The Accounting Officer

4. The Permanent Secretary is the principal Accounting Officer for the Department and may be called to account in the Northern Ireland Assembly for the stewardship of the resources under the Department's control. As Accounting Officer, the Permanent Secretary is personally responsible for ensuring that the Department, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity.

Organisation and Structures

5. The five key organisational structures which support the delivery of corporate governance in the Department are the:

- Departmental Board;
- Departmental Audit Committee;
- Casework Committee;
- Senior Management Team; and
- Quarterly Oversight and Liaison meetings with arm's length bodies.

The Departmental Board

6. The Departmental Board manages the Department within the strategic framework set by the Minister. It supports the Permanent Secretary by providing collective leadership and taking ownership of the Department's performance. The Board operates within the guidelines set out in the April 2013 DFP publication "Corporate governance in Central Government Departments: Code of Good Practice NI 2013".

7. The Board is chaired by the Permanent Secretary of the Department. The Deputy Secretaries for Policy Group and Management Services Group are members, as are the Heads of Division with responsibility for Human Resources and Finance. There are also two Independent Board Members (IBMs), David Beck and Claire Hughes.

8. The Board operates as a collegiate forum under the leadership of the Permanent Secretary to manage the running of the Department. It is not involved in policy making, as policy is determined by the Minister. The Board does, however, discuss policy in the context of setting and directing the strategic planning that ensures delivery of Ministerial policy decisions and the operational management of the implementation of those decisions. The Board operates in an advisory and consultative capacity, offering guidance when sought. Day-to-day operational matters are the responsibility of the Deputy Secretaries and Heads of Division.

9. The objective of the Board is to provide collective leadership in the Department and to:

(i) oversee the delivery of the Department's agreed strategic aims and objectives;
(ii) ensure sound financial management is in place and oversee the strategic allocation and monitoring of finance and human resources to achieve strategic objectives;
(iii) monitor the Department's performance against its objectives;
(iv) set the Department's standards and values;
(v) maintain a transparent system of prudent and effective controls (including internal controls);
(vi) assess and manage risk; and
(vii) lead and oversee organisational development, encouraging innovation and, where appropriate, enterprise to enhance the Department's capacity to discharge its functions efficiently and effectively.

10. In order to achieve these objectives, a formal schedule of matters for consideration by the Board is maintained.

Corporate and Business Planning

11. Within the policy and resources framework set by the Minister and the Executive, the Departmental Board sets the strategic and annual direction of the Department through the corporate and business planning process. A Corporate Plan, which aligns with the Executive's Programme for Government and Budget, is normally prepared every three years. More detailed Business Plans are prepared on an annual basis. The detailed stages of the corporate and business planning processes are built into the Departmental Board work programme.

Secretariat

12. The Board is supported by a secretariat, located within Central Management Branch, which is responsible for maintenance of a register of interests. An agenda and papers are circulated one week in advance of each meeting and a record of meetings is circulated to Board members and posted on the Department's web site once approved at the subsequent board meeting. Central Management Branch also provides new Board members with an induction pack and programme.

Board Performance and Effectiveness

13. During the 2015-16 year, the Departmental Board met a total of 10 times. Details of the attendance of board members during the year was as follows:

Board Member	Number of Meetings Attended	Out of a Possible
Andrew McCormick	9	10
Eugene Rooney	10	10
Chris Stewart	9	10
Trevor Cooper	9	10
Wendy Johnston	9	10
David Beck	10	10
Claire Hughes	9	10

14. During the 2015-16 year, issues considered by the board included:

(i) Departmental Restructuring;
(ii) the draft DETI Business Plan for 2015-16 and draft Operating Plans for non departmental public bodies;
(iii) the Department's annual Budget submission and issues arising therefrom;
(iv) management accounting information relating to the actual use of financial resources as well as periodic in-year forecasts of the expected outturn against financial budgets of resource and capital expenditure and of income;
(v) Reports detailing progress on casework requiring DFP and/or Ministerial approval;
(vi) human resource issues, including staff engagement, managing attendance and the voluntary exit scheme;
(vii) human resource management systems and processes (insofar as those are not prescribed at NICS level);
(viii) legislative priorities (subject to ministerial determination);
(ix) progress in relation to business plan outputs and outcomes (performance targets);
(x) issues arising in relation to the operation of the Non-Domestic Renewable Heat Incentive Scheme;
(xi) six monthly Assurance Statements;
(xii) the identification and management of risk incorporating a programme of presentations by risk owners;
(xiii) feedback from Departmental Audit Committee meetings;
(xiv) feedback from Oversight and Liaison meetings;
(xv) information security;
(xvi) Freedom of Information;
(xvii) overview of assurance work undertaken by Internal Audit Service;
(xviii) the Governance Statement 2014-15;
(xix) Direct Award Contracts; and
(xx) Work to promote diversity in the Department.

15. The Departmental Board reviewed its effectiveness during the year. The Board is content with its performance and the role it plays in the effective governance of the Department including monitoring progress of the actions set out in Corporate and Operating Plans.

The Departmental Audit Committee

16. The Departmental Board is supported in its role by the Departmental Audit Committee. The Committee is chaired by David Beck who attended the five meetings held in 2015-16. The other members of the Committee are Claire Hughes and Anthony Harbinson, both of whom are independent of the executive structure of the Department. Claire Hughes attended all of the five meetings held in 2015-16 while Anthony Harbinson attended three of the five meetings. Bill McGinnis was a member of the Committee until his term of office expired on 30 June 2016. He attended the two meetings held during the period 1 April 2015 to 30 June 2015.

17. The role of the Departmental Audit Committee is to support the Departmental Board and the Accounting Officer by advising on:

    (i) The strategic processes for risk, control and governance and the Governance Statement;
    (ii) The accounting policies, the accounts, and the annual report of the organisation, including the processes for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
    (iii) The planned activity and results of both internal and external audit;
    (iv) Adequacy of management response to issues identified by audit activity, including external audit's Report to those Charged with Governance;
    (v) Assurances relating to the corporate governance requirements for the organisation; and
    (vi) Anti fraud policies, whistle blowing processes, and arrangements for special investigations.

18. Each NDPB and cross border body provides the Departmental Audit Committee with a paper in advance of each meeting setting out corporate governance and accountability issues in their organisations.

19. The Departmental Audit Committee also periodically reviews its own effectiveness and reports the results of that review to the Board.

Departmental Audit Committee Reports

20. Following each meeting of the Departmental Audit Committee, the Departmental Board is provided with the draft minutes of the meeting supplemented by a verbal report and a written synopsis from the Departmental Audit Committee Chairman.

21. The Chairman of the Departmental Audit Committee also provides an annual report to the Departmental Board which summarises the Committee's work for the year. The 2015-16 report included:

    (i) Details of meetings and provision of minutes and reports to the Departmental Board;
    (ii) Details of membership and attendance;
    (iii) Confirmation that a review of the effectiveness of the Committee had been undertaken during the 2015-16 year which had led to a small number of recommendations being made;
    (iv) A summary of work undertaken during the 2015-16 year;
    (v) The Committee's views on the quality of assurances it considered during the year;
    (vi) The Committee's views on risk management;
    (vii) The Committee's opinion on the quality of internal and external audit arrangements;
    (viii) The Committee's views on the issues which merit inclusion in the Governance Statement; and
    (ix) The Committee's overall conclusion.

22. With the exception of the issues that have arisen in relation to the establishment and operation of the Non-Domestic Renewable Heat Incentive Scheme, the Committee was content with the quality of assurances it received, the management of risk and the quality of internal and external audit.

Other Organisational Structures

23. Other organisational structures that contribute to sound corporate governance in the Department are the Casework Committee, the Senior Management Team and the Quarterly Oversight and Liaison Meetings with Arm's Length Bodies. None of these is a sub-committee of the Departmental Board.

Casework Committee

24. The DETI Casework Committee meets as required to consider and approve DETI projects involving expenditure above £500,000. All members of the Departmental Board and DETI Senior Management Team are eligible to participate on the Casework Committee. However, the Head of a Division from which an expenditure proposal emanates is debarred from sitting on the Casework Committee which considers the proposed expenditure.

25. The Casework Committee is chaired by an officer of at least Deputy Secretary level, and requires a minimum of three members to be quorate.

26. Casework Committees are also in place to consider significant expenditure proposals emanating from Invest NI and Tourism NI and the Departmental Board receives regular updates on the progress of Casework across the Department.

Senior Management Team

27. Senior Management Team meets regularly to discuss ongoing operational issues, including forthcoming Executive and Assembly business. It is chaired by the Permanent Secretary and membership comprises the Deputy Secretaries responsible for Policy Group and Management Services Group, and Heads of Divisions and Grade 6 Heads of Business Units. The Head of Central Management Branch, the Principal Information Officer and the Minister's Private Secretary are also in attendance.

Quarterly Oversight and Liaison Meetings with Arms Length Bodies

28. The Department sponsors four Non Departmental Public Bodies: Invest NI; Tourism NI; the Consumer Council for Northern Ireland and the Health and Safety Executive for Northern Ireland. Oversight and Liaison meetings with Non Departmental Public Bodies, which Independent Board Members may attend as observers, are normally held on a quarterly basis. The agendas for these meetings contain standing items which include performance monitoring, budgetary and finance matters, risk management and corporate governance. The minutes of Oversight and Liaison meetings are brought to the Departmental Board as "take note" items unless specific issues arise which require Board intervention. If such issues arise they are tabled as a separate agenda item.

29. The Department sponsors two cross border bodies: InterTradeIreland and Tourism Ireland Limited. Quarterly meetings also take place with these bodies. The issues covered by the agendas for these meetings are similar to the issues covered in the NDPB Oversight and Liaison meetings.

30. In addition, Departmental representatives attend the audit committees of NDPBs and cross border bodies.

Risk Management

31. The Department's approach is to assign risks to those best placed to manage them, whilst maintaining clear accountability. The Department manages risk at Corporate and Divisional levels.

32. Corporate Risks are managed collectively by the Departmental Board. The Corporate Risk Register is reviewed by the Departmental Board at each meeting along with significant Corporate Risks emanating from NPDBs. On a quarterly basis, the Departmental Board receives a report detailing Divisional Risks which are assessed as having a high or medium impact and a high likelihood of occurrence. The Departmental Board considers the degree of risk it is prepared to accept for the Department's Corporate Risks (its risk appetite).

33. Corporate risks being managed at 31 March 2016 related to:

- The delivery of commitments contained in the Programme for Government, the Corporate Plan and the Operating Plan;
- The formulation of appropriate strategies and policies for economic development in Northern Ireland;
- Corporate Governance;
- Financial Management;
- The management of financial assistance provided in connection with the administration of the Presbyterian Mutual Society;
- Information Management;
- Implementation of legislation, including EU Directives;
- The disqualification of company directors; and
- The departmental restructuring project.

34. Action is being taken to mitigate the above risks. During the 2015-16 year a new risk was added to the Corporate Risk Register in recognition of the possibility that the new Department for the Economy might not function effectively

from the date of its creation in May 2016, as a consequence of insufficient consideration having being given to structures and workflows in advance of its creation. A number of actions were taken to mitigate the risk including the appointment of a Senior Responsible Officer to manage the transition, the establishment of a Project Board supported by a full time project manager and project management team, the establishment of workstreams to take forward specific areas of work, and ongoing staff and stakeholder engagement. An Advisory Group met regularly to provide advice and constructive challenge and a health check was carried out using the "Gateway" process to confirm that the project remained on track.

35. During the 2015-16 year, the Departmental Board considered risks around the Domestic and Non-Domestic Renewable Heat Incentive (RHI) Schemes. A sharp increase in applications for the Non-Domestic scheme during the year resulted in future budgetary pressures.
Both Schemes were subsequently closed to new applicants from 29 February 2016.
The Department is carrying out a comprehensive review and audit to ensure that the operation of the schemes was in compliance with the scheme requirements and the underpinning legislation. A whistleblowing allegation relating to the Non-Domestic RHI Scheme is also being followed up.

Six Monthly Assurance Statements

36. Each Deputy Secretary and NDPB Chief Executive is required to provide six monthly Assurance Statements to the Permanent Secretary as Departmental Accounting Officer. These six monthly statements confirm the efficacy of the systems of internal control in their areas of responsibility and, where appropriate, draw the attention of the Permanent Secretary to any significant internal control issues.

Data Security

37. The Department is preparing the Departmental Security Health Check (formerly the Security Risk Management Overview (SRMO)). This is an exercise which reports to the Head of the NICS and includes a single return for DETI and all its NDPBs. The report contains an independent assurance statement from the Head of Internal Audit and will be endorsed by the Permanent Secretary as Accounting Officer.

38. The DETI Information Security Policy compendium is updated and disseminated during the year. The Department carried out its annual Information Security Survey in March 2016. The format changed this year and the exercise centred on evidence and assurances from the departments Information Asset Owners (Grade 7's). This provides a further assurance to the Accounting Officer that information is being securely handled and effectively managed across all business areas. Information Security continues to be a regular item at Departmental Board meetings and Heads of Branches are required to review information security compliance in their six monthly internal assurance statement checklists.

Business Continuity Management

39. The Department has in place a Business Continuity Management (BCM) process, whereby each Branch and Departmental building has its own dedicated and managed Business Continuity Plan (BCP). Plans are updated, reviewed and tested on a regular basis. All branch and building BCPs are monitored and reported on at four monthly cross-divisional Plan Holder Committee meetings. This Group met 3 times in 2015-16. A similar committee operates covering the DETI buildings outside of Netherleigh, as well as the Department's Arms Length Bodies (this committee also met 3 times a year). The BCM process is subject to annual review by Internal Audit Service.

Internal Audit

40. The Department has an Internal Audit Service, which operates to HM Treasury's Public Sector Internal Audit Standards. An Internal Audit Strategy was previously in place for the 2011/12 – 2014/15 period from which the annual audit plans were derived. However, it was agreed with senior management that a one year risk based plan for 2015-16 should be developed as an interim measure due to a number of internal and external factors currently relevant to DETI.

41. The Internal Audit plan for 2015-16 was endorsed by the Departmental Audit Committee. The plan was regularly updated to reflect the changing priorities of management, changing circumstances and emerging issues. Any changes to the original plan were endorsed by the Departmental Audit Committee.

42. Internal Audit Service submits regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. Internal Audit Service has provided an overall satisfactory opinion with regard to the adequacy of the Department's risk management, control and governance processes for the 2015-16 year.

Compliance with the Corporate Governance Code

43. The Departmental Board has carried out an assessment of its compliance with the April 2013 DFP publication "Corporate governance in Central Government Departments: Code of Good Practice NI 2013". The Departmental Board is content that it is compliant with both the spirit and the principles of the Code.
The Board had agreed during the 2014-15 year that the framework within which it operates should be reviewed during the 2015-16 year. The framework has been reviewed in the context of the creation of the Department for the Economy (DfE) and a new framework for DfE was considered by the Restructuring Project Board at its meeting on 22 March 2016. Work is currently being undertaken to finalise corporate governance arrangements in DfE.

Quality of Data Used by the Departmental Board

44. The Departmental Board uses information based on a number of data sources. In relation to performance targets, the Board draws assurance from the fact that a number of the data sources used are also utilised for the publication of Official Statistics or National Statistics. Data relating to financial information and absenteeism is derived from NICS wide systems such as Account NI and HR Connect. The Departmental Board takes assurance on the quality of this data from the internal controls in place in the Department and the scrutiny of the Account NI and HR Connect systems by DFP's Internal Audit Service and the supply of information on absenteeism to departments by the Northern Ireland Statistics and Research Agency (NISRA).

45. During 2015-16, Internal Audit Service undertook an exercise to provide assurance to the Department that data relating to Invest NI's performance reporting in 2014-15 was accurately stated and free from any errors or omission. Based on validation work undertaken on a sample of targets selected, Internal Audit Service is satisfied with the accuracy of performance data reported by Invest NI and a draft report is due to issue. Internal Audit Service has recently undertaken an exercise to provide assurance to the Department that data relating to Invest NI's performance reporting in 2015-16 was accurately stated and free from any errors or omission. Based on verification work carried out on the sample of targets selected, Internal Audit Service is satisfied that the outturn for 2015/16 reported by Invest NI has been accurately stated and presents a true and fair view of activity for the period.

Ministerial Directions

46. No Ministerial Directions were issued during the 2015-16 financial year.

Public Accounts Committee Issues

47. On 18 March 2015, the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "Cross-border broadband initiative: the Bytel project"
The Public Accounts Committee's report, containing eight recommendations, was published on 1 July 2015. A Memorandum of Reply responding to the Committee's recommendations was laid before the Assembly on 2 October 2015. The Department is engaged on legal proceedings regarding clawback of grant funding which was provided to the project.

48. On 21 October 2015, the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "The Northern Ireland Events Company". The Northern Ireland Events Company was a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure. The Department's evidence

related to its role in the appointment and oversight of Company Inspectors and subsequent action taken on foot of the Company Inspectors' report. The Committee published its report on 24 February 2016. Two recommendations were made relating specifically to the Department. A response, in the form of a Memorandum of Reply was laid before the Assembly on the 22nd June 2016.

(x) Other Governance Issues

49. The Department continues to seek clawback of £198,747 from Craigavon Borough Council (now Armagh City, Banbridge and Craigavon Borough Council) as a result of a suspected fraud connected with the tendering process for the installation of renewable energy boilers. The Council had been pursuing the matter through its insurers but the insurance company has recently written to advise that it is not accepting liability under the policy. The Department is consulting its legal advisers on further action that might be taken in relation to clawback.

50. The Non-Domestic Renewable Heat Incentive Scheme is a UK-wide scheme which is designed to promote heat generation from renewable heat sources through provision of support for applications coming forward which meet the criteria. During the period 1 April 2015 to 28 October 2015, the Scheme operated outside the terms of the approval which had been given by the Department of Finance (DoF) (Formerly Department of Finance and Personnel (DFP)). DoF has declined to provide retrospective approval for new commitments incurred under the Scheme in this period, thereby rendering expenditure incurred under such commitments irregular. This expenditure amounted to £11.9 million in 2015-16. A sharp increase in applications during the year resulted in future budgetary pressures.

51. Both the Domestic and Non-Domestic RHI Schemes were subsequently closed to new applicants from 29 February 2016. The operation of the Schemes is currently being reviewed.

(xi) Conclusion

52. DETI has a rigorous system of accountability on which I rely, as Permanent Secretary and Accounting Officer, to form an opinion on the probity and use of public funds, as detailed in Managing Public Money Northern Ireland.

53. Having considered the accountability framework within the Department and between the Department and its arm's length bodies, and in conjunction with assurances given to me by the Departmental Audit Committee, I am content that, with the exception of the issues referred to above, the Department has operated a sound system of internal governance during the period 2015-16.

B. REMUNERATION AND STAFF REPORT

iv. REMUNERATION REPORT

Remuneration Policy

1. The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

Service Contracts

2. 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.

3. 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.

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

Salary and Pension entitlements

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

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

	2015-16			2014-15		
Officials	**Salary £'000**	**Pension Benefits* (to nearest £1000)**	**Total £'000**	**Salary £'000**	**Pension Benefits (to nearest £1000)**	**Total £'000**
Arlene Foster MLA	4,000	17,000	21,000	38,000	13,000	51,000
Jonathan Bell MLA	30,000	12,000	42,000	-	-	-

	2015-16			2014-15		
Officials	**Salary £'000**	**Pension Benefits* (to nearest £1000)**	**Total £'000**	**Salary £'000**	**Pension Benefits (to nearest £1000)**	**Total £'000**
David Sterling Permanent Secretary (until 01/07/2014)	-	-	-	25-30 (110-115 full year equivalent)	3,000	25-30
Andrew McCormick Permanent Secretary (from 01/07/2014)	120-125	(2,000)	120-125	90-95 (120-125 full year equivalent)	12,000	100-105
David Thomson Deputy Secretary (until 30/06/2014)	-	-	-	25-30 (100-105 full year equivalent)	(4,000)	20-25
Eugene Rooney Deputy Secretary	85-90	28,000	110-115	80-85	87,000	170-175
Chris Stewart Deputy Secretary (from 01/08/2014)	85-90	70,000	155-160	55-60 (80-85 full year equivalent)	89,000	145-150
Trevor Cooper Assistant Secretary	65-70	(10,000)	55-60	65-70	5,000	70-75
Wendy Johnston** Assistant Secretary	55-60 (70-75 full year equivalent)	(720,000)	(660-665)	70-75	(142,000)	(70-75)
David Beck Non-Executive Director	10-15	-	10-15	10-15	-	10-15
Claire Hughes Non-Executive Director (from 01/01/2015)	10-15	-	10-15	0-5	-	0-5
Band of Highest Paid Director's Total Remuneration	120-125			120-125		
Median Total Remuneration	£29,810			£28,500		
Ratio	4.15			4.3		

** 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.*

*** This official took actuarially reduced partial retirement during the 2014/15 year.*

Non-Executive Directors are remunerated on a per diem basis.
None of the above received benefits in kind or bonus payments in either year.

Salary

6. '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 gratia payments.

7. The Department of Enterprise, Trade and Investment was under the direction and control of Arlene Foster MLA and Jonathan Bell MLA during the financial year. Their salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to a Minister's role as MLA/MP/MEP which are disclosed elsewhere.

Benefits in kind

8. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind paid to the most Senior Management of the Department during either year.

Bonuses

9. Bonuses are based and paid on performance levels attained and are made as part of the appraisal process. Bonuses relate to the year in which they become payable to the individual. There were no non-consolidated bonus payments to the most Senior Management of the Department during 2015-16.

Top to Median Pay Multiples

10. 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 DETI in the financial year 2015-16 was £120k-£125k (2014-15, £120k-£125k). This was 4.15 times (2014-15, 4.3 times) the median remuneration of the workforce, which was £29,810 (2014-15, £28,500).

In 2015-16, zero (2014-15, zero) employees received remuneration in excess of the highest-paid director.

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.

Pension Benefits (Audited Information)

	Accrued pension at pension age as at 31-3-16	Real increase in pension at pension age	CETV at 31-3-16	CETV at 31-3-15	Real increase in CETV
Ministers	£'000	£'000	£'000	£'000	£'000
Arlene Foster MLA	5-10	0-2.5	84	71	5
Jonathan Bell MLA	0-5	0-2.5	25	16	4

Ministerial pensions

11. Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

12. Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 7% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 20.6% of the Ministerial salary.

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

15. This is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using valuation factors for the start and end of the period. Prior to October 2015, the CETV factors were calculated using a net discount rate of 3%, which was the rate set by HM Treasury for the major public service pension schemes. Following the completion of the 2014 funding valuation of the AMPS the assumptions used to calculate the scheme's factors were reviewed. The AMPS is not covered directly by the financial assumptions set by HM Treasury for other public service pension schemes, and the Trustees instead decided to adopt the financial assumptions used in the scheme's funding valuation to calculate CETVs (a net discount rate of 3.5%) rather than the HM Treasury rate. This has led to a reduction in CETVs in general and a difference between the closing CETVs reported in 2014-15, and the opening CETVs reported in 2015-16.

Pension Entitlements (Audited Information)

Civil Service Pensions (Audited Information) Officials	Accrued pension at pension age as at 31-3-16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-16	CETV at 31-3-15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Andrew McCormick Permanent Secretary	60-65 plus lump sum of 100-105	0-2.5 plus lump sum of (5-10)	1,328	1,257	-3	-
Eugene Rooney Deputy Secretary	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-5	816	742	26	-
Chris Stewart Deputy Secretary	30-35 plus lump sum of 90-95	2.5-5 plus lump sum of 5-10	584	491	57	-
Trevor Cooper Assistant Secretary	15-20 plus lump sum of 50-55	(0-2.5) plus lump sum of (0-5)	340	324	(9)	-
*Wendy Johnston Assistant Secretary	0-5 plus lump sum of 0-5	(30-32.5) plus lump sum of (110-115)	16	644	(664)	-

*This official took actuarially reduced partial retirement during the 2014-15 year.

Northern Ireland Civil Service (NICS) Pension arrangements

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

17. A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

18. Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

19. Employee contribution rates for all members for the period covering 1st April 2016 – 31st March 2017 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	From 01 April 2016 to 31 March 2017	From 01 April 2015 to 31 March 2016
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,000.99	4.6%	4.6%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

20. 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.

21. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 14.7% (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).

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

23. 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 CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

24. 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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. 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.

Compensation for loss of Office

25. There was no compensation for loss of office payments in respect of Board Members during 2015/16.

V. STAFF REPORT

Staff Costs (Audited Information)

	2015-16				2014-15
	Permanently employed staff*	Others	Minister**	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	16,940	-	34	16,974	17,637
Social security costs	1,269	-	3	1,272	1,335
Other pension costs	3,807	-	7	3,814	3,505
Agency staff	-	39	-	39	138
Voluntary Exit Scheme Costs	1,487	-	-	1,487	-
Movement in employee benefits accrual	(130)	-	-	(130)	209
sub total	23,373	39	44	23,456	22,824
Staff Seconded from NISRA	183	-	-	183	186
Total gross costs	23,556	39	44	23,639	23,010
Less recoveries in respect of outward secondments	(89)	-	-	(89)	(91)
Total net costs	23,467	39	44	23,550	22,919
Analysed as:					
Administration	11,911	39	44	11,994	12,021
Programme	11,645	-	-	11,645	10,989
Income	(89)	-	-	(89)	(91)
	23,467	39	44	23,550	22,919

* Permanently employed staff includes the cost of the Department's Special Advisor. The Special Advisor was paid in the pay band £59,627-£91,809 (2014-15: £59,037-£91,809)

** Notional (non-cash) charge for Minister's salary in 2015-16 was £44,444 (2014-15: £50,477).

1. The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but (insert employer's name) 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 DFP Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2016.

2. For 2015-16, employers' contributions of £3.8m were payable to the NICS pension arrangements (2014-15 £3.5m) at one of three rates in the range of 20.8% to 26.3% (2014-15: 18% to 25%) 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 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

3. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2014-15: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.7% (2014-15 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.5% (2014-15 £nil, 0.8%) of pensionable pay, were payable to the PSCPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

4. Contributions due to the partnership pension providers at the reporting period were £nil.

5. Contributions prepaid at that date were £nil.

6. 3 persons (2014-15: 2 persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £9,184 (2014-15: £3,982).

Average number of persons employed (Audited Information)

7. The average number of whole-time equivalents people employed during the year was as follows:

	2015-16			2014-15
	Permanent Staff	Minister	Total	Total
Core Department	428	1	429	443
HSENI	112	0	112	118
Staff Seconded from NISRA	4	0	4	4
Less staff on secondment	(4)	0	(4)	(4)
Total	**540**	**1**	**541**	**561**

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

Comparative shown (in brackets) for previous year

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	2 (0)	2 (0)
£10,000 - £25,000	0 (0)	31 (1)	31 (1)
£25,000 - £50,000	0 (0)	21 (2)	21 (2)
£50,000 - £100,000	0 (0)	2 (0)	2 (0)
£100,000- £150,000	0 (0)	0 (1)	0 (1)
£150,000- £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	56 (4)	56 (4)
Total resource cost /£	0 (0)	£1,486,904(£200,940)	£1,486,904(£200,940)

Current year departures represent those staff (including HSENI staff) that exited through the Voluntary Exit Scheme

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.

Staff Employed in DETI (Audited Information)

8. The table below provides a breakdown of the number of persons employed by the Department at the end of the 2015/16 financial year by gender (prior year comparison in brackets) for each of the following groups:

   a. Directors (interpreted to be the Departmental Minister, Permanent Secretary, Deputy Secretaries and Departmental Board Members);
   b. Senior Managers (Staff at Senior Civil Servant level that are not included in the Directors Group); and
   c. Other Employees.

	Male	Female
Directors	6 (5)	2 (3)
Senior Managers	4 (5)	1 (1)
Employees	240 (265)	302 (332)

Senior Civil Service Staff (Audited Information)

9. The following table shows the number of SCS staff in the core department and HSENI by pay range as at 31 March 2016. Salary ranges represent full time equivalent rates.

Pay Range	No of SCS staff within range as at 31 March 2016
£120,000 - £125,000	1
£85,000 - £90,000	2
£70,000 - £75,000	3
£65,000 - £70,000	4

Disabled Persons

10. The Department follows the Northern Ireland Civil Service Code of Practice on the Employment of Disabled People and aims to ensure that disablement is not a bar to recruitment or advancement.

Equal Opportunities

11. The Department is firmly committed to pursuing the Northern Ireland Civil Service Equal Opportunities policy whereby all staff have equality of opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

Employee Engagement and Learning & Development

12. The DETI Human Resource policies, strategies and plans directly and tangibly support the Department's business by ensuring the provision of appropriately motivated and skilled staff. DETI is committed to the continuous development of its staff to meet the needs of its business areas and to reflect the variety of skills and competencies required for them to operate effectively both now and in the future. Departmental HR in line with HR policies contained in the NICS Staff Handbook ensure performance management, absence levels and employee relations are managed effectively. The Department is committed to providing all staff with the development and training necessary for effective performance in their jobs and for the development of their potential in accordance with the business needs of the Department and the agreed training priorities for the NICS. The Department utilises the DoF (formerly DFP) Centre for Applied Learning shared service which provides a wide range of programmes for all generic learning and development needs. In addition the Department arranges external training to ensure specialist training needs are met. The Department also provides an Assistance to Study Scheme which supports staff to achieve a recognised qualification in their own time. Staff commitment to and involvement in the Department is encouraged through regular communication of operating targets, a quarterly internal on-line magazine and an intranet site which can be accessed by all staff. The Department is accredited with the Investors in People (IIP) Bronze Award status and with the assistance of the Departmental Business Support Branch, staff and line managers are committed to advancing our service through innovation and continuous improvement.

Sickness absence data (Audited Information)

13. The Department continues to monitor and actively manage the sickness absence of its staff through the application of centrally agreed policies and procedures and the HRConnect Shared Service. The Department's absence rate for 2015/16 is estimated to be an average of 7.9 days (2014/15: 8.5 days) absence per member of staff. While this is above the target rate of 7.5 days (2014/15: 7.5 days), it is one of the lowest rates across the NICS and is some 32% lower than the overall NICS position (2014/15: 22% lower).

Expenditure on Consultancy and Temporary Staff (Audited Information)

14. The Department has spent £199,878 on external consultancy, and £38,852 on temporary staff during the 2015/16 financial year.

15. DETI had no 'off-payroll' engagements at a cost of over £58,200 per annum in place during the 2015-16 financial year.

C. PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

VI. STATEMENT OF ASSEMBLY SUPPLY (AUDITED INFORMATION)

Statement of Assembly Supply for the year ended 31 March 2016

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department of Enterprise, Trade and Investment 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									
								2015-16	**2014-15**
				Estimate				Outturn	
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn compared with Estimate saving/ (excess)	Prior Year Outturn
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
RfR A : To promote the growth of a competitive and export led economy									
Total Resources	SoAS1	306,857	(13,173)	293,684	303,449	(13,028)	290,421	3,263	228,508
Non-operating Accruing Resources				(14,000)			(14,000)	-	(7,000)

Net Cash Requirement 2015-16					
				2015-16	**2014-15**
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate saving/(excess)	Prior Year Outturn
Net Cash Requirement	SoAS3	290,156	275,070	15,086	215,820

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).

Summary of Income Payable to the Consolidated Fund					
		Forecast 2015-16		**Outturn 2015-16**	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
		£000	**£000**	**£000**	**£000**
Total	SoAS4	(1,860)	232	(1,815)	171

Explanation of variances between Estimates and Outturn are given in Note SoAS1 below

SoAS1. Analysis of net resource outturn by function

	2015-16									2014-15
	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 virement	Prior year outturn
RfRA : To promote the growth of a competitive and export-led economy										
Departmental Expenditure in DEL										
1. Economic Development, Policy & Research (ED,P&R)	9,900	1,375	(4)	**11,271**	(94)	**11,177**	11,467	290	578	11,452
2. Economic Infrastructure/ Minerals	2,548	1,283	11,248	**15,079**	(55)	**15,024**	15,184	160	86	11,232
3. Invest Northern Ireland	105	-	-	**105**	-	**105**	105	-	-	105
4. Development of Tourism	343	-	-	**343**	(2)	**341**	341	-	-	725
5. Tourism Ireland Ltd	165	-	-	**165**	-	**165**	169	4	4	364
6. InterTrade Ireland	105	-	-	**105**	-	**105**	105	-	-	105
7. EU Structural Funds – ERDF Support for Economic Development	-	-	2,970	**2,970**	(2,715)	**255**	403	148	148	194
8. EU Community Initiatives	-	-	5,633	**5,633**	(4,225)	**1,408**	1,440	32	32	2,226
9. Business Regulatory Services	474	7,797	-	**8,271**	(3,319)	**4,952**	5,344	392	293	5,414
10. Business Regulatory Services – Repayment of Assistance in respect of the Presbyterian Mutual Society	-	-	-	**-**	(2,618)	**(2,618)**	(2,566)	52	52	(2,887)
11. Health and Safety Executive NI	-	5,726	-	**5,726**	-	**5,726**	5,880	154	39	5,619

	2015-16									2014-15
	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 virement	Prior year outturn
RfRA : To promote the growth of a competitive and export-led economy										
Departmental Expenditure in DEL										
12. Provisions –ED,P&R	-	(508)	-	**(508)**	-	**(508)**	(508)	-	-	1,819
13. NI Renewable Heat Incentive	-	-	35,103	**35,103**	-	**35,103**	30,400	(4,703)	-	7,925
14. Revaluation of Assets	-	5,641	-	**5,641**	-	**5,641**	5,588	(53)	-	(89)
Non-Budget										
15. Invest Northern Ireland	-	-	167,087	**167,087**	-	**167,087**	171,723	4,636	-	136,646
16. Northern Ireland Tourist Board	-	-	27,509	**27,509**	-	**27,509**	27,509	-	-	24,800
17. Consumer Council for Northern Ireland	-	-	1,430	**1,430**	-	**1,430**	1,430	-	-	1,339
18. Health and Safety Executive NI	-	-	605	**605**	-	**605**	605	-	-	898
19. Tourism Ireland Ltd	-	-	11,694	**11,694**	-	**11,694**	11,860	166	166	13,972
20. InterTrade Ireland	-	-	1,863	**1,863**	-	**1,863**	3,197	1,334	1,214	2,715
21. Notional Charges	3,357	-	-	**3,357**	-	**3,357**	4,008	651	651	3,934
Total	**16,997**	**21,314**	**265,138**	**303,449**	**(13,028)**	**290,421**	**293,684**	**3,263**	**3,263**	**228,508**

SOAS1 Analysis of net resource outturn by section (cont'd)

Explanation of the variation between Estimate and Outturn (Net Total Resources)

(i) Economic Development, Policy & Research - £0.29m

Voluntary Exit Scheme estimates were not fully utilised due to variation in the mix of staff grades/length of service, coupled with unforeseen Foreign Exchange gains.

(ii) Business Regulatory Services - £0.39m

Mainly due to, a reduction in administration costs across this division due to staff leaving through the voluntary exit scheme, a reduction in Resource expenditure in Consumer Affairs Branch, along with additional receipts in Insolvency Service.

(iii) NI Renewable Heat Incentive - £4.7m

This overspend is attributed to a spike of applications received prior to the scheme closure.

(iv) Invest NI - £4.6m

Due to the timing of demand driven grant payments a number of these were not paid by the year end.

(v) InterTradeIreland - £1.3m

The InterTradeIreland 2016 Business Plan obtained Ministerial approval, but is was not ratified by the North South Ministerial Council by the year end. As a consequence no funding was provided to InterTradeIreland in relation to the 2016 Business Plan.

(vi) Notional Charges - £0.65m

This is mainly due to a reduction in notional accommodation charges from the Department of Finance Properties Division as a result of a reduction in their own running costs.

SoAS2 Reconciliation of Outturn to net operating cost

		2015-16			2014-15
	Note	Outturn £000	Supply Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net resource outturn	SoAS1	290,421	293,684	3,263	228,508
Non supply income (CFER's)	SoAS4	1,815	1,860	45	(75)
Non supply expenditure	4	2,280	-	(2,280)	(593)
Net operating cost		**294,516**	**295,544**	**1,028**	**227,840**

SoAS3 Reconciliation of net resource outturn to net cash requirement

		2015-16		
	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/(excess) £000
Resource outturn	SoAS1	293,684	290,421	2,981
Capital				
Acquisition of non-current assets	6,7	230	240	(10)
Financial Asset Investment	11	3,300	2,704	596
Non-operating Accruing Resources				
Loan repayment	11	(14,000)	(14,000)	-
Accruals to cash adjustments				
Depreciation and Revaluation	3,4	(6,013)	(6,053)	40
New provisions and adjustment to previous provisions	4	508	508	-
Non-cash items	Staff costs, 3	(4,008)	(3,357)	(651)
Changes in working capital other than cash		11,413	(435)	12,130
Use of provisions	16	5,042	5,042	-
Net cash requirement		**290,156**	**275,070**	**15,086**

SoAS4 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).

		Forecast 2015-16		Outturn 2015-16	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess Accruing Resources		-	-	36	18
Other operating income and receipts not classified as Accruing Resource		(1,860)	232	(1,851)	153
Subtotal		(1,860)	232	(1,815)	171
Non-operating income and receipts – excess Accruing Resources	SoAS6	-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrendable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**(1,860)**	**232**	**(1,815)**	**171**

SoAS5 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

		2015-16	2014-15
	Note	£000	£000
Operating income	5	11,213	18,364
Gross income		11,213	18,364
Income authorised as Accruing Resources	SoAS1	(13,028)	(18,289)
Operating income payable to the Consolidated Fund	**SoAS4.1**	**(1,815)**	**75**

SoAS6 Non-operating income – Excess accruing resources

		2015-16	2014-15
	Note	£000	£000
Proceeds on disposal of fixed assets		-	-
Non-operating income – excess accruing Resources		-	-

Other Assembly Accountability Disclosures

i. Losses and special payments (Audited Information)

Losses Statement	2015-16	2014-15
	£000	£000
Insolvency Claims abandoned		
909 cases (2014-15 :553)	624	405
Total	**624**	**405**

ii. Business activities attracting fees and charges (Audited Information)

This note is provided for fees and charging purposes and not for IFRS8 purposes.

	2015-16			2014-15
	£000 Income	£000 Full Cost	£000 (Surplus)/deficit	£000 Total
Insolvency Account	(2,621)	4,154	1,533	1,958

The above figures represent services where the full cost of the service is in excess of £1m.

The financial objective for the Insolvency Service is to recover the cost of those activities for which core funding was not provided. This objective was met.

vii. LONG TERM EXPENDITURE TRENDS

A: Budgets 2015-16

Total Managed Expenditure represents the total funds available to the Department.

Total Managed Expenditure
£287.2 million

DEL
Departmental Expenditure Limit
£237.0 million

AME
Annually Managed Expenditure
£50.2 million

Resource DEL
£201.9 million

Capital DEL
£35.1 million

Resource AME
£48.8 million

Capital AME
£1.4 million

Admin
£14.3 million

Programme
£187.6 million

Mainstream Capital
£23.8 million

Financial Transactions Capital
£11.3 million

Departmental Expenditure Limit (DEL):

Budgets are planned structured amounts for expenditure which are planned in Spending Reviews for multi-year periods. They are linked to Departmental objectives and their limits may not be exceeded.

The DEL budget is split into two parts, Resource DEL and Capital DEL.

(i) Resource DEL is spent on either:

- Programme: This spending is largely the delivery of the Department's frontline objectives.
- Administration: Running costs of the Department including staff costs, accommodation and ICT.

(ii) Capital DEL is used for spending on assets and investments.

Annually Managed Expenditure (AME):

It is recognised that AME budgets are volatile by their nature and this therefore makes them more difficult to control.

B: Total Departmental Spending, 2013/14 – 2015/16.

The following tables contain details of expenditure by the Department by operating segment, for each of the previous three years.

The operating segments listed below have been identified under IFRS 8 Operating Segments as this reflects the structure reviewed by the entity's chief operating decision maker on a regular basis to inform resource allocation and review performance. The activities undertaken by each of the operating segments has also been summarised below:

1. **Economic Development, Policy & Research** - economic development, innovation and R&D policy, policy evaluation and research.
2. **Health & Safety Executive (NI)** - HSENI aims to promote key workplace health and safety messages and themes, communicate information and advice, conduct inspection and investigation activities and ensure regulatory framework is maintained.
3. **Economic Infrastructure/Minerals** - economic infrastructure in support of economic development including energy and minerals, sustainable energy; renewable heat incentive scheme; telecommunications.
4. **Business Regulatory Services** - business regulation; including company law, Insolvency Service, trading standards and consumer affairs services, Registry of Credit Unions and Industrial and Provident Societies, the provision of a debt advice service; social economy.
5. **Consumer Council** - to make representation of consumers views to the policy makers in Northern Ireland through running information and education campaigns, influencing the public and private sectors, undertaking research and producing publications.
6. **Invest Northern Ireland** - supporting business development, helping to increase export levels, attracting high quality inward investment, and stimulating a culture of entrepreneurship and innovation.
7. **Development of Tourism** - driving the development of Northern Ireland tourism.
8. **ERDF & EU Peace Programme** - payments under European Union Structural Funds Programmes.
9. **Tourism Ireland Ltd** - Tourism Ireland's role is to grow overseas tourism revenue and visitor numbers to Northern Ireland and Ireland, and to help Northern Ireland to realise its tourism potential.
10. **IntertradeIreland** - to support SMEs across Northern Ireland and Ireland and to develop North/South trade and business development opportunities for the mutual benefit of both economies.

These tables present actual expenditure by the Department for the years 2013/14 to 2015/16. The data relates to the Department's expenditure across each of the operating segments identified above.

Table 1 shows a breakdown of expenditure across DETI, including its NDPBs and includes all programme and administration costs, along with capital expenditure. Subsequent tables contain information relating to these totals, broken down into the main expenditure areas.

Table 2 Shows a further breakdown of the costs in Table 1, and provides information on Administration and Resource costs.

Table 3 shows a breakdown of the capital expenditure in the same format as Table 1.

Table 4 shows AME expenditure.

Table 1: Total DEL expenditure

	£000's 2013/14 Outturn	£000's 2014/15 Outturn	£000's 2015/16 Provisional Outturn
Total DEL			
Economic Development, Policy & Research	19,310	15,226	16,236
Health & Safety Executive Northern Ireland	6,431	6,510	6,353
Economic Infrastructure / Minerals	4,257	11,304	17,725
Business Regulatory Services	5,417	5,505	5,388
PMS Repayments (capital and interest)	(9,511)	(9,887)	(16,618)
Consumer Council NI	1,858	1,649	1,484
Invest NI	154,763	156,330	158,632
Development of Tourism	21,569	25,758	24,760
ERDF & EU Peace Programme	1,341	2,421	1,735
Tourism Ireland Ltd.	15,164	14,699	12,095
InterTradeIreland	3,291	3,292	3,039
Total DEL	**226,245**	**232,807**	**230,829**

This table is further broken down into expenditure categories in the following pages. Each table follows the same format where the expenditure in each category is shown by operating segment. Explanations of the expenditure type are included below each table.

Table 2: Resource DEL

	£000's 2013/14 Outturn	£000's 2014/15 Outturn	£000's 2015/16 Provisional Outturn
Resource DEL			
Economic Development, Policy & Research	19,287	15,191	16,185
Health & Safety Executive Northern Ireland	6,420	6,473	6,343
Economic Infrastructure / Minerals	4,257	4,351	3,718
Business Regulatory Services	5,417	5,417	5,204
PMS Repayments (interest only)	(3,011)	(2,887)	(2,618)
Consumer Council NI	1,840	1,632	1,484
Invest NI	116,275	134,074	131,321
Development of Tourism	19,335	19,788	21,410
ERDF & EU Peace Programme	881	1,371	999
Tourism Ireland Ltd.	15,164	14,699	12,095
InterTradeIreland	3,283	3,286	3,032
Total Resource DEL	**189,148**	**203,395**	**199,173**

The Resource DEL expenditure total includes both Administration and Programme expenditure.

- Administration expenditure includes items such as staff costs, accommodation costs, and ICT costs.
- Programme expenditure is the cost of delivering services.

The total Resource expenditure in Business Regulatory Services (BRS) includes interest payments made to DETI in respect of a Capital loan to the Presbyterian Mutual Society. These interest payments are treated as Resource income in the Budget. To provide clarity in the table, these repayments have been shown separately from the overall BRS total. The BRS totals shown should therefore be treated as a gross figure.

Table 3: Capital DEL

	£000's 2013/14 Outturn	£000's 2014/15 Outturn	£000's 2015/16 Provisional Outturn
Capital DEL			
Economic Development, Policy & Research	23	35	51
Health & Safety Executive Northern Ireland	11	37	10
Economic Infrastructure / Minerals	2,355	6,953	14,007
Business Regulatory Services	-	88	184
PMS Repayments	(6,500)	(7,000)	(14,000)
Consumer Council NI	18	17	-
Invest NI	38,488	22,256	27,311
Development of Tourism	2,234	5,970	3,350
ERDF & EU Peace Programme	460	1,050	736
InterTradeIreland	8	6	7
Total Capital DEL	**37,097**	**29,412**	**31,656**

The Capital DEL total includes expenditure by the Non Departmental Public Bodies the Department is responsible for funding. These bodies utilise the funding provided to enable the Department to meet its stated aim which is 'To promote the growth of competitive & export-led economy'.

The total capital expenditure in Business Regulatory Services (BRS) includes capital repayments made to DETI in respect of a Capital loan to the Presbyterian Mutual Society. To provide clarity in the table, these repayments have been separated from the overall BRS total. As with Resource DEL, the BRS totals shown should therefore be treated as a gross figure.

Table 4: Total AME Expenditure

	£000's 2013/14 Outturn	£000's 2014/15 Outturn	£000's 2015/16 Provisional Outturn
AME			
AME Resource	2,831	24,718	33,909
AME Capital	1,000	1,140	2,713
Total AME	**3,831**	**25,858**	**36,622**

AME budgets are volatile by their nature and this therefore makes them more difficult to control. The funds contained within this section are used to meet demand led expenditure where the actual cost of conducting a particular business objective cannot be quantified or forecast in the same way that DEL budgets can.

Example areas of expenditure within the AME budget are:

- Provision for setup / revaluation costs in Invest NI
- Release of Invest NI Grant provision.
- Movement in provisions in relation to the Department's liability in respect of Harland & Wolff plc.
- NI Renewable Heat Incentive Scheme.

C : Expenditure vs. Budgets 2013-14 to 2015-16

The following graphs represent Departmental expenditure compared to budget expenditure limits across a range of categories for each of the previous three years. The categories below reflect the same categories of expenditure detailed above.

Chart 1.1 Total Departmental Expenditure Limit - Budget vs. Expenditure

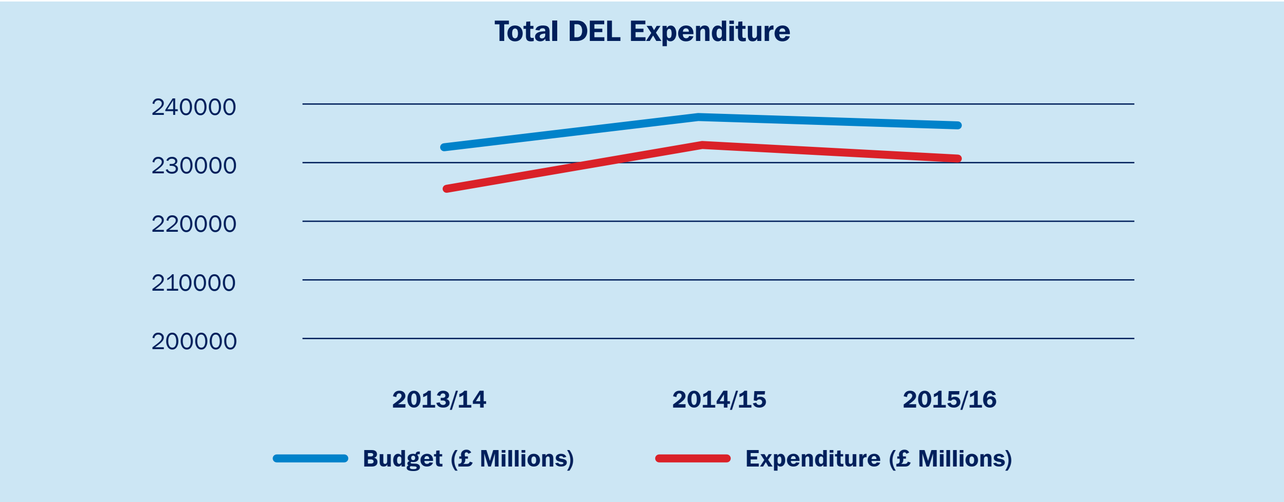


Chart 1.2 DEL Resource - Budget vs. Expenditure

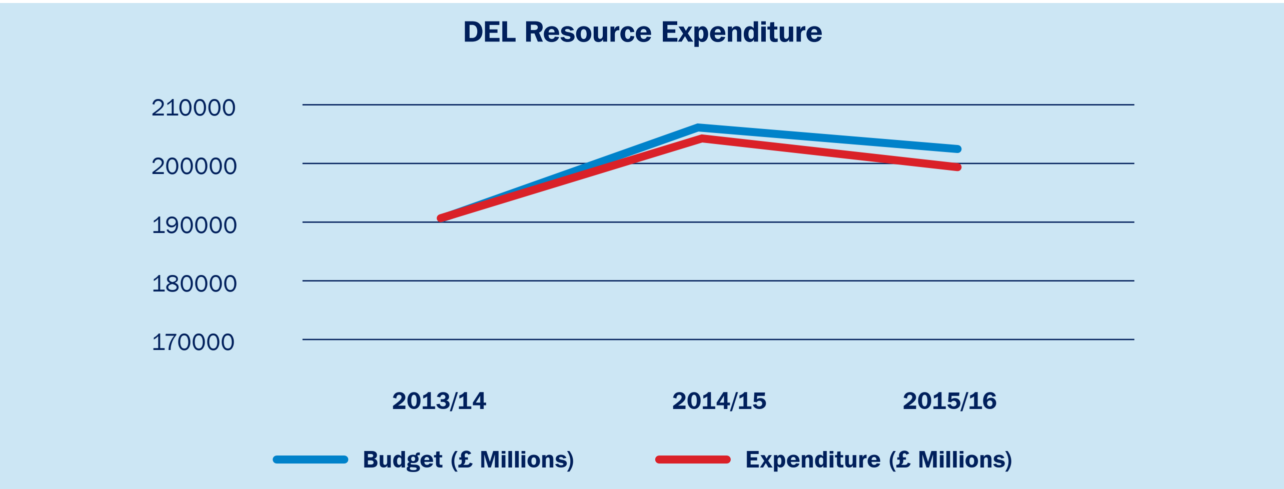


Chart 1.3 DEL Admin - Budget vs. Expenditure

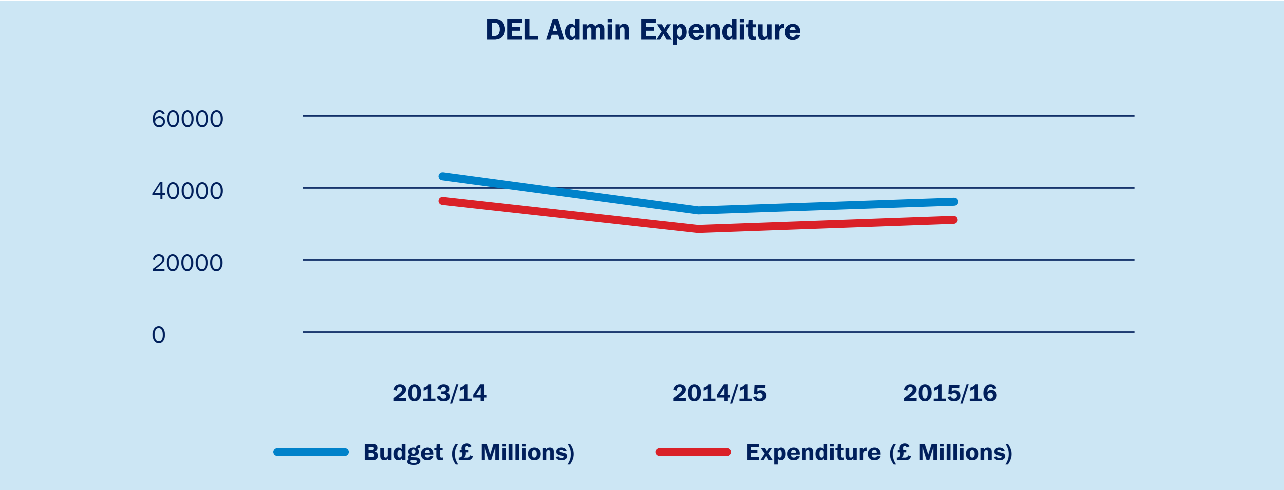


Chart 1.4 Annually Managed Expenditure - Budget vs. Expenditure

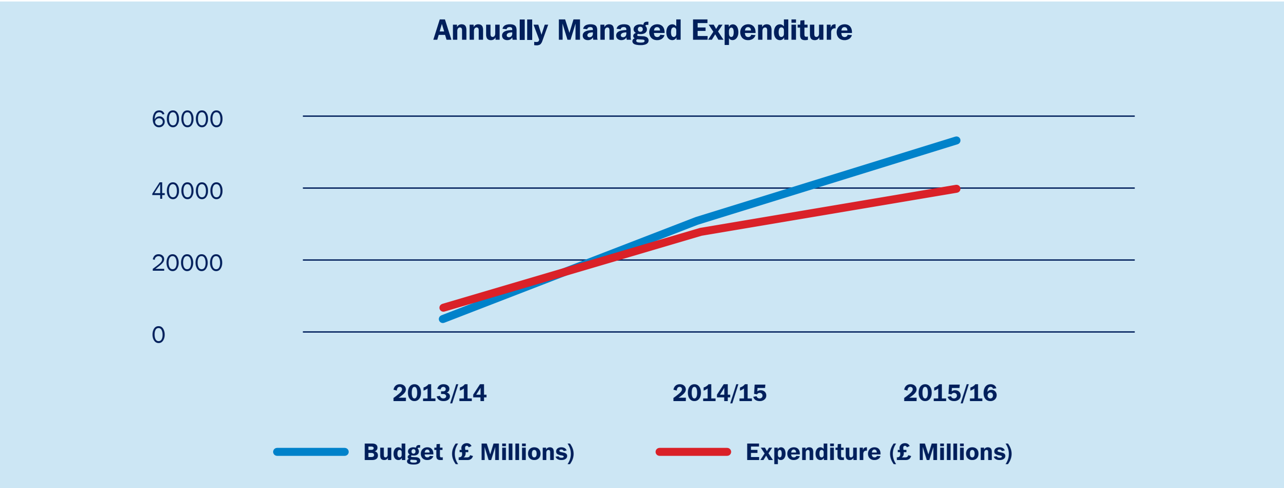


Chart 1.5 DEL Capital - Budget vs. Expenditure

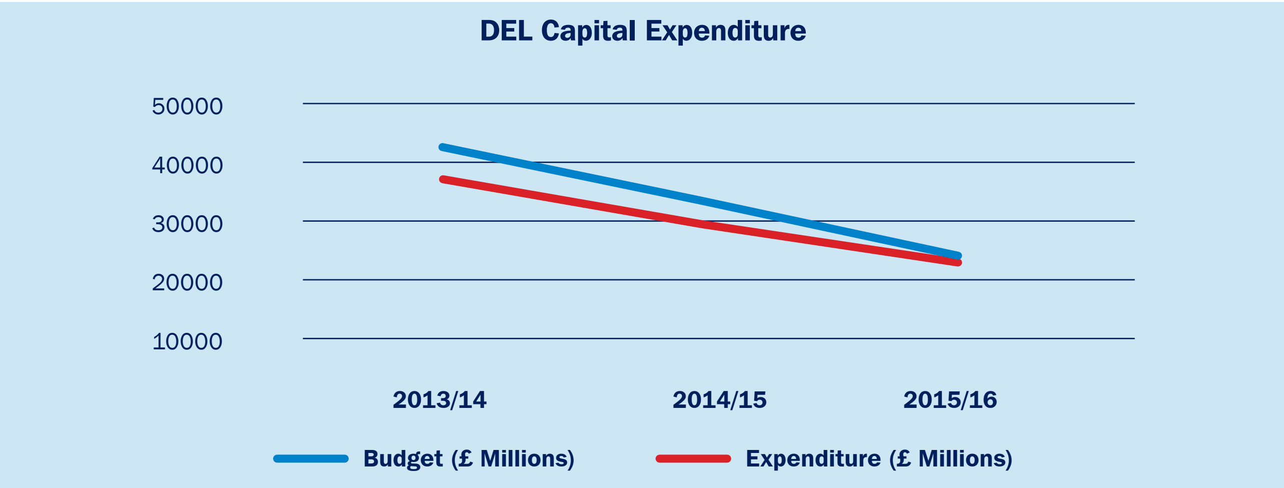
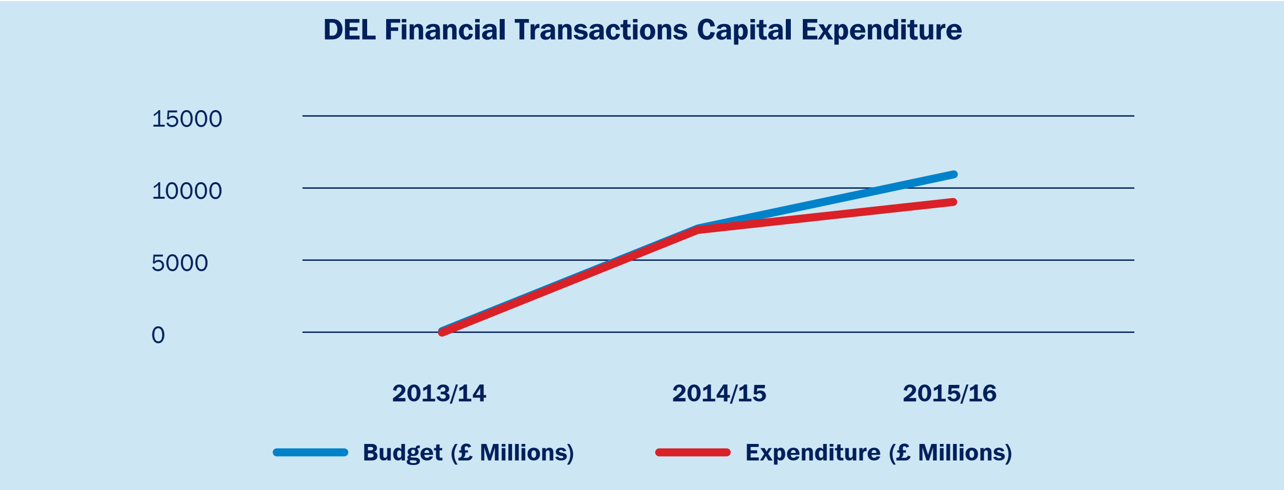


Chart 1.6 DEL FT Capital - Budget vs. Expenditure



DR ANDREW MCCORMICK
Accounting Officer
22nd June 2016

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

I certify that I have audited the financial statements of the Department of Enterprise, Trade and Investment for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply and the related notes and the information in the Remuneration and Staff Report and Accountability and Audit Report within the Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for qualified opinion on regularity arising from inadequate controls and expenditure incurred without the necessary approvals in place.

I was unable to obtain sufficient evidence that the Department's controls over spending on the non-domestic Renewable Heat Incentive (RHI) scheme were adequate to prevent or detect abuse of the scheme. Because of this lack of evidence I was unable to form an opinion on whether the expenditure on the scheme of £30.5 million had been applied for the purposes intended by the NI Assembly.

Included within this expenditure is an amount of £11.9 million on which retrospective approval had not been granted by the Department of Finance (formerly Department of Finance and Personnel). This arose because the Department had been due to seek re-approval of the scheme from the Department of Finance from 1 April 2015, but this approval was not sought until the end of October 2015. Consequently, my regularity opinion has been qualified in respect of this expenditure, as the expenditure does not conform to the authorities which govern it.

Qualified 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 2016 and shows that those totals have not been exceeded; and
- except for the £30.5 million of expenditure on the non-domestic RHI scheme referred to above, the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Accountability and Audit 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect only of the issues relating to non-domestic RHI expenditure I have not received all of the information and explanations that I require for my audit.

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Accountability and Audit Report to be audited are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

My detailed observations are included in my report attached to the financial statements.

KJ DONNELLY

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

28 June 2016

3

Financial Statements

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

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

	Note	2015-16 Income	2014-15 Total
		£000	£000
Income from sale of services	5	(2,746)	(2,199)
Other operating income	5	(5,741)	(13,278)
Total operating Income		**(8,487)**	**(15,477)**
Staff costs	2.2	23,639	23,010
Purchase of goods and services	3,4	6,255	7,190
Depreciation and impairment charges	3,4	6,053	359
Provision expense	3,4	(508)	1,819
Other operating expenditure	3,4	270,289	213,824
Total operating expenditure		**305,728**	**246,202**
Net Operating Expenditure		**297,241**	**230,725**
Finance income	5	(2,726)	(2,887)
Finance expense	3,4	1	2
Net Expenditure for the year		**294,516**	**227,840**

Notes 1 to 22 form part of these accounts

Other Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	2015-16 Income	2014-15 Total
		£000	**£000**
Items that will not be reclassified to net operating costs:			
- Net (gain)/loss on revaluation of property, plant and equipment	6	(345)	(64)
- Net (gain)/loss on revaluation of intangible assets	7	-	(93)
		(345)	(157)
Net operating cost		294,516	227,840
Comprehensive Net Expenditure for the 12 months ended 31 March 2016		**294,171**	**227,683**

Notes 1 to 22 form part of these accounts

Statement of Financial Position as at 31 March 2016

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

	Note	2015-16	2014-15
		£000	£000
Non-current assets			
Property, plant and equipment	6	2,240	2,008
Intangible assets	7	232	5,871
Financial assets	11	123,333	126,931
Investment in associates	12	-	-
Total non-current assets		**125,805**	**134,810**
Current assets			
Trade and other receivables	14	3,298	11,634
Financial Assets	11	8,930	16,742
Cash and cash equivalents	13	449	374
Total current assets		12,677	28,750
Total assets		**138,482**	**163,560**
Current liabilities			
Trade and other payables	15	(32,382)	(37,981)
Provisions	16	(6,032)	(7,032)
Total current liabilities		(38,414)	(45,013)
Non-current assets plus/less net current assets/liabilities		**100,068**	**118,547**
Non-current liabilities			
Trade and other payables	15	-	-
Provisions	16	(54,456)	(59,006)
Total non-current liabilities		**(54,456)**	**(59,006)**
Assets less liabilities		**45,612**	**59,541**
Taxpayers' equity			
General fund		44,072	57,274
Revaluation reserve		1,540	2,267
Total Taxpayers' equity		**45,612**	**59,541**

Notes 1 to 22 form part of these accounts

DR ANDREW MCCORMICK
Accounting Officer
22nd June 2016

Statement of Cash Flows for the year ended 31 March 2016

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

	Note	2015-16	2014-15
Cash flows from operating activities		**£000**	**£000**
Net operating cost		(294,516)	(227,840)
Adjustments for non-cash transactions	**3,4**	11,182	5,516
(Increase)/decrease in trade and other receivables	**14**	8,336	(4,635)
Non-cash movement in trade receivables and other current liabilities	**4**	(2,280)	593
Less movements in receivables relating to items not passing through the SCNE			
Consolidated Fund Supply	**14**	218	268
Capital Receivables - accrued interest	**11**	53	137
Increase/(decrease) in trade payables	**15**	(5,801)	7,238
Less movements in payables relating to items not passing through the SCNE			
Consolidated Fund Extra Receipts	**15**	1,969	47
Finance Lease Creditor	**15**	7	7
Non-current asset accruals	**7,11**	(105)	(50)
Use of Provisions	**16**	(5,042)	(3,742)
Net cash outflow from operating activities		**(285,979)**	**(222,461)**
Cash flows from investing activities			
Purchase of property, plant and equipment	**6**	(10)	(114)
Purchase of intangible assets	**7**	(125)	(10)
Proceeds on disposal of property, plant and equipment		-	3
Loans to other bodies	**11**	(2,704)	-
Repayment of loans - principal	**11**	14,000	7,000
Net cash from investing activities		**11,161**	**(222,461)**
Cash flows from financing activities			
From the Consolidated Fund - current year		274,547	215,515
From the Consolidated Fund - prior year		305	37
Capital element of payments in respect of finance lease	**15**	(7)	(7)
Net financing		**274,845**	**215,545**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**27**	**(37)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(154)	(122)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	**13**	(127)	(159)
Cash and cash equivalents at the beginning of the period	**13**	71	230
Cash and cash equivalents at the end of the period	**13**	**(56)**	**71**

Notes 1 to 22 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

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 a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	**£000**	**£000**
Balance at 31 March 2014		**65,352**	**2,193**	**67,545**
Change in taxpayer's equity for 2014-15				
Net Assembly Funding - drawn down		215,515	-	215,515
Supply (payable)/receivable adjustment	**14,15**	305	-	305
Amounts repayable to the Consolidated Fund		(75)	-	(75)
Comprehensive Expenditure for the year	**SoCNE**	(227,840)	157	(227,683)
Non-cash charges - auditors remuneration	**3**	57	-	57
Non-cash charges - other notional costs	**3a,4**	3,877	-	3,877
Transfers between reserves		83	(83)	-
Balance at 31 March 2015		**57,274**	**2,267**	**59,541**
Changes in taxpayers equity for 2015-16				
Net Assembly Funding - drawn down		274,547	-	274,547
Supply (payable)/receivable adjustment	**14,15**	523	-	523
Amounts repayable to the Consolidated Fund		1,815	-	1,815
Comprehensive Expenditure for the year	**SoCNE**	(294,516)	345	(294,171)
Non-cash charges - auditor's remuneration	**3**	53	-	53
Non-cash charges - other notional costs	**2.2, 3**	3,304	-	3,304
Transfers between reserves		1,072	(1,072)	-
Balance at 31 March 2016		**44,072**	**1,540**	**45,612**

Notes 1 to 22 form part of these accounts

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards."

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department of Enterprise, Trade and Investment for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation 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.

1.2 Basis of Consolidation

These accounts comprise the activities of the core department.

The accounts of Harland and Wolff Plc, which is sponsored by the Department, are not included by way of consolidation as they are outside the departmental boundary.

Four Executive Non-Departmental Public Bodies, General Consumer Council for Northern Ireland, Health and Safety Executive for Northern Ireland, Invest Northern Ireland, Tourism Northern Ireland, and two Cross-Border Bodies – InterTradeIreland and Tourism Ireland Limited – are not included in the consolidated resource accounts by way of consolidation, but are included by way of accounting for funds paid as grant or expenses.

The public sector bodies which have not been consolidated in these accounts publish their own annual report and accounts detailing their financial activity during the year.

1.3 Property, Plant and Equipment

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

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

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

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).

Professional revaluations of land and buildings are undertaken every five years. They are revalued annually, between professional valuations, using indices provided by Land and Property Service, an executive agency within DFP. Properties are valued on the basis of open market value, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. The Department does not currently have any specialised land or buildings.

1.4 Intangible Assets

The capitalisation threshold for intangible assets is £1,000.

Software and associated licenses are capitalised under intangible assets. Licenses running for a year or less than one year are not capitalised regardless of value. Databases are capitalised where the specific recognition criteria of IAS 38 are met.

All intangible assets are carried at fair value and are revalued annually in accordance with the movement in the RPI.

1.5 Depreciation

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

No depreciation is provided on freehold land as it has an unlimited or very long established useful life. Items under construction are not depreciated until they are commissioned.

Depreciable assets normally have useful lives in the following ranges:

Buildings : 50 years
Plant and Machinery : 3 - 20 years
Fixtures & Fittings : 3 - 10 years
Office Equipment : 3 - 10 years
Information Technology : 3 - 10 years
Motor Vehicles : 3 - 10 years
Intangibles (Software and Databases) : 2 - 30 years

1.6 Financial Instruments

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

A financial instrument is recognised when, and only when, the Department becomes a party to the contractual provisions of the instrument.

The Department has financial instruments in the form of loans, trade receivables and payables, cash and cash equivalents, unquoted equity instruments.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement loans, trade receivables, cash and other receivables are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Unquoted equity instruments whose value can be reliability measured are designated as available-for-sale and measured at fair value.

The Department assesses at each reporting year end date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

Based on historical experience, trade receivables that are past due beyond 361 days are generally not recoverable.

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1.7 Investments in associates

An associate is an entity over which the Department is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are carried at the Departments share of the net assets of the associate.

1.8 Operating Income (including income receivable from the European Union)

Operating income is income which relates directly to the operating activities of the Department. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public repayment work and other recoveries, which have been deemed to relate to administration expenditure. All other income is treated as programme. Income includes both that which is accruing resources and income collected by the Department which is due to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

EU income is separately identified and is recognised in the year in which the underlying activity takes place, in so far as it is practicable to do so.

1.9 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the FReM, together with the associated operating income. Income is analysed in the notes between that which, under the FReM, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administrative costs, including payments of grants and other disbursements by the Department.

1.10 Grants

The Department recognises grant expenditure in the year in which the recipient carries out the activity that creates entitlement to the grant support, in so far as it is practicable to do so.

1.11 Notional Charges

Some of the costs directly related to the running of the Department are borne by other Departments or organisations and are outside the Department's Vote. These costs have been included on the basis of the estimated cost incurred by the providing organisation.

1.12 Value Added Tax

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

1.13 Foreign Exchange

Revenue and expenditure incurred in foreign currencies are translated into sterling at the rate of exchange ruling on the date of each transaction. Any outstanding monetary assets or liabilities held in foreign currencies are translated at the rate of exchange ruling at the reporting year date. Translation differences are charged directly to the Statement of Comprehensive Net Expenditure.

1.14 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)). 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 PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.15 Early Retirement Costs

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

1.16 Provisions

The Department provides for liabilities and charges where, at the reporting year date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, the Department discounts the provision to its present value using an appropriate rate. Any change in these rates is considered a change in Accounting Estimate and as such does not require comparative figures to be changed. Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to amortise one year's discount.

During 2013-14 an Actuarial Review of the Department's liability to Harland and Wolff plc was completed. The review provided updated expected future cash flows as at 31 March 2014, discounted to allow for the time value of money. The cash flows are quoted in nominal amounts reflecting assumptions for claim inflation and, consequently, in this situation HM Treasury does not mandate the discount rate to be used. The report therefore applies the rates attaching to the UK Government Liability Yield Curves as published by the Bank of England to approximate a conservative return for hypothetical investments with duration matching the expected pay out of liabilities.

1.17 Estimation Techniques and changes in Accounting Estimates

As regards the loan to Presbyterian Mutual Society, the state of the property market and the option to extend the realisation date of the investment portfolio are important estimation considerations. As regards provision in respect of Harland and Wolff plc, estimation techniques included percentage apportionment between expected settlement values and legal costs to estimate total claim costs of existing claims; projected number of future claims and estimated recoveries from third parties.

There have been no changes in accounting estimates this year.

1.18 Contingent Liabilities

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

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

1.19 Third Party Assets

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

1.20 Employee Benefits

IAS 19 requires that the Department recognises the cost of employee benefits that have been earned but not paid by the year end as a liability. An accrual for the estimated cost of total employee annual leave at the year end has been included in the accounts. This figure is provided by HR Connect.

1.21 Cash and Cash Equivalents

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

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

2 Statement of Operating Costs by Operating Segment

The following operating segments have been identified under IFRS 8 Operating Segments as this reflects the structure reviewed by the entity's chief operating decision maker on a regular basis to inform resource allocation and review performance. The activities undertaken by each of the operating segments has also been summarised below:

1. **Economic Development, Policy & Research -** economic development, innovation and R&D policy, policy evaluation and research.
2. **Health & Safety Executive (NI) -** responsible for the promotion and enforcement of health and safety at work, endeavouring to reduce the incidents of, and costs associated with, work-related injuries and ill-health.
3. **Economic Infrastructure/Minerals -** economic infrastructure in support of economic development including energy and minerals, sustainable energy; renewable heat incentive scheme; telecommunications.
4. **Business Regulatory Services -** business regulation; including company law, Insolvency Service, trading standards and consumer affairs services, Registry of Credit Unions and Industrial and Provident Societies, the provision of a debt advice service; social economy.
5. **Consumer Council -** promotes and safeguards the interests of consumers in Northern Ireland and delivers consumer education, skills and information. In doing so, it strives to ensure that consumer issues are taken into account in the development and implementation of policy.
6. **Invest Northern Ireland -** is responsible for the delivery of the Department's policies and strategies in relation to business support in Northern Ireland. These include encouraging investment (foreign and indigenous); stimulating entrepreneurial activity; increasing exports and trade; promoting R&D/innovation; and providing development support.
7. **Development of Tourism -** driving the development of Northern Ireland tourism.
8. **EU Community Initiatives -** payments under European Union Structural Funds Programmes.
9. **Tourism Ireland Ltd -** Tourism Ireland's role is to grow overseas tourism revenue and visitor numbers to Northern Ireland and Ireland, and to help Northern Ireland to realise its tourism potential.
10. **Intertrade Ireland -** to support SMEs across Northern Ireland and Ireland and to develop North/South trade and business development opportunities for the mutual benefit of both economies.

Reconciliation between Operating Segments and Note SOAS2

					Resource
	Gross Expenditure	Accruing Resources	*Net Expenditure	Estimate	2014-15
	£000	£000	£000	£000	£000
Operating Segment					
Economic Development, Policy & Research	14,120	(94)	14,026	14,967	17,205
Health and Safety Executive NI	6,331	-	6,331	6,485	6,517
Economic Infrastructure/Minerals	55,762	(55)	55,707	51,172	19,157
Business Regulatory Services	8,332	(5,937)	2,395	2,778	2,438
Consumer Council NI	1,430	-	1,430	1,430	1,339
Invest NI	167,192	-	167,192	171,828	136,751
Development of Tourism	27,852	(2)	27,850	27,850	25,525
EU Community Initiatives	8,603	(6,940)	1,663	1,843	2,420
Tourism Ireland Ltd	11,859	-	11,859	12,029	14,336
Intertrade Ireland	1,968	-	1,968	3,302	2,820
Total	**303,449**	**(13,028)**	**290,421**	**293,684**	**228,508**

* reconciles to Net Total Outturn in Note SoAS1 combining DEL, AME and Non Budget within relevant operating segment headings.

2.1 Reconciliation between Operating Segments and SoCNE

	Total Net Expenditure	Non Supply Income (CFERs)	Non Supply Expenditure	Total Net Expenditure per SoCNE	2014-15
	£000	£000	£000	£000	£000
Operating Segment					
Economic Development, Policy & Research	14,026	-	2,280	16,306	16,609
Health and Safety Executive NI	6,331	-	-	6,331	6,517
Economic Infrastructure/Minerals	55,707	(4)	-	55,703	19,085
Business Regulatory Services	2,395	(183)	-	2,212	2,438
Consumer Council NI	1,430	-	-	1,430	1,339
Invest NI	167,192	2,002	-	169,194	136,751
Development of Tourism	27,850	-	-	27,850	25,525
EU Community Initiatives	1,663	-	-	1,663	2,420
Tourism Ireland Ltd	11,859	-	-	11,859	14,336
Intertrade Ireland	1,968		-	1,968	2,820
Total	**290,421**	**1,815**	**2,280**	**294,516**	**227,840**

2.2 Staff Costs

	2015-16	2014-15
	Total £000	Total £000
Wages and salaries	16,974	17,637
Social security costs	1,272	1,335
Other pension costs	3,814	3,505
Agency staff	39	138
Voluntary Exit Scheme Costs	1,487	-
Movement in employee benefits accrual	(130)	209
sub total	**23,456**	**22,824**
Staff Seconded from NISRA	183	186
Total gross costs	**23,639**	**23,010**
Less recoveries in respect of outward secondments	(89)	(91)
Total net costs	**23,550**	**22,919**
Analysed as:		
Administration	11,994	12,021
Programme	11,645	10,989
Income	(89)	(91)
	23,550	**22,919**

A breakdown of the above costs into permanent staff, Ministers costs and others can be found in the Staff Report within the Accountability Report.

Notional (non-cash) charge for Minister's salary in 2015-16 was £44,444 (2014-15: £50,477).

3 Other Administration Costs

		2015 - 16		2014 - 15
		£000		£000
Purchase of goods and services		1,682		2,601
Interest charges on finance lease		1		2
Non-cash items:				
Depreciation	7		7	
Auditors' remuneration and expenses	53		57	
Notional accommodation costs	1,383		1,861	
Other notional costs	1,877	3,320	1,966	3,891
Total		**5,003**		**6,494**

4. Programme Costs

		2015-16		2014-15
		£000		£000
Grants		258,270		202,845
EU Grants		6,868		7,398
Purchase of goods and services		4,573		4,589
Foreign exchange (gain)/loss - realised		(443)		292
Bad debts		1		1
Non-cash items :				
Depreciation and amortisation	405		441	
(Profit)/Loss on disposal of PP&E	-		(3)	
Investment revaluation	61		(89)	
Impairment to Intangible Asset	5,580			
Additions to provisions	-		162	
Provisions written back	(1,965)		(25)	
Borrowing Costs (unwinding of discount) on provisions	1,457		1,682	
Foreign exchange movement - unrealised	2,280	7,818	(593)	1,575
Total		**277,087**		**216,700**

5. Income

	2015-16	2014-15
	Total £000	Total £000
Insolvency Service Fees and Charges	2,585	2,000
Other Service Fees and Charges	161	199
EU Income	6,868	7,398
Project Funding	5	5,000
Advisory Services Funding	779	783
Recovery of Secondee Costs	89	91
Invest NI CFER	(2,002)	4
Rents	2	2
Interest Receivable	2,726	2,887
Total Income	**11,213**	**18,364**

Programme costs and other income do not reflect transactions where DETI acts as agent for EU receipts under the EU Competitieveness Programme, some of which are distributed to other EU Programme Implementing Bodies

The Department recorded a CFER receivables amount from Invest NI of £2,021k (see Note 14) as at the 31 March 2015. A review conducted by Invest NI identified that the balance included amounts which should have been retained by Invest NI resulting in the balance owing to DETI being overstated. The receivables amount has been adjusted accordingly and the income previously recognised has been reversed in the 2015/16 financial year.

6. Property, plant and equipment

	Land	Buildings	Plant, Machinery & Office Equipment	Information Technology	Furniture & Fittings	Motor Vehicles	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation							
At 1 April 2015	860	1,046	483	175	22	326	2,912
Additions	-	-	7	3	-	-	10
Disposals	-	-	(9)	(32)	-	-	(41)
Impairment	-	-	-	-	-	-	-
Revaluations to reserves	215	(46)	(1)	-	-	-	168
Balance at 31 March 2016	**1,075**	**1,000**	**480**	**146**	**22**	**326**	**3,049**
Depreciation							
At 1 April 2015	-	142	319	163	22	258	904
Charged in year	-	35	34	6	-	48	123
Disposals	-	-	(10)	(31)	-	-	(41)
Impairment	-	-	-	-	-	-	-
Revaluations to reserves	-	(177)	-	-	-	-	(177)
Balance at 31 March 2016	-	-	343	138	22	306	809
Carrying amount At 1 April 2015	**860**	**904**	**164**	**12**	**-**	**68**	**2,008**
Balance at 31 March 2016	**1,075**	**1,000**	**137**	**8**	**-**	**20**	**2,240**
Asset Financing:							
Owned	1,075	1,000	137	8	-	20	2,240
Finance Leased	-	-	-	-	-	-	-
Carrying amount Balance at 31 March 2016	**1,075**	**1,000**	**137**	**8**	**-**	**20**	**2,240**

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

Land – Ulster American Folk Park, Omagh	31 March 2015
Buildings – Consumer Affairs Building, Newtownbreda, Belfast	31 March 2016

In intervening years, Land and Buildings were revalued using indices provided by Land and Property Services.

Other PP&E were revalued at 31 March 2016 using the latest available indices published in “Price Index Numbers for Current Cost Accounting” prepared by the Office for National Statistics.

Included in the above are fully depreciated assets with an original cost of £607,575 which are still in use.

6.1 Property, plant and equipment (comparative)

	Land	Buildings	Plant, Machinery & Office Equipment	Information Technology	Furniture & Fittings	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2014	798	1,046	414	175	25	360	2,818
Additions	-	-	114	-	-	-	114
Disposals	-	-	(49)	-	(3)	(33)	(85)
Impairment	-	-	-	-	-	-	-
Revaluations to reserves	62	-	4	-	-	(1)	65
Balance at 31 March 2015	**860**	**1,046**	**483**	**175**	**22**	**326**	**2,912**
Depreciation							
At 1 April 2014	-	106	320	163	25	241	849
Charged in year	-	36	46	6	-	51	139
Disposals	-	-	(49)	-	(3)	(33)	(85)
Impairment	-	-	-	-	-	-	-
Revaluations to reserves	-	-	2	-	-	(1)	1
Balance at 31 March 2015	**-**	**142**	**319**	**163**	**22**	**258**	**904**
Carrying amount At 1 April 2014	**798**	**940**	**94**	**18**	**-**	**119**	**1,969**
Balance at 31 March 2015	**860**	**904**	**164**	**12**	**-**	**68**	**2,008**
Asset Financing:							
Owned	860	904	156	12	-	68	2,000
Finance Leased	-	-	8	-	-	-	8
Carrying amount Balance at 31 March 2015	**860**	**904**	**164**	**12**	**-**	**68**	**2,008**

7. Intangible assets

	Software	Databases	Assets under Construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2015	913	7,849	-	8,762
Additions	46	-	184	230
Impairment	-	(7,849)	-	(7,849)
Revaluations	-	-	-	-
Balance at 31 March 2016	**959**	**-**	**184**	**1,143**
Amortisation				
At 1 April 2015	887	2,004	-	2,891
Charged in year	24	265	-	289
Impairment	-	(2,269)	-	(2,269)
Revaluations	-	-	-	-
Balance at 31 March 2016	**911**	**-**	**-**	**911**
Carrying amount At 1 April 2015	**26**	**5,845**	**-**	**5,871**
Balance at 31 March 2016	**48**	**-**	**184**	**232**

All intangible assets have been separately acquired.

Database impairment relates to the Tellus database which was a project that collected geological data across Northern Ireland and stored the data from which licences were granted to 3rd parties. Due to changes in government policy, namely the Open Data Strategy, the database was made publically available and is therefore no longer deemed to have a direct value to the Department.

Assets under construction comprises initial stage payments towards the upgrade of the Insolvency Service Case Management and Financial Management System.

7.1 Intangible assets (comparative)

	Software	Databases	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	903	7,723	8,626
Additions	10	-	10
Revaluations	1	125	126
At 31 March 2015	**914**	**7,848**	**8,762**
Amortisation			
At 1 April 2014	839	1,710	2,549
Charged in year	47	262	309
Revaluations	1	32	33
At 31 March 2015	**887**	**2,004**	**2,891**
Carrying amount At 1 April 2014	**64**	**6,013**	**6,077**
At 31 March 2015	**27**	**5,844**	**5,871**

8 Impairments

	2015 - 16	2014 - 15
	£000	£000
Charged direct to the Statement of Comprehensive Net Expenditure	5,580	-
Taken through the Revaluation Reserve	-	-
Total impairment charge for the year	**5,580**	

9 Other financial commitments

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

	2015 - 16	2014 - 15
	£000	£000
Not later than one year	52,553	36,281
Later than one year and not later than five years	225,186	47,762
Later than five years	865,350	147,977
Total	**1,143,089**	**232,020**

Included in the commitments figure is an amount of £1,135m (2014-15: £198.8m) relating to the Renewable Heat Incentive (RHI) scheme.

10 Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk. The Department's main exposure to foreign currency risk is in relation to the impact of movements in the Euro on claims made to the European Union, and on advances received from the European Union that are included within payables. The Department does not enter into forward currency contracts and the risk is managed within voted funding provision. Apart from this, the Department's exposure to foreign currency risk is not significant.The Department does not face any significant medium to long-term financial risks.

11 Financial Asset Investments

	Loan to		Loan to	
	*Presbyterian Mutual Society Limited	**Share Capital H&W plc	***Northern Ireland Science Park	Total
	£000	£000	£000	£000
Gross amount:				
Balance at 1 April 2015	168,623	4,600	50	173,273
Additions	-	-	2,704	2,704
Interest charged	2,618	-	71	2,689
Loan Repayment - Principal	(14,000)	-	-	(14,000)
Loan Repayment - Interest	(2,742)	-	-	(2,742)
Revaluation	(61)	-	-	(61)
Balance at 31 March 2016	**154,438**	**4,600**	**2,825**	**161,863**
Provision:				
Opening provision at 1 April 2015	(25,000)	(4,600)	-	(29,600)
Charged in year	-	-	-	-
Balance at 31 March 2016	**(25,000)**	**(4,600)**	**-**	**(29,600)**
Balance at 31 March 2016	**129,438**	**-**	**2,825**	**132,263**

Analysis of expected timing of cash flows				
	Presbyterian Mutual Society Limited	**Share Capital H&W plc**	**Northern Ireland Science Park**	**Total**
	£'000	**£'000**	**£'000**	**£000**
Not later than one year	8,930	-	-	8,930
Later than one year	120,508	-	2,825	123,333
	129,438	**-**	**2,825**	**132,263**

*"*On 1 August 2011, a 10 year fixed rate loan of £175m at a rate of 2.02% and an interest free loan of £25m were issued to the Presbyterian Mutual Society Limited (in Administration).*

The interest free loan of £25m has been provided against based on advice regarding current property market values. This loan may be recoverable, in full or in part, depending on property market valuations in future years.

As per IAS 39, the £175m loan has been recorded at amortised cost at an effective interest rate of 1.916%. In November 2013 The Joint Supervisors of the Presbyterian Mutual Society Limited (in Administration) produced financial projections on the timing and quantum of cash flows in respect of repayment of the 10 year fixed term loan.

DETI retains flexibility, as required, to manage loan repayments to ensure full repayment of the fixed term loan taking into consideration potential movements pertaining to the property market. This flexibility includes the option to extend the repayments beyond the original 10 year time horizon, if required, to ensure repayment of the fixed term loan in full. While anticipating full repayment of the fixed term loan, DETI has agreed with the Joint Supervisors an amendment to the timing and quantum of cash flows in certain years. This has resulted in an adjustment to the fair value of the fixed term loan of £61k in the current year.

***The Department holds all 10,996,082 shares of H&W plc which were purchased in September 1989 at a cost of £4.6m. The amount has been fully provided for to reflect the fact that due to the level of the company's liabilities the share capital is deemed to have no value.*

**** A £2.75m loan has been provided to the Northern Ireland Science Park (NISP) under the Financial Transactions Capital Loan Scheme for the development of NISP's Concourse III. As per IAS 39, the loan has been recorded at amortised cost at an effective interest rate of 2.596%.*

11.1 Financial Asset Investments (comparative)

	Loan to		Loan to	
	Presbyterian Mutual Society Limited	Share Capital H&W plc	Northern Ireland Science Park	Total
	£000	£000	£000	£000
Gross amount:				
Balance at 1 April 2014	175,671	4,600	-	180,271
Additions	-	-	50	50
Interest charged	2,887	-	-	2,887
Loan Repayment - Principal	(7,000)	-	-	(7,000)
Loan Repayment - Interest	(3,024)	-	-	(3,024)
Revaluation	89	-	-	89
Balance at 31 March 2015	**168,623**	**4,600**	**50**	**173,273**
Provision:				
Opening provision at 1 April 2014	(25,000)	(4,600)	-	(29,600)
Charged in year	-	-	-	-
Balance at 31 March 2015	**(25,000)**	**(4,600)**	**-**	**(29,600)**
Balance at 31 March 2015	**143,623**	**-**	**50**	**143,673**

Analysis of expected timing of cash flows				
	Presbyterian Mutual Society Limited	Share Capital H&W plc	Northern Ireland Science Park	Total
	£'000	£'000	£'000	£000
Not later than one year	16,742	-	-	16,742
Later than one year	126,881	-	50	126,931
	143,623	**-**	**50**	**143,673**

12 Investment in associates

	Viridian Growth Fund
	£000
Gross amount:	
Balance at 1 April 2015	3,340
Additions	-
Disposals	-
Balance at 31 March 2016	**3,340**
Provision:	
Opening provision at 1 April 2015	(3,340)
Charged in year	-
Reversal	-
Balance at 31 March 2016	**(3,340)**
Net balance:	
At 30 June 2015	-
Balance at 31 March 2016	**-**

Viridian Growth is a venture capital fund, established in August 2001. The investment is similar to unsecured, interest-free loans, repayable only on termination or liquidation of the funds. Repayments from the fund to the Department will not be made until all other investors' loans are repaid plus an internal rate of return of 10% per annum. Given that the current value of the fund is below the cost of the initial investments, the Department has provided in full against its investment.

12.1 Investment in associates

	Viridian Growth Fund
	£000
Gross amount:	
Balance at 1 April 2014	3,340
Additions	-
Disposals	-
Balance at 31 March 2016	**3,340**
Provision:	
Opening provision at 1 April 2014	(3,340)
Charged in year	-
Reversal	-
Balance at 31 March 2016	**(3,340)**
Net balance:	
At 30 June 2014	-
Balance at 31 March 2015	**-**

13. Cash and Cash equivalents

	2015 - 16	2014 - 15
	£000	**£000**
Balance at 1 April 2014	71	230
Net change in cash and cash equivalent balances	(127)	(159)
Balance at 31 March 2016	**(56)**	**71**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	(56)	71
Balance at 31 March 2016	**(56)**	**71**
The balance comprises		
Cash	449	374
Overdraft	(505)	(303)
	(56)	**71**

14 Trade receivables and other current assets

	2015-16	2014-15
	£000	**£000**
Amounts falling due within one year:		
Trade and other receivables	204	212
Prepayments and accrued income	382	5,767
Amounts due from the Consolidated Fund in respect of supply	523	305
Amounts due from EU	2,152	3,329
	3,261	9,613
Other CFER due	37	2,021
	37	2,021
Total at 31 March 2016	**3,298**	**11,634**

Included within trade receivables is £1,460 (2014-15: £3,260) that will be due to the Consolidated Fund once the debts are collected.

15 Trade payables and other current liabilities

	2015-16	2014-15
	£000	£000
Amounts falling due within one year:		
Trade and other payables	463	395
Accruals and deferred income	28,199	17,586
EU Programmes advances	3,158	17,671
Amounts issued from the Consolidated Fund for supply but not spent at period end	-	-
	31,820	35,652
Consolidated fund extra receipts due to be paid to the Consolidated Fund		
- Received	18	2
- Receivable - Other	39	2,024
	57	2,026
Total Payables before bank overdraft	**31,877**	**37,678**
Bank overdraft	505	303
Total at 31 March 2016	**32,382**	**37,981**

16 Provisions for liabilities and charges

2015-16			
	H&W	Early departure costs	Total
	£'000	£'000	£'000
Balance at 1 April 2015	**65,964**	**74**	**66,038**
Provided in the year	-	-	-
Provisions not required written back	(1,965)	-	(1,965)
Provisions utilised in the year	(5,010)	(32)	(5,042)
Borrowing costs (unwinding of discounts)	1,457	-	1,457
Balance at 31 March 2016	**60,446**	**42**	**60,488**

Analysis of expected timing of discounted flows

	H&W	Early departure costs	Total
	£'000	£'000	£'000
Not later than one year	6,000	32	6,032
Later than one year and not later than five years	31,940	10	31,950
Later than five years	22,506	-	22,506
Balance at 31 March 2016	**60,446**	**42**	**60,488**

16.1 Provisions for liabilities and charges

2014-15			
	H&W	Early departure costs	Total
	£'000	£'000	£'000
Balance at 1 April 2014	67,932	29	67,961
Provided in the year	-	162	162
Provisions not required written back	-	(25)	(25)
Provisions utilised in the year	(3,650)	(92)	(3,742)
Borrowing costs (unwinding of discounts)	1,682	-	1,682
Balance at 31 March 2015	**65,964**	**74**	**66,038**

Analysis of expected timing of discounted flows

	H&W	Early departure costs	Total
	£'000	£'000	£'000
Not later than one year	7,000	32	7,032
Later than one year and not later than five years	34,680	42	34,722
Later than five years	24,284	-	24,284
Balance at 31 March 2015	**65,964**	**74**	**66,038**

PROVISIONS FOR LIABILITIES AND CHARGES

16.2 Harland and Wolff plc

The provision in respect of Harland and Wolff plc activities is based on assumptions as to future liabilities and revenues. The outcome of these matters cannot be certain. The provision reflects the approximate amount that the Department may be required to contribute to enable Harland and Wolff plc to fulfil its obligations as they fall due.

The provision reflects the Department's potential liability to meet claims against Harland and Wolff Plc in respect of employer's and public liability arising from the collapse of the group's insurer, Chester Street Insurance Holdings Ltd, which went into liquidation on 10 January 2001. This provision is based on actuarial advice and includes known claims, largely in relation to asbestosis related illnesses of former employees of Harland and Wolff plc, together with estimated amounts in relation to unreported claims which may be expected to crystallise over a significant number of years. The amount, £60m as at 31 March 2016 (2014-15 £66m), represents the total estimated liability discounted back to today's prices. The accuracy of the provision is subject to a considerable number of uncertainties including future mortality rates, emergence of new diseases, improvements in medical treatments, and the outcome of future legal cases. An updated actuarial review outlining projected cash flows as at 31 March 2014 was completed during 2013-14 which resulted in a reduction in the overall discounted liability as at March 2014. This was primarily due to a change in the rates used to discount future cash flows the basis of which is disclosed in note 1.16. DETI has reviewed the claims experience since March 2015 and is content that the assumptions upon which the actuarial review has been based are still valid. This review has however resulted in a reduction to the value of the provision by £1.965m in 2015-16.

The overall undiscounted liability in relation to the employer's and public liability claims referred to above, based on actuarial advice, amounts to £67.5m (2014-15 £73.7m).

16.3 Early departure costs

The Department meets the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme (Northern Ireland) in respect of employees who retire early by paying the required amounts annually to the Principal Civil Service Pension Scheme (Northern Ireland) over the year between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments. The effect of discounting early departure costs is considered to be immaterial.

17 Contingent liabilities disclosed under IAS 37

The department does not have any contingent liabilities at the balance sheet date.

18 Related-party transactions

The Department of Enterprise, Trade and Investment sponsors the Non-Departmental Public Bodies (NDPBs) and Cross Border Bodies listed in Note 1.2.

These bodies are regarded as related parties with which the Department of Enterprise, Trade and Investment has had various material transactions during the year.

In addition, the Department of Enterprise, Trade and Investment, its NDPBs and Cross Border Bodies have undertaken a number of transactions with other Government Departments and other Central Government bodies. Most of these have been with the Department of Finance and Personnel.

Transactions that the Department, its NDPBs or Cross Border Bodies have undertaken with Members of the Departmental Board and Departmental Audit Committee or companies / bodies in which they have an interest were as follows:

Bill McGinnis

Bill McGinnis is a Non Executive Director of Cunningham Covers Ltd which received grant of £57,633 and offers of financial assistance of £48,341 from Invest NI.

Dr Andrew McCormick

Dr McCormick undertook 2 days consultancy work for NICO, a subsidiary of Invest NI, participating in the EU Twinning Project "Strengthening the Capacity of the Ministry of Social Development of the Hashemite Kingdom of Jordan to promote and protect the rights of vulnerable families, women and children" at a rate of €350 per day. Travel and subsistence costs incurred were met by NICO. 1 day's payment was retained as the work was conducted on the officer's own time. The remaining day's payment was transferred to the Department.

Harland and Wolff plc

A company wholly owned by the Department received £5.01m to enable it to meet its liabilities. The directors of Harland and Wolff plc are appointed ex-officio. During 2015/16 the directors were Trevor Cooper (DETI employee), Iain McFarlane (DETI employee) and Terry Coyne (DETI employee)

19 Third-party assets

Under Article 358 (1) of the Insolvency (Northern Ireland) Order 1989 trustees in bankruptcy and liquidators of companies must pay the money received in respect of Company Liquidations, Bankruptcies and Estates of Deceased Insolvents, including Arrangements under the control of the Court up to 30 September 1991, into the Insolvency Account pending authorised appropriation.

	31 March 2015	Gross inflows	Gross outflows	31 March 2016
	£000	£000	£000	£000
Insolvency Account	17,774	27,872	18,359	27,287

These are not Departmental assets and are not included in the accounts. The assets held at the reporting period date comprised monetary assets, such as bank balances and monies on deposit.

Further information is contained in the published Insolvency Account.

20 Entities within the departmental boundary

The core Department is the only entity within the boundary during 2015-16.

21 Events after the Reporting Period

On 8th May 2016, the new Department for the Economy (DfE) was established through bringing together the functions of DETI with many of the functions of the Department for Employment and Learning.

22 Harland and Wolff plc

Harland and Wolff Plc is wholly owned by the Department.

The Department holds all 10,996,082 shares of H&Wplc which were purchased in September 1989 at a cost of £4.6m.

Details of the group's trading are contained in its accounts, which are prepared under UK GAAP.

Key figures extracted from these accounts are:

Profit and loss account for the year ended 31 March 2016

	2015-16	2014-15
	£000	**£000**
Turnover	-	-
Administration expenses	**-**	**(2)**
Operating loss	-	(2)
Interest receivable and similar income	-	2
Profit on ordinary activities before taxation	-	-
Tax on ordinary activities	-	-
Profit for the financial year	**-**	**-**

Balance sheet as at 31 March 2016

	2015-16	2014-15
Current assets		
Debtors	59,080	62,638
Cash at bank and in hand	1,473	1,525
	60,553	**64,163**
Creditors: amounts falling due within one year	(23)	(23)
Net current assets	**60,530**	**64,140**
Total assets less current liabilities	60,530	64,140
Provisions for liabilities	(60,530)	(64,140)
Net assets	**-**	**-**
Capital and reserves		
Called up share capital	10,996	10,996
Profit and loss account	(10,996)	(10,996)
Total shareholders' funds	**-**	**-**

Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 28 June 2016

ANNEX A

NIAO

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL FOR NORTHERN IRELAND

RESOURCE ACCOUNTS

Introduction

1. The Department of Enterprise, Trade and Investment (the Department) had responsibility for a range of functions including economic development policy, economic advice and research, business regulation, research and statistic services, health and safety at work and mineral development (these responsibilities transferred to the new Department for the Economy (DfE) on 8 May 2016). In 2015-16 the Department spent a total of £291 million (2014-15 - £228 million). Of this total expenditure around £35 million was spent promoting the use of and providing support for the use of renewable heating technologies.

2. My report below reviews the results of my audit of the Department's 2015-16 financial statements and sets out why I have decided to qualify my regularity audit opinion in relation to two issues:

   - expenditure amounting to £11.9 million which was incurred without the necessary approvals in place for the non-domestic Renewal Heat Incentive (RHI) scheme (paragraphs 4 to 16) and is therefore irregular; and

   - because I was unable to obtain enough evidence to be assured that expenditure on the non-domestic RHI scheme amounting to £30.5 million had been incurred for the purposes intended (paragraphs 17 to 27). This was due to the fact that I did not consider that the systems in place to prevent or detect abuse of the scheme were adequate.

3. The report also highlights general concerns in relation to the operation of the scheme and the circumstances surrounding the large increase in demand in October and November 2015 which will result in a significant cost to the Northern Ireland block grant for many years (paragraphs 28 to 53).

Qualified opinion due to expenditure incurred without the necessary approvals in place

4. I am required under the Government Resources and Accounts Act (Northern Ireland) 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.

5. The Department of Finance and Personnel (DFP) did not approve £11.9 million expenditure incurred in a seven month period during 2015-16 on the non-domestic RHI scheme and as a result, this expenditure is irregular. Consequently, I have qualified my opinion on the 2015-16 Departmental Resource Accounts on the regularity of expenditure incurred on the non-domestic RHI scheme as this expenditure has been incurred without conforming to the authorities which govern it.

Background to the Audit Qualification

6. In its Programme for Government 2011-2015, the Executive set a target of achieving 4 per cent of Northern Ireland's heat consumption from renewable sources by 2015 and 10 per cent by 2020. In pursuit of these targets the non-domestic RHI scheme was introduced in Northern Ireland in November 2012, following the introduction of a parallel scheme in the rest of the UK. The RHI scheme was a financial incentive scheme designed to increase the uptake of renewable heat technologies and for approved installations pays a fixed amount for every kilowatt of heat energy produced by various renewable technologies for a period of twenty years after installation. The main methods of generating heat included biomass heating systems (mostly burning wood pellets), solar thermal and heat pumps. A similar RHI scheme for domestic properties was introduced in December 2014.

7. RHI is administered on behalf of the Department by the Office of Gas and Electricity Markets (OFGEM). Anyone wishing to join the scheme was required to purchase a suitable system from an approved installer and once installed apply to OFGEM, who would review the claim and once

approved would manage quarterly payments to the applicant and then recover these payments from the Department. Once the scheme had been approved by OFGEM, the subsidy is paid to the applicant at a fixed rate each year, increasing in line with inflation. Each applicant has to submit quarterly meter readings to OFGEM.

8. The Department is made aware of new applications and their progress through weekly updates from OFGEM. However, given the design of the scheme it is difficult to manage demand – in hindsight, this was a flaw in the system as the scheme in both NI and in GB was designed as a demand led scheme whereby applicants install their renewable heating system before making an application.

9. RHI was also intended to have a number of other wider benefits in terms of fuel security, lower emissions and 'green jobs.' The Department had approval from DFP for a total budget of £25 million for the period 2011-12 to 2014-15.

However, because of a delay in introducing the scheme until late 2012 together with the low initial levels of uptake, there was a considerable under spend totalling around £15 million up to 2014-15 as can be seen in the table below. As a result of the low uptake, a lot of the Department's focus at this time was on identifying ways to increase demand.

10. The Department was due to seek re-approval of the scheme from DFP from 1 April 2015. However this was overlooked. It was only in May 2015 that the Department identified that DFP approval had expired and it then had to urgently begin the process of achieving approval and securing the necessary budget both for 2015-16 and the following years. Had the need to receive re-approval from DFP been identified when it should have been, then this would have provided an important opportunity to review the scheme and amend it to include cost control measures. As it was, this potential opportunity was missed.

11. I asked the Department why it had not sought approval to continue the scheme from DFP well before the original approval expired. The Department has told me that their explanation lies in a combination of staff changes and an administrative oversight. Subsequent to the requirement for re-approval being put in place, there were multiple staff changes, and the key information was not passed on from departing staff to their successors. The Department recognises that administrative arrangements ought to have been in place to trigger an application for re-approval at the appropriate time. They were not; and the matter came to light only when budget confirmation was sought.

Table 1: Under spending on the RHI scheme 2011-12 to 2014-15

	2011-12	2012-13	2013-14	2014-15	Total
	£'000	£'000	£'000	£'000	£'000
Budget Allocation	2,000	4,000	7,000	12,000	25,000
Total spend	0	(470)	(1,650)	(7,925)	(10,045)
Under spend	2,000	3,530	5,350	4,075	14,955

Source: Department

12. As well as the expiry of the DFP approvals in April 2015, around that time it also became clear that the number of applications was beginning to increase significantly. The Department reviewed this over the summer months and decided that changes would be required to the tariffs under the scheme to manage the demand.

13. The amended scheme proposed a much lower second tier tariff once the heating equipment had been used for 15 per cent of the total hours in a year. This followed a similar two tier approach that had been used in Great Britain since the RHI scheme began there, with the intention of the higher rate providing a return on the capital cost while the lower second tier rate minimised any incentive to unnecessarily generate heat just to claim under the scheme.

14. The timescale for approving and making the legislation using normal procedures meant that the new arrangements did not come into force until 18 November 2015. There was a very large spike in demand during the 10 week period between the announcement of the new arrangements on 8 September 2015 and their coming into operation. The impact of this increase in demand is discussed in more detail later in this report.

15. Based on the revised tariff approach, DFP approved the business case for the scheme on 29 October 2015 but did not give retrospective approval for the 788 non-domestic RHI applications with an annual estimated cost of £11.9 million that had been completed between 1 April 2015 and 29 October 2015. Because of this non-approval, the estimated current year expenditure of £11.9 million expenditure incurred by applications which were approved in this period is irregular and my audit opinion has been qualified this year in respect of this.

16. It is likely that an estimated £19.4 million of expenditure will continue to be incurred annually on these 788 applications for the next twenty years. Unless the Department is able to obtain retrospective approval from DFP, this expenditure will continue to be irregular in the future and I will consider the impact of this irregular expenditure on my audit opinion in future years. I asked the Department what it is doing to regularise this expenditure and it told me it will be considering all possibilities for future options around the scope to introduce additional cost controls and will advise the new Minister accordingly.

Qualified opinion arising from weaknesses in control

17. I was also unable to obtain sufficient evidence to be satisfied that the controls over the spending incurred on the non-domestic RHI scheme were adequate to prevent or detect abuse of the scheme. As discussed later in this report there have been allegations of significant abuses of the scheme from an anonymous whistleblower and while these are still under investigation it appears to me that the controls in the scheme would not have prevented the alleged abuses.

18. The non-domestic RHI scheme was intended to be similar to that which operated in Great Britain. In the GB scheme there were some important controls built into the scheme which were not included in the NI scheme. These were:

- Tiering of payments – a reduced rate (tier 2 rate) applied in Great Britain after the equipment had been operated for 15 per cent of the hours in a year. This prevented abuse of the scheme by operating the equipment simply to increase the grant received. This was because the reduced tier 2 rate was significantly lower than the cost of fuel required to claim the grant. In Northern Ireland there was no tiering until November 2015 and the single tariff was higher than the cost of fuel; and
- Degression – this was a means by which the tariff in Great Britain changed quarterly in response to changes in demand. This helped to ensure that excessive profits were not made by applicants.

19. The Department largely left the administration of the scheme to OFGEM. OFGEM were responsible for receiving claims from applicants who had installed relevant equipment using approved installers. OFGEM reviewed the applications, approved them and then managed payments to the applicants based on the amount of heat they had generated and recorded on meters attached to their equipment.

20. OFGEM also carried out physical inspections of the equipment installed to ensure it met the scheme requirements. However I understand that the rate of inspection in Northern Ireland has been very low at around 0.86 per cent of applications (compared to around 1.86 per cent in Great Britain).

21. I asked the Department why these rates of inspection were so low. The Department has explained that this was a result of site audits being planned on the basis of anticipated application rates. Based on the number of applications in the first 6 months of the scheme, the inspection rate was 4 per cent, which decreased to 1.5 per cent from scheme launch in November 2012 until September 2015. The significant and unprecedented increases in application volumes in the period to February

2016 saw the rate fall further to 0.86 per cent. The Department also told me that it and OFGEM have regularly discussed the approach to audit as the numbers of applications increased, as part of the developing audit strategy for 2016-17 and beyond. The Department has said that it and OFGEM are already engaged in a joint review, which in addition to considering an approach to applications received in 2015-16 will inform the audit strategy for 2016-17 and beyond. In addition the Department is in the process of procuring a service provider to deliver a programme of additional audits as part of this strategy.

22. The low rate of inspection is compounded by the fact that when issues are identified by the inspection process it is very unclear if anything is done about it – particularly by the Department. In 2015-16 of the four scheme inspections that had been completed at the time of this report, compliance issues were identified in three. The Department has told me that it views the non-compliance issues in the three cases as being minor.

23. The Department has also told me that it is routinely provided with an indication of the kind of issues that are identified and it is OFGEM's responsibility to escalate and act on any material non-compliance issues. The Department has regular meetings with OFGEM at which operational issues or trends are raised as appropriate and note that there are a large number of eligibility requirements and ongoing obligations relating to the Non-Domestic RHI scheme. The Department believes that while OFGEM rightly and properly records and actions these issues where identified and where appropriate, in many cases these do not have a material impact. OFGEM uses the results of its audit programme, not only to take action on individual cases, but to consider the wider approach to non-compliance, and this includes administrative/operational changes (such as via updating guidance or processes) to focus on preventative measures.

24. Another important control operated by OFGEM to prevent abuse of the scheme is that it will query any increase in heating equipment hours used which is more than 25 per cent higher than had been predicted in the original application. However it is unclear how OFGEM challenges the veracity of the explanations received and in any case the Department does not routinely get to see the explanations. The Department told me that individual responses to requests for information are assessed on a case-by-case basis by OFGEM who will not release payments if it has evidence or reasonable grounds such that it is not satisfied that ongoing obligations have been met. Outcomes of this review includes referral of individual installations for further investigations, either by compliance teams or via inclusion in the site audit programme.

25. When OFGEM requests payments from the Department to the applicants, it provides a unique reference number for each installation, the amount to be paid and details on what sector the applicant works in e.g. Agricultural sector. Names of applicants are not included, which the Department has told me is for data protection reasons, although names can be provided on request. As a result at the time this report was written, the Department was unable to provide any details of the names of companies in receipt of grants.

26. I am concerned that the design of the NI non-domestic RHI scheme and the way that the Department operated and monitored it has made it vulnerable to abuse. The high level of applications received in the current year and the specific whistleblower allegations (discussed later in this report) that the Department is currently investigating have further added to these concerns. As a result of these concerns I have qualified my regularity opinion on the non-domestic RHI scheme because I was unable to obtain enough evidence to be satisfied that these grants paid during the year amounting to £30.5 million had been incurred for the purposes intended.

27. I asked the Department why it left the monitoring of the non-domestic RHI scheme almost entirely to OFGEM and why it had not been involved to a greater extent in the monitoring of these schemes. The Department told me it is in regular contact with OFGEM regarding application queries and that OFGEM provide weekly reports outlining the latest position regarding application numbers and their status (i.e. pending, approved, refused). In addition, the Department said that from August

2014, it has held formal meetings[1] with OFGEM by conference call, where operational, policy and budgetary issues are discussed and addressed.

Other issues relating to the non-domestic RHI scheme

28. As well as the fact that irregular expenditure has been incurred due to non-approval by DFP, I also have significant concerns in relation to;

- the amount of expenditure that has been committed to in the future;
- the future impact on the Northern Ireland block grant; and
- the allegations that have been received from a whistleblower.

Background to non-domestic RHI

29. Non-domestic RHI aimed to provide long term financial support for those with heating systems in commercial, public or industrial premises wishing to switch from conventional heating to renewable heating solutions, such as biomass (mostly wood pellets), heat pumps and solar thermal. The scheme was intended to be a long term approach to developing the renewable heat market by providing consistent, secure, long term payments for renewable heat generation.

30. The Department set the level of tariff (in the form of pence per kilowatt hour (p/kwh) for heat generated) which was dependent on the size and type of technology and was calculated to cover capital costs, operating costs and non-financial hassle costs (e.g. removal of ash) over the lifetime of the technology. However these calculations were made in 2012 when the scheme was initially established and were not reviewed until Autumn 2015.

31. The Great Britain (GB) non-domestic scheme had two tiers of payment from the outset - a higher Tier 1 rate payable for the first 1,314 hours of use (representing 15 per cent of total hours in the year) and then a lower Tier 2 rate for the remaining hours. The Tier 1 payment was considered to be sufficient to cover most of the installation costs and the lower Tier 2 rate was to discourage users from simply running the heating system to generate the tariff benefit.

32. When the scheme was first considered in 2011 the Department decided that the GB scheme could not be simply taken across to Northern Ireland because of significant differences between the two areas, mainly as a result of the wider availability of natural gas in GB compared to a more general dependence on oil for heating in Northern Ireland. Consultants were engaged to suggest appropriate rates in Northern Ireland and in their report they recommended that the Department should consider using the GB rates before also going on to suggest various Northern Ireland specific rates.

33. The suggested rate for biomass boilers below 100kw (which became by far the most popular heat generating method in Northern Ireland) was recommended at 4.5 pence per kwh based on a 20kw biomass boiler reference case. At this rate the consultants noted that there was no need for tiering as at that time the proposed rate was less than the cost of wood pellets and therefore there was no incentive to excessively use the boilers just to claim the subsidy.

34. The consultants were asked to reconsider the rates following feedback from the consultation process, and in February 2012 the consultants produced a new paper which increased the rates available to take into account a larger reference point boiler. The rate proposed in this paper for biomass boilers less than 100kw was increased to 5.9 pence per kwh but there was no mention of the need for tiering or that this was not in excess of the cost of wood pellets. The final business case, approved by the Department and DFP in mid 2012 included the 5.9 pence subsidy rate which has subsequently been increased in line with inflation to 6.4 pence per kwh.

35. In the business case to DFP the Department states that there was no need to consider tiering because the rate proposed was lower than the cost of fuel and therefore there would be no incentive to abuse the system by generating heat just to claim the subsidy. However in the case of biomass boilers this was not the case and appears to have been copied from the July 2011 consultant's report without thought. In fact the cost of wood pellets was shown in the same business case as being 4.39 pence per kwh compared to the proposed subsidy rate of 5.9 pence per kwh. In hindsight the failure to adequately consider the tiering of rates similar to the GB scheme was a critical mistake.

1 These meetings have been formally minuted from November 2015.

Table 2: Development of NI Non-domestic RHI rates*

	Pence/Kwh
June 2011 (Consultants – original report)	4.5p
Feb 2012 (Consultants – revised following consultation)	5.9p
June 2012 Department business case	5.9p
Cost of wood pellets in 2012 (per Department business case)	4.39p

*based on rate for a biomass boiler up to 100kw

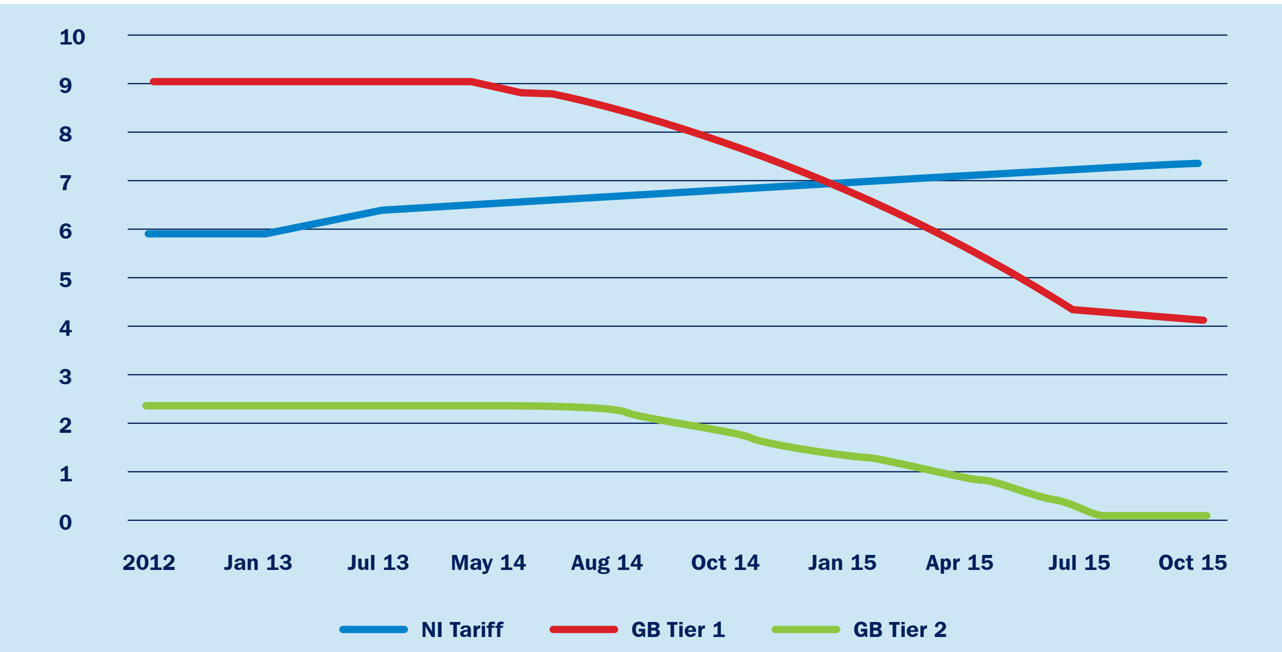
Source: Department

36. The GB scheme also had a system (known as degression) built in from April 2013 to allow the tariff paid to reduce in response to an increase in demand. This meant that the tariff paid was reviewed each quarter and revised (with a month's notice) according to the level of demand for the scheme. Degression was introduced in GB to ensure affordability and value for money.

37. At the time degression was introduced in GB in April 2013, demand for RHI was very low in Northern Ireland, thus creating a significant under spend for the Department (see Table 1). The Department has told me that its priority at that time was in identifying ways to increase demand and also on the introduction of a similar scheme for domestic applicants. As a result the degression system (or an alternative cost control system) was not introduced in Northern Ireland and the tariff rate was unchanged (other than being increased by inflation) for a long period of time. Once it became apparent that demand was increasing significantly the Department was unable to react quickly due to legislative constraints.

38. The graph below shows a comparison (in pence) between the Northern Ireland tariff and both GB tariffs. The Northern Ireland single tariff increased from 5.9 pence in 2012 to 6.4 pence in 2015, while the two tariffs in GB halved over the same period.

Graph 1: Comparison of Northern Ireland and GB RHI non-domestic tariffs from 2012 to 2015 in pence (based on a typical 99kw biomass boiler) *



*the 99kw biomass boiler was the main source used in NI non-domestic RHI claims

Source: Department

39. This meant that typical returns were much higher for applicants in Northern Ireland than in GB, especially since 2015. The tables below show that the annual Northern Ireland RHI grant for a typical boiler installed in May 2015 could have been almost twice as much as for the same boiler in GB and when this continues to be paid over 20 years, those recipients in Northern Ireland stand to receive a substantial amount more than those in GB.

40. A comparison of the returns achieved by a typical wood pellet boiler operating for 12 hours a day, 5 days a week and achieving 93 per cent efficiency in Northern Ireland and in Great Britain is shown in Table 3 below.

Table 3: Comparison between NI and GB – Biomass boiler used 60 hours per week

	Northern Ireland	Great Britain
	£	£
Annual profit by using biomass	**15,484**	**6,795**
Profit over 20 years	309,680	135,900
Initial capital cost to install biomass boiler	(45,000)	(45,000)
Net Profit over 20 years	**264,680**	**90,900**
Annual return on investment	**30%**	**10%**

The detail and sources behind these calculations is shown in Annex A, Example 1

41. As there was no tiering of tariff rates in Northern Ireland for installations approved before November 2015, even greater amounts of grant could be obtained by running the boiler for up to 24 hours a day as there is no upper limit on the amount of energy that would be paid for. The more heat that is generated, the more is paid. Indeed with the cost of running a biomass boiler estimated at around 4.01p/kWh[2] and the RHI grant at 6.4p/kWh it would appear to benefit those in receipt of a grant approved prior to November 2015 to use the boiler 24 hours a day, even if the heat generated is not being used.

42. In some cases such as in the Poultry industry, it is possible that a biomass boiler could be used almost all of the time in order to replace an oil boiler. In an extreme case of the boiler being operated 24 hours a day and only being stopped for servicing, as shown in Table 4 below, very large profits could be realised, even though the use of the biomass boiler would still be in line with the spirit of the scheme.

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Table 4: Biomass boiler used 24 hours a day all year round, replacing an oil boiler

	Northern Ireland	Great Britain
	£	£
Annual profit by using biomass	**43,179**	**9,621**
Profit over 20 years	863,580	192,420
Capital costs (including replacement every 5 years)	(126,000)	(126,000)
Net Profit over 20 years	**737,580**	**66,420**
Annual return on investment	**82%**	**7%**

The detail and sources behind these calculations is shown in Annex A, Example 2

43. Alternatively it has been alleged by a whistleblower that the scheme's inherent weaknesses have led to abuse of the scheme, with biomass boilers purchased just to collect the subsidy, while not replacing any previous heating and just heating empty space for no legitimate business reason. This can also generate significant returns as can be seen in the example below, which is also based on the extreme assumption of virtually continuous use.

Table 5: Biomass boiler used 24 hours a day, heating empty space, not replacing oil boiler

	Northern Ireland	Great Britain
	£	£
Annual profit/(loss) by using biomass	**19,146**	**(14,412)**
Profit/(loss) over 20 years	382,920	(288,240)
Capital costs (including replacement every 5 years)	(135,000)	(135,000)
Net Profit/(loss) over 20 years	**247,920**	**(423,240)**
Annual return on investment	**27%**	**n/a**

The detail and sources behind these calculations is shown in Annex A, Example 3

44. Each of these examples show an unacceptably high rate of return for businesses taking advantage of the non-domestic RHI scheme in Northern Ireland. The potential for these types of returns should have been identified and prevented when the scheme was being designed.

Domestic Renewable Heat Incentive

45. RHI was extended to homes in the domestic sector in December 2014 to encourage people to switch renewable heating systems and reduce carbon emissions. Similar to the non-domestic scheme, the main methods of generating heat included biomass (burning wood pellets), air and ground source heat pumps and solar thermal. The benefits to applicants are less lucrative, with an upfront payment to a maximum of £3,500 and up to £2,500 a year for seven years, depending on heat requirements. Uptake for the domestic scheme is comparable to the non-domestic scheme but the costs are considerably less with the total cost of the scheme being estimated at around £30 million compared to £1.15 billion for the non-domestic scheme.

Demand for the non-domestic scheme

46. By May 2015 it was apparent that demand for the non-domestic scheme was increasing and coupled with the need to receive DFP approval for future budget cover, meant that the level of support for the scheme and the scheme legislation urgently had to be reviewed. During July and August 2015 it was decided to introduce a two tier tariff system, similar to GB and also to review the legislation for the scheme. The reduced tariff rate was publicly announced on 8 September 2015 but there was a ten week period before the legislative changes came into effect on 18 November 2015. The table below shows the old and new tariffs for a typical 99kw boiler, which was the most popular boiler used in the scheme.

Table 6: Comparison of non-domestic tariffs before and after 18 November 2015 in Northern Ireland

	Boilers installed before 18 November 2015	Boilers installed after 18 November 2015
Tier 1	6.4p/kWh	6.4p/kWh
Tier 2*	N/A	1.5p/kWh

*Tier 2 applied in the revised scheme for all hours after the first 1,314 hours (representing 15 per cent of total hours in the year) of use in the year and up to a maximum of 400,000kWhth. There is no maximum number of hours that can be claimed for in the original scheme.

Source: Department

47. Following the announcement of the tariff change in September 2015, during October and the first half of November 2015, there was a huge spike in applications with almost as many applications being received in those seven weeks as had been made in the previous 34 months since the scheme began. The expected cost of the applications made during this seven week period will be around £24 million annually for each of the next twenty years. The numbers of applications and expected costs of both schemes are shown in the table below.

Table 7: RHI Applications and associated costs 2012 to 2016

Period	Application Numbers	Annual Cost	Total 20 Year cost[3]
		£m	£m
Non-domestic schemes			
Nov 2012 – March 2015	564	13.2	285
April to September 2015 *	359	6.4	195
October 2015 *	429	5.5	250
November 2015	452	4.8	235
December 2015 – March 2016	324	0.6	185[4]
Total non-domestic	**2,128**	**30.5**	**1,150**
Domestic schemes	2,721	4.6	30
Total commitment to 31 March 2016	**4,849**	**35.1**	**1,180**

* 788 non-domestic RHI applications costing £11.9 million that had been completed between 1 April 2015 and 29 October 2015 for which DFP did not give approval.

Source: Department

3 The 20 year forecast figure can only be an indication at this point and hence is rounded to the nearest £5m. A number of uncertainties remain over such a long time frame – the figure shown is the best estimate of the worst case scenario and has been prepared on the basis of the 2016/17 estimates going forward. The 20 year figure has been adjusted for inflation at a rate of 1.6 per cent annually and no drop out rate has been assumed. It is likely that the figure could be less than shown.

4 Assumes that 2 large CHP (combined heat and power) plants with preliminary accreditation will proceed in 2018-19

48. In early 2016 it was decided that in view of the significant financial risk to the Northern Ireland block grant for the next twenty years, legislation should be introduced to suspend the non-domestic and domestic RHI schemes. This was announced and the schemes were formally closed on 29 February 2016.

Funding for the scheme

49. The RHI scheme has been demand led from the beginning and was intended to be funded as Annually Managed Expenditure (AME). For most categories of AME spending, HM Treasury provides the amount required to fulfil defined policies and obligations (e.g. social security benefits), and the budget provided is adjusted annually (up or down) without affecting the Northern Ireland block grant – in essence the risk of the amounts required exceeding the budget is borne by HM Treasury, not the NI Executive.

50. However, in the case of RHI, there was a limit to the amount of AME funding that would be paid from HM Treasury, though there was some lack of clarity as to how this would be applied. It later became clear that HM Treasury intended to cap the amount of AME and under the Barnett formula, this was set at 3 per cent of the funding available to the GB RHI scheme. Any excess would then have to be paid from the Northern Ireland block grant.

51. The approach to the setting of budgets for the Northern Ireland non domestic RHI scheme, and in particular the AME allocations, was clarified in an email from HM Treasury and two letters to the Department from the Department of Energy and Climate Change (DECC):

- In April 2011, an email from HM Treasury officials stated that RHI spending was not being treated as standard AME, where the Exchequer takes on all risks of overspend, but instead there would be a risk-sharing arrangement. The email pointed out that the NI share of funding would be around 3 per cent of the GB funding and if RHI spending in one year exceeded the profile set in the Spending Review, then the Department would need to repay this in future years and would incur a Departmental Expenditure Limit (DEL) penalty likely to be of the order of 5 per cent. This informal information was never confirmed by HM Treasury. However, DETI officials, in an exchange of emails in May 2011, noted that the implication of the Treasury position was that it would be necessary to consider having controls in place to limit expenditure: there is no record of subsequent attention to this point;
- In November 2013, a letter drawing attention to the changes made to the GB scheme to ensure affordability and value for money (including the degression changes); and
- In January 2014, a letter confirming that the NI allocation of AME funding would be based on a Barnett formula share (3 per cent) of the GB RHI budget.

52. The Department has told me that although it was aware from January 2014 that the 2015-16 allocation would be a Barnett consequential share, officials did not know until December 2015 that the rate of increase in the DECC budget on which that share was based was to be much lower than in the plans previously communicated by HM Treasury, and that all overspend after 2016-17 would have to be met from resource DEL.

53. When demand increased dramatically between September and November 2015 this greatly increased the costs of the scheme. HM Treasury did not impose a DEL penalty in relation to the excess expenditure in 2015-16, but has ruled out any increase in the AME allocation to the NI Executive for the years from 2016-17 onwards to assist with the increased costs the Department has incurred. Because the increased costs are committed for twenty years, the excess will now have to be met from the Northern Ireland block grant. It is difficult to estimate the total amount that will have to be met from the block grant because it will depend on the AME allocation from GB in the future. However over the next five years the Department estimate a cost to the NI Block of around £140 million, if no action is taken, as shown in Table 8 below.

Table 8: Projected deficit in AME funding from 2016-17 to 2020-21

	16-17	17-18	18-19	19-20	20-21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total cost	50,700	51,700	54,800	55,700	56,600	269,500
AME allocation	18,300	22,300	25,700	28,900	34,300	129,500
Deficit	(32,400)	(29,400)	(29,100)	(26,800)	(22,300)	(140,000)

Source: Department

Whistleblower allegations

54. In January 2016, the Office of the First Minister, Deputy First Minister (OFMDFM) received an anonymous whistle blowing letter, alleging abuse of the scheme by businesses who are not working within the intended guidelines. The allegations include:

- the scheme is not being monitored and it is left to the installer to vet whether suitable businesses can avail of the scheme;
- there is no comparison made between the cost of the current heating system and the heating generated by the new system;
- large factories with no previous heating have installed three biomass boilers with the intention to run them all year round in order to collect approximately £1.5 million over the next 20 years; and
- a farmer who has no need for a biomass boiler is aiming to collect approximately £1 million over the next 20 years for heating an empty shed.

55. I asked the Department how they are going to investigate these allegations. The Department told me that it has jointly commissioned with OFGEM an independent review of the scheme to assess whether its operation is in compliance with the Scheme Regulations and if there is any evidence of the Northern Ireland RHI scheme having been abused or if eligible scheme participants have failed to operate within the Scheme Regulations. The review is to be conducted in a two-part process:

- Phase 1 – an assessment of OFGEM's processes and controls to administer the Northern Ireland RHI scheme in accordance with the Regulations, to assess whether the scheme is operating in compliance with the legislation and highlight any areas of concern warranting further investigation; and
- Phase 2 - site inspections of a sample of (a) current applicants awaiting award; (b) scheme participants with multiple installations; and (c) scheme participants.

56. The Department told me that this independent review is still ongoing. The Phase 1 work has been largely completed and it is anticipated that the findings of this review will be finalised at the end of July 2016. The Department also advised me that, on further consideration, it has decided to supplement the work done to date through OFGEM with a new independent review, which is due to be completed in September 2016.

57. The Department has also said that it intends to respond to the large spike in demand by initiating procurement of additional auditing and checks. A business case is under development to procure an independent audit assurance body which will undertake a range of site audits on both the NI non domestic and domestic schemes. The Department has secured additional funding for extra audits in 2016/17. This will supplement the OFGEM programme of audits under the non domestic scheme. It is planned that around 1 in 10 installations will be audited annually under both schemes, (around 500 audits each year).

58. I would expect the Department to ensure any recommendations are acted upon and any necessary action is taken. I will closely monitor the outcomes of the reviews instigated by the Department.

Conclusions

59. The operation of this scheme over the last few years and its future budgetary implications give rise to a number of significant concerns. These include that the scheme:

- was not designed to include any viable cost controls despite the clear indication in April 2011 that this would not be funded without limit by HM Treasury;
- did not take the opportunity in 2013 to mirror the GB scheme and introduce some cost control measures at that time;
- did not take account of changes to underlying costs since 2012 and therefore was over-generous in incentivising renewable heat;
- couldn't be changed quickly when it became apparent that demand was rising quickly;
- wasn't approved by DFP after April 2015 and resulted in irregular expenditure. If the need for this approval had been identified at the right time then it could have been the catalyst for a wider review of the scheme;
- has at least facilitated the possibility of funding that is at best not in line with the spirit of the scheme and at worst possibly fraudulent (though there is no prima facie evidence of fraud at present);
- was not properly monitored and controlled by the Department who solely relied on the work being done by OFGEM; and
- did not identify the risks of overspending at an earlier stage even though AME allocations had been previously advised. This has led to an impact on the Northern Ireland block grant which is likely to be measured in hundreds of millions of pounds.

60. This scheme has had serious systemic weaknesses from the start. The fact that the Department decided not to mirror the spending controls in Great Britain has led to a very serious ongoing impact on the NI budget and the lack of controls over the funding has meant that value for money has not been achieved and facilitated spending which was potentially vulnerable to abuse. I am very concerned about the operation of this scheme and it is an area which I expect to return to in the very near future.

Kieran J Donnelly

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28 June 2016

ANNEX A

Example 1

Based on a 99kw biomass boiler running for 12 hours a day, 5 days a week and achieving 93% efficiency.

This boiler would create: 12 hours x 99kw = 1,188kwh per day
1,188kwh x 5 days = 5,940 kwh per week
5,940 kwh x 52 weeks = 308,880 kwh per year
308,880 kwh x 93% efficiency = 287,258 kwh actual per year

The cost per kwh of energy produced (including pellet costs, increased electricity cost, servicing and remedial works) would be around 4.01 pence per kwh (based on figures produced by CAFRE Greenmount campus, May 2016) giving an annual cost of 287,258 x 4.01 pence = £11,519.

The comparative cost of oil (based on its cost of 30 pence per litre in May 2016) is a cost per kwh of 3.0 pence. The annual cost of oil which has been saved is therefore 287,258 x 3.0 pence = £8,618.

The cost of a 99kw wood pellet boiler would be about £45,000 (per Department).

Using these figures it is possible to calculate the annual return from the use of the wood pellet boiler:

	Northern Ireland[5]	Great Britain[6]
	£	£
Annual cost of operating wood pellet boiler (wood, servicing etc)	11,519	11,519
Annual oil cost not incurred	(8,618)	(8,618)
Annual net cost of supplying fuel to biomass boiler	**2,901**	**2,901**
RHI Annual subsidy in NI – 287,258 kwh x 6.4 pence per kwh	18,385	
RHI Annual subsidy in GB - see calculation below *		9,696
Annual saving	**15,484**	**6,795**
Saving over 20 years	309,680	135,900
Initial capital cost to install biomass boiler	45,000	45,000
Profit over 20 years	264,680	90,900
Payback time	2.9 years	6.6 years
Annual rate of return	30%	10%

* RHI Calculation – Great Britain

Total hours used – 12 hours x 5 days x 52 weeks = 3,120 hours
Tier 1 hours: 1,314 hours x 99kw x 93% efficiency = 120,980 at 5.87 pence/kwh = £7,102
Tier 2 hours: 1,806 hours x 99kw x 93% efficiency = 166,278 at 1.56 pence/kwh = £2,594
Total RHI subsidy £9,696

5 The figures above do not include "annuitized barrier costs" which the Department consider should be included. These costs would amount to £718 per year for what it calls the hassle costs of moving to the new technology e.g. installing new pipes etc and £828 per year for additional running costs such as emptying ash from the boiler every other day. If these were included it would reduce the overall return over 20 years by £30,920.

6 The Department have pointed out that in GB the most popular boiler used is a 199kw boiler which would change the figures in the table. However for comparison purposes the boiler used in both NI and GB examples is the 99kw boiler.

Example 2

Based on 99kw biomass boiler running 24 hours/day, 7 days/week achieving 93% efficiency.

This boiler would create: 24 hours x 99kw = 2,376 kwh per day
2,376 kwh x 7 days = 16,632 kwh per week
16,632 kwh x 52 weeks = 864,864 kwh per year
864,864 kwh x 93% efficiency = 804,324 kwh actual per year

CAFRE Greenmount campus estimate that running the boiler 24 hours a day would result in increased downtime for servicing amounting to 35 hours over the year. Therefore the total amount generated would be reduced by 35 hours x 99KW x 93% efficiency = 3,222 kwh. The total number of Kwh would then be 804,324 – 3,222 = 801,102 kwh over the whole year.

The cost per kwh of energy produced (including pellet costs, increased electricity cost, servicing and remedial works) would be around 4.01 pence per kwh (based on figures produced by CAFRE Greenmount campus, May 2016) giving an annual cost of 801,102 x 4.01 pence = £32,124. The comparative cost of oil (based on its cost of 30 pence per litre in May 2016) is a cost per kwh of 3.0 pence. The annual cost of oil which has been saved is 801,102 x 3.0 pence = £24,033.

The cost of a 99kw wood pellet boiler would be about £45,000 (per Department). CAFRE also estimate that using a wood pellet boiler constantly would mean it would have to be replaced every five years at a replacement cost of £30,000. A similar oil boiler would cost £3,000 to replace – therefore the additional cost of the wood boiler would be £27,000 every 5 years.

	Northern Ireland[7]	Great Britain
	£	£
Annual cost of operating wood pellet boiler (wood, servicing etc)	32,124	32,124
Annual oil cost not incurred	(24,033)	(24,033)
Annual net cost of supplying fuel to biomass boiler	8,091	8,091
RHI Annual subsidy in NI – 801,102 kwh x 6.4 pence per kwh	51,270	-
RHI Annual subsidy in GB - see calculation below *	-	17,712
Annual saving	43,179	9,621
Saving over 20 years	863,580	192,420
Initial capital cost to install biomass boiler	45,000	45,000
Additional costs of replacing boiler every five years	81,000	81,000
Profit over 20 years	737,580	66,420
Payback time	1.04 years	4.7 years
Annual rate of return	82%	7.4%

*RHI Calculation – Great Britain

Total hours used – 24 hours x 7 days x 52 weeks = 8,736 hours
Tier 1 hours: 1,314 hours x 99kw x 93% efficiency = 120,980 at 5.87 pence/kwh = £7,102
Tier 2 hours: 7,387* hours x 99kw x 93% efficiency = 680,121 at 1.56 pence/kwh = £10,610
Total RHI subsidy £17,712

*7,422 hours -35 hours downtime for servicing

7 The figures above do not include “annuitized barrier costs” which the Department consider should be included. These costs would amount to £718 per year for what it calls the hassle costs of moving to the new technology e.g. installing new pipes etc and £828 per year for additional running costs such as emptying ash from the boiler every other day. If these were included it would reduce the overall return over 20 years by £30,920.

Example 3

Based on a 99kw biomass boiler running for 24 hours/day, 7 days/week and achieving 93% efficiency – but which is abusing the scheme by heating empty space and therefore not replacing an previous form of heating.

This boiler would create: 24 hours x 99kw = 2,376 kwh per day
2,376 kwh x 7 days = 16,632 kwh per week
16,632 kwh x 52 weeks = 864,864 kwh per year
864,864 kwh x 93% efficiency = 804,324 kwh actual per year

CAFRE Greenmount campus estimate that running the boiler 24 hours a day would result in increased downtime for servicing amounting to 35 hours over the year. Therefore the total amount generated would be reduced by 35 hours x 99KW x 93% efficiency = 3,222 kwh. The total number of Kwh would then be 804,324 – 3,222 = 801,102 kwh over the whole year.

The cost per kwh of energy produced (including pellet costs, increased electricity cost, servicing and remedial works) would be around 4.01 pence per kwh (based on figures produced by CAFRE Greenmount campus, May 2016) giving an annual cost of 801,102 x 4.01 pence = £32,124.

As the boiler in this example is not replacing anything the cost of oil that would have been used is not relevant. The initial cost of a 99kw wood pellet boiler would be about £45,000 (per Department) and CAFRE estimate that using a boiler constantly would mean it would have to be replaced every five years at a replacement cost of £30,000. Using these figures the annual return from the use of the wood pellet boiler would be:

	Northern Ireland[8]	Great Britain
	£	£
Annual cost of operating wood pellet boiler (wood, servicing etc)	32,124	32,124
Annual oil cost not incurred	n/a	n/a
Annual net cost of supplying fuel to biomass boiler	32,124	32,124
RHI Annual subsidy in NI – 801,102 kwh x 6.4 pence per kwh	51,270	-
RHI Annual subsidy in GB - see calculation below *	-	17,712
Annual saving / (loss)	19,146	(14,412)
Saving / (loss) over 20 years	382,920	(288,240)
Initial capital cost to install biomass boiler	45,000	45,000
Additional costs of replacing boiler every five years	90,000	90,000
Profit / (loss) over 20 years	247,920	(423,240)
Payback time	2.35 years	n/a
Annual rate of return	27%	n/a

*RHI Calculation – Great Britain

Total hours used – 24 hours x 7 days x 52 weeks = 8,736 hours
Tier 1 hours: 1,314 hours x 99kw x 93% efficiency = 120,980 at 5.87 pence/kwh = £7,102
Tier 2 hours: 7,387* hours x 99kw x 93% efficiency = 680,121 at 1.56 pence/kwh = £10,610
Total RHI subsidy £17,712

*7,422 hours -35 hours downtime for servicing

8 The figures above do not include "annuitized barrier costs" which the Department consider should be included. These costs would amount to £718 per year for what it calls the hassle costs of moving to the new technology e.g. installing new pipes etc and £828 per year for additional running costs such as emptying ash from the boiler every other day. If these were included it would reduce the overall return over 20 years by £30,920.

Published by Page Setup

Page Setup
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6 Murray Street
Belfast
BT1 6DN

Tel: 028 9032 6200

ISBN 9780993113031

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