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Department of Education

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2018

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

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DEPARTMENT OF EDUCATION

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Abbreviations and terms used

ALBs	Arm's Length Bodies
AME	Annually Managed Expenditure
AMR	Automatic Meter Reading
APSG	Area Planning Steering Group
ARAC	Audit and Risk Assurance Committee
BREEAM	Building Research Establishment Environmental Assessment Method
C&AG	Comptroller and Auditor General for Northern Ireland
CAF	Career Advisory Forum
CAL	Centre for Applied Learning
CARE	Career Average Revalued Earnings
CASE	Collaborating Through Sharing in Education
CCEA	Council for Curriculum, Examinations and Assessment
CCMS	Council for Catholic Maintained Schools
CDWG	Cross Departmental Working Group
CETV	Cash Equivalent Transfer Value
CFERs	Consolidated Funds Extra Receipts
CnaG	Comhairle na Gaelscolaíochta
COPE	Centre of Procurement Expertise
CPD	Central Procurement Directorate
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CRR	Corporate Risk Register
CSCA	Children's Services Co-Operation Act
CSP	Civil Service Pension
DAERA	Department for Agriculture, Environment and Rural Affairs
DAPS	Data Analysis Project Support
DE	Department of Education
DfE	Department for Economy
DoF	Department of Finance
DoH	Department of Health
DP	Development Proposal
DSC	Delivering Social Change
EA	Education Authority
EOTAS	Education Other than at School
ESaGS	Every School a Good School
ESD	Education for Sustainable Development
ETI	Education Training Inspectorate
EU	European Union

FReM	Financial Reporting Manual
FSA	Fresh Start Agreement
FSME	Free School Meal Entitlement
GDPR	General Data Protection Regulations
GMI	Grant Maintained Integrated
GRtL	Getting Ready to Learn
GTCNI	General Teaching Council for Northern Ireland
HR	Human Resources
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IID	Investment and Infrastructure Division
IRRV	Institute of Revenues Rating and Valuation
ITT	Invitation to Tender
JJC	Juvenile Justice Centre
JQF	Joint Qualifications Framework
LAC	Looked After Children
LGB&T	Lesbian Gay Bisexual and Transgender
LGD	Local Government District
LPS	Land and Property Services
NDPBs	Non-Departmental Public Bodies
NIAO	Northern Ireland Audit Office
NICIE	Northern Ireland Council for Integrated Education
NICS	Northern Ireland Civil Service
NIO	Northern Ireland Office
NIPSA	Northern Ireland Public Service Alliance
NITC	Northern Ireland Teachers' Council
NRSA	Notification, Referral and Statutory Assessment
ONS	Office of National Statistics
PEP	Personal Education Plan
PESC	Performance Efficiency Scrutiny Committee
PfG	Programme for Government
PFI	Private Finance Initiatives
PIEM	Promoting Improvement in English and Mathematics
PIRLS	Progress in International Reading Literacy Study
POA	Prison Officers' Association
PPP	Public Private Partnerships
PSN	Public Service Network
RICS	Royal Institute of Chartered Surveyors
RMF	Risk Management Framework
SAC	School Age Childcare
SCS	Senior Civil Service
SEN	Special Educational Needs
SEP	School Enhancement Programme

SESP	Shared Education Signature Project
SfS	Sharing from the Start
SOAS	Statement of Assembly Supply
SOCNE	Statement of Comprehensive Net Expenditure
SSEC	Strule Shared Education Campus
STEM	Science, Technology, Engineering and Mathematics
T:buc	Together: Building a United Community
TEO	The Executive Office
TNC	Teachers' Negotiating Committee
UNCRC	United Nations Conventions on the Rights of the Child
VAT	Value Added Tax
VG	Voluntary Grammar
YCNI	Youth Council for Northern Ireland

DEPARTMENT OF EDUCATION ANNUAL REPORT

PERFORMANCE REPORT

1. OVERVIEW

The purpose of this overview section is to outline the Department's purpose; key objectives and the key risks to the achievement of its objectives; and how the Department has performed during the year.

1.1 Statement from the Permanent Secretary

The 2017-18 year has been most notable for the absence of devolved institutions, including a Minister, Executive and Assembly. This has resulted in significant and unique challenges for the Department in relation to budgets, policy development and delivery. For example, the development and implementation of some policies and strategies, such as the Children and Young People's Strategy, the Executive Childcare Strategy, the joint Department of Education (DE)/Department of Health (DoH) Looked After Children's (LAC) Strategy and the Shared Education Campus Programme have all been delayed pending decisions by a Minister and/or the Executive and Departments.

From a financial perspective, the Department continues to face significant challenges and, following on from the 2016-17 overspend, the Education Authority (EA) has again reported a £18.9m overspend on its block grant for 2017-18. The pressures creating this position remain the same, including schools' expenditure in excess of their 2017-18 allocations and the escalating costs associated with providing special educational needs services. The Department continues to work closely with the EA to try to mitigate the underlying causes and pressures in the system, however this financial issue will not be fully addressed until there is significant transformation of the education sector.

The restructuring of departments in 2016 had given DE new responsibilities, particularly in relation to the development and management of an Executive Strategy for Children and Young People and the Executive Childcare Strategy. Since then the Department has continued to develop a more holistic service from early years and pre-school through to post-16 secondary education and youth provision. The Department and its Arm's Length Bodies (ALBs) are also continuing to focus on how they can develop opportunities to provide more joined-up services to improve further the lives and educational outcomes of all our children and young people.

Despite a challenging background, the Department maintained a focus on the achievement of its key business goals. The Department fully or substantively achieved 52 of the 63 commitments and actions set out in its 2017-18 Business Plan. 82.5% of the targets were therefore fully or substantively delivered.

Some of the key activities and achievements were as follows:-

The Department continued to implement its key policies and strategies aimed at increasing pupil attainment at each stage of education such as through the school improvement policy, Every School a Good School, and DE's strategy for improving outcomes in literacy and numeracy, Count, Read: Succeed. In support of the strategy, the Department has provided additional funding of around £3m over the last three years for a Key Stage 2/3 Continuing Professional Development Transition Project involving over 500 schools and 1,850 teachers to improve transition into post-primary school.

The Department launched a major advertising campaign aimed at increasing parental involvement in the education of their children. The campaign encourages parents, carers and extended family to support their children's education by giving them 'a Helping Hand'.

A major international survey of pupil achievement in reading reported during 2017-18. Data from the 2016 Progress in International Reading Literacy Study (PIRLS) showed that Northern Ireland pupils aged 9–10 are amongst the best readers in the world. Pupils here significantly outperformed 41 of the 49 other participating countries in reading and were significantly outperformed by only two of the 50 countries studied.

The implementation of the Schools for the Future: A Policy for Sustainable Schools has continued through the Area Planning and Development Proposal processes. This year was the first year of the EA's "Providing Pathways" Strategic Area Plan 2017-2020 and supporting Annual Action Plan. Development Proposal (DP) activity to implement the Area Plan strategic objectives and, particularly those relating to composite classes in primary schools and small sixth forms, was not at the level anticipated with 30 DPs published in year.

In the absence of a Minister, I have taken decisions on 32 DPs. Among these were decisions to close five primary schools and one post primary school and two major amalgamations involving five post primary schools. I have also made decisions to approve increasing places where they are needed and removing them where they are no longer needed.

Progress has been made on the Strule Shared Education Campus (SSEC) Programme across a number of areas. However, a risk has recently occurred due to emergent issues with the main contract procurement causing delay. Ongoing work with the Northern Ireland Office (NIO) regarding capital funding enabled the main works contract Invitation to Tender to be approved for release on 8 February 2018. The Department subsequently received correspondence indicating the withdrawal of one of the two bidders from the tender process and the procurement is now temporarily suspended. The Department, in conjunction with professional advisers, will assess the implications for the ongoing viability of the procurement of the main works contract. A series of technical workshops will take place involving a range of internal stakeholders, to develop and assess procurement options, with the aim of reaching a decision on how best to move the procurement forward. All other aspects of the delivery of the SSEC, on both the construction and non-construction aspects of the programme, are continuing uninterrupted.

Over £60m was invested in other major capital works in 2017-18. Three projects were completed in-year, 10 projects have had the contractor appointed and/or are on site, 23 are in design phase and a further 15 are at earlier stages of planning. An additional £19m was invested in schools' infrastructure projects through the School Enhancement Programme, where 50 projects are now complete or on-site, with 15 of these projects completing during the 2017-18 year. The final three projects are expected to move to construction during 2018-19

Work also continues to deliver the projects announced under the first tranche of Fresh Start Agreement (FSA) capital funding. Just over £5m was invested in the 23 announced FSA projects, which comprises 18 integrated schools and five Shared Education Campuses. One of the projects was completed in 2017-18 with the remaining 22 at various stages in planning.

The five projects approved to proceed in planning (under the Executive's Together: Building a United Community (T:buc) Strategy Shared Education Campus Programme headline action to commence 10 Shared Education Campus projects) are progressing. I have approved projects to proceed to planning from the Third Call, subject to confirmation of FSA funding.

381 schools across 159 partnerships engaged in the Delivering Social Change (DSC): Shared Education Signature Project (SESP), with just under 50,000 pupils and over 3,000 teachers involved in shared education activity. In September 2017, Peace IV funding was awarded to two consortia led by the EA (up to €29m for the Collaborating Through Sharing in Education (CASE) project) and The Early Years Organisation (up to €4.3m for Sharing from the Start (SfS) project). By the end of March 2018, 212 schools across 88 partnerships were involved in the CASE project. Around 12,000 pupils and 130 pre-schools across 60 partnerships were involved in the SfS project.

Implementation of the Learning to Learn framework for Early Years continued in 2017-18, with 99.9% of pre-school age children offered a funded pre-school education place and continued targeted support for children and families living in disadvantaged areas.

501 settings took part in the Getting Ready to Learn (GRtL) programme (part of the Early Intervention Transformation Programme), which aims to empower and enable parents to develop a supportive home learning environment at an early stage. We have seen significant positive outcomes in terms of the improved parental engagement in their children's early education and development and in home environments.

The Department worked with its ALBs and schools to complete a pilot Investing in the Teaching Workforce Scheme. This released 29 serving teachers and provided the opportunity for recruitment of the same number of recently qualified teachers in their place. Preliminary evaluation of the pilot scheme has been positive. A further scheme offering up to 200 retirements and a corresponding number of recruitment opportunities for recently qualified teachers will run in 2018-19.

The Education Sector Emergency Management Steering Group, led by the Department and comprising the EA, Council for Catholic Maintained Schools (CCMS) and the Council for the Curriculum, Examinations and Assessment (CCEA), met in the aftermath of ex-hurricane Ophelia in October 2017. It agreed that the Department would write to all school principals advising how the Department and the EA planned to communicate with them in the event of future emergency incidents. Schools were advised that social media would continue to be at the core of communication strategies backed up by emails to schools. The Department also invited school principals to join its text network as an additional communication process. By using a range of methods all education sector colleagues will in future plan timely and consistent messages throughout an emergency incident.

In December 2017, the Department published "Integration Works", new operational guidance for schools seeking to change to integrated status. The guidance provides comprehensive advice to school communities on what is meant by the process; how to plan for it; the legal and administrative requirements; and the help available as they explore the option of transformation.

In January 2018 a campaign was launched to support the Department and the EA in filling nearly 6,750 school governor vacancies across Northern Ireland. The boards of governors of schools have an important role to play in the management of schools, alongside principals. They are responsible for making sure that schools provide their pupils with a good education and meet all their educational needs.

Finally, the Department has been working with the EA to develop programmes in response to an action it is leading on in the Fresh Start – Tackling Paramilitarism Executive Action Plan that "*The Executive should commission appropriate initiatives aimed at promoting lawfulness in schools and through youth work in communities*".

<u>Future challenges</u>

The Department looks forward with anticipation to a satisfactory resolution to the present political difficulties and to working with a new Minister in due course. The Department is ready to face the inevitable challenges and opportunities in 2018-19 and beyond. Not least of these will hopefully be the publication of an agreed Programme for Government (PfG) and a Children and Young People's Strategy. The Department will be ready to work in partnership with other government departments to help deliver on the outcomes of both.

The budgetary environment is likely to remain as constrained as it has been in previous years. As always, our focus will be on finding better and smarter ways of working, and on identifying opportunities to work collaboratively and co-operatively with other departments and other public, private and third sector organisations to reduce the impact of budgetary pressures, with the aim of delivering better outcomes for our children and young people.

The 2018-19 capital budget allocation will enable the progression of all the capital programmes, including a number of new build projects. There will also be a significant uplift to the minor works budget in 2018-19. Discussions are currently ongoing with the Department of Finance (DoF) and the NIO about the availability of FSA funding for the SSEC, as, without this, there is a significant affordability risk to the delivery of the Department's capital programme in future years. We are also awaiting approval from the NIO on the announcement of a second tranche of shared campuses and integrated school projects to progress under FSA funding.

In 2018-19, the Department will start work on a programme of transformation aimed at introducing changes which will help deliver better outcomes for children and young people and will support the delivery of a more sustainable, effective and efficient education system. The need to critically review aspects of the existing education system; identify where improvements can be made; and deliver a managed programme of transformation for the benefit of children and young people will represent one of the key objectives for the Department in the coming years.

Finally, I would like to acknowledge the commitment and dedication of Departmental staff during the year and their drive to deliver better educational outcomes for our children and young people. I wish to thank them for the support they have shown me during a challenging and uncertain year.

1.2 Purpose, objectives and strategy of the Department

Northern Ireland has been without an Executive since January 2017. Before that, the last Executive had consulted widely on a draft PfG. In the meantime, and in the absence of a published document, the Department continues to align its core activities to the draft PfG.

The draft PfG sets out the priorities the then Executive wished to pursue to improve the wellbeing of all citizens and, using an outcomes-based approach, the most significant actions it intends to take to address those priorities. While the Department would have a role to play in various draft PfG outcomes and indicators, its main focus is on the outcome entitled "*we give our children and young people the best start in life*".

During 2017-18, the Department has continued to engage with stakeholders across the education sector and beyond. Those discussions will prove invaluable in determining the Department's future policy priorities, particularly in areas such as:

- the Children and Young People's Strategy;
- economic indicators, such as skills development;
- shared education;
- special education needs;
- Looked after Children;
- early years and childcare; and
- health and well-being.

Under normal arrangements, a PfG would set out the strategic priorities and key plans of the NI Executive. The Corporate Plan for Education would flow from and incorporate the commitments in relation to the wellbeing of children and young people, including their education, contained in the Executive's PfG . This would provide a basis from which the corporate plans for the education sector would be laid. While this was not the case in 2017-18, the Department did finalise a Business Plan for 2017-18, which set out the following vision for the education sector:

"*…an education system that is recognised internationally for the quality of its teaching and learning, for the achievements of its young people and for a focus on meeting their needs.*"

The 2017-18 Business Plan was based on the Department's corporate goals, as follows:

1. **Improving the wellbeing of children and young people** – through ensuring that all of our children and young people grow up in a society that provides the support they need to achieve their potential.

2. **Raising standards for all** – through high quality early years provision, excellent teaching and learning in the classroom and effective provision of youth and other children's services, ensuring that all young people enjoy and do well in their learning and their achievements and attainment are appropriately recognised and celebrated, including through qualifications.

3. **Closing the performance gap, increasing access and equality** – addressing the underachievement that can hold our children and young people back; ensuring that young people who face barriers or are at risk of social exclusion are supported to achieve to their full potential; and ensuring that our services are planned effectively on an area basis to provide children and young people with full access to high quality learning experiences, both in school and out of school.

4. **Developing the education workforce** – recognising the particular professional role of early years' providers, teachers and school leaders in delivering an effective, age-appropriate curriculum and raising standards and also the important role of other education professionals and those who support them.

5. **Improving the learning environment** – making sure that strategic investment supports the delivery of the area plans; that the premises in which young people grow and learn are safe, fit for purpose and conducive to learning; and that the environment provides opportunities for sharing and for building a more cohesive society.

6. **Delivering high quality education services** – ensuring that the arrangements for governing and managing education here are modern, accountable and child-centred and that education services are delivered efficiently and effectively in support of schools.

Against each corporate goal the Department identified a number of strategic objectives, each supported by individual Business Plan commitments/actions. These set out at a high level the key issues that were critical for delivery of the Department's core business. Key success indicators (KSIs) stated the outcomes that provided the measures through which the Department was able to determine if it was progressing sufficiently towards the achievement of the strategic objectives.

1.3 Key Activities of the Department

To aid achievement of the Department's key commitments and corporate goals, the main areas of responsibility within the Department link to:

- Children & Young People's Co-operation Act
- Curriculum and learning
- Pupils and parents
- Teaching staff
- Non-teaching staff
- Schools and infrastructure
- Support and development
- Statistics and research

- Good relations and social change

The key activities of the Department, which enable it to address these responsibilities, are supported by a clearly defined structure which operates at every level of the Department.

The Department is ultimately accountable through its Minister to the Assembly for the effective delivery of its commitments and goals and for the effective use of the public funds for which it is responsible. The Permanent Secretary is the Minister's principal advisor, the administrative head of the Department and the Accounting Officer. Owing to the current political impasse the Department has been without a Minister since the Assembly election on 2 March 2017.

The Permanent Secretary is supported by three Deputy Secretaries and the Chief Inspector of the Education and Training Inspectorate (ETI).

To promote the highest possible standards of learning, teaching and achievement throughout the education, training and youth services, the ETI provides an unbiased, independent, professional assessment of the quality of learning and teaching, including standards achieved by learners, publishing reports on individual organisations, and summary reports on aspects of the quality of education, training and youth sectors in Northern Ireland.

In addition to the ETI, the Department has twelve Directorates headed by Grade 5s, each of which deals with specific areas of work. The twelve Directorates, and their high level roles and responsibilities are as follows:

<u>Education and children's services</u>

- **Children's and Young People's Services Directorate** works in cooperation with Executive departments, agencies (i.e. children's authorities), stakeholders and children and young people in Northern Ireland and is responsible for: monitoring and reporting on adherence to the Children & Young People's Co-operation Act (NI) 2015; developing an overarching NI Executive Children & Young Peoples Strategy that aims to improve the well-being of children and young people; developing the Play & Leisure Programme in conjunction with children's authorities and children's providers; monitoring and reporting on adherence to the United Nations Conventions on the Rights of the Child (UNCRC).

  The Directorate also has policy responsibility for the policies of home to school transport, free school meals, food in schools and elective home education.

- **Promoting Collaboration, Tackling Disadvantage Directorate** contributes to the DE vision through encouraging and supporting the development of collaborative practice in education in Integrated, Irish-medium, Community Relations and Shared Education contexts, and also in teacher professional learning. The Directorate is also responsible for sponsorship and oversight of three of the Department's ALBs: the Northern Ireland Council for Integrated Education (NICIE); Comhairle na Gaelscolaíochta (CnaG); and the General Teaching Council for Northern Ireland (GTCNI).

- **Curriculum, Qualifications and Standards Directorate** provides policy development and advice on matters of educational performance within and outwith schools. It is responsible for driving cross-departmental delivery of improved educational outcomes and greater equity of performance within the system. It does this primarily through securing the delivery of the curriculum, through maintaining the framework of school evaluation and pupil assessment, and through the delivery of targeted interventions aimed at improving educational outcomes. The Directorate is also responsible for sponsorship and oversight of one of the Department's ALBs, CCEA.

- **Youth, Early Years and Childcare** provides policy advice on matters of non-formal and non-compulsory education and development, implements and evaluates agreed policies and associated universal and targeted programmes to complement formal learning in the areas of early childhood education and care and youth services. The Directorate is also responsible for sponsorship and oversight of one of the Department's ALBs: Youth Council for Northern Ireland (YCNI).

- **Inclusion and Well-being Directorate** has responsibility for developing and maintaining policies that address a range of barriers to learning (including Special Educational Needs (SEN), newcomer pupils, Traveller children, looked after children, school age mothers and young carers); child protection and safeguarding; pupil behaviour; and promotion of pupil emotional health and well-being. The directorate endeavours to bring a whole child/whole school approach to building resilience, offering advice and guidance on child protection and safeguarding issues including inter-departmental working on a range of cross-cutting strategies, supporting pupils to mitigate difficulties and addressing issues arising from learning and health or social impacts. The directorate also carries policy oversight/sponsorship responsibility for Middletown Centre for Autism, a public body which operates on a north/south basis.

Resources, Reform, and Infrastructure

- **Area Planning, Admissions and Shared Education Campuses Directorate** supports the implementation of the Schools for the Future: A Policy for Sustainable Schools (SSP) through supporting and developing Area Planning governance and processes and processing statutory DPs, making recommendations to the Minister or Permanent Secretary on significant changes to schools. The Directorate processes applications for Temporary Variations, reviews approved admissions and enrolment numbers and processes complaint cases. The Directorate is also responsible for taking forward work on the delivery of the headline action under the Executive's T:buc programme to commence 10 shared education campuses by 2018.

- **The Education Workforce Development Directorate** provides the vision and sets the framework which supports an education workforce that is able, trained, qualified, rewarded and motivated to raise standards and close the educational achievement gap through partnership, consultation and the generation of legislation and policy.

The Directorate is responsible for: contributing to local policy on teachers' pay and conditions of service; ensuring that pay and conditions of service for non-teaching staff are appropriate to maintain a committed workforce; payment of teachers' salaries and pensions on behalf of the employing authorities; and ensuring that a replacement teachers' pension system is successfully introduced in April 2020.

- **The Finance Directorate** is responsible for the delivery and monitoring of balanced annual Resource Budgets; development and preparation for future Resource Budgets; provision of Main and Spring Supplementary Estimates; determining Annually Managed Expenditure (AME) requirements; preparation of Resource and Whole of Government Accounts for the Department and the Teachers' Superannuation Scheme; effective operation of the Common Funding Scheme and ongoing financial governance of the Department budgets. The Directorate also has responsibility for ensuring effective Financial Management and oversight of all aspects of financial governance and accountability and a number of key financial management processes specifically in relation to the EA, CCMS, CCEA and YCNI, such as the review and approval of budget plans and monitoring resource expenditure against budget in these bodies, in conjunction with the appropriate sponsor teams.

- **The Governance Directorate** has oversight responsibilities for governance, accountability and assurance issues between the Department and its Non-Departmental Public Bodies (NDPBs) and, in liaison with Departmental sponsor teams, for the central administration and co-ordination of related functions/processes. In respect of Ministerial public appointments, it provides advice and guidance to Departmental sponsor teams, liaises with the Office of the Commissioner for Pubic Appointments, Executive Office and other government departments and administers the key processes for all public appointment competitions. It is also responsible for policy on school governance which includes the appointment of school governors and approving school schemes of management.

  The Directorate's other responsibilities include: administering and monitoring grant support to three sectoral bodies, the Controlled Schools' Support Council, the Catholic Schools' Trustee Service and the Governing Bodies Association; providing advice and support to Interim Boards of Governors to ensure the establishment of new schools through the amalgamation of existing schools or the controversial creation of a new school; and co-ordinating the Department's policy and role in relation to the implications of the UK withdrawal from the European Union (EU) .

- **Investment and Infrastructure Directorate** is responsible for strategic oversight of the delivery of the Department's capital works programme. This includes both major and minor capital works; the School Enhancement Programme; the voluntary youth capital programme; and a programme of investment in shared education campuses and integrated schools which is funded under the FSA. The

Directorate also has responsibility for monitoring the Department's capital budget; the Department's Asset Management Plan; grant claw-back from closed voluntary schools and consideration of leases and licences for the education estate.

- **Corporate Services Directorate** is responsible for Human Resources (HR) liaison within DE and with Northern Ireland Civil Service (NICS) HR in relation to Departmental HR strategy and policy, workforce planning, vacancy management and staff engagement; co-ordination of the Department's North South work programme; management of the Minister's office, press office and communications; management of information, including IT systems, records management and Freedom of Information Act/Data Protection Act/General Data Protection Regulations (GDPR) compliance; business and corporate planning, risk management oversight, accommodation and security management, provision of advice on Equality and Human Rights issues; and responsibility for Emergency Management and Planning and Business Continuity.

- **Strule Shared Education Campus Directorate** is responsible for the delivery of the SSEC (formerly Lisanelly Shared Education Campus) Programme which involves significant capital investment into the construction of six core schools and associated shared education facilities in Omagh.

The Departmental Board operates as a collegiate forum, under the leadership of the Permanent Secretary, to manage the running of the Department. It operates within a wider corporate governance framework.

The Department is supported in delivering its functions by a range of ALBs, each of which is accountable to the Department.

The performance of these bodies, which directly influences the ability of the Department to achieve its objectives, is monitored by sponsor teams within the Department. Sponsor teams are responsible for governance and accountability issues, budgetary allocation and planning, monitoring and general financial control of income and expenditure by the bodies they sponsor.

1.4 The Department's key issues and risks

Overview of risk management in DE

Risk management is the process through which the Department seeks to control the level of risk facing the Department and to reduce its effects. Successful risk management involves:

- identifying and assessing threats and opportunities;

- taking cost-effective action to anticipate or manage them; and

- monitoring risks and reviewing progress in order to establish whether or not any further action may be necessary.

In its approach to risk management the Department adheres to "The Orange Book: Management of Risk - Principles and Concepts" (HM Treasury: October 2004). The Departmental Board oversees the development and management of the DE Corporate Risk Register. Each year the process commences following the agreement of the Department's annual Business Plan, whereby any new or existing risks associated with delivery are identified and assessed and, if appropriate, are included in the Risk Register. Throughout the year, any risks significant to the Department's delivery of its core business, including new risks arising, are considered and monitored by both the Audit and Risk Assurance Committee and the Departmental Board as part of their ongoing review of both the Business Plan and Corporate Risk Register.

The risks contained in the Corporate Risk Register all link to the Department's corporate goals, as set out in paragraph 1.5.

1.5 Key risks in 2017-18

Corporate Risks	Associated Corporate Goals (CG)
Risk 1 - The development, design and implementation of Departmental and relevant Executive policies and strategies, including delivery of Programme for Government outcomes, do not adequately contribute to ensuring that we give our children and young people the best start in life.	CG1: Improving the wellbeing of children and young people; CG2: Raising standards for all; CG3: Closing the performance gap, increasing access and equality.
Risk 2 - The necessary work is not carried out within the Department and the EA to facilitate the transition of the EA to a fully regional organisation delivering harmonised education services.	CG6: Delivering high quality education services.
Risk 3 –The education infrastructure is not planned, delivered and maintained to support the delivery of desired education outcomes and to provide a safe and secure environment for all.	CG5: Improving the learning environment.
Risk 4 - Ineffective governance and accountability arrangements for the oversight of the Department's ALBs.	CG6: Delivering high quality education services.
Risk 5 - The Department does not take appropriate action to align its resources (including its internal staffing resources) to ensure the delivery of the agreed Pf G framework and its strategic priorities within budget.	CG6: Delivering high quality education services.
Risk 6 – The ineffective maintenance of, implementation of, and compliance with, the comprehensive child protection and safeguarding framework to ensure the ongoing safety of children and young people in the care of education and youth providers.	CG2: Raising standards for all.
Risk 7 – There are ineffective arrangements for managing major incidents or emergencies.	CG6: Delivering high quality education services.
Risk 8 – Ineffective policies and procedures to protect departmental information from either accidental loss or malicious activities, including insufficient preparation for the implementation of the GDPR by May 2018.	CG6: Delivering high quality education services.
Risk 9 – The Department and its NDPBs do not plan effectively for the level of savings or action required in order to deliver a balanced 2017-18 Resource Budget.	CG5: Improving the learning environment.
Risk 10 – Ineffective Area Planning	CG3: Closing the performance gap, increasing access and equality.
Risk 11 – Failure to deliver a balanced capital budget in 2017-18 (both Executive and Fresh Start budgets).	CG5: Improving the learning environment.
Risk 12 – The capital Budget is not allocated on a timely basis due to political uncertainty, which means some major works projects, including the ongoing construction of the SSEC, may be delayed.	CG5: Improving the learning environment.
Risk 13 – The continuing industrial action by Teaching Trade Unions impacts adversely on the quality of education in schools.	CG2: Raising standards for all; CG3: Closing the performance gap, increasing access and equality; CG4: Developing the education workforce.

1.6 Key issues impacting on DE in 2017-18

During 2017-18 the Department managed a number of significant issues in relation to the areas listed below (more detail on these issues can be found in the 2017-18 Governance Statement):

- EA 2017-18 Provisional Outturn Overspend
- 2018-19 Budget Position
- Fraud Prevention and Whistle-blowing
- Delivery of HR Services
- Data Security Lapses
- Staff absence
- EA's Transition to a Single Regional Authority
- Strule Shared Education Campus (SSEC) Programme
- Implementation of the EA "Providing Pathways" Area Plan and 2017-18 Annual Action Plan
- Development Proposal Activity
- Preparation for General Data Protection Regulation
- The UK's Decision to Leave the European Union
- Examination Malpractice – St Patrick's High School, Keady
- New EA HR and Payroll System
- Northern Ireland Audit Office (NIAO) Review of SEN
- Industrial Action by Teacher Unions
- De La Salle College, Belfast
- Governance issues in the GTCNI
- Governance issues in the CnaG
- Education Network (NI) Contract Extension and Replacement
- Centre for Procurement Expertise status of the EA
- HR Strategy

1.7 Future issues which may impact on DE performance

The extent and impact of the key challenges in the coming year(s) is somewhat uncertain and will be dependent upon:

- the future of the devolved political institutions;
- the content and outworkings of a PfG;
- the content and outworkings of the Children and Young People's Strategy;
- the vision and direction of a new Education Minister;
- continuing the transition of the EA into a single regional organisation;
- working within a constrained budget; and
- the outcome of the Brexit negotiations.

1.8 Going concern

The statement of financial position at 31 March 2018 shows negative taxpayers' equity of £23m. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the Department's Net Cash Requirement. Under the Government Resources and Accounts Act (Northern Ireland) 2001, no money can be drawn from the fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Department's income, must be surrendered to the Fund.

In common with other government departments, it is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the Department is supply financed and draws its funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years.

1.9 2017-18 Performance summary

The Department's Business Plan for 2017-18 set out the commitments and actions that the Department undertook to deliver on the corporate goals. There were a total of 63 commitments/actions contained in the Business Plan. The Plan included some of the educational attainment targets which are outlined in greater detail in the Performance Analysis section of this report. The table below sets out a summary of performance against 2017-18 Business Plan commitments/actions:

Year-End Status of Business Plan Commitments/Actions	Number	%
Achieved	44	70
Substantially achieved	8	12.5
Likely to be achieved but with some delay	5	8
Not achieved	6	9.5
Total	63	100

2 PERFORMANCE ANALYSIS

2.1 The Department's performance management arrangements

The annual Department's Business Plan is drafted by Senior Management for review and agreement by the Departmental Board. Once cleared by the Board, the Business Plan is submitted to the Education Minister for comment and approval (although this did not apply in 2017-18). Throughout the year, DE officials monitored progress against Business Plan commitments and actions and reported quarterly to the Departmental Board. Business Plan monitoring primarily focused on those targets and commitments which had been assessed at 'Amber' or 'Red' rating or for which the rating had changed since the last report to the Departmental Board (i.e. both those which report a worsening and an improving position).

2.2 Analysis of 2017-18 performance against targets

The information provided below sets out the latest position, where available, on progress towards achieving attainment targets, including those published long term targets contained in *Count, Read: Succeed – A Strategy to improve outcomes in Literacy and Numeracy (March 2011)* with actual performance updated to reflect latest available data.

	Actual Performance 2016-17 academic year[1]	Milestones		Long Term Target
		2016-17	2017-18	2019-20
Key Stage 2 Communication (% of pupils at expected level)	78.8	86	88	90%+
Key Stage 2 Using Maths (% of pupils at expected level)	79.6	87	88	90%+
Key Stage 3 Communication (% of pupils at expected level)	75.8	81	83	85%+
Key Stage 3: Using Maths (% of pupils at expected level)	75.9	82	83	85%+

[1] Due to the effects of Industrial Action, 2016-17 Key Stage data has been weighted to account for non-response bias. The estimates provided in the table represent the mean figures drawn from the sample and are subject to associated confidence intervals.

	Actual Performance 2016-17 academic year	Milestones		
		2016-17	2017-18	Long Term Target 2019-20
Proportion of school leavers achieving at least 5 GCSEs A*-C (or equivalent) inc GCSEs in English and Maths	69.6%	67%	68%	70%+
Proportion of school leavers with Free School Meal Entitlement (FSME) achieving at least 5 GCSEs A*-C (or equivalent) inc GCSEs in English and Maths	47.5%	52%	56%	65%+
Proportion of school leavers achieving at least 3 A levels at A*-C (or equivalent)	40.7%	35%+	35%+	
Proportion of school leavers achieving at least 2 A levels at grades A*-E (or an equivalent Level 3 qualification)	58.5%	61%	62%	

The Department continues to be committed to improving the attainment of Free School Meals Entitled (FSME) learners through effective use of available funding, sharing of good practice and appropriate incentivisation. The proportion of FSME school leavers achieving at least five GCSEs at grades A* - C or equivalent including GCSE English and maths increased by 2.7 percentage points from 44.8% in 2015-16 to 47.5% in 2016-17. The proportion of FSME boys achieving this outcome increased by 2.2 percentage points (from 40.2% in 2015-16 to 42.4% in 2016-17) while the corresponding proportion of FSME girls increased by 3.0 percentage points (from 49.7% in 2015-16 to 52.7% in 2016-17).

The Department also sets a number of other quantifiable targets summarised in the table below:

Key Success Indicator/Commitment/Action	Actual levels
Sufficient pre-school places available so that every child can be offered a place	99.9% of children whose parents stayed with the admissions process were offered a funded pre-school place for September 2017[2]
Work with EA to support areas where schools may not meet statutory requirements under the Entitlement Framework	96%[3] of schools now fully meet the Entitlement Framework requirements at KS4 and 86% fully meet the requirements at post-16 in 2017-18.
Strategic Objective - To maximise the attendance rates of pupils so that they are in school being supported to reach their full potential. Key Success Indicators • An overall increase in pupils' average attendance level across Northern Ireland. • Percentage of pupils with less than 85% attendance reduced.	The Department made steady progress throughout the year in this policy area: • In 2016-17 6.4% of pupils were absent for at least 15% of total half days. • The Department is continuing to analyse annual attendance figures at school level and provide support where it is needed in helping to address attendance issues. • DE officials have been working with colleagues in the EA and with Queen's University Belfast using an "action research" methodology involving schools whose attendance rate has been regularly less than 90%. The aim is to identify a range of new / innovative interventions for schools to consider to address this particular challenge.

[2] Measured in June 2017. Funded pre-school places remained available in all areas for children not yet offered a place.

[3] The statutory requirement in relation to the Entitlement Framework was reduced from September 2017 to an offer of 21 courses at both KS4 and post-16. Prior to this schools were required to 24 courses at KS4 and 27 at post 16. For 2017-18, 96% of schools are now compliant at KS4 compared with 76% in 2016-17 and 86% are compliant at post-16 compared with 62% in the previous year. A significant proportion of this improvement can be attributed to the reduction in the specified number of courses schools are now required to offer, however this does not account for the full increase.

2.3 Analysis of 2017-18 performance against corporate goals and commitments

The Directorates within the Department all have a role to play in delivering the Department's goals. The table below indicates how the work of the Directorates link to the corporate goals.

Directorates	**Link to Corporate Goal**
Children and Young Peoples Services	1
Promoting Collaboration, Tackling Disadvantage Directorate	1, 2, 3 and 4
Curriculum, Qualifications and Standards	2
Youth, Early Years and Childcare	1, 2 ,3 and 4
Inclusion and Wellbeing	1 and 3
Area Planning, Admissions and Shared Campuses	2 and 5
Education Workforce Development	4 and 6
Finance	6
Governance	6
Investment and Infrastructure	5
Corporate Services	6
Shared Education Campus	5
Education Training Inspectorate	2, 3, 4 and 5

	Corporate Goals
1	Improving the wellbeing of children and young people
2	Raising standards for all
3	Closing the performance gap, increasing access and equality
4	Developing the education workforce
5	Improving the learning environment
6	Delivering high quality education services

The key activities and performance of the Directorates are outlined below

Children & Young People's Services Directorate

The Children & Young People's Services Directorate leads on the implementation of the Children's Services Co-operation Act (CSCA) which encompasses the Children & Young People's Strategy, Home to School Transport; Free School Meals (FSM) & Food in Schools Policy and Elective Home Education. During 2017-18 guidance on the Act was developed and is due to be disseminated to children's Authorities in the early part of 2018-19.

Responses to the consultation on Children & Young People's Strategy 2017-2027 were analysed and a report will be published early in 2018-19. The final strategy is currently being drafted, however this will require Executive approval before it can be published.

The eligibility criteria for FSM and uniform grants were amended (following consultation) and revised criteria took effect from September 2017. The Directorate continues to monitor the roll-out of Universal Credit and its impact on FSM eligibility. The revised nutritional standards for food in schools are nearing completion with the intention that they will be published during 2018-19.

The Department has been working with the EA and has finalised guidlines on Elective Home Education.

An internal review of the Home to School Transport policy was commenced in 2017-18 in order to ensure that it is fit for purpose and sustainable over the long term.

As part of the Early Intervention Transformation Programme a play and leisure project was launched. Good progress has been made in relation to development of the project and it is on target to deliver within the 2018-19 year.

Promoting Collaboration, Tackling Disadvantage Directorate

Promoting Collaboration, Tackling Disadvantage Directorate encourages and supports the development of collaborative practice in integrated, Irish-medium, teacher professional learning, shared education and community relations.

As part of its statutory duty to encourage and facilitate integrated education, the Department has produced operational guidance, Integration Works: Transforming Your School, to support schools that wish to consider transformation. The guidance is primarily intended for use by boards of governors of schools and school principals either considering or in the process of transformation.

During 2017-18 the Directorate supported DE teams and ALBs in implementing DE's statutory duties in relation to integrated education, Irish-medium education and shared education.

The Directorate continued to support the implementation of the £25m DSC:SESP, with more than 380 schools engaged. This project provides financial support to improve the education and reconciliation outcomes in schools working collaboratively.

The Peace IV Shared Education programme was also implemented. Two consortia, led by the EA and Early Years Organisation, to deliver shared education in schools with no prior experience of sharing and pre-school settings, were appointed.

The Oversight Group established to take forward the implementation of Learning Leaders, the Department's strategy for teacher professional development, was enhanced by the establishment of two sub-groups tasked to look at communication and engagement and leadership competences.

ETI published its evaluation of innovative teacher professional learning, case studies and a paper on professional learning from other professions and other education jurisdictions. The recommendations informed the 2017-18 Learning Leaders action plan. An evaluation of initial teacher education has also been undertaken.

The Directorate ensured that there were effective governance and accountability arrangements in place for sponsored NICIE, CnaG, and GTCNI, including implementation of special governance measures for CnaG and the removal of special measures in relation to GTCNI. Special governance measures were subsequently removed from CnaG in April 2018.

The creation of a new Tackling Educational Disadvantage team in the Directorate meant that numerous complementary programmes could be managed within the Directorate. These included oversight of Targeting Social Need; the Extended Schools programme; Full Service Programmes; Pupil Attendance Strategy; Parental Engagement campaign; West Belfast Community Project; and Sharing the Learning Programme

Curriculum, Qualifications and Standards Directorate

During 2017-18, the Directorate saw an overall improvement in key performance indicators around GCSE and A-level results, both within the system as a whole, and amongst those entitled to FSME. The overall system target at GCSE was exceeded, but the FSME target remains a challenge. At A level, improvement has been more modest, but follows the same pattern.

At A level there was an increase in performance against all grades. Those awarded the A* grade increased by 0.4 percentage points to 8.1% of entries. The percentage of entries achieving A*-A grade increased by 0.9 percentage points to 30.4%. Entries in Science, Technology, Engineering and Mathematics (STEM) subjects at A level accounted for 39.2% of all A level entries. This is slightly lower than 2016 when STEM subjects represented 39.8% of all A level entries. Maths was again the most popular A level with local students, accounting for 1 in 10 of entries here.

At GCSE entries awarded A*-C grades improved slightly with a 0.4 percentage points increase to 79.5%. GCSE entries have fallen by 3.2%, however, entries in STEM related subjects grew by 0.5% and account for almost one-third (32.2%) of all GCSE entries.

Since the introduction of the current assessment arrangements in 2012-13 at Key Stage (KS) 1-3 using levels of progression, a number of the teaching unions have instructed members not to participate in the end of KS assessment arrangements, specifically instructing members not to forward end of KS assessment data to CCEA. Industrial action over the past number of years has had a significant impact on the data returns made to CCEA. Over the past number of years, the Department has listened to the views and concerns of the NI Teaching Council and has taken steps to address their concerns. Whilst progress has been made, teaching unions continue to express concerns on behalf of their members. Despite the industrial action, it has, nevertheless, been possible to measure system-level performance on a sampling basis; 88.2%, 89.3% and 89.9% of pupils achieved at the expected level in communication, using maths and using Information and Communication Technology (ICT) at the end of Key Stage One. The corresponding figures for Key Stage Two were 78.8%, 79.6% and 84.2%. At Key Stage Three 78.2% of pupils achieved at the expected level in communication and in using maths, 78.7% achieved the expected level in using ICT.

The Directorate maintains the long-term school improvement policy (Every School a Good School (ESaGS)), the literacy and numeracy policy (Count, Read; Succeed) and the delivery of the statutory curriculum (Entitlement Framework).

A programme of work specifically to supplement these long-term, strategic efforts to improve performance overall has been operating during the reporting period, including: the administration and management of processes following school inspection; phase two of consultation on the development of a system evaluation framework; the establishment of a school quality group to review the school evaluation framework in ESaGS; the dissemination and testing of a proposed framework to share best practice; publication and dissemination of the PIRLS 2016 and the Programme for International Student Assessment wellbeing survey; and oversight of the Literacy and Numeracy Key Stage 2/3 Continuous Professional Development Project.

In February 2017 the then Minister for Education announced that, recognising the challenging financial position facing schools, the statutory requirement in relation to the Entitlement Framework would be reduced from September 2017 to an offer of 21 courses at both KS4 and post-16. Prior to this schools were required to offer 24 courses at KS4 and 27 at post 16. For 2017-18, 96% of schools are now compliant at KS4 compared with 76% in 2016-17 and 86% are compliant at post-16 compared with 62% in the previous year. However a significant proportion of this improvement can be attributed to the reduction in the specified number of courses schools are now required to offer.

Despite significant budget pressures this year, an extensive portfolio of curriculum enrichment has been supported, through delivery partners, in the fields of STEM, business and careers education, languages, music and physical education.

The Department continues to work with the Department for the Economy (DfE) in implementing the joint Careers Strategy and supporting the work of the Careers Advisory Forum (CAF). The Forum submitted its first progress report in June 2017 and continues to meet twice yearly. CAF's Terms of Reference and membership are due to be reviewed in 2018-19 to ensure they remain fit for purpose.

In 2017, the respective Ministers for Education and the Economy at the time agreed that officials from their respective departments should work together to develop a more strategic, joined up approach to 14-19 education and training provision. An Education, Skills and Employability 14-19 Steering Group (jointly chaired by DE and DfE officials) was established and is currently taking this work forward.

The Department continues to support the roll-out of the C2k Education Network contract which provides the ICT Managed Service for grant-aided schools. Governance arrangements have changed this year, with the disbandment of the C2k Project Board. Governance and reporting has now transferred to the Education Authority Board's Education Committee. The EA will report directly to the DE ICT Programme Board on progress/slippage in relation to extension/ procurement issues. The current contract for the ICT managed service to schools has been extended until March 2019, and the EA are exploring the options to extend for a further year, until 2020. This is necessary due to the requirement to align with the Public Service Network (PSN) replacement project. The Department, via the DE ICT Programme Board, will continue to monitor closely developments in the contract extension and project management of the procurement of a replacement service post 2020.

Youth, Early Years and Childcare Directorate

Youth

During 2017-18 the Directorate continued to work closely with the EA and a range of statutory and voluntary stakeholders and young people to deliver the actions set out in "Priorities for Youth" and a range of wider youth initiatives including T:buc.

During 2017-18, the Department worked with the EA to develop programmes in response to the Fresh Start – Tackling Paramilitarism Executive Action Plan. DE is responsible for Action A4 "The Executive should commission appropriate initiatives aimed at promoting lawfulness in schools and through youth work in communities." This included the appointment of eight outreach workers in targeted areas to build relationships with young people considered as being at higher risk of involvement in paramilitary activities. In addition, 60 youth workers and teachers were trained in new methodologies and approaches for working with young people at risk. An action plan was developed to build on the outcomes of the training.

Early Years

Funded pre-school education is provided under the Pre-School Education Programme. The commitment to provide a funded pre-school education place for every child in their immediate pre-school year whose parents want it was once again achieved, with 99.9% (almost 23,000) of children whose parents remained with the process receiving the offer of a pre-school education place. The majority of children (97%) were placed at Stage 1 of the pre-school admissions process. The Directorate also provided early years policy advice in relation to a number of statutory development proposals for nursery provision.

Funding of around £25m was provided to enable Sure Start services to children and families within the most disadvantaged areas in Northern Ireland. Following recent expansion of the Sure Start programme the geographical provision of Sure Start is now provided to children (0-3) and families in the defined 25% most disadvantaged areas. Services are provided via 39 Sure Start projects. The Department has continued to take forward with stakeholders the findings of an independent review of the programme within the context of wider Departmental and budgetary matters and implementation is near completion.

The Early Years Pathway Fund entered its second year of provision in 2017-18. Funding of nearly £3m helped support the development of children (aged 0-4) who are at risk of not reaching their full educational potential. In 2017-18 around 4,200 children directly benefited from the Fund.

The implementation of Learning to Learn - A Framework for Early Years Education and Learning (published October 2013) has continued. An additional 95 places across 37 nursery schools and nursery units in primary schools were approved through temporary flexibility in class size. Extended Services funding for eligible voluntary/private pre-schools continued. There are 12 pilot Early Years Education Support Clusters in place and operational and these will be evaluated in 2018-19. Work continued on the refreshing the CCEA Pre-School Curricular Guidance.

The GRtL programme, a strand of the DSC:Early Intervention Transformation Programme, is in its second year, with participation by over 500 pre-school settings. The overall investment is £3m over the period 2016-2019. GRtL is an application-based programme available to all funded DE pre-school settings (both statutory and non-statutory) to help them support parents of pre-school children to improve their home learning environment. Outcomes data for the 2016-17 academic year has been collated and indicates positive changes in parental engagement in their child's early education and in parents' views of their home learning environments.

Work to refine and develop the draft delivery plans for Giving Every Child the Best Start in Life outcome of the draft PfG in relation to improving early childhood development has continued with further engagement with a range of key stakeholders and delivery partners.

Childcare

The Ten Year Executive Childcare Strategy is at an advanced stage of development and will be subject to Ministerial and Executive consideration and approval in due course. A composite analysis of responses to the public consultation on the draft Childcare Strategy (2015) has been completed.

The Department has lead responsibility for the Bright Start School Age Childcare (SAC) Grant Scheme - administered by the Health and Social Care Board. The Bright Start SAC Grant Scheme, launched in 2014 as part of the first phase of the Executive Childcare Strategy provides financial support to settings providing school age childcare in disadvantaged areas, rural communities and on the schools estate. The Scheme currently supports 94 settings and an estimated 2,550 childcare places. An interim evaluation of SAC Grant Scheme was finalised in 2017-18, and will be considered as part of developing proposals for any future grant funding under the full Ten Year Executive Childcare Strategy, subject to Ministerial and Executive approval.

Inclusion and Wellbeing Directorate

The Special Educational Needs and Disability Act received Royal Assent in March 2016. The Act places new duties on Boards of Governors, the EA and health and social services authorities, and provides new rights for parents and children over compulsory school age. There are a number of work streams being progressed to enable all aspects of the new SEN Framework to be in place and implemented in 2019.

Work is ongoing with the EA to provide the appropriate training for its staff, staff in schools and Boards of Governors.

There has been on-going engagement with the Departmental Solicitor's Office to finalise the draft SEN Regulations. These Regulations are intended to be made in the 2018-19 business year. The SEN Code of Practice follows on from the Regulations. During 2017-18 Departmental officials had direct engagement with a number of stakeholders including the EA and Special Educational Needs Co-ordinator cluster groups from special/nursery/primary/post-primary settings. Work on the draft Code continues, with the consultation on the new Code anticipated to launch in November 2018.

The NIAO report on SEN was published in June 2017 and focused on SEN provision in mainstream schools. Whilst the report recognised that the educational achievements of children with SEN are improving, it did however note that more needs to be done to monitor and evaluate progress and assess the effectiveness of the support provided. A Programme Board with representatives from DE, ETI and the EA has been established to provide strategic advice and guidance on the programme of work required to address the report recommendations. Project Teams are now in place and work has commenced to address the recommendations.

The joint SEN Education & Health Interface Project Board and its associated project team aim to improve the interfaces and co-operation between the EA and Health and Social Care Trusts within the SEN framework, to improve the delivery of services to children and young people with SEN. The Project Board has an oversight role regarding the Notification, Referral and Statutory Assessment (NRSA) project which aims to deliver streamlined/consistent processes during the statutory assessment process. The NRSA project has now moved to the implementation phase.

The Directorate has continued to work with other departments and relevant bodies, throughout the year, regarding the implementation of DE specific autism actions, as outlined in the NI Executive's Autism Strategy and Action Plan. The Department has liaised with the EA and Middletown Centre for Autism in relation to the education-specific actions.

Nurture groups are a short-term, focused intervention for children with particular social, emotional and behavioural difficulties which create a barrier to learning within a mainstream class. The closure of Tullycarnet PS has reduced the number of funded Nurture Groups from 32 to 31. The Directorate continues to support these Nurture units and is also developing proposals for a new Nurture Programme, which will be subject to the availability of further funding and Ministerial agreement.

The Department is continuing to progress its work programme on LAC with the launch of the consultation on the LAC Strategy taking place in May 2018. The Department is in the process of finalising revised Personal Education Plans (PEP) Guidance through the multi-agency PEP Regional Implementation Group. The Directorate has also piloted an alternative to LAC Factor funding; finalised the LAC Resource Booklet for schools; and continues to support the EA LAC champion's work through the Early Intervention Transformation Project.

The transfer of education services in Woodlands Juvenile Justice Centre (JJC) from Youth Justice Agency to EA control and direction concluded on 1 September 2017. The Department sits on the Education and Learning Steering Group which monitors the ongoing delivery of both the academic and vocational learning strands within the JJC and ensures that these form a seamless part of the planned educational, medical, mental health, addiction and justice interventions provided to support each young person within the JJC.

During 2017-18 work commenced on reviewing the Supporting Newcomer pupils policy. A steering group was established to oversee the work, alongside a reference group made up of key stakeholders, including schools and third sector organisations. It is anticipated that proposals on a revised policy will be consulted upon before the end of 2018-19.

There has been some slippage in the development of guidance on the provisions within the Addressing Bullying in Schools Act (NI) 2016 which has delayed implementation beyond the planned 2017-18 target date. During this year working groups have been developing the various strands of guidance required by schools, boards of governors, parents and pupils. It is recognised that the IT recording system will be key to the effective operation of these new duties. An IT working group is developing and piloting an initial recording system and using this to inform the development of a detailed software specification for the future system. It is intended that implementation of the new requirements under the Act will take place during the 2018-19 academic year.

Findings from ETI reports confirmed a rise in the percentage of schools and a small number of youth settings where arrangements for pastoral care, safeguarding and child protection did not fully reflect Departmental guidance. In addressing this issue the Department wrote to EA and CCMS to draw their attention to a number of areas that required focus; and communicated with all Chairs of Boards of Governors to re-emphasise their legal duties in relation to child protection.

The Department continues to work in collaboration with DoH and the Public Health Agency to develop a cohesive approach to supporting the emotional health and well-being of children and young people. The jointly commissioned study to identify risks to emotional health and wellbeing, existing support, duplication and gaps and the most effective practices both in and outside of Northern Ireland should be completed in autumn 2018. Thereafter, priorities and a framework for the future delivery of coherent and complementary support across government departments and agencies will be agreed.

The Department has finalised a self-assessment audit tool to assist schools in assessing how effective they are in supporting the emotional health and wellbeing of their pupils. This was shared with schools the summer term of the 2017-18 school year.

The Department has reviewed the existing Performance Licensing regulations to address the long standing 'body of persons' issue whereby an organisation can be approved as a body of persons instead of being required to apply for an individual licence for each child. The new guidance is due to be issued in the summer term of 2017-18.

Area Planning, Admissions and Shared Education Campuses Directorate

The EA's "Providing Pathways" Strategic Area Plan 2017-2020 and supporting Annual Action Plan was published in April 2017. It is Northern Ireland's first regional strategic Area Plan that identifies the challenges for the education system throughout each Local Government District (LGD) area. The Area Plan is supported by an Annual Action Plan which details actions for each LGD at school and geographical area level including addressing school provision which is not sustainable and improving the quality of provision.

The Area Planning Steering Group (APSG) met regularly and endorsed the work of the Area Planning Local Groups and Area Planning Working Group. The Directorate was heavily involved in supporting this work at all levels including effective secretariat to APSG and liaison with senior EA officials on the draft 2018-19 Annual Action Plan submitted for endorsement.

The Permanent Secretary made 33 decisions on DPs; 27 approved and 6 not approved. The approval decisions included six school closures, two major post primary amalgamations involving five schools and a number of changes to approved admissions and enrolment numbers. Thirty DPs were published during 2017-18, less than anticipated given the content of the 2017-18 Annual Action Plan and outstanding actions from 2016-17. The level of DP activity, particularly those proposed by the EA, has been raised with the statutory planning authorities and when necessary discussed at Governance and Accountability Review meetings.

Area Planning and Development Proposal guidance was revised as required.

Approved admissions and enrolments were set by 31 October 2017 and 97% of Temporary Variation requests were processed within 7 working days. Projects relating to the treatment of statemented pupils as supernumerary and a process for non significant changes to approved admission and enrolment numbers were progressed.

The Top Management Group Policy Forum has approved a paper on the Schools for the Future: A Policy for Sustainable Schools – Urban and Rural Definitions for consideration by a Minister at an early stage.

The Department is statutorily required to take cognisance of community planning and where possible support it. The Directorate has continued to engage with a number of LGDs on request at a strategic level on Community Plans. The Directorate has also continued to liaise with the Department for Communities, the EA and CCMS on their role as statutory community planning partners and the need for visibility and active engagement with LGDs to ensure strategic education priorities are evident in Community Plans.

The Directorate continued to work with the Departmental Solicitor's Office on Judicial Review Cases, one of which was the longstanding Clintyclay Primary School case referred back to the hearing Judge and a Court of Appeal judgment in the Gaelscoil An Lonnain case is awaited.

The Directorate contributed to a number of cross directorate initiatives in year including the development of Transformation guidance and communication material which was issued to schools.

In July the Permanent Secretary approved projects from the Third Call of the Shared Education Campuses Programme to proceed in planning subject to confirmation of funding from FSA capital funds for integrated and shared education. This confirmation remains under discussion with DoF and the NIO. Business case development for three of the previously approved projects is progressing.

Education Workforce Development Directorate

The Directorate delivered the following key priorities in 2017-18: payment of salaries to teachers and payment of teachers' pensions; approval, through DoF, of pay remits submitted to the Department; management of EA, CCEA and CCMS headquarter staff and school-based redundancy processes (both teaching and non-teaching) to achieve cost reductions within reduced budgets; ongoing advice and support on employment related matters in respect of the permanent staffing structure of the EA; successful engagement with Employing Authorities and employers on a review of teaching and non-teaching absence management and agreement of key targets for 2018-19; successful implementation of a Pilot Investing in the Teaching Workforce Scheme; and progression of agreed milestones on the Teachers' Pension System Project which is due to be introduced in April 2020.

The Directorate represents the Department on the management side of the Teachers' Negotiating Committee (TNC) along with employer bodies and other sectoral interests. Despite intensive engagement with the teaching unions through the TNC it has not been possible to resolve an industrial dispute in relation to teachers' pay and workload. Negotiations will continue in 2018-19.

Finance Directorate

The Finance Directorate contributes to the Department's goal of delivering high quality education services.

While the Directorate robustly monitored and challenged the EA's 2017-18 financial position throughout the year through the regular monthly reporting process, the Governance and Accountability Review meetings and specific monthly finance meetings, the EA reported a provisional outturn overspend of £18.9m for 2017-18. This was mainly as a result of higher than budgeted spend on SEN, (including associated transport costs), Schools Meals and the impact of the introduction of the Apprenticeship Levy. Further detail is provided in the Governance Statement.

The Directorate prepared the 2016-17 Resource Accounts and Whole of Government Accounts for both the Department and the Teachers' Superannuation Scheme.

On 23 March 2016, the then Minister for Education, John O'Dowd MLA, decided that the administrative arrangements of the Voluntary Grammar (VG)/ Grant Maintained Integrated (GMI) schools Funding Authority function would transfer from DE to the EA. The Directorate worked with the EA to ensure that this function transferred, without disruption to business services, as planned on 1 April 2017. During 2018-19 further funding streams for the VG/GMI Schools will be transferred from DE to EA.

The Directorate continues to operate the Common Funding Scheme which is the mechanism used to calculate each school's share of their funding stream.

The Directorate provides advice and guidance to a wide range of stakeholders including: other business areas in the Department; the EA; and NDPBs.

Throughout the year the Directorate has provided input into procurement policy formulation and briefing for Departmental engagement with the Procurement Board.

Governance Directorate

The governance and accountability arrangements for the oversight of the ALBs was a priority within the Department's 2017-18 Business Plan. The Directorate, in liaison with DE sponsor teams, has continued to strengthen arrangements and to ensure compliance with the terms of management statements. The Directorate has led on the planning, administration and delivery of all Governance and Accountability Review meetings between DE and its NDPBs.

The Directorate has reviewed the Governance and Accountability Manual for the oversight of the ALBs and developed bespoke governance manuals for the larger ALBs. It has also updated the Guide for Governors, which is available on the DE's website.

The Directorate oversaw the completion of the annual performance objectives and appraisals for the EA, CCMS Chief Executive Officers and all ALBs chairpersons and board members.

During the year the Directorate completed a significant part of the reconstitution process for boards of governors of VGS and GMIS and commenced the reconstitution process for controlled and maintained schools.

The Directorate made appointments to replace a member of the EA Board and a member of the CCEA Board. In addition, the Directorate extended appointments to six members of the YCNI Board.

The Directorate co-ordinated the Department's input to the work being led by The Executive Office (TEO), in relation to the UK's withdrawal from the EU and the implications for education in Northern Ireland and input to the development of Day 1 Delivery plans for the continued smooth delivery of services. The Directorate provided guidance and support to policy leads in the development of Day 1 Planning Logs for service areas likely to be impacted by withdrawal of the UK from the EU. In addition, the Directorate worked with other directorates to develop Stakeholder Engagement Plans and a DE Legislative Workplan. The Directorate has ensured that the DE Board was regularly updated with progress.

The Directorate has continued to manage the programme to support the implementation of the recommendations contained in the independent report into De La Salle College, which was published in August 2016.

There has been slippage in some work areas set out in the Directorate Business Plan for 2017-18 as outlined below.

Through the EA Implementation Programme, the Directorate oversaw the programme of work to review and redesign the delivery of key EA services within a single regional structure. A Gateway Review undertaken in March 2017 found that the development and implementation of the EA has been delivered and that there are no major issues left to resolve prior to closure of the Implementation Programme. A programme closure report has been drafted and the Directorate has been working with the EA throughout the year to secure its input to this report. A final draft report has now been produced by the EA (May 2018), which provides these assurances and describes the arrangements for ongoing governance of work to ensure all EA services are delivered within a single regional structure. A Programme Management Board meeting will now be scheduled to approve the closure report and formally close the programme of work.

The absence of the NI Executive since January 2017 has led to a delay in governor appointments to VGS and GMIS. Due to the adverse impact of this delay and on foot of legal advice, the Permanent Secretary agreed to assume responsibility for making appointments from September 2017. This has enabled a significant backlog of appointments to be cleared. The Permanent Secretary continues to make these appointments in the absence of a Minister.

There has been a delay in finalising the Amalgamation Guidance to support interim boards of governors due to insufficient staffing resources and competing business priorities. It is anticipated that this will be completed by June 2018.

Looking ahead, the Directorate will continue to work with TEO in relation to the UK's withdrawal from the EU as the UK Government's negotiations with the EU progress.

Other key areas of work that will be progressed in 2018-19 include: completion of the reconstitution process for boards of governors of VGS, GMIS, controlled and maintained schools; review of school Schemes of Management; initiate a composite public appointment competition to fill vacancies on the Boards of CCEA and YCNI (subject to the Commissioner's agreement); and to seek nominations for the reconstitution of the EA Board and commence the process to appoint or reappoint the EA Chair.

Investment and Infrastructure Directorate

In 2017-18, the Directorate delivered a prioritised capital works programme across the full range of programmes within the delegated capital budget limit and in line with strategic priorities.

The Major Works Programme involves capital works projects to construct new schools. The Major Works programme continued to progress during the 2017-18 financial year.

Since June 2012, 66 major capital investment projects have been announced to advance in planning, with an estimated value at announcement of £563m. Of these 66 projects, three primary schools are now funded from Fresh Start capital for shared and integrated education, leaving 63 major works projects funded from Executive capital allocations.

Of these 63 projects: 15 are complete; 10 have had a contractor appointed and/or are on site; 23 have approved business cases and are in the design phase; and 15 are at earlier stages of feasibility/planning.

During 2017-18 three major projects were completed: Foyle College, St Mary's School, Banbridge and Castle Tower School. Some delays were experienced in moving projects to the construction phase due to increased construction costs requiring business case addendums to be completed prior to release. Many of these projects are now in construction and several others will move on-site in the first part of financial year 2018 - 19.

The School Enhancement Programme (SEP) provides financial support to schools to improve their accommodation standards. Projects included in the SEP have a capital value of between £0.5m and £4m.

Work continues on delivery of projects announced under the first call to the SEP. 15 schemes were completed in 2017-18 (nine post-primary, five primary and one special school), 10 schemes are currently on site and it is anticipated that the remaining three schemes will move on site in 2018-19.

A second call for applications under SEP closed on 28 February 2017 and 165 applications were received. During 2017-18, these applications were assessed against the published protocol and prioritised for funding. For projects involving significant capital investment, it has been usual for an Education Minister to announce the projects to advance in planning, however in view of the lead time required in bringing capital infrastructure projects to site and in the absence of a Minister, the Permanent Secretary announced a tranche of 25 projects to advance in planning.

The Minor Works programme continues to target inescapable statutory requirements, pupil specific requirements under the Disability Discrimination Act and other pressing needs to ensure that pupils are educated in safe and secure premises. Over £60m has been invested in minor works schemes in 2017-18.

The Department and the EA issued a joint call for minor works schemes in October 2017. This call closed on 17 November 2017, with 6,116 applications received by the closing date. Applications are being assessed and scored to produce merit lists for both controlled and non-controlled schools. These prioritised lists will form the basis of the minor works programme for 2018-19 and 2019-20, with schemes being delivered in line with available budget.

The Directorate continues to work with partners to deliver the projects announced under the first tranche of FSA capital funding. The first school to be funded from FSA capital, Drumlins Integrated Primary School, began teaching in its new building in September 2017.

In 2017-18, Investment and Infrastructure Division (IID) recovered almost £0.5m in clawback from closed voluntary schools, with a further £1.8m being received in capital receipts from the EA following disposal of surplus assets.

In her written statement to Parliament on 8 March 2018, the Secretary of State for Northern Ireland allocated £164.6m capital to DE for 2018-19. This does not include FSA funding for agreed shared and integrated education projects. The allocation will enable IID to progress all of the Department's capital programmes, including a number of new build projects e.g. Rossmar School, Enniskillen Model Primary School, Holy Evangelists' Primary School and Gaelscoil na gCrann. There will also be a significant uplift to the minor works budget in 2018-19.

DE is liaising with the NIO about the availability of FSA funding for the SSEC, as without this there is a significant affordability risk to the delivery of the Department's capital programme in future years. DE is also awaiting approval from NIO on the announcement of a second tranche of shared campuses and integrated school projects to progress under FSA capital funding.

Corporate Services Directorate

The Directorate is responsible for the effective management of the Departmental staffing budget including partnership working with NICS HR post centralisation in relation to matters such as departmental HR strategy, workforce planning and vacancy management for DE's 540 staff.

The Directorate has ongoing responsibility for the oversight and maintenance of the Department's Risk Management Framework and Corporate Risk Register and for reporting to the DE Audit and Risk Assurance Committee and Board on corporate risks.

The Directorate also has a management / coordination role in relation to NDPBs' business planning and risk management. NDPBs' 2017-18 business plans were commissioned, reviewed, approved and monitored in a timely manner. The Department commenced work with the EA on the development of a more comprehensive business planning process for 2018-19 and beyond.

All NDPBs, including the EA, submitted their Corporate Risk Registers (CRR) and a risk alignment exercise was undertaken to ensure risks were appropriately being managed across the sector, that CRRs were being properly maintained and to ensure that there was consistency with the Department's CRR.

Following an internal audit review of health and safety practice across the Department the Corporate Services Director has indicated limited assurance for the control and governance arrangements during 2017-18. Significant remedial action has been taken to rectify and ensure compliance with all requirements in the future.

In advance of the introduction of the GDPR on 25 May 2018, the Department commenced preparations for compliance during 2017-18. As GDPR places a range of obligations on organisations who process personal information with penalties for those who fail to protect the data, the Department established a wide ranging programme of work. This included the appointment of Data Protection Officer, an audit of information assets held in the Department, a review of contracts, establishment of an internal working group and the provision of training and support for business areas. This programme will continue into 2018-19. The Department is part of a central programme led by DoF which is overseeing overall implementation in the NICS.

The Directorate organised and delivered a number of Employer Supported Volunteering Events for all DE staff: inter-Directorate charity quizzes (May and December 2017); National Trust Volunteering Challenge (June 2017); relabelling items for resale in Oxfam charity shops (June 2017); and Christmas Present Wrapping for young people in care (December 2017).

Strule Shared Education Campus Directorate

The Directorate is responsible for the delivery of the SSEC Programme which involves significant capital investment into the construction of six core schools and associated shared education facilities. Plans for the development were originally submitted in 2010 and work began in 2013. Arvalee School and Resource Centre opened to pupils in September 2016. There are plans for five other schools to move on site: Omagh High School, Sacred Heart College, Omagh Academy, Christian Brothers Grammar School and Loreto Grammar School

Throughout the 2017-18 financial year progress has been made across a number of areas, the main highlights being: the award of the Strathroy Link Road contract in June 2017 (construction commenced in July 2017); establishment of Strule Student Council in June 2017; annual review of Memorandum of Agreement completed in August 2017; Leadership Programme commenced in November 2017; Board of Governors Shared Education Training commenced in February 2018; and ongoing work to develop the funding model and educational model for the campus.

In September 2017 the Department announced that due to unprecedented delays around the procurement process the provisional target opening date of 2020 for completion of the entire project would be revised to September 2021. However, since the announcement there have been further issues. The Invitation to Tender to the construction market was delayed by several months and a recent communication advising the Department of the withdrawal of one of the bidders from the tender process has led to a temporary cessation in the procurement process.

The Directorate, in conjunction with professional advisers, is currently assessing the implications for the ongoing viability of the procurement of the main works contract. A series of technical workshops have taken place involving a range of internal stakeholders, to develop and assess procurement options, with the aim of reaching a decision on how best to move the procurement forward. All other aspects of the delivery of the SSEC are continuing uninterrupted, on both the construction and non-construction aspects of the programme.

Education and Training Inspectorate Directorate

ETI provides a wide range of services to support organisations in the education and training sectors. As such, its work contributes and extends to all of the department's goals with a focus on raising standards for all.

For operational reasons, the ETI constructs the inspection schedule and reports on an academic year basis. Across the 2016-17 academic year, the last full year of validated inspection data, and which includes inspections impacted by Action Short of Strike, ETI completed 198 whole-organisation inspections of school and pre-school settings and 9 youth settings. In addition, ETI completed 19 inspections of nursery units as part of primary school inspections and 3 post-primary baseline monitoring inspections. As a follow through from associated full inspection outcomes, 136 sustaining improvement inspections of primary, post-primary and special school settings and 61 follow-up inspections of school and pre-school settings, 5 youth settings and 2 nursery units were completed. Available resources facilitated 61 monitoring inspections of primary and post-primary school settings, (52 primary and 9 post-primary).

In addition, in support of the department's analytical work programme, the ETI carried out and published the following evaluations: an Evaluation of the Effectiveness of Examination Entry Practice and Policy in Post-Primary Schools; an Evaluation of the Promoting Improvement in English and Mathematics (PIEM) Project; and an Interim Evaluation of the Shared Education Signature Project.

ETI ensures that published reports are accompanied by relevant statistics on the schools being inspected. All post-primary inspection reports include statistical data on retention rates and leaver destinations. There is a focus on the responsibility which a school has for those of its pupils attending Education Other Than at School (EOTAS) provision, and where appropriate LAC. Under the inspection of care and welfare, in all pre-school, primary, post-primary, special, EOTAS and youth settings, the ETI has evaluated and reported on issues relating to the holistic development of children, including: the learning environment and relationships for learning; support for all children to overcome barriers to learning and realise their potential; the personal development and preventative education curriculum; attendance, suspensions and expulsions; punctuality and levels of engagement; and opportunities for children to contribute to the life and work of the school and wider community.

Under the inspection of safeguarding, in all pre-school, primary, post-primary, special, EOTAS and youth settings, the ETI has evaluated and reported on issues relating to: the policies and practices for child protection and safeguarding and how these reflect the guidance of the department; and the quality and effectiveness of safeguarding, including in relation to child protection/safeguarding, anti-bullying and behaviour management.

Areas for Improvement identified during inspection are evaluated and reported on, as appropriate, as part of the follow-up inspection process. In addition, school improvement is a key focus of the work undertaken by district inspectors. The ETI has engaged proactively with Area Learning Communities and have continued to contribute positively to the review of the Formal Intervention Process.

During the year the ETI has provided policy advice on various areas across the department including: the review of special educational needs, inclusion and transitions; early years provision; assessment and the curriculum; school accommodation; and development proposals.

Inspector exchanges and corporate visits were undertaken between the Department of Education and Science and ETI during the business year 2017-18. There were regular meetings with other inspectorates.

2.4 Summary of the Department's financial performance

Statement of Comprehensive Net Expenditure

A summary of the Statement of Comprehensive Net Expenditure for the year to 31 March 2018 is set out below:

	2017-18 £000	**2016-17 £000**	**Variance £000**	**Variance %**
Net operating cost for the year ended 31 March	2,173,094	2,175,970	(2,876)	0.1%

In 2017-18, the Department paid a total of £2,123m in Grant-in-Aid to its NDPBs to fund recurrent and capital expenditure on schools and youth services. The bulk of this grant funding, £1,635m, was paid to the EA. £423m was paid to Voluntary and Grant Maintained Integrated Schools. £2,119m was paid in Grant-in-Aid to NDPBs in 2016-17.

In 2017-18, £38m was paid in grant by the Department to other organisations. £39m was paid in 2016-17.

Total staff costs in 2017-18 amounted to £26.0m of which £25.3m was Resource. Total staff costs in 2016-17 amounted to £25.9m.

Purchase of goods and services amounted to £4.9m in 2017-18 which is a £1.9m decrease from £6.8m in 2016-17 (these figures exclude notional costs which amounted to £3.6m in 2017-18 and £3.5m in 2016-17). This is largely due to an accrual in 2016-17 for Investing in the Teaching Workforce Scheme.

A number of graphs which analyse 'Long-term expenditure trends' are included in the Performance Report.

Statement of Financial Position

A summary of the Statement of the Statement of Financial Position for the year to 31 March 2018 is set out below:

	2017-18 £000	2016-17 £000	Variance £000	Variance %
Total assets less current liabilities	(23,006)	(31,260)	8,254	26.4 ↑

The Department capitalised spend of £5.9m in 2017-18 in respect of developing the SSEC in Omagh and a valuation completed by Land and Property Services (an agency of the DoF) resulted in an increase of £0.6m in the value of buildings.

Trade and other receivables decreased from £7.8m at March 2017 to £5.1m at March 2018, largely due to a decrease in the amount due from the Consolidated Fund in respect of Supply.

Trade and other payables decreased from £66.2m at March 2017 to £61.8m at March 2018, largely due to a decrease in the major/minor works creditors and a decrease in Consolidated Fund Extra Receipts (CFERs) due to be paid to the Consolidated Fund. At 31 March 2017 the amount due to the Consolidated Fund in respect of CFERs included £1.8m for Atlantic Philanthropies income, which was recognised as CFER income due to the Spring Supplementary Estimate position not being approved.

2.5 Commentary on significant variances between Estimates and Outturn

The Department's Net Resource Outturn for the year shows an underspend of £136.1m (5.9%) against the Spring Supplementary Estimate for the year. This was mainly due to underspends in the following areas:

- £128.6m underspend due to lower than anticipated drawdown of cash grant in aid by the Department's NDPBs to fund recurrent and capital expenditure on schools and youth services;
- £2.1m underspend for impairments due to a higher than anticipated valuation for land and buildings; and
- £1.0m underspend on notional charges owing to lower than expected costs for accommodation, ICT services and other professional services.

The Net Cash Requirement shows a total underspend of £159.2m (6.8%) against the Spring Supplementary Estimate for the year. This was due to:

- resource outturn being less than the Estimate by £136.1m, as noted above;

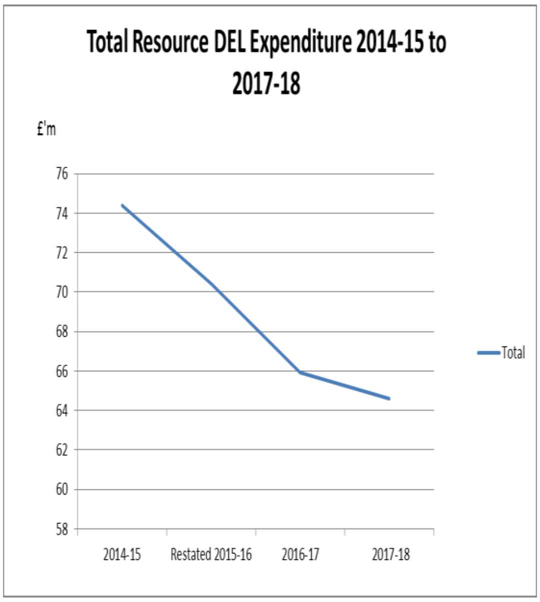
- the following non-cash items: depreciation, amortisation and revaluation charge to the Statement of Comprehensive Net Expenditure were £2.1m lower than the Estimate due to a higher than anticipated valuation for land and buildings;

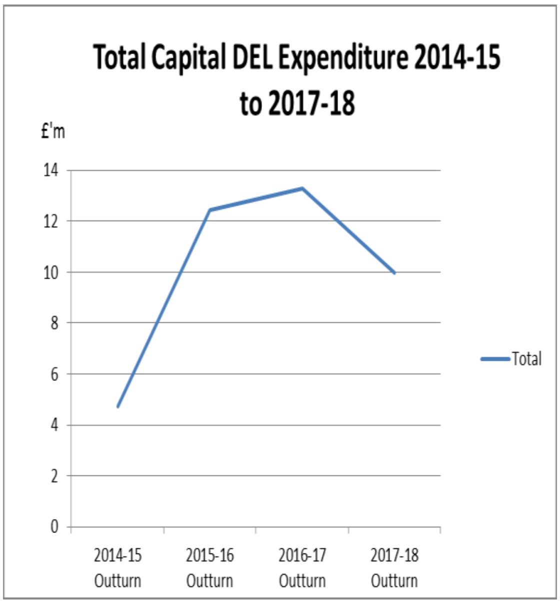
- other non-cash items were £1.1m less than the Estimate due to lower than expected provisions and notional costs; and

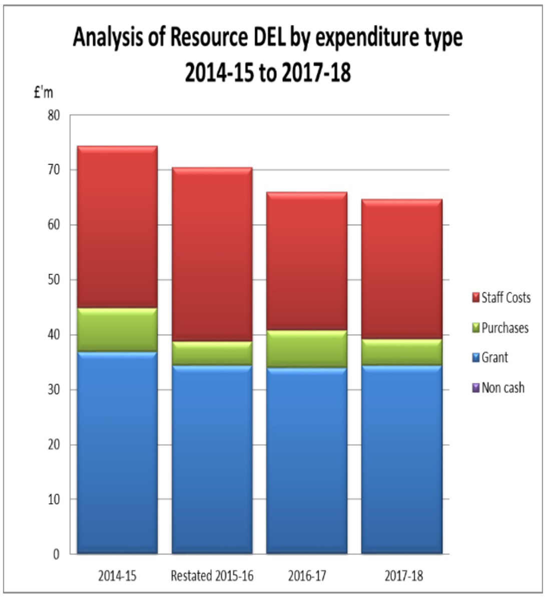
- changes in working capital balances were less than the Estimate by £23.4m due to a lower than expected decrease in “trade payables”. The decrease in liabilities is mainly due to the timing of both resource and capital grant payments.

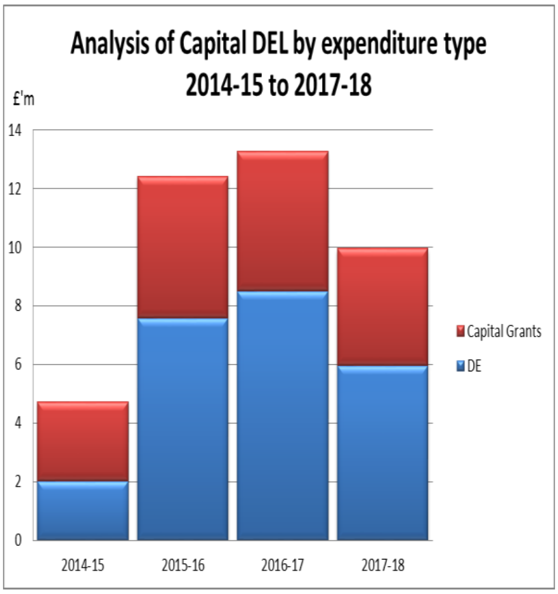
2.6 Long term expenditure trends

The graphs below depict 4 years of budget outturn data in relation to the Department's own spending.









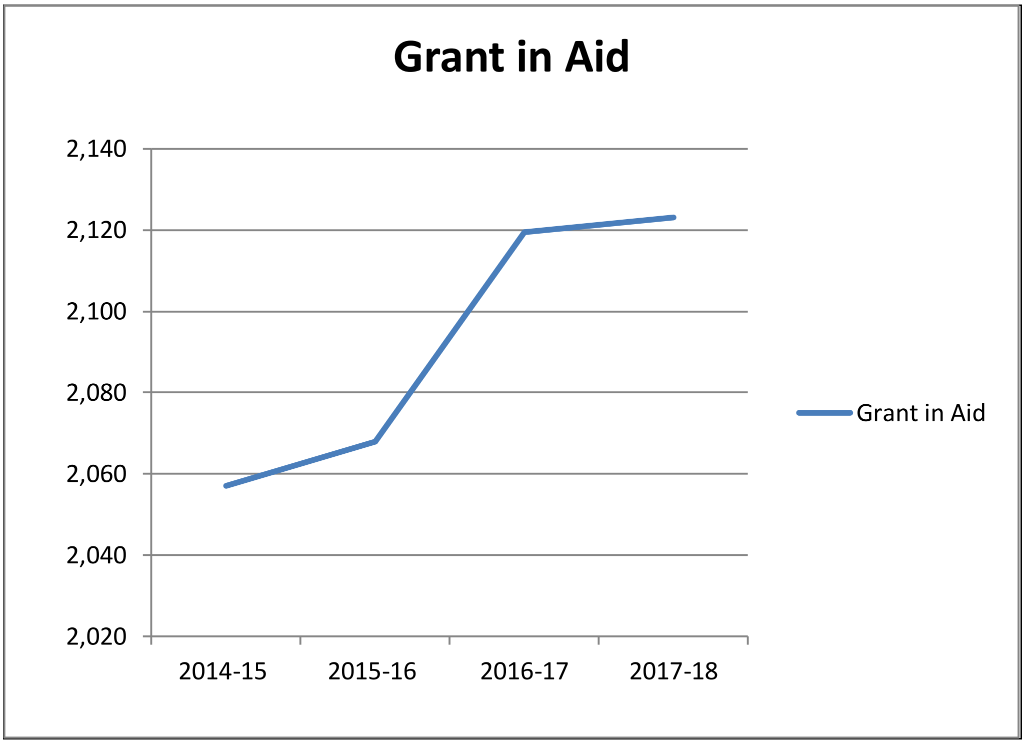
Resource Departmental Expenditure Limits (DEL) expenditure

Resource DEL expenditure decreased from £65.9 m in 2016-17 to £64.6 m in 2017-18. Purchase of goods decreased by £1.9m (largely due to an accrual in 2016-17 for Investing in the Teaching Workforce Scheme).

Capital DEL expenditure

Capital grant paid by the Department to other organisations, excluding NDPBs, is classified as capital DEL for budget reporting.

Capital expenditure has reduced from £13.3m in 2016-17 to £10.0m in 2017-18 due to reduced spend on the SSEC project.



Grant-in-Aid

Grant-in-Aid is funding provided to the Department's NDPBs to fund recurrent and capital expenditure and is classified as non budget for budget reporting.

2.7 Future development and performance

The published long term attainment targets are already included in the tables above (in the *Analysis of 2017-18 performance against targets* section of this report). The next PfG will set out other long term targets and commitments for the Department which will be incorporated into future Corporate and Business Planning documents.

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

2.8 Social, community and human rights

When preparing or revising policies/decisions, consideration is given to any impact on equality (in accordance with Section 75 of the Northern Ireland Act 1998) and human rights (the Human Rights Act 1998 and United Nations conventions).

United Nations Convention on the Rights of the Child (UNCRC)

The Department has responsibility for coordinating the UNCRC on behalf of the Northern Ireland Executive.

Under the Convention all ratified countries must report every five years to the UN Committee on their work in the area of children's rights. During the reporting cycle the Committee will hold constructive dialogue with each State so that it can make an accurate assessment of the child rights situation in that country. The UK's (comprising England, Scotland, Wales and Northern Ireland) 5th periodic reporting cycle with the United Nations concluded in June 2016.

The UN Committee scrutinised the UK State Party's progress in implementing the UNCRC and in July 2016 published their Concluding Observations. While the UN Committee acknowledged the good progress made across all the four jurisdictions at its oral examination in May 2016, there is a wide range of issues covered in the UN report and it is important that a collective approach across Executive Departments is taken when considering its recommendations.

Children and Young People's Strategy

Both the UNCRC articles and Concluding Recommendations serve as a helpful and important guide to making sure that our policies – whether they hold direct or indirect consequences – consider children. The Executive's new Children and Young People's Strategy will be the main strategic instrument through which Departments will work together to improve the well-being of our children and young people and it will ensure that due regard is given to the rights of children and young people.

The Department is responsible for developing the new Children and Young People's Strategy on behalf of the Northern Ireland Executive. The analysis report of the consultation process was published on 30 March 2018 and the final strategy will be submitted to the incoming Minister and the Executive.

Developed to align with the draft PfG and the Children's Services Co-operation (Northern Ireland) Act 2015, the new strategy seeks to outline how the Executive will work collaboratively to improve the lives of children and young people across eight key areas of physical and mental health; play and leisure; learning and achievement; safety and stability; economic and environmental well-being; positive contribution to society; respect for their rights; and good relations and equality of opportunity.

Shared Education & Peace IV

381 schools across 159 partnerships engaged in the DSC:SESP, with just under 50,000 pupils and over 3,000 teachers involved in shared education activity across Northern Ireland.

In September 2017, Peace IV funding was awarded to two consortia led by the EA (up to €29m for the CASE project) and The Early Years Organisation (up to €4.3m for SfS project). By end March 2018, 212 schools across 88 partnerships were involved in the CASE project involving around 12,000 pupils and 130 pre-schools across 60 partnerships were involved in the SfS project involving around 2,000 children.

The Department leads on the Executive's T:buc strategy headline action to commence ten shared education campuses by 2018. Capital funding was secured under the Fresh Start: Stormont House Agreement for five projects. Economic appraisals for Ballycastle and Limavady projects have been approved and are proceeding. Business cases for and the Moy, Brookeborough and Duneane/Moneynick projects remain under development. Applications under the Third Call for projects were assessed and in July 2017 the Permanent Secretary approved those to proceed in planning - subject to access to Fresh Start capital funding which is under discussion with DoF and the NIO.

Rurals Needs Act (NI) 2016

The Rural Needs Act (NI) 2016 (the Act) came into operation for government departments and district councils on 1 June 2017. The Rural Development Council held a Rural Needs awareness event for a broad cross-section of staff in the Department in October 2017. Guidance on meeting the Department's obligations in respect of the Act was circulated to Departmental staff in May 2017, November 2017 and March 2018. In line with its obligations under Section 1 of the Act six Rural Needs Impact Assessments were completed across the Department during the 2017-18 year. These assessments will be listed within the Rural Needs Annual Monitoring Report 2017-18, published by Department for Agriculture, Environment and Rural Affairs (DAERA).

2.9 Other Matters

Environmental issues

The NICS estate is managed by DoF. DoF has a permissive power under the Energy Efficiency Order 1999 to promote energy efficiency in the public sector.

The Department has an appointed Energy Manager that is a member of the Interdepartmental Energy Managers Forum in order to promote the drive to reduce energy consumption at a building level and to communicate achievements in the office estate. This forum also provides an interface for energy managers to network and share knowledge and experience of energy reduction measures initiated within other buildings outside the office estate.

Although the Department has no specific targets in relation to the promotion of renewable energy, it does give consideration to the use of renewable energy sources, where economically feasible.

In the 2017-18 financial year the EA has undertaken a pilot programme to install automatic meter reader (AMR) systems in 30 schools. The data received from these AMR systems will enable the EA to view energy/water consumption in virtually real time and therefore identify waste consumption at the earliest possible opportunity. It is hoped this AMR programme will be rolled out to a number of other schools in 2018-19.

The Department and the EA are also working with the Strategic Investment Board and other key stakeholders in the development of an Energy Management Strategy, which aims to identify actions through which the NICS could reduce its future energy liability. During 2017-18 the focus has been on the collection and quality assurance of energy consumption data to inform the strategy. It is anticipated that the draft Energy Management Strategy will be presented to the NICS Board by September 2018.

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme that is regulated by Northern Ireland Environment Agency is a mandatory UK scheme designed to improve energy efficiency and cut emissions in the public sector and private sector. Measures to simplify the scheme were brought into law in Northern Ireland on 20 May 2013, through the CRC Energy Efficiency Scheme Order 2013. The Department complied fully with its commitments under the CRC Scheme during 2017-18.

The Department is represented on the Cross Departmental Working Group on Climate Change (CDWGCC), as well as its mitigation and adaptation subgroups. This ensures a proactive, interdepartmental approach is taken towards achieving greenhouse gas emissions reductions targets, including those in the Climate Change Act 2008.

The Department's key actions in mitigating climate change are to work with the EA in the implementation of energy efficiency measures in schools and to incorporate sustainable development into the curriculum. In 2014-15 the Department invested £10m in energy efficiency measures across almost 500 schools. This programme included the installation of photovoltaic panels, boiler replacements and conversion of boilers to natural gas. Initial evaluation of the programme has estimated that this may result in a reduction of circa 1,500 tonnes of greenhouse gas emissions.

Alongside mitigation strategies, the CDWGCC has also been developing complementary strategies to adapt to the changing climate. The first Northern Ireland Climate Change Adaptation Programme was laid in the Assembly in January 2014. Under the Programme the Department is committed to ensuring that schools are prepared for flood events. Legislation requires the preparation of a second NI Climate Change Adaptation Programme, which will be published in 2019. The Department is contributing to the development of this cross-departmental adaptation programme, with the work being co-ordinated by DAERA.

All schools in Northern Ireland are currently registered for the Eco-Schools programme, making it the first region in the world to achieve every school an Eco-School. Eco-Schools is an international environmental education programme which offers a means for schools to take environmental issues from the curriculum and apply them to the day-to-day running of the school.

Sustainability

The Department is committed to the achievement of sustainability in construction procurement. This concerns the procurement and delivery of building, engineering and refurbishment projects that promote environmental, social and economic gains now and for the future. All school projects that receive capital funding from the Department are expected to comply with the requirements detailed in Guidance Notes on sustainability issued by the Central Procurement Directorate (CPD) within DoF.

Building Research Establishment Environmental Assessment Method (BREEAM) is used to assess the environmental performance of new and existing buildings. The Department requires all major works for schools to achieve a BREEAM rating of ‘excellent’ in new school builds and ‘very good’ for refurbishment projects. The Department’s building handbooks are designed to support the achievement of the appropriate BREEAM rating, within the affordability envelope for each project. Where appropriate, renewable energy sources are employed for the heating and power generation in schools.

An assessment of the impact of construction on ecology and biodiversity is undertaken as part of the BREEAM rating. The Schools’ Building Handbook specifies that outside space should satisfy the Department’s policy on biodiversity e.g. habitat replacement, bird boxes and bat boxes.

The Department is committed to ensuring that sustainable development is incorporated both into the curriculum and also into the design of all its building projects. This fulfils its obligations under Objectives 2.4 and 3.3 of the Executive’s *“Sustainable Development Strategy”* (https://www.daera-ni.gov.uk/sites/default/files/publications/ofmdfm_dev/sustainable-development-strategy-everyones-involved.pdf)

Education for Sustainable Development (ESD) is included in the curriculum across all key stages. Through ESD, pupils explore issues such as societal change, including global poverty and inequality, environmental and climate change, bio-diversity and the need to manage the human impact on the environment. The aim is to develop pupils as contributors to the environment so that they come to understand the interdependence of society, the economy and the environment; to develop respect for the needs of both present and future generations; and to act towards promoting an improved environment.

All school building contracts include overarching requirements in respect of energy, water and low carbon design to ensure the accommodation is sustainable and energy efficient. Cycle shelters may also be incorporated into school design to encourage active travel to school.

The Department's waste management and recycling contracts are procured by CPD in DoF. Contractors have to deliver these services in accordance with the Sustainable Development Strategy for Northern Ireland.

D A Baker

Signed:___________________________________ **Date: 25 June 2018**
Accounting Officer

DEPARTMENT OF EDUCATION ANNUAL REPORT

ACCOUNTABILITY REPORT

3. CORPORATE GOVERNANCE REPORT

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Department's governance structures and how they support the achievement of the Department's objectives.

3.1 Directors' report

Ministerial responsibility

No Ministerial appointment was made during 2017-18.

Senior officers

The Department is normally headed by the Minister for Education (although no Ministerial appointment was made in 2017-18), supported by the Permanent Secretary, three Deputy Secretaries, a Chief Inspector, the Finance Director, DE Strategic HR Business Partner and two independent non-executive directors. The composition of the Departmental Board during the year was as follows:

Derek Baker	Permanent Secretary
Mrs Julie Thompson	Deputy Secretary (until May 2017)
Mrs Fiona Hepper	Deputy Secretary
Mr Tommy O'Reilly	Deputy Secretary (from May 2017)
Mr John Smith	Deputy Secretary (from June 2017)
Mrs Noelle Buick	Chief Inspector, Education and Training Inspectorate
Mr Gary Fair	Finance Director
Mrs Barbara Swales	Acting HR Director (until April 2017)
Anne Breen	Departmental Strategic Human Resources Business Partner (from May 2017)

Non-executive directors
Mr John Smyth (until August 2017)
Mrs Joan McEwan (from November 2017)
Mrs Fiona Keenan

Pension liabilities

Treatment of pension liabilities is disclosed in accounting policy note 1.12 and in the Remuneration Report.

Financial instruments

Financial instruments are not material for the assessment of the Department's assets, liabilities, financial position and net expenditure (see note 9 in the Financial Statements section).

Company directorships

There are no company directorships or significant interests held by any of the senior management team members which conflict with their management responsibilities. Mrs Fiona Keenan is a director of Keenan HR Consulting Limited and has confirmed that this role has not conflicted with her position as an independent non-executive director of the DE. Mrs Joan McEwan is a non-executive board member of the Patient and Client Council (an ALB of the DoH) and has confirmed that this role has not conflicted with her position as an independent non-executive director of the DE.

Auditor

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

The audit of the financial statements for 2017-18 resulted in a notional audit fee of £54k which is included in the administration costs in the Statement of Comprehensive Net Expenditure.

Equality statement

The Department in carrying out its functions has a statutory responsibility to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to the above obligation, in carrying out its functions the Department is required have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Complaints handling

Details of the Department's complaints procedure are available on the Department's internet site at https://www.education-ni.gov.uk/complaints-procedure-3.

In 2017-18, nine complaints were received under the procedure.

All complaints are analysed and lessons learned compiled into a year-end report which is considered by the Departmental Board. Complaints are centrally monitored for any emerging trends. Any such issues identified are raised with senior management for consideration and resolution.

Personal data related incidents

The Department is required to report personal data related incidents that have occurred during the financial year. A "personal data related incident" is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at risk of harm or distress.

The Department did not formally report any protected personal data related incidents to the Information Commissioner's Office in 2017-18

Events occurring since the end of the financial year

VG/ GMI Schools – transfer of funding authority – Phase II

From 1 April 2018 the remaining resource funding streams for the VG/GMI Schools will be transferred from the Department to the EA:

- Extended Schools;
- Entitlement Framework;
- PPP/PFI Unitary Payments;
- Education Maintenance Allowance; and
- Free School Meals.

Payment of suppliers

The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

As part of the Northern Ireland Assembly's efforts to support businesses during the current economic circumstances, Accounting Officers were asked to support a commitment to paying invoices within 10 working days.

During 2017-18, 92% (88% 2016-17) of invoices were paid within 10 days and 98% (96% 2016-17) of invoices were paid within 30 days.

The Department's performance both in terms of paying invoices within 10 days and 30 days, can be viewed on the Account NI website:
http://www.accountni.dfpni.gov.uk/nics_prompt_payment_table_2017-2018_march18.pdf

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Disclosure of information to auditors

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

3.2 Statement of Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by the DoF, including the 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; and

- prepare the accounts on a going concern basis.

The DoF has appointed the Permanent Secretary 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 the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department of Education's assets, are set out in the Accounting Officers' Memorandum issued by the DoF and published in *Managing Public Money Northern Ireland.*

3.3 Governance Statement

3.3.1 Introduction

This Governance Statement is a key feature of the Department's annual report and accounts. It provides details of how I, as Accounting Officer, have ensured effective management and control of resources during the 2017-18 year, and of the action taken to ensure effective risk management and a high standard of corporate governance.

The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year and an opinion on the Department's governance, risk management and internal control system. There were two limited opinions during 2017-18; these resulted from the reviews of Additional Educational Needs and Health and Safety.

In addition, during the period, an NICS wide assurance follow up review of Information Assurance has been completed and the audit opinion has been raised to Satisfactory. In addition two NICS wide thematic reviews are currently ongoing in relation to Whistleblowing and GDPR Readiness.

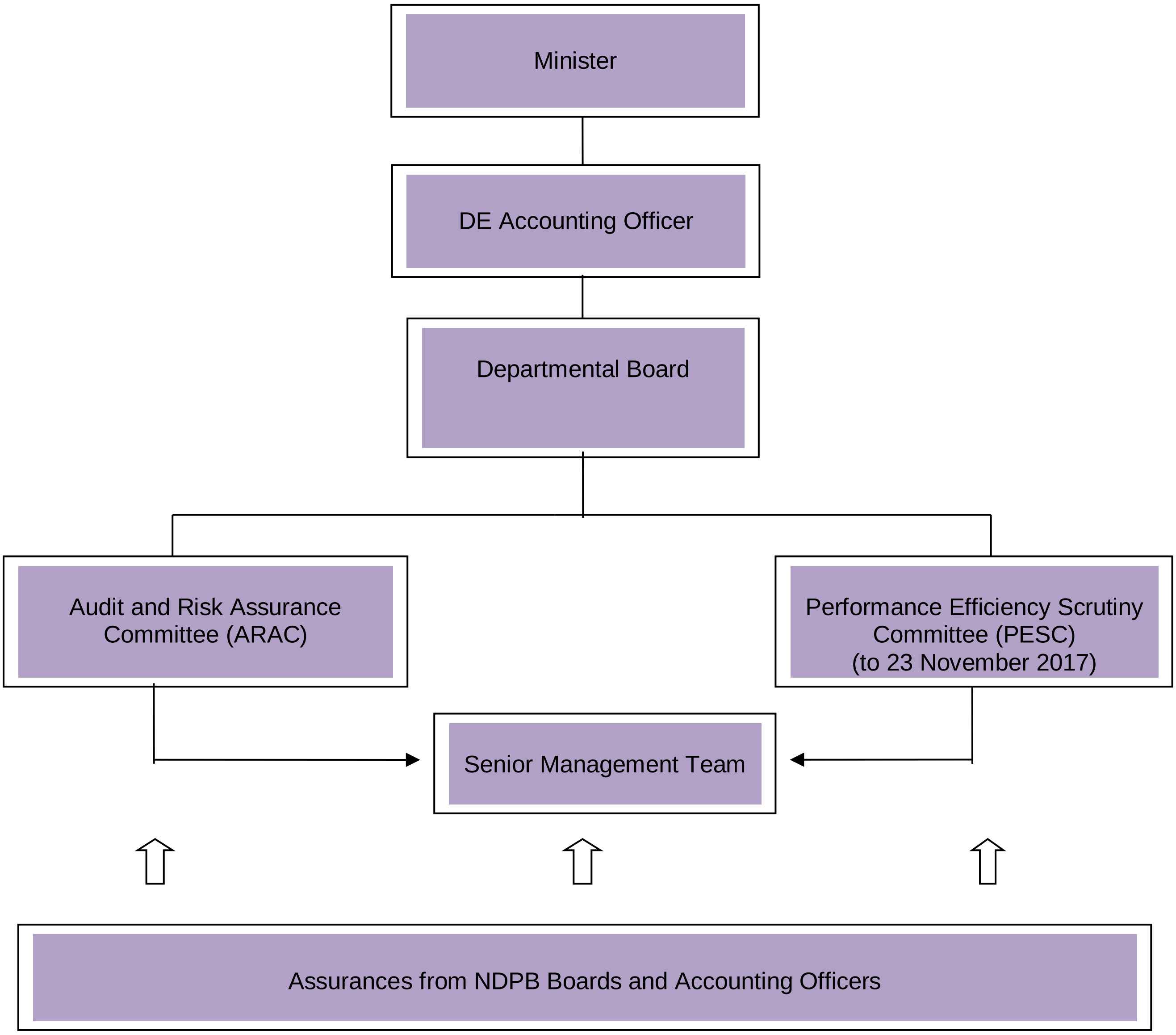
Internal Audit also followed up on the Comhairle na Gaelscolaíochta (CnaG) review and I am pleased to note that a satisfactory opinion was awarded to their governance arrangements.

The following statement primarily focuses on the Department, as each of its eight sponsored Non-Departmental Public Bodies (NDPBs) provides an equivalent statement within its published report and accounts.

3.3.2 DE's Governance Framework

The Department of Education (DE) operates under the direction and control of the Minister for Education who is the Head of the Department. The Minister leads the Department and is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary I am the Minister's principal adviser, the administrative head of the Department and the Accounting Officer. As Accounting Officer, I am personally responsible and accountable to the Minister and to the Assembly for the effective management and organisation of the Department, including the use of public money and the stewardship of its assets. As a result of the current political impasse, the Department has been without a Minister since the Assembly election on 2 March 2017.

The Department operates a detailed governance and accountability framework designed to help it oversee and hold to account the NDPBs which it sponsors. This is described more fully in section 9 below. In my role as Accounting Officer, I function with the support of the Departmental Board, its committees and my Senior Management Team. This structure is outlined in the following diagram:



The Departmental Board

The Department is managed by a Departmental Board which, within the strategic framework set by the Minister, supports me as Permanent Secretary in the discharge of my role.

The Departmental Board is chaired by me and comprises three Deputy Secretaries; the Chief Inspector of the Education and Training Inspectorate (ETI); the Director of Finance; the Departmental Strategic Human Resources Business Partner; and two independent non-executive directors. The role of the independent Board members is to: provide an independent and external perspective on the work of the Departmental Board; bring some specific expertise to its discussions; and provide a constructive challenge across the Departmental Board's business. Other Departmental Directors have been invited to attend meetings where agenda items relevant to their business areas required their attendance to inform discussion. The Departmental Board's work is guided by a Corporate Governance Framework which is reviewed regularly.

During 2017-18, the Departmental Board met on 8 occasions.

Departmental Board Membership and Attendance 2017-18

A list of members is provided below along with details of their individual attendance records:

Board Member	Meetings Attended	Out of a possible
Derek Baker (Chair)	8	8
Noelle Buick (Chief Inspector, ETI)	7	8
Julie Thompson (Deputy Secretary until May 2017)	1	1
Fiona Hepper (Deputy Secretary)	6	8
Tommy O'Reilly (Deputy Secretary from May 2017)	6	7
John Smith (Deputy Secretary joined Board June 2017)	6	6
Gary Fair (Director of Finance)	8	8
Barbara Swales (Acting Director of Human Resources and Corporate Services until April 2017)	1	1
Anne Breen (Departmental Strategic Human Resource Business Partner)	6	7
Fiona Keenan Independent Board Member	7	8
John Smyth Independent Board Member and Chair of ARAC until August 2017	4	4
Joan McEwan Independent Board Member and Chair of ARAC from November 2017	3	3

The Departmental Board's role is set out in the Department's Corporate Governance Framework.

It includes the following elements.

- Taking the lead in communicating a system-wide strategy and vision.

- Leading on the implementation of that strategy and vision through:

    - setting the Department's standards and values;
    - ensuring delivery of the Department's Business Plan objectives;
    - the development of policy, under the direction of the Minister, and the directing of change; and
    - the allocation and management of resources.

- Monitoring the implementation of that strategy by:

    - tracking delivery progress against targets and expenditure;
    - holding the Department and its delivery partners to account for this progress;
    - safeguarding against and managing risk; and
    - maintaining internal controls.

- Managing, monitoring and improving the performance of the Department, leading organisational change where necessary.

- Ensuring that there are robust governance arrangements within each of the Department's NDPBs.

During 2017-18, there were five categories of routine Board business. These again reflected the areas set out in the Corporate Governance Framework:

- financial matters and allocations;
- business planning;
- policy and strategy;
- management including human resources; and
- risk management and internal controls.

Conflicts of Interest

Every six months members of the DE Board are asked to sign a Declaration of Interest. Declarations are reviewed by the Accounting Officer and placed on the DE website at https://www.education-ni.gov.uk/register-interests. An explanation of how any actual/potential conflicts will be managed is included on the DE website.

Board sub-committees

During 2017-18 the Departmental Board was supported by two sub-committees: the Audit and Risk Assurance Committee (ARAC) and the Performance Efficiency Scrutiny Committee (PESC).

Audit and Risk Assurance Committee

The ARAC is an independent advisory committee with no executive functions. Its role is to support me in my role as Accounting Officer and to support the Departmental Board in discharging its respective responsibilities for issues of risk, control and governance and associated assurance with the support of a professionally qualified Internal Audit service.

ARAC comprises four independent members. Two members are serving senior civil servants and two are DE independent Board members. During 2017-18, Joan McEwan (DE independent Board member) was appointed to replace John Smyth as chair of ARAC and Judith Andrews (serving senior civil servant) was appointed to replace Colin Lewis.

During 2017-18 ARAC meetings were also attended by: a number of DE staff, including me as Permanent Secretary; the Deputy Secretary with responsibility for finance and performance management; the Director of Finance; the Head of Internal Audit; and representation from the Department's external auditors, the NIAO.

Throughout the year the Committee considered the findings from internal and external Audit activity including updates on whistleblowing and fraud cases along with the outcomes of key governance processes such as risk management, Governance and Accountability Review meetings and the bi-annual NDPB governance statements. In addition, the Committee invited various risk owners (Directors) to attend and provide assurance on their areas of responsibility.

Attendance 2017-18

Name	Meetings Attended	Out of a possible
John Smyth Chairperson to 31/08/2017	2	2
Joan McEwan Chairperson from 20/11/2017	2	2
Deborah Brown (acted Chairperson for 1 meeting)	3	5
Fiona Keenan	5	5
Colin Lewis (to 30/10/2017)	1	3
Judith Andrews (appointed 31/10/2017)	1	2

A key role of the ARAC during 2017-18 was to provide independent advice, scrutiny and challenge on:

- the strategic processes for risk, control and governance and preparation for the Governance Statement;

- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;

- the planned activity and results of both internal and external audit;

- adequacy of management response to issues identified by audit activity, including external audit's management letter;

- assurances relating to the management of risk and corporate governance requirements for the organisation; and

- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

Performance Efficiency Scrutiny Committee (PESC)

During 2017-18, the PESC was chaired by the Deputy Secretary with responsibility for Resources, Reform & Infrastructure. Membership also comprised the Deputy Secretary with responsibility for Education and Children's Services; the Director of Finance: the Director of Education Workforce Development; the Director of Inclusion and Wellbeing; and the Director of Governance. Other senior staff attended PESC meetings to facilitate oversight and/or the carrying out of particular tasks.

Attendance 2017-18

Name and Position	Meetings Attended	Out of a possible
Fiona Hepper Chairperson Deputy Secretary with responsibility for Resources, Reform & Infrastructure	2	3
Tommy O'Reilly Deputy Secretary with responsibility for Education and Children's Services	1	3
Gary Fair Director of Finance	3	3
Barry Jordan Director of Education Workforce Development	3	3
Caroline Gillan Director of Inclusion and Wellbeing	3	3
Beverley Wall Director of Governance	1	3

The key roles for PESC during 2017-18 (to 23 November 2017) were as follows.

- On an ongoing basis, scrutinising and critically reviewing the nature of spending in all areas to ensure effective financial management; to examine the scope for improving value for money, delivery and performance within the Department and across the education sector and to ensure delivery of the savings required to balance the budget.
- Oversight of governance and accountability arrangements and any issues arising in relation to the Department's ALBs.
- Following the review of Earmarked Funds, seeking periodic updates from budget holders for those funds which remain earmarked to ensure that appropriate monitoring arrangements are in place and adhered to.
- A focus on outcomes and the evaluation of what is being delivered (policy evaluation). This work was spearheaded by the Data Analysis Project Support (DAPS) team, with a focus on specific areas.
- A focus on ensuring effective management of the Department's capital budget and ensuring that significant future capital budgets deliver against stated objectives.
- Establishing a programme of scrutiny of operational expenditure and oversight of the development of appropriate, efficiency-related performance indicators for the Department's ALBs (including the Education Authority (EA) as services are regionalised) to ensure the Department is an 'intelligent scrutineer' when reviewing the performance of its ALBs in delivering operational services.

Disbandment of PESC

At its meeting on 23 November 2017, the DE Board considered a paper on the options for the future of the PESC moving forward and decided that the PESC should be disbanded as the work carried out by the PESC will continue as 'business as usual' and be incorporated into a broad-based transformation programme to address the many challenges facing education in both policy and efficiency terms over the coming years. Specific issues relating to budget management and policy and operational delivery will also be addressed via top management group meetings.

3.3.3 Departmental Board Performance

I consider that the Departmental Board operated effectively during 2017-18, meeting regularly and considering relevant issues at the appropriate time. The Departmental Board fulfilled its role as set out at section 2 above.

2017-18 Review of Board Effectiveness

The annual evaluation of DE Board effectiveness was conducted in March 2018 via a self-assessment exercise. The findings were presented to the DE Board at its meeting on 24 May 2018. The Board reviewed the outcome of the 2017-18 Board effectiveness evaluation and discussed and agreed a way forward for any areas identified for improvement. The Board noted that the 2018-19 exercise would require independent input and options would be presented to the Board for consideration in November 2018.

3.3.4 Highlights of Board Committee Reports

This section provides information on key areas progressed by the Departmental Board's two sub-committees.

ARAC
A report on key issues discussed at ARAC meetings was provided for each Departmental Board meeting and full minutes were circulated to Departmental Board members when finalised. ARAC is also preparing its annual report for 2017-18, summarising the work of the committee and providing its opinion on the comprehensiveness and reliability of the assurances available to support the Departmental Board and, particularly, to support the DE Accounting Officer in his accountability obligations.

In April 2018 the independent ARAC members completed the ARAC self-assessment process for 2017-18 using the National Audit Office Audit Committee Self-Assessment checklist. The ARAC members concluded a satisfactory assessment of its own effectiveness.

The self-assessment included a review of the recommendations from the 2016-17 assessment and it was agreed that two recommendations should be carried forward to 2018-19; these relate to improving the induction process for new members and ensuring members are kept up-to-date on all appropriate policy and procedural developments relevant to their responsibilities. The self-assessment also identified new areas for attention in 2018-19 including:

- seeking additional assurance on the areas of Cyber Security and Child Safeguarding during the year;
- seeking to review the assurance map(s) for the Department of Education and ALBs;
- working to raise the visibility of the committee's role in providing assurance within the Department; and
- (the Chair) aiming to develop good working relationships with Chairs of ALBs in support of ARAC's role.

The key areas of focus in 2017-18 were on the continued bedding in of the EA during the year, the delivery of the DE Internal Audit Strategy 2017-2020 and the review of the committee's terms of reference, with the main changes relating to membership tenure, and the provision of information in relation to the key risks for each of the Department's NDPBs on operational and financial levels.

PESC
During 2017-18, much of the work carried out by the PESC up to its disbandment was taken forward within the Department through the relevant teams. This included ensuring that internal monitoring mechanisms were in place to monitor the overall outturn position to ensure the delivery of a balanced budget.

3.3.5 Corporate Governance

As noted above, the Department has in place a Corporate Governance Framework which aligns with the Corporate Governance in Central Government Departments: Code of Practice NI 2013.
Subsidiary Governance Statements were prepared and signed by all Directors and have been used to prepare the DE Governance Statement.

3.3.6 Quality of the data used by the Departmental Board

The Departmental Board relies on four main sources of data to inform its deliberations. These are:

- statistical information (for example, data related to enrolments, attainment, attendance, workforce);
- financial information (including monitoring reports on capital and resource expenditure);
- Human Resources (HR) information, mainly data on attendance management; and
- inspection evidence, mainly data used to compile the Chief Inspector's report and the annual report to the Departmental Board.

All statistics produced by the Department are designated as 'Official Statistics' and some are designated as 'National Statistics'. As such, they are produced in line with the 8 principles and 3 supporting protocols set out in the UK Statistics Authority's Code of Practice for Official Statistics.

The finance data presented to the Departmental Board are prepared from internal and external finance systems, which are supported by internal control frameworks. These are subject to both internal and external audit scrutiny, across the education sector.

The inspection data presented to the Departmental Board are prepared from the ETI's Management and Recording System (MARS). A MARS record is completed for each inspection and is subject to internal scrutiny and annual audit by designated ETI inspectors.

Information on attendance management is sourced from official reports provided by the Northern Ireland Statistics and Research Agency (NISRA).

Accordingly, the Departmental Board considers that it can take assurance as regards the quality of the data it uses to monitor performance and inform decision-making.

3.3.7 Ministerial Directions

Arrangements exist to respond to a situation where an Accounting Officer believes that he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. Owing to the current political impasse there was no Minister in 2017-18.

3.3.8 Risk Assessment

The Departmental Board has responsibility for ensuring that an effective risk management process is in place and is regularly reviewed. In discharging this responsibility, it is supported by the ARAC and the Department's Internal Audit Team. The Chair of ARAC is an independent Board member on the Departmental Board and is privy to discussions in relation to Departmental risk at Departmental Board meetings. This arrangement, in conjunction with written and oral updates provided at each meeting, ensures that the ARAC is kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

The DE Risk Management Framework (RMF) sets out the Department's approach to risk and the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. The RMF was last revised in April 2018 when minor amendments were made.

The RMF requires that any Directorate residual risk that is assessed as "Orange" or "Red" must be reported to the Departmental Board, with the Minister also being informed of any "Red" risks. Contingency plans should also be developed and tested, where required.

Risk Management

The Departmental Board agrees the risks to be included in the Department's Corporate Risk Register and agrees ownership of each risk. The risk management process is integrated with normal management processes and informs the annual business planning cycle so as to link risk management and internal control with the Department's ability to fulfil its business objectives.

During 2017-18 the Departmental Board identified thirteen corporate risks to the Department's ability to deliver progress in key priority areas. The areas of risk related to educational planning, delivery and attainment, child protection and safeguarding, governance, finances (both resource and capital) and business continuity. The Departmental Board reviewed its corporate risks regularly throughout the year, identifying changes that needed to be made to ensure effective categorisation and management of risk. The Departmental Board particularly ensured that risks were reviewed in the context of progress in delivering business plan commitments within the challenging environment of tightening economic and budgetary constraints and uncertainty. One new risk was identified during 2017-18 in relation to the impact of the continuing industrial action by Teacher Unions on the quality of education in schools. Negotiations to resolve the dispute, within the parameters of public sector pay policy, have been positive and are continuing.

Additionally, each directorate/business area was required by the Departmental Board to have in place appropriate arrangements for managing risk at a lower level.

The Department is dependent on its Arm's Length Bodies for the delivery of policies and services. There is therefore a need for DE to assure itself that risk is being managed effectively by all its ALBs and they must in turn provide assurance to DE on risk management, governance and internal control. As ALBs are constrained in their actions by departmental and broader government policy there must be a joint understanding of the level of exposure to risks and the way in which risks are assessed and managed across the Department and its ALBs and, in particular, all risks should align.

With this in mind, all ALB and DE Directorate risk registers were examined during 2017-18 and reports were provided on the findings in relation to:

a) the alignment of risks to those in the Department's Corporate Risk Register;
b) the standard of risk registers and their adherence to the principles of risk management contained in the Department's Risk Management Framework.

Reports were provided to the Departmental Board and it requested that follow-up actions be taken to improve the standard of risk management in the Department.

In March 2018 a risk management survey was undertaken which sought the views of staff on whether the Department's system of risk management was meeting their needs and what improvements, if any, were needed. While the majority of those who responded thought that DE had an effective system of risk management in place, there were some comments that the process was overly complex and that risk management was not sufficiently ingrained in management practice. Recommendations for improvement included providing risk management training/awareness and simplifying the guidance. As a result, the Risk Management Framework was simplified and a risk management desk aid was produced and circulated to staff. Risk management awareness sessions for Departmental staff are planned for 2018-19 and an on-line Risk Register application will be launched, which is intended to simplify the recording of risk at all levels in the Department.

Significant issues arising during 2017-18

During 2017-18 the Department managed a number of significant issues in relation to:

- EA 2016-17 Provisional Outturn Overspend
- 2018-19 Budget Position
- Fraud Prevention and Whistle-blowing
- Delivery of HR Services
- Data Security Lapses
- Staff absence
- EA's Transition to a Single Regional Authority
- Strule Programme
- Implementation of the EA "Providing Pathways" Area Plan and 2017-18 Annual Action Plan
- Development Proposal Activity
- Preparation for General Data Protection Regulation
- The UK's Decision to Leave the European Union
- Examination Malpractice – St Patrick's High School, Keady
- New EA HR and Payroll System

Education Authority (EA) 2017-18 Provisional Outturn Overspend

While the EA reported a £19.3m overspend on its block grant for 2016-17, neither the EA's nor DE's 2016-17 accounts were qualified by the NIAO.

The EA has similarly reported a provisional outturn overspend of £18.9m on its block grant for the 2017-18 financial year. Underspends across the Department have resulted in a reduced net Departmental overspend at provisional outturn of £10.7m. Provisional outturn reflects the budget position and does not directly read across to the financial statements due to the differing boundaries.

The EA's overspend is largely due to increased expenditure in schools, on Special Educational Needs (SEN) (including associated transport costs), Schools Meals and the impact of the introduction of the Apprenticeship Levy.

The Department has been and will continue to work closely with the EA in its role as the funding authority for all grant-aided schools. Schools have faced unprecedented pressures as a result of having to absorb pay pressures for a number of years. This is evidenced by decreasing schools' surpluses and increasing deficits. While a very strong message about good financial management by schools has gone out from the Department on more than one occasion, and the Department has asked the EA to ensure that robust 2018-19 school financial plans are approved (conditionally or otherwise) by the end of June this year, there are systemic issues which make it difficult to fully address the problem in the short-term. In a situation where schools spend 90% or more of their budgets on staffing costs which have increased year-on-year as a consequence of pay inflation, and school budgets have remained flat in cash terms for a number of years, it is inevitable that increasing numbers of schools will move into deficit as there is exceptionally limited scope to generate alternative cuts in running costs. It is noticeable that this trend of more schools falling into deficit is also apparent in England, even though the Government there decided that the schools' budgets should be protected from inflation from the 2015 Spending Review onwards. Schools' spending is essentially demand-led and the EA has limited powers to intervene to remove delegated authority from boards of governors, although, to date, these powers have not been actioned.

Notwithstanding this, the EA Board has been proactive in establishing a *Surpluses and Deficits Working Group* to consider what actions could and should be taken. The Department's Internal Audit Service was also commissioned to undertake a review of the EA's systems and capacity to monitor schools' spend and to identify the underlying causes of escalating schools' spend. Recommendations arising from both the Working Group discussions and the Internal Audit report are being taken forward by the EA and the Department. The Internal Audit report also acknowledged wider systemic issues that are not easily resolvable in the short-term.

Another key factor contributing to the severe financial challenges is the increasing number of pupils presenting with SEN. In June 2017, the NIAO published a report on SEN and the Department responded by establishing a Programme Board to ensure that all of the recommendations are taken forward with pace. The Board has oversight of a number of projects covering areas such as: the consistent reporting of SEN expenditure so that it can be easily identified and monitored; and a review of current funding arrangements to ensure that available resources are used effectively to meet the needs of all children with SEN.

It is clear that, with the pressures on the EA and school budgets, combined with increasing pupil numbers, SEN pressures, schools with sustainability issues etc., the system is under considerable strain. While some difficult staffing decisions can be facilitated by the EA through the transferred redundancy and voluntary severance arrangements, the lack of any central compulsory redundancy funding creates significant constraints on the system. In addition, there are a number of schools that are simply unsustainable.

It is recognised therefore that, in the longer term, the education sector requires significant and radical transformation if it is to be put on a sustainable financial footing going forward. Departmental officials have commenced planning for a comprehensive transformation programme aimed at both managing costs and improving educational outcomes.

As regards the 2018-19 financial year, the Department continues to challenge the EA on the robustness of its forecast in-year pressures, particularly in relation to schools' spend.

2018-19 Budget Position

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

Fraud Prevention and Whistleblowing

The Department's fraud and whistleblowing arrangements were reviewed and it was concluded that they are fully compliant with current best practice.

Fraud monitoring and reporting arrangements have been effectively maintained throughout the year. There was one suspected fraud reported within the Department during 2017-18. An investigation into this is ongoing.

Delivery of HR Services

The Department employs 540 staff who play an important role in the delivery of services to the Minister, education sector and citizens. Delivery of Human Resources (HR) services for all NICS staff has been centralised in the Department of Finance's NICS HR since April 2017. The Department's Strategic HR Business Partner (based in NICS HR) is a member of the DE Board and reports on HR matters at each Board meeting. The Department retains responsibility for departmental workforce planning, vacancy management, staff engagement and development of the DE People Plan for 2018-19.

Data Security Lapses

There were no data security breaches or significant lapses of data security identified within the Department during the year.

Staff absence

Final validated staff absence figures for 2017-18 will not be available until later in 2018, although provisional information from NISRA estimates that the Department will record 9.7 days lost per full time equivalent member of staff for 2017-18. The 2016-17 actual position was 11.4 days which demonstrates that the continuation of the same approach and management focus that was adopted in previous years is now yielding results in 2017-18. The sickness absence for NICS overall in 2017-18 is projected to be 13.0 days lost per full time equivalent member of staff.

EA's Transition to a Single Regional Authority

In March 2017 a "Gate 0" Gateway Review was undertaken of the Change Management programme initiated by DE to dissolve the Education and Library Boards and establish the Education Authority (the EA Implementation Programme). The Review found that the development and implementation of the EA has been delivered and that there are no major issues left to resolve prior to closure of the formal Implementation Programme. A programme closure report has been drafted and the Department has been working with the EA throughout the year to secure assurances in respect of the regionalisation of service delivery areas in line with the targets set out in the Full Business Case for the establishment of the EA. A final draft report has now been produced, which provides these assurances and describes the arrangements for ongoing governance of work to ensure all EA services are delivered within a single regional structure. A Programme Management Board meeting has been scheduled to approve the closure report and formally close the programme of work.

Strule Shared Education Campus (SSEC) Programme

Throughout the 2017-18 financial year progress has been made across a number of areas, the main highlights being: the award of the Strathroy Link Road contract in June 2017 (construction commencing in July 2017); establishment of Strule Student Council in June 2017; Annual Review of Memorandum of Understanding completed August 2017; Leadership Programme commenced in November 2017; Board of Governors Shared Education Training commenced in February 2018 and ongoing work to develop the funding model and educational model for the Campus.

In relation to the SSEC Programme a risk has recently occurred due to emergent issues with the main contract procurement causing delay. Ongoing work with the NIO regarding capital funding enabled the main works contract Invitation to Tender (ITT) to be approved for release on 8 February 2018. The Department subsequently received correspondence indicating the withdrawal of one of the bidders from the tender process and the procurement is now temporarily suspended. The SSEC team, in conjunction with professional advisers, is currently assessing the implications for the ongoing viability of the procurement of the main works contract. A series of technical workshops have taken place involving a range of internal stakeholders, to develop and assess procurement options. A decision on how best to move the procurement forward will be taken as soon as possible. All other aspects of the delivery of the SSEC are continuing uninterrupted, on both the construction and non-constructions aspects of the programme.

Implementation of the EA "Providing Pathways" Area Plan and 2017-18 Annual Action Plan

The EA published the "Providing Pathways" strategic Area Plan 2017-2020 and supporting 2017-18 Annual Action Plan on 28 April 2017. The Area Planning process continues to be supported by the Department at all levels with the Area Planning Steering Group (APSG) inclusive of EA, Council for Catholic Maintained Schools (CCMS) and a range of sectoral bodies and a Further Education representative meeting regularly throughout the year. The APSG monitors the implementation of the Area Plan and Annual Action Plan through periodic reports from the EA. The Area Planning Working Group and Area Planning Local Groups (which reduced to three from five in year) chaired by the EA also met regularly and progressed the development of the 2018-19 Annual Action Plan which has been endorsed by the Department.

Development Proposal Activity

Thirty Development Proposals (DPs) were published in 2017-18, a decrease of two from the previous year, and only two were proposed by the EA. The lack of DP publication to meaningfully implement the outstanding actions from 2016-17 and 2017-18 Annual Action Plans was raised at APSG meetings and at EA Governance and Accountability Review meetings. Decisions were made by the Permanent Secretary on 33 DPs with 27 approved and six not approved. The approved decisions included six school closures, two major amalgamations involving five schools and a number of changes to admission and enrolment numbers.

A long running Judicial Review and Court of Appeal case concluded in December 2017 and judgment is awaited in a further Court of Appeal case.

Preparation for General Data Protection Regulation

In advance of the introduction of the General Data Protection Regulation (GDPR) on 25 May 2018, the Department commenced preparations for compliance during 2017-18. As GDPR places a range of obligations on organisations who process personal information with penalties for those who fail to protect the data, the Department established a wide ranging programme of work. This included the appointment of Data Protection Officer, an audit of information assets held in the Department, a review of contracts, establishment of an internal working group and the provision of training and support for business areas. This programme is continuing into 2018-19 as the implementation date approaches. The Department is part of a central programme led by the Department of Finance (DoF) which is overseeing overall implementation in the NICS.

The UK's Decision to Leave the European Union

Following the United Kingdom's decision to leave the European Union (EU), the Department has been fully involved at the strategic and operational level in the Northern Ireland Civil Service cross departmental European Union Future Relations Programme led by The Executive Office. Policy areas likely to be affected have been identified and assurances sought from Arm's Length Bodies that the delivery of services will continue seamlessly from the day following exit.

The Department continues to liaise with Department for Education in Whitehall and the Department for Exiting the EU.

Examination Malpractice – St Patrick's High School, Keady

The Department was made aware, on 24 November 2017, of alleged examination malpractice in St Patrick's High School, Keady.

The Council for the Curriculum, Examinations and Assessment (CCEA) confirmed that an anonymous letter had also been sent directly to them from another source and, in line with the Joint Council for Qualifications (JCQ) procedures, CCEA wrote to the Head of Centre of St. Patrick's High School, Keady on 24 November 2017 detailing the allegation and asking them to conduct a full investigation and submit their findings in line with the information requested. This is normal practice for such allegations.

The Head of Centre at St Patrick's subsequently informed CCEA that she had invited CCMS to carry out the investigation to ensure the independence of the investigation findings. The findings of the investigation were subsequently brought to the CCEA Malpractice Committee for consideration and will be actioned, in line with JCQ requirements.

The employing authority (CCMS) is working with the school to ensure the forthcoming exam arrangements operate effectively.

New EA HR and Payroll System

As part of an initiative to modernise its Finance and HR systems, the EA is taking forward a project to design, build and implement a new HR and payroll system harmonising the system, processes and practices across the five legacy Education and Library Boards. Progress has been made during the year but the project identified a range of complexities which impacted the proposed go live date. The HR/payroll element of this new integrated Finance/HR system is currently being re-assessed and an updated business case is being prepared. The timescale and costs will be updated as part of this exercise. In the meantime, the existing non-teaching and DE teachers' payroll systems will continue to be used, with interfaces to the new finance system.

As the sponsor Department, DE has a particular interest in this given the scale and estimated costs involved, and, while there are no immediate concerns, the EA will continue to be required to provide the Department with regular progress updates during the course of 2018-19.

Update on other prior year significant issues

The remaining prior year significant issues were as follows:

- NIAO Review of Special Educational Needs
- Industrial Action by Teacher Unions
- De La Salle College, Belfast
- Governance issues in the General Teaching Council for Northern Ireland (GTCNI)
- Governance issues in the Comhairle na Gaelscolaíochta (CnaG)
- Education Network (NI) Contract Extension and Replacement
- Centre of Procurement Expertise (CoPE) status of the EA
- HR Strategy

NIAO Review of Special Educational Needs (SEN)

The NIAO report on SEN was published in June 2017 and focused on SEN provision in mainstream schools. The report looked at the process for identifying children with SEN, costs of providing for children with SEN and examined the process in place to monitor and evaluate the impact of the SEN provision. The report recognised that the educational achievements of children with SEN are improving; however, it noted that more needs to be done to monitor and evaluate progress and assess the effectiveness of the support provided.

A Programme Board, with representatives from DE, ETI and the EA, has been established to provide strategic advice and guidance on the programme of work required to address the report recommendations. Project Teams are now in place and work has commenced to address the recommendations. The project themes include school approach to SEN identification and provision, monitoring and evaluation of the impact of SEN provision on pupil outcomes, capacity building, identification, reporting and monitoring of the EA's SEN expenditure and current funding arrangements for SEN.

Industrial Action by Teacher Unions

During the year industrial action by Teacher Unions, including action short of strike, continued in relation to disputes about pay and workload. It is the strong view of education sector management that industrial action is having an adverse impact on schools and pupils. Despite repeated requests Teacher Unions have refused to cease industrial action. Negotiations to resolve the dispute within the parameters of public sector pay policy are continuing.

In January 2017, four of the Teacher Unions which make up the Northern Ireland Teachers' Council (NITC) declared an escalation of industrial action in relation to a pay dispute. This includes non-co-operation with the Education and Training Inspectorate (ETI). The ETI inspects on behalf of the Department and has a statutory duty to monitor, inspect and report on the quality of education and the professional practice of teachers, under Article 102 of the Education and Libraries (Northern Ireland) Order 1986. Therefore, inspections have proceeded and the evaluations based on the evidence as made available at the time of the inspection have been reported. However, owing to the impact of the action short of strike being taken by the staff, under these circumstances the ETI has been unable to assure the Department, parents/carers and the wider school community and stakeholder group on the quality of education (and safeguarding in some circumstances) being provided for the children.

If a school does not provide evidence that arrangements for safeguarding learners reflect or reflect broadly the guidance issued by the Department of Education, the ETI returns to the school within six weeks to monitor and report on the arrangements for safeguarding; if the school continues not to provide the necessary evidence or there are significant areas for improvement identified in relation to safeguarding under these circumstances, the Department seeks assurance from the EA (and/or employing authority) that they are working with the school to address the issues.

If action short of strike prevents a school in the follow-up process from demonstrating the necessary improvements, and under normal circumstances a lack of improvement would have resulted in external support being provided through the Formal Intervention Process, the ETI is reporting accordingly and the Department is seeking assurance from the EA (and/or employing authority) that they are working with the school to address the issues.

Setting aside the broad range of actions being taken by teachers who are engaged in industrial action, principals are reporting regularly to the ETI, Department officials, the EA and CCMS that improvement work has all but stalled owing to the ongoing industrial action. It follows that children in schools across Northern Ireland are being denied an improved quality of education as a result.

As noted on the 2017-18 Risk Register, negotiations to resolve the dispute, within the parameters of public sector pay policy, have been positive and are continuing.

De La Salle College, Belfast

In April 2016, the Minister commissioned an independent investigation to determine the circumstances in regard to a serious situation at De La Salle College where there were very high absence rates amongst teaching staff and concerns had been raised about the impact on teaching and learning within the school. An independent panel undertook the investigation and subsequently submitted its report to the Minister in August 2016. The panel's report contains some 40 recommendations, implementation of which is being taken forward by the Board of Governors of De La Salle College, CCMS and the EA. Twenty two of the 40 recommendations were due to be implemented no later than 1 September 2017, with the remaining 18 implemented no later than 1 September 2018. Of these, only 4 recommendations have as yet, not been implemented. A small Project Board chaired by a senior DE official and comprising representatives from DE, CCMS and the EA was set up to monitor and report on the implementation of the panel's report. The Project Board met on five occasions during 2017-18 and will continue to meet during 2018-19. A senior DE representative continues to attend Board of Governor meetings in observer status.

Governance Issues in the GTCNI

The range of increased governance and accountability measures, introduced by the Department on 22 December 2015, were removed on 22 September 2017. Normal stewardship arrangements resumed with Governance and Accountability Review meetings reverting to a six monthly cycle. The Department continues to be represented at meetings of the Council's Audit and Risk Assurance Committee and the Department's Teacher Education Team, as sponsor team, continued to support the organisation, including through the re-introduction of bi-monthly meetings with GTCNI staff.

An operational transition plan, developed from the recommendations of a recent Organisational Review Report, was formally endorsed by the GTCNI Council at its meeting on 18 October 2017. Implementation is being progressed through the Council's committee structure.

Governance Issues in CnaG

A number of reports since 2013 highlighted significant weaknesses in governance and organisation within CnaG and from 2016 measures were introduced to strengthen the governance framework for DE oversight of CnaG. This has led to an improvement in the governance arrangements in the past 12 months, most notably in the appointment of a permanent Chief Executive Officer who has taken up post with effect from 9 April 2018. A review of governance, carried out by NICS Group Internal Audit (IA) has provided a 'satisfactory' assurance opinion. Having considered all of the factors, DE decided to end the special governance measures effective from April 2018. DE will continue to closely monitor the future performance and governance of the organisation to provide assurances that improvements are sustained.

Education Network (NI) Contract Extension and Replacement

The current contract to provide the IT Managed Service for the school system (that is, C2k) has been extended until March 2019. EA is proposing a further one year extension until March 2020. EA is taking forward the work necessary to replace the current contract as a matter of urgency. A project management structure has been established and the procurement of external advisors to support the Outline Business Case is being progressed. A number of key risks, including limited experience of major ICT procurements within EA and the tight timeframe for the procurement, have been identified and will be addressed by EA as the 2018-19 business year progresses. The Department is contributing to work to support EA officials and is monitoring progress through the DE ICT Programme Board.

Centre of Procurement Expertise (CoPE) status of the EA

The Education Authority was reviewed as part of the recent CoPE Accreditation Assessment exercise carried out across all public sector CoPEs in Northern Ireland. This Accreditation Assessment is carried out every four years to determine the competency of CoPEs and is carried out by independent assessors on behalf of the Procurement Board. The CoPE Accreditation for the Education Authority is a fail, as the Education Authority had failed to have in place, at the time of the assessment, the requirements set out in the Accreditation Model.

The Procurement Board decides on whether to award CoPE status and the next meeting is planned for June 2018, where the Board will consider the findings from the Accreditation Assessments. In advance of this meeting the Education Authority are setting out a programme of work to address the recommendations made in the assessment. A DE/EA working group is in place to monitor progress.

HR Strategy

Whilst the Department's HR Strategy (2014-17) ended formally on 31 March 2017, the Board agreed to the continuation of the engagement and communication elements of the strategy through a 2017-18 action plan. The Board and the DE Staff Engagement Forum have been involved in preparatory work to develop a DE People Plan for 2018-19 using people priorities identified from the 2017 NICS People Survey results and the draft NICS People Strategy (2018-2021) developed by NICS HR following focused engagement with the NICS Board, senior managers and over 200 staff.

3.3.9 NDPB Governance Framework

The chief executive of each of the Department's NDPBs is designated by the Departmental Accounting Officer as the Accounting Officer for his or her organisation. The allocation of accounting officer responsibilities is set out in the Statement of Accounting Officers' Responsibilities on page 48.

During 2017-18 the Department adopted a robust framework for ensuring effective governance within its existing NDPBs and to provide the Accounting Officer with assurance that designated accounting officers were fulfilling their responsibilities. Key features of this framework included:

- a requirement to ensure compliance with statute and with the body's Management Statement and Financial Memorandum;
- arrangements to ensure that NDPB business plans reflected and supported the delivery of the Education Minister's strategic priorities, particularly those related to raising standards and closing the attainment gap;
- monitoring of progress in delivering agreed business plan targets;
- regular, formal Governance and Accountability Review meetings chaired by the Permanent Secretary and attended by the respective chief executives and chairs;
- the completion of mid-year governance statements which provided confirmation (and, where necessary, evidence) that required processes were being followed;
- regular engagement between DE directors and senior NDPB counterparts; and
- the regular attendance of a senior DE member of staff as an observer at meetings of each NDPB's audit committee and routine and timely feedback from these meetings.

Following an internal audit review of ALB oversight arrangements, a revised governance framework 'Governance and Accountability Arrangements for the Oversight of Arm's Length Bodies' was developed during 2015-16 and implemented in the Department from March 2016. These arrangements were reviewed in September 2017 and the next review is scheduled for the end of June 2018.

NDPB governance statements

The DE Governance Statement needs to reflect and be informed by the content of the Governance Statements of the NDPBs for which the Department is accountable. Accordingly, the Department requested sight of the draft Governance Statements from all of its executive NDPBs.

As a first step, in order to ensure good standards of governance in its NDPBs and in consideration of the guidance on compliance and content contained in Annex 3.1 of Managing Public Money NI, the related fact sheet provided by NIAO and previous years' feedback provided by DE, the Department carried out an analysis of the initial draft Governance Statements which were submitted by each NDPB within the required deadline and provided feedback accordingly. Most of the initial draft statements complied with the above guidance and had taken on board the previous year's feedback. Some minor suggestions for improvement, including a small number of factual inaccuracies, were provided to a small number of bodies.

Bodies were also asked to submit their final draft statements to DE by 4 May 2018. This date was met by most of the bodies and all except the EA had submitted their final draft Statements by 9 May 2018. A subsequent analysis by DE indicated that the feedback provided had largely been taken account of by the bodies prior to submitting the final draft Statements. The Department also used its analysis of the draft Governance Statements to ensure that its own statement captures all relevant significant issues (see section 8).

3.3.10 CONCLUSION

In conclusion, it is my assessment that the Department of Education operates an appropriately rigorous system of governance and accountability which I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively and appropriately. Where significant issues have arisen that could affect the principles of regularity, propriety or value for money I am satisfied that appropriate action is being taken to address these.

4. REMUNERATION AND STAFF REPORT

The remuneration and staff report sets out the Department's remuneration policy for Ministers and the Senior Management Board of Directors of the Department, reports on how that policy has been implemented and sets out the amounts awarded to them and where relevant the link between performance and remuneration. In addition the report provides details on remuneration and staff that the Assembly and other users see as key to accountability.

Remuneration Report

4.1 Remuneration policy

The Senior Civil Service (SCS) remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. [The pay award for SCS staff for 2017-18 has not yet been finalised.]

4.2 Service contracts

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

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

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

4.3 Salary and pension entitlements

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

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

Minister	2017-18* Salary £000	2017-18* Pension Benefits** £000	2017-18* Total £000	2016-17 Salary £000	2016-17 Pension Benefits** £000	2016-17 Total £000
Mr John O'Dowd MLA	-	-	-	4	1	5
Mr Peter Weir MLA	-	-	-	29	4	33

** No Minister was in place during 2017-18.*

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

Officials	2017-18 Salary £000	2017-18 Pension Benefits* £000	2017-18 Total £000	2016-17 Salary £000	2016-17 Pension Benefits* £000	2016-17 Total £000
Mr Paul Sweeney Permanent Secretary To 26 February 2017	-	-	-	105-110 (115-120 full year equivalent)	(43)	60-65
Mr Derek Baker Permanent Secretary From 27 February 2017	110-115	42	150-155	5-10 (110-115 full year equivalent)	(4)	0-5
Mrs Katrina Godfrey Deputy Secretary To 4 July 2016	-	-	-	20-25 (85-90 full year equivalent)	9	30-35
Mrs Julie Thompson Deputy Secretary From 24 August 2016 To 1 May 2017	5-10 (100-105 full year equivalent)	9	15-20	60-65 (100-105 full year equivalent)	19	80-85
Mrs Fiona Hepper Deputy Secretary	85-90	3	90-95	85-90	32	115-120
Mr John Smith Deputy Secretary From 29 June 2017	65-70 (85-90 full year equivalent)	10	75-80	-	-	-
Mr Thomas O'Reilly Deputy Secretary From 2 May 2017	90-95 (100-105 full year equivalent)	(11)	80-85	-	-	-
Mrs Noelle Buick Chief Inspector	95-100	(10)	85-90	95-100	54	150-155
Mr Trevor Connolly Director To 4 December 2016	-	-	-	45-50 (70-75 full year equivalent)	19	65-70
Mr Gary Fair Director From 5 December 2016	70-75	3	75-80	20-25 (70-75 full year equivalent)	9	30-35

Officials	Salary £000	Pension Benefits* £000	2017-18 Total £000	Salary £000	Pension Benefits * £000	2016-17 Total £000
Mr Barry Jordan Director To 2 January 2017	-	-	-	50-55 (70-75 full year equivalent)	11	60-65
Mrs Barbara Swales Director From 3 January 2017 To 30 April 2017	5-10 (65-70 full year equivalent)	(61)	(50)-(55)	15-20 (65-70 full year equivalent)	45	60-65
Mr Gavin Boyd** Interim Chief Executive EA	145-150	-	145-150	145-150	-	145-150
Mr John Smyth*** Non-executive director To 31 August 2017	0-5 (5-10 full year equivalent)	-	0-5	5-10	-	5-10
Mrs Fiona Keenan*** Non-executive director	5-10	-	5-10	5-10	-	5-10
Mrs Joan McEwan*** Non-executive director From 20 November 2017	0-5 (5-10 full year equivalent)	-	0-5	-	-	-
Band of Highest Paid Director's Total Remuneration	110-115			115-120		
Median Total Remuneration	29,344			29,716		
Ratio	3.8			4.0		

**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.*
***Mr Boyd is not a member of the DE Board. He is the interim Chief Executive of the EA and chose not to be covered by the NICS pension schemes during the reporting year.*
****The Department and non-executive directors may terminate the appointment by giving three months notice in writing.*

As per the Directors Report, Anne Breen is listed as a Senior Officer within the Department. Details of her remuneration have not been disclosed as it is paid by another Department.

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 the Department in the financial year 2017-18 was £110,000 - £115,000 (2016-17: £115,000 - £120,000). This was 3.8 times (2016-17: 4.0 times) the median remuneration of the workforce which was £29,344 (2016-17: £29,716).

In 2017-18, 1 employee (2016-17: 1 employee) received remuneration in excess of the highest paid director. This employee is Mr Boyd who is not a member of the DE Board but is the interim Chief Executive of the EA. Currently his salary is paid by the Department but it is anticipated that on appointment of a permanent Chief Executive this salary cost will transfer to the EA. Remuneration ranged from £10,000 to £146,000 (2016-17: £10,000 to £146,000).

4.5 Salary

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

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

Prior to the election on 2 March 2017, the Department was under the direction and control of John O'Dowd MLA from 1 April 2016 to 5 May 2016 and Peter Weir MLA from 25 May 2016 to 2 March 2017. Their salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in the prior year comparative figures within these accounts. These amounts do not include costs relating to the Minister's role as MLA/MP/MEP which are disclosed elsewhere.

4.6 Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no such benefits in kind made in 2016-17 and 2017-18.

4.7 Pension Entitlements – Officials (Audited)

	Accrued pension at pension age as at 31 March 2018 and related lump sum £000	Real increase /(decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2018* £000	CETV at 31 March 2017** £000	Real increase /(decrease) in CETV £000	Employer contribution to partnership pension account (nearest £100)
Mr Paul Sweeney Permanent Secretary To 26 February 2017	-	-	-	1,223	-	-
Mr Derek Baker Permanent Secretary From 27 February 2017	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 5-7.5	1,312	1,240	41	-
Mrs Katrina Godfrey Deputy Secretary To 4 July 2016	-	-	-	507	-	-
Mrs Julie Thompson Deputy Secretary From 24 August 2016 To 1 May 2017	30-35	0-2.5	491	484	5	-
Mrs Fiona Hepper Deputy Secretary	35-40 plus lump sum of	0-2.5 plus lump sum of	753	703	3	-

	Accrued pension at pension age as at 31 March 2018 and related lump sum £000	**Real increase /(decrease) in pension and related lump sum at pension age £000**	**CETV at 31 March 2018* £000**	**CETV at 31 March 2017** £000**	**Real increase /(decrease) in CETV £000**	**Employer contribution to partnership pension account (nearest £100)**
	105-110	0-2.5				
Mr John Smith Deputy Secretary From 29 June 2017	15-20	0-2.5	266	247	2	-
Mr Thomas O'Reilly Deputy Secretary From 2 May 2017	40-45 plus lump sum of 130-135	(0)-(2.5) plus lump sum of (0)-(2.5)	1,013	1,002	(11)	-
Mrs Noelle Buick Chief Inspector	35-40	(0)-(2.5)	748	744	(10)	-
Mr Trevor Connolly Director To 4 December 2016	-	-	-	301	-	-
Mr Gary Fair Director From 5 December 2016	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 0-2.5	601	561	2	-
Mr Barry Jordan Director To 2 January 2017	-	-	-	701	-	-
Mrs Barbara Swales Director From 3 January 2017 To 30 April 2017	25-30 plus lump sum of 75-80	(2.5)-(5) plus lump sum of (7.5)-(10)	586	641	(59)	-
Mr Gavin Boyd*** Interim Chief Executive EA	-	-	-	-	-	-
Mr John Smyth Non-executive director To 31 August 2017	-	-	-	-	-	-
Mrs Joan McEwan Non-executive director From 20 November 2017	-	-	-	-	-	-
Mrs Fiona Keenan Non-executive director	-	-	-	-	-	-

**CETV at 31 March 2018 or date of leaving the board, if earlier.*
*** CETV at 31 March 2017 or date of joining the board, if later.*
****Mr Boyd chose not to be covered by the NICS pension schemes during the reporting year.*

4.8 NICS Pension arrangements

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

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

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

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

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

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

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

4.9 Scheme Year 1 April 2018 to 31 March 2019

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 2018 to 31 March 2019**	**From 01 April 2018 to 31 March 2019**
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

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

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

4.10 Cash Equivalent Transfer Values

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

4.11 Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

4.12 Compensation for loss of office

The Department incurred no compensation for loss of office in 2017-18.

Staff Report

4.13 Staff costs (Audited)

Staff costs comprise:

	Permanently employed staff* £000	Others £000	Ministers £000	2017-18 Total £000	2016-17 Total £000
Wages and salaries	18,434	1,458	-	19,892	19,768
Social security costs	1,961	-	-	1,961	1,909
Other pension costs	4,158	-	-	4,158	4,197
Total net costs**	**24,553**	**1,458**	**-**	**26,011**	**25,874**

Analysed as:	2017-18 £000	2016-17 £000
Administration costs	13,929	13,601
Minister's costs (notional)	-	42
Total administration costs	**13,929**	**13,643**
Programme costs	11,416	11,551
Total charged to the Statement of Comprehensive Net Expenditure	**25,345**	**25,194**
Capitalised	666	680
Total net costs	**26,011**	**25,874**

**There were no staff costs incurred in respect of the Department's Special Adviser in 2017-18. The 2016-17 figures include the cost of the Department's two Special Advisers, one of whom was in post from 1 April 2016 to 5 May 2016 and the other in post from 1 July 2016 to 2 March 2017. In 2016-17 the Special Advisers were paid in pay bands of £59,627-£91,809 and £37,794-£52,816 respectively.*

***Of the total, £666k has been charged to capital.*

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

For 2017-18, employers' contributions of £4,153,055.51 were payable to the NICS pension arrangements (2016-17: £4,186,519.53) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will also range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,514.60 (2016-17: £5,384.89) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £112.97, 0.5% (2016-17: £225.36, 0.5%) of pensionable pay, were payable to the NICS pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

During 2017-18, three individuals (2016-17: five individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £13,325.12 (2016-17: £13,405.03).

4.14 Average number of persons employed (Audited)

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

Activity	Permanently employed staff Number	Others Number	Ministers Number	Special advisers Number	2017-18 Total Number	Restated 2016-17 Total Number
Aggregated Schools Budget	276	27	-	-	303	302
Education Authority (EA) Block Grant	139	13	-	-	152	150
Earmarked budgets	20	2	-	-	22	23
Other NDPBs	6	1	-	-	7	8
Other Education Services	1	-	-	-	1	2
Early Years Provision	6	1	-	-	7	8
Youth and Community Relations	8	1	-	-	9	9
Department of Education costs	6	1	-	-	7	8
Capital grants	37	4	-	-	41	48
Staff engaged on capital projects	11	-	-	-	11	11
Total	**510**	**50**	**-**	**-**	**560**	**569**

The above disclosure relates to the core department, split proportionately across the operating segments detailed in Note 2 in the Financial Statements section. The staff numbers are apportioned on the basis of the total net costs of each segment. The Department does not have any agencies.

4.15 Number of senior civil service staff by grade (Audited)

The number of senior civil service staff employed as at 31 March 2018 was as follows:

Grade (including Analogous Grades)	**Number**
Grade 2	2
Grade 3	4
Grade 5	14*

***** The above Grade 5 figures do not include two staff who were on temporary promotion to Grade 5 at 31 March 2018.

4.16 Staff composition - breakdown of employees by gender (Audited)

The analysis of the Department's employees by gender at 31 March 2018 was as follows:

	Male	**Male %**	**Female**	**Female %**	**Total**	**Total %**
Executive Directors	4	66.67	2	33.33	6	100
Non-executive Directors	-	-	2	100	2	100
Total Directors*	4	50	4	50	8	100
Senior Managers**	6	42.9	8	57.1	14	100
Other employees	196	38.1	318	61.9	514	100
Total ***	**206**	**38.4**	**330**	**61.6**	**536**	100

**Directors include members of the DE Board as at 31 March 2018.*
***Senior managers include members of staff at Senior Civil Service level.*
Note: this table is based on the number of staff in post rather than full time equivalents, and excludes those on career break.
******* *Paragraph 4.14 shows the average number of staff employed by the Department during the financial year. The table above reports the actual number of staff employed by the Department at 31 March 2018.*

4.17 Reporting of compensation and exit packages for all staff (Audited)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2017-18 Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	2016-17 Total number of exit packages by cost band
Less than £10,000	-	1	-	-	1	1
£10,000 - £25,000	-	1	-	-	1	1
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	-	-	-
£100,000- £150,000	-	-	-	-	-	-
Total number of exit packages	-	**2**	-	-	**2**	**2**
Total resource cost	**£nil**	**£20,812**	**£nil**	**£nil**	**£15,224**	**£15,224**

In 2016-17, the Special Advisers received an exit package in accordance with the Code Governing the Appointment of Special Advisers issued under the Civil Service (Special Advisers) Act (Northern Ireland) 2013.

The above disclosure relates to the core department. The department does not have any agencies.

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.

4.18 Sickness absence

Information available from the Northern Ireland Statistics and Research Agency estimates that for the period April 2017 to March 2018 the Department will record an average of 9.7 days lost per full time equivalent member of staff (in 2016-17, the outturn was 11.4 days). The overall sickness absence throughout the NICS in 2017-18 is estimated to be 13.0 days lost per full time equivalent member of staff.

It is important to note that these figures are provisional and are subject to change between now and the publication of the Financial Year NICS absence report for the year 2017-18 in autumn 2018. Historically, though, changes between provisional and final figures have been minimal.

A sustained management focus in this area has been in place throughout 2017-18 together with a Health and Well Being Programme for staff – this will continue in 2018-19.

4.19 Staff policies

At 31 March 2018, the Department has 536 staff (which includes 2 non-executive directors) who play an important role in the development of policy and delivery of services to support the draft PfG outcome: 'We give our children and young people the best start in life.'

In May 2017, an interim HR Action Plan, which was approved by the DE Board, was launched for 2017-18. The interim Plan was put in place to allow time during 2017-18 for the new centralised NICS HR (based in the DoF) to develop a People Strategy. In early 2018, a Staff Engagement Forum – comprising staff from across DE at all grades – was established. Using the results of the 2017 DE People Survey and feedback on issues raised by NICS People Strategy focus groups, the Forum is working towards the identification of DE's People Priorities for 2018-19. The priorities will be endorsed by the DE Board and actions to address them will be included in the 2018-19 People Plan.

<u>Equal opportunities</u>

The Department is an Equal Opportunity employer and fully endorses the NICS Equal Opportunities Policy Statement.

The policy statement is that all eligible persons shall have equal opportunity for employment and advancement in the NICS on the basis of their ability, qualifications and aptitude for the work. Everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all workers are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. This right is protected in many instances by legislation.

We aim to foster a culture that encourages every member of staff to develop their full potential and which rewards achievement. Creating a working environment where individual differences are valued and respected enables all staff to give of their best and helps us to respond more effectively to the needs of the people we serve.

<u>Employment of people with disabilities</u>

The NICS Equal Opportunities Policy and the Code of Practice on the Employment of People with Disabilities provide the framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that the consideration and the implementation of reasonable adjustments are undertaken to ensure staff with a disability can make full use of their skills and abilities.

Health and safety

To comply with the Health and Safety at Work (NI) Order 1978, the Department has a duty to ensure the health, safety and welfare of its employees. The Department is fully committed to the pursuit of its obligations in this area.

4.20 Other Staff Matters

Other diversity issues and equal treatment in employment and occupation

The NICS has developed a People Strategy which details the people priorities over the period 2018 to 2021. It places diversity and inclusion at its centre and includes a range of actions that will help accelerate the NICS' ambition to have a truly inclusive workforce culture and to be a service that reflects the society we serve. In addition to these specific actions the NICS will ensure diversity and inclusion is central to everything it does, including how it communicates, recruits, promotes, develops and manages its workforce.

A diversity action plan has been drawn up to promote diversity and inclusion while additional action plans have been drawn up to address specific issues related to gender and disability.
Work on Lesbian Gay Bisexual and Transgender (LGB&T) issues has included a survey of staff and the creation of the NICS LGB&T staff network. Further developments in the area are planned including membership of the Stonewall NI Diversity Champions network and the development of advice on Transgender issues.

The NICS continues to carry out its statutory obligations under fair employment legislation including the annual return to the Equality Commission for NI and the triennial reviews of the workforce profile which are published on the DoFwebsite.

Employee consultation and/or participation

The DoF is responsible for the policy on how the NICS consults and negotiates with its staff through industrial relations. The centralised human resource function, NICS HR, has continued to consult on central matters with all recognised Trade Unions (Non-industrial Trades Unions: Northern Ireland Public Service Alliance (NIPSA), First Division Association, Prison Officers' Association (POA), Industrial Trades Unions: Unite the Union (Unite), GMB), throughout the year. Arrangements also exist at local level within each Department to consult on matters specific to that Department or individual business area.

Trade Union Relationships

A Review of NICS Trade Union Arrangements is ongoing. Phase 1 of the review culminated in a new Trade Union Arrangements chapter, published in the NICS HR Handbook in January 2016. Phase 2 of the Review is at the planning stage.

Human Capital Management

(i) Career Development

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

This NICS Career Development Policy emphasises that career development is a collaborative process between individual staff members, line managers, and Departments, and takes account of the NICS Competency Framework and Performance Management System. As well as the individual's role in managing their career development, the NICS provides opportunities to enhance the skills, capabilities and performance of staff so that they, in turn, can contribute to achieving corporate objectives.
There is a wide range of career development options available within the NICS and within the Career Development Policy that support various career development interventions including secondment and interchange opportunities, elective transfers, temporary promotion, job rotation, job shadowing, as well as mentoring.

In line with the NICS People Strategy 2018 - 2021 further development in the area is planned, including Talent Management Proposals to support a more corporate approach to talent management across the NICS.

(ii) Learning & Development

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

- Offering a variety of learning delivery channels to enable flexible access to learning;
- Providing an enhanced Learning and Development experience where staff can focus on their personal development using learning interventions that are aligned to corporate need, PfG, People Strategy, NICS of the Future and the NICS Competency Framework;
- Blending different learning solutions into coherent learning pathways;
- Value for money learning through the use of technology to provide concise and focused modules of learning;
- Develop practical capability for learners that incorporates the latest tools and techniques; and
- Work collaboratively with NICS HR colleagues, Suppliers, Departments and the NICS Professions to identify, develop and deliver current and future learning interventions.

(iii) Pay policy

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

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

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

4.21 Expenditure on consultancy

External consultancy spend during 2017-18, based on provisional outturn figures, is currently recorded as £31k on 3 individual projects (final outturn figures for 2017-18 will not be available until August 2018, following agreement of overall DE final outturn with DoF).

Final external consultancy outturn figures for 2016-17 noted overall spend of £101k on 8 individual projects.

4.22 Temporary staff

Departmental temporary staff costs in 2017-18 amounted to £1,458k (2016-17: £1,607k). The majority of these costs are for staff on loan from DoF working in the specialist areas of Statistics and Building Advisory Team. The remainder of the costs were spent on agency workers and secondees.

The 2017-18 expenditure on temporary staff is 9% less than in 2016-17. The main reasons for this are; reduced expenditure on Agency workers as teams adapted to resourcing levels post Voluntary Exit Scheme.

4.23 Off-payroll engagements

There were no ‘off-payroll’ engagements at a cost of over £58.2k per annum in place during 2017-18.

DEPARTMENT OF EDUCATION ANNUAL REPORT

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

The Assembly accountability and audit report brings together the key Assembly accountability documents within the annual report and accounts. It comprises a Statement of Assembly Supply and supporting notes, regularity of expenditure, Assembly accountability disclosures and the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

5 STATEMENT OF ASSEMBLY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department of Education 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.

5.1 Summary of Resource Outturn 2017-18

								2017-18	2016-17
				Estimate			**Outturn**	**Net total outturn compared with Estimate: saving/ (excess)**	**Outturn**
Request for Resources	**Note**	**Gross expenditure £000**	**Accruing Resources £000**	**Net total £000**	**Gross expenditure £000**	**Accruing Resources £000**	**Net total £000**	**£000**	**Net total £000**
Request for Resources A	SOAS1	2,281,632	(19,965)	2,261,667	2,151,908	(18,781)	2,133,127	128,540	2,137,812
Request for Resources B	SOAS1	50,208	-	50,208	42,599	-	42,599	7,609	42,924
Total resources	**SOAS2**	**2,331,840**	**(19,965)**	**2,311,875**	**2,194,507**	**(18,781)**	**2,175,726**	**136,149**	**2,180,736**
Non-operating cost Accruing Resources		-	-	-	-	-	-	-	-

5.2 Net Cash Requirement 2017-18

				2017-18	2016-17
	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000	Outturn £000
Net cash requirement	SOAS3	2,339,451	2,180,281	159,170	2,186,195

5.3 Summary of income payable to the Consolidated Fund

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

		Forecast 2017-18		Outturn 2017-18	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Total	SOAS4.1	2,037	*2,037*	2,632	*2,447*

Explanations of the variances between Estimate and outturn are given in note SOAS1 and in the Performance Report.

The notes on pages 104 to 134 form part of these accounts.

5.4 SOAS1. Analysis of net resource outturn by function

									2017-18	2016-17
						Outturn	Estimate			
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	Net total outturn compared with Estimate £000	Net total outturn compared with Estimate, adjusted for virements £000	Prior-year outturn £000
Request for Resources A										
Departmental Expenditure in DEL:										
1. Education Authority – Departmental overheads	8,267	12,806	-	21,073	(645)	20,428	21,434	1,006	1,006	20,223
2. Non-Departmental Public Bodies – Departmental overheads	658	14	-	672	-	672	684	12	12	676
3. Voluntary and Grant Maintained Integrated Schools – Departmental overheads	4,696	131	-	4,827	-	4,827	4,906	79	79	4,852
4. Centrally Financed Services	780	1,676	5,834	8,290	-	8,290	10,170	1,880	1,880	10,546
5. Early Years Services	138	4	28,393	28,535	-	28,535	29,303	768	768	28,148
6. Co-funded ALB income	-	-	-	-	(12,811)	(12,811)	(13,826)	(1,015)	(1,015)	(13,530)
7. European Union Programme for Peace and Reconciliation	-	-	396	396	(337)	59	59	-	-	-
8. Shared Education (from Atlantic Philanthropies)	-	-	-	-	(4,244)	(4,244)	(4,253)	(9)	(9)	-
9. Vulnerable Persons Relocation Scheme	-	-	-	-	(744)	(744)	(908)	(164)	(164)	-
Annually Managed Expenditure										
10. Provisions	128	-	-	128	-	128	258	130	130	27
11. Impairments	-	(867)	-	(867)	-	(867)	1,200	2,067	2,067	1,052
Non-Budget:										
12. Education Authority	-	-	1,635,410	1,635,410	-	1,635,410	1,741,277	105,867	105,867	1,621,891
13. Voluntary and Grant Maintained Integrated Schools	-	-	423,185	423,185	-	423,185	435,000	11,815	11,815	429,298
14. Council for the Curriculum, Examinations and Assessment	-	-	20,528	20,528	-	20,528	25,000	4,472	4,472	24,735

	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	Net total outturn compared with Estimate £000	Net total outturn compared with Estimate, adjusted for virements £000	Prior-year outturn £000
						Outturn	Estimate		2017-18	2016-17
15. Council for Catholic Maintained Schools	-	-	3,771	3,771	-	3,771	3,910	139	139	3,903
16. General Teaching Council for Northern Ireland	-	-	-	-	-	-	81	81	81	-
17. Comhairle na Gaelscolaíochta	-	-	786	786	-	786	830	44	44	829
18. Northern Ireland Council for Integrated Education	-	-	666	666	-	666	700	34	34	626
19. Middletown Centre for Autism Ltd	-	-	1,159	1,159	-	1,159	1,566	407	407	1,226
20. Notional Charges	3,349	-	-	3,349	-	3,349	4,276	927	927	3,310
Total	**18,016**	**13,764**	**2,120,128**	**2,151,908**	**(18,781)**	**2,133,127**	**2,261,667**	**128,540**	**128,540**	**2,137,812**
Request for Resources B										
Departmental Expenditure in DEL:										
1. Education Authority – Departmental overheads	429	-	-	429	-	429	485	56	56	421
2. Youth Council – Departmental overheads	92	-	-	92	-	92	93	1	1	92
3. Youth and Other Children’s Services	245	492	3,581	4,318	-	4,318	6,090	1,772	1,772	5,186
Non-Budget:										
4. Education Authority	-	-	37,500	37,500	-	37,500	43,200	5,700	5,700	36,942
5. Youth Council for Northern Ireland	-	-	19	19	-	19	30	11	11	47
6. Notional Charges	241	-	-	241	-	241	310	69	69	236
Total	**1,007**	**492**	**41,100**	**42,599**	**-**	**42,599**	**50,208**	**7,609**	**7,609**	**42,924**
Resource Outturn	**19,023**	**14,256**	**2,161,228**	**2,194,507**	**(18,781)**	**2,175,726**	**2,311,875**	**136,149**	**136,149**	**2,180,736**

Explanation of variance between Estimate and outturn

Request for Resources A

Request for Resources A shows a total underspend of £128.5m (5.7%) against the Spring Supplementary Estimate for the year. The underspend in the main was due to lower than anticipated drawdown of cash grant-in-aid by the Department's NDPBs.

Request for Resources B

Request for Resources B shows a total underspend of £7.6m (15.2%) against the Spring Supplementary Estimate for the year. The underspend in the main was due to lower than anticipated expenditure in Youth and Other Children's Services and in drawdown of cash grant-in-aid.

Detailed explanations of the variances between Estimate and outturn are given in the Performance Report.

Key to Request for Resources

Request for Resources A

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Request for Resources B

Promoting, through the youth service and children's services, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals. Encouraging children and young people to develop mutual understanding and promote recognition of, and respect for cultural diversity, human rights, equality of opportunity and social inclusion.

5.5 SOAS2. Reconciliation of net resource outturn to net operating cost

		2017-18			2016-17
	Note	Outturn £000	Supply Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net resource outturn	SOAS1	2,175,726	2,311,875	136,149	2,180,736
Non-supply income (CFERs)	SOAS4.1	(2,632)	(2,037)	595	(4,766)
Net expenditure for the year in the Statement of Comprehensive Net Expenditure		**2,173,094**	**2,309,838**	**136,744**	**2,175,970**

Net expenditure for the year is the total of expenditure and income appearing in the statement of comprehensive net expenditure. Net resource outturn is the total of those elements of expenditure and income that are subject to Assembly approval and included in the Department's Supply Estimate.

The notes on pages 104 to 134 form part of these accounts.

5.6 SOAS3. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2017-18 Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	SOAS1	2,311,875	2,175,726	136,149
Capital:				
Acquisition of property, plant and equipment and intangible assets	6, 7	8,738	5,946	2,792
Non-operating Accruing Resources				
Net book value of asset disposals	SOAS6	-	-	-
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Depreciation, amortisation and revaluations	3.1	(1,422)	651	(2,073)
New provisions and adjustments to previous provisions	3.1	(258)	(128)	(130)
Other non-cash items – notional charges	3.1	(4,586)	(3,590)	(996)
Adjustments to reflect movements in working capital balances				
Increase in receivables	12	-	450	(450)
Decrease in payables falling due within one year	13	25,000	1,161	23,839
Use of provision	14	104	65	39
Net cash requirement		**2,339,451**	**2,180,281**	**159,170**

Detailed explanations of the variances between Estimate and outturn are given in the Performance Report.

The notes on pages 104 to 134 form part of these accounts.

5.7 SOAS4. Income payable to the Consolidated Fund

SOAS4.1 Analysis of income payable to the Consolidated Fund

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

		Forecast 2017-18		Outturn 2017-18	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Other operating income and receipts not classified as Accruing Resources		2,037	*2,037*	2,632	*2,447*
	SOAS5	**2,037**	***2,037***	**2,632**	***2,447***
Non-operating income and receipts – excess Accruing Resources	SOAS6	-	-	-	-
Total income payable to the Consolidated Fund		**2,037**	***2,037***	**2,632**	***2,447***

SOAS4.2 Consolidated Fund Income

The Department did not collect any amounts where it was acting as agent for the Consolidated Fund rather than as principal.

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

	Note	2017-18 £000	2016-17 £000
Operating income	5	21,413	18,816
Gross income		**21,413**	**18,816**
Income authorised to be Accruing Resources	SOAS1	(18,781)	(14,050)
Operating income payable to the Consolidated Fund	SOAS4.1	**2,632**	**4,766**

5.9 SOAS6. Non-operating income – Excess Accruing Resources

	2017-18 £000	2016-17 £000
Proceeds on disposal of assets	-	-
Non-operating income – excess Accruing Resources	-	-

The notes on pages 104 to 134 form part of these accounts.

5.10 OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURE NOTES

Departmental accounting boundary (Audited)

These accounts have been prepared in accordance with directions given by the Department of Finance in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Exceptional Circumstances Body.

For resource accounts purposes, with the exception of the Exceptional Circumstances Body, all other Non-Departmental Public Bodies (NDPBs) fall outside the Departmental accounting boundary, defined within the *Government Financial Reporting Manual (FReM)*, and their results are not therefore consolidated with those of the Department. Financial information in respect of the individual NDPBs may be obtained from their separately published annual report and accounts.

The following list represents those bodies for which the Department had direct funding responsibility during this financial year.

<u>Executive NDPBs</u>

Education Authority
Comhairle na Gaelscolaiochta
Council for Catholic Maintained Schools
General Teaching Council for Northern Ireland
Middletown Centre for Autism
Northern Ireland Council for Integrated Education
Northern Ireland Council for the Curriculum, Examinations and Assessment
Youth Council for Northern Ireland

<u>Tribunals</u>

Exceptional Circumstances Body

<u>Other public bodies</u>

Middletown Centre for Autism (Holdings) Limited
Grant Maintained Integrated Schools (GMIS)*
Voluntary Grammar Schools (VGS)*

* Note: Other schools, maintained and controlled, are funded via the Education Authority. From the 1 April 2017 the administrative arrangements of the VG/GMI schools Funding Authority function transferred from the Department to the Education Authority. During 2018-19 further funding streams for the VG/GMI Schools will be transferred from the Department of Education to the Education Authority.

Losses and special payments (Audited)

<u>Losses statement</u>

2017-18 Number of cases	2017-18 £000	2016-17 Number of cases	2016-17 £000
1	**3**	**-**	**-**

No individual cases in 2017-18 or 2016-17 exceeded £250,000.

<u>Special Payments</u>

2017-18 Number of cases	2017-18 £000	2016-17 Number of cases	2016-17 £000
166	**145**	**114**	**38**

No individual cases in 2017-18 or 2016-17 exceeded £250,000.

Other notes

Details of any losses and special payments made by the Department's executive NDPBs will be reported in the accounts of those bodies.

Remote contingent liabilities (Audited)

In addition to contingent liabilities reported within the meaning of IAS37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. The Department has no contingent liabilities to report for the purpose of Northern Ireland Assembly reporting and accountability.

D A Baker

Signed:______________________________ **Date: <u>25 June 2018</u>**

Accounting Officer

The notes on pages 104 to 134 form part of these accounts.

DEPARTMENT OF EDUCATION

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Education for the year ended 31 March 2018 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 Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of its net operating cost for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Department of Education in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer'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.

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Kieran J Donnelly

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

25 June 2018

DEPARTMENT OF EDUCATION

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

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

	Note	2017-18 £000	2016-17 £000
Other operating income	5	(21,413)	(18,816)
Total operating income		**(21,413)**	**(18,816)**
Staff costs	3.2	25,345	25,194
Purchase of goods and services	3.2	8,457	10,263
Depreciation and impairment (credit)/charge	3.2	(651)	1,236
Provision expense	3.2	128	27
Other operating expenditure	3.2	2,161,228	2,158,066
Total operating expenditure		**2,194,507**	**2,194,786**
Net operating expenditure		**2,173,094**	**2,175,970**
Net expenditure for the year		**2,173,094**	**2,175,970**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment	6	-	(438)
Comprehensive net expenditure for the year		**2,173,094**	**2,175,532**

All income and expenditure are derived from continuing operations.

The notes on pages 104 to 134 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Financial Position as at 31 March 2018

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

	Note		2018		2017
		£000	**£000**	**£000**	**£000**
Non-current assets:					
Property, plant and equipment	6	32,937		26,582	
Intangible assets	7	37		45	
Financial assets	10	815		565	
Total non-current assets			**33,789**		**27,192**
Current assets:					
Trade and other receivables	12	5,052		7,788	
Cash and cash equivalents	11	-		-	
Total current assets			**5,052**		**7,788**
Total assets			**38,841**		**34,980**
Current liabilities:					
Trade and other payables	13	(61,824)		(66,171)	
Provisions	14	(23)		(69)	
Total current liabilities			**(61,847)**		**(66,240)**
Total assets less current liabilities			**(23,006)**		**(31,260)**
Non-current liabilities:					
Provisions	14	(451)		(342)	
Total non-current liabilities			**(451)**		**(342)**
Total assets less total liabilities			**(23,457)**		**(31,602)**
Taxpayers' equity and other reserves:					
General fund			(23,929)		(32,078)
Revaluation reserve			472		476
Total equity			**(23,457)**		**(31,602)**

D A Baker

Signed: ______________________________ **Date: 25 June 2018**

Accounting Officer

The notes on pages 104 to 134 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Cash Flows

for the year ended 31 March 2018

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

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities			
Net expenditure for the year	SOAS2	(2,173,094)	(2,175,970)
Adjustments for non-cash transactions	3.1	3,067	4,809
Decrease/(increase) in trade and other receivables	12	2,736	(2,268)
movements in receivables relating to items not passing through the statement of comprehensive net expenditure	12	(3,371)	2,035
Decrease in trade and other payables excluding bank overdraft	13	(3,295)	(118)
movements in payables relating to items not passing through the statement of comprehensive net expenditure	13	2,117	(1,625)
Use of provisions	14	(65)	(106)
Net cash outflow from operating activities		**(2,171,905)**	**(2,173,243)**
Cash flows from investing activities			
Purchase of non-financial assets - property, plant and equipment	6	(5,918)	(8,160)
Purchase of non-financial assets - intangible assets	7	(11)	(26)
Net cash outflow from investing activities		**(5,929)**	**(8,186)**
Cash flows from financing activities			
From the Consolidated Fund (supply) – current year		2,177,183	2,179,726
From the Consolidated Fund (supply) – prior year	12	6,469	4,434
Net financing		**2,183,652**	**2,184,160**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**5,818**	**2,731**
Payments of amounts due to the Consolidated Fund		(4,766)	(3,471)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	11	**1,052**	**(740)**
Cash and cash equivalents at the beginning of the period	11	**(1,703)**	**(963)**
Cash and cash equivalents at the end of the period	11	**(651)**	**(1,703)**

The notes on pages 104 to 134 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Department of Education, analysed into "general fund reserves" (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. 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 £000	Revaluation reserve (property, plant & equipment) £000	Revaluation reserve (intangible assets) £000	Taxpayers' equity £000
Balance at 31 March 2016		**(41,091)**	**36**	**10**	**(41,045)**
Net Assembly funding – drawn down		2,179,726	-	-	2,179,726
Supply receivable adjustment	12	6,469	-	-	6,469
CFERs payable to the Consolidated Fund		(4,766)	-	-	(4,766)
Comprehensive expenditure for the year		(2,175,970)	438	-	(2,175,532)
Non-cash charges – accommodation and other charges	3, 3.1	3,467	-	-	3,467
Non-cash charges – auditor's remuneration and expenses	3, 3.1	79	-	-	79
Other reserves movements including transfers		8	-	(8)	-
Balance at 31 March 2017		**(32,078)**	**474**	**2**	**(31,602)**
Net Assembly funding – drawn down		2,177,183	-	-	2,177,183
Supply receivable adjustment	12	3,098	-	-	3,098
CFERs payable to the Consolidated Fund	SOAS4.1	(2,632)	-	-	(2,632)
Comprehensive expenditure for the year	SOAS2	(2,173,094)	-	-	(2,173,094)
Non-cash charges – accommodation and other charges	3, 3.1	3,536	-	-	3,536
Non-cash charges – auditor's remuneration and expenses	3, 3.1	54	-	-	54
Other reserves movements including transfers		4	(2)	(2)	-
Balance at 31 March 2018		**(23,929)**	**472**	**-**	**(23,457)**

Under the Reinvestment and Reform Initiative, loans are made available to the Northern Ireland Block. The loans are financed by borrowing from the National Loans Fund and the funding is paid directly to the Northern Ireland Consolidated Fund. The associated cash, £nil (2016-17: £10,717,000.00) is deemed paid to Departments from the Northern Ireland Consolidated Fund through the normal supply process.

The notes on pages 104 to 134 form part of these accounts.

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Education for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department of Education are described below. They have been applied consistently in dealing with items considered material to the accounts.

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

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Assembly Grant to match net liabilities recorded within the statement of financial position. Under International Accounting Standard (IAS) 1 (revised), *Presentation of Financial Statements*, such a closing financial position which shows a surplus of liabilities over assets requires the Accounting Officer to make an assessment of the viability of the Department as a going concern. These accounts have been prepared under the going concern principle.

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 and intangible assets.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department), and the Exceptional Circumstances Body which falls within the Departmental boundary as defined in the *FReM*, interpreted for Northern Ireland. Transactions between entities included in the consolidation are eliminated.

As the results of the Core Department are not materially different from those of the Consolidated Department, the results of the Exceptional Circumstances Body have not been separately disclosed on the Statement of Comprehensive Net Expenditure, Statement of Financial Position and supporting notes.

A list of all those entities within the Departmental boundary is given at note 20.

1.3 Property, plant and equipment

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

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

At each annual reporting date, property, plant and equipment are stated at fair value, determined as follows:

- Land and Buildings

  Title to land and buildings shown in the accounts is held by the Department of Education. Land and buildings are stated at current value in existing use. Land is valued in the year of purchase and buildings in the year in which they are brought into use, using a professional valuation provided by Land and Property Services (LPS), a Division of the Department of Finance, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards incorporating the International Valuation Standards, published in association with the Institute of Revenues Rating and Valuation (IRRV). Subsequently, a full professional valuation is made by LPS every five years and in the intervening years interim valuations are obtained from LPS. The basis of the valuation for each of the property types is as follows:

PROPERTY TYPE	***ASSET CATEGORY***	***BASIS/METHOD OF VALUATION***
School buildings & other associated structures	Land & buildings owner occupied for the purposes of the undertaking **Specialised: operational**	**Current Value in existing use** ***Depreciated Replacement Cost***
Land supporting existing school buildings	Lands owner occupied for the purposes of the undertaking **Non-Specialised: operational**	**Current Value in existing use** ***Existing Use Value (as defined by RICS UK VS 1.3)***
Land for ongoing and future development of school campus	Lands owner occupied for the purposes of the undertaking **Non-Specialised non-operational**	**Current Value in existing use** ***Existing Use Value (as defined by RICS UK VS 1.3)***

- Assets under construction are carried at cost.

- Other assets

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

  The minimum level for capitalisation is £1,000. PCs (including laptops) and network equipment are grouped for all assets utilised in connection with the Departmental Local Area Network.

Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment in accordance with IAS 36, *Impairment of Assets*, and charged in full to the Statement of Comprehensive Net Expenditure.

Impairment reviews of property, plant and equipment are performed annually and additionally where there is an indication of impairment as defined by IAS 36.

1.4 Depreciation

Depreciation of property, plant and equipment is provided on a straight-line basis by reference to current values and to the remaining economic useful lives of assets and their estimated residual value. Freehold land and assets under construction are not depreciated.

Asset lives are reviewed annually and are normally within the following ranges:

Buildings	50 years
Transport equipment	3 to 5 years
Information technology	3 to 10 years
Plant and machinery	3 to 5 years

1.5 Intangible assets

Software and associated licences are capitalised as intangible assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped asset.

Assets under construction are carried at cost. Other intangible assets are measured at depreciated replacement cost using suitable indices compiled by the ONS.

Assets under construction are not amortised. Software licences are amortised over the shorter of the term of the licence and their useful economic life. Other intangible assets are amortised over three years.

1.6 Assets funded by government grants

Government grants to fund capital assets are recognised in the Statement of Comprehensive Net Expenditure as income. They are recognised when receivable unless there are conditions on their use which, if not met, would mean the grant is repayable. In such cases, the income is deferred and released when the obligations are met. Where grants have restricted use and there are no conditions on their use, the income is recognised immediately as income in the Statement of Comprehensive Net Expenditure.

1.7 Investments

In 2004-05 the Department invested in the ''Middletown Centre for Autism (Holdings) Limited'', which is a company registered in Northern Ireland and limited by guarantee. The Company is a joint venture between the Department of Education in Northern Ireland and the Department of Education and Skills in the Republic of Ireland, developed under the 1998 Good Friday Agreement as an agreed area of co-operation within the North South Ministerial Council, and is funded equally by each department.

The primary object of the company is to purchase, acquire and hold the property located at Middletown, Co Armagh, Northern Ireland for the purpose of supporting the promotion of excellence throughout Northern Ireland and Ireland in the development and harmonisation of education and allied services to children and young people with autistic spectrum disorders.

A Board of Directors comprising four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Skills in the Republic of Ireland each nominate two members to the Board.

The investment falls outside the departmental accounting boundary and in accordance with paragraph 8 of FD (DoF) 02/18 has been valued at historical cost less impairment, within the Department's Statement of Financial Position.

1.8 Inventories

Inventories are not deemed to be material, and are expensed to the Statement of Comprehensive Net Expenditure as purchased.

1.9 Operating income

Operating income is income which relates directly to the operating activities of the Department. It includes funding from the Department for the Economy for co-funded NDPBs and other income such as that from the sale of property, plant and equipment by NDPBs. It includes both operating Accruing Resources and income payable to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of Value Added Tax (VAT).

1.10 Administration and programme expenditure

The classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Department of Finance. Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the reporting period date are translated at the rates ruling at that date. These translation differences are dealt with in the Statement of Comprehensive Net Expenditure.

1.12 Employee Benefits including Pensions

Under the requirements of IAS 19, *Employee Benefits*, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been calculated using untaken annual leave balances from the payroll system and untaken flexi-leave balances from the results of a survey. It is not anticipated that the level of untaken leave will vary significantly from year to year.

Past and present employees are covered by the provisions of the Northern Ireland Civil Service Pension arrangements. The defined benefit schemes are multi-employer unfunded schemes, which produce their own resource accounts, but the Department of Education is unable to identify its share of the underlying assets and liabilities. 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 Northern Ireland Civil Service Pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Northern Ireland Civil Service Pension arrangements. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.13 Early departure costs

DE employees

The Department meets the additional cost of benefits beyond the normal Northern Ireland Civil Service Pension arrangements in respect of employees who retire early by paying the required amounts annually to the Northern Ireland Civil Service Pension arrangements over the period between early departure and normal retirement date (or, in the case of Injury Awards, between early departure and estimated life expectancy). The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in current or previous years or, to the estimated life expectancy in respect of Injury Awards. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance Superannuation Vote. The amount provided is shown net of any such payments.

Teachers

The Teachers' Premature Retirement Compensation Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs fall within the remit of the scheme and are therefore not included as a cost within the Departmental Resource Accounts.

1.14 Leases

All leases are regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.15 Grants payable

In line with the *FReM*, the Department recognises grant on the basis of the underlying activity of the recipient as follows:

- The extent of the grant liability in relation to the EA and other NDPBs for both recurrent and capital expenditure is equal to their expenditure to the extent that the latter has been properly incurred. Expenditure in this context is when the EA/NDPBs make the payments which are due to be funded by the Department. This is equivalent to grant issued by the Department.

- Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.

- Grant issued to Voluntary and Grant Maintained Integrated Schools in respect of capital project funding is recognised based on the payments actually made plus accruals for valid grant claims in the possession of the Department.

- Other grant payments are recognised on an accruals basis where such information is available or on the basis of the extent of the grant issued or approved for payment as at 31 March each year.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the reporting period date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently minus 2.42 per cent for general provisions and plus 0.10 per cent for early departure provisions).

1.17 Contingent liabilities

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

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

1.18 Value Added Tax

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

1.19 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 entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is derecognised when, and only when, it is extinguished.

The Department has financial instruments in the form of an investment in the Middletown Centre for Autism (Holdings) Limited, trade receivables and payables and cash and cash equivalents.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the investment in the Middletown Centre for Autism (Holdings) Limited is classified as "held to maturity" and trade receivables, cash and cash equivalents and trade payables are classified as "loans and receivables". The investment held to maturity is measured at historical cost less any impairment. Loans and receivables are recognised and carried at fair value. Financial liabilities are recognised and carried at fair value, net of transaction costs.

The Department assesses at each reporting period date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired.

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.

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

Impairment losses are recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

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.

1.20 Third party assets

Third party assets are assets for which the Department acts as custodian or trustee but in which neither the Department nor government more generally has a direct beneficial interest. Third party assets are not public assets, and hence are not recorded in the primary financial statements. In the interests of general disclosure and transparency, details of the Department's third party assets are provided in note 19.

1.21 Currency and rounding

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

1.22 New accounting standards that have been issued but are not yet effective

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

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

Accounting boundary IFRSs are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in Northern Ireland, which will bring Northern Ireland departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change 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.

IFRS 16 *Leases* is subject to analysis and review by HM Treasury and other Relevant Authorities. It is presumed that it will be adopted from April 2019. As disclosed in note 16.2 the Department has leased Arvalee School (on the Strule Shared Education Campus) to the Education Authority for a peppercorn rent. Once the consultation process is completed the Department will assess the impact of the IFRS 16.

2. Statement of Operating Costs by Operating Segment

Operating segments have been identified on the basis of the financial information reported to the Departmental Board. The financial information reported to the Departmental Board represents Departmental expenditure and resource consumption of the Department's NDPBs. During 2017-18 improvements were made to the structure of the financial information reported to the Departmental Board and focused on the following areas:

Aggregated Schools Budget - the main allocations to schools funded via the Common Funding Formula;

Education Authority (EA) Block Grant – funding allocated to schools from central budgets held by the Education Authority (including: Special Schools; Special Education Needs (SEN) in mainstream; C2k managed ICT service; rates; and teacher substitution costs); and funding attributed to schools for services provided by the Education Authority (including: transport; free school meals; headquarters; pupil support; schools development service; music service; and school library service);

Earmarked budgets - funding allocated for specific activities which meet defined criteria;

Other NDPBs - the Department is supported by Comhairle na Gaelscolaíochta, the Council for Catholic Maintained Schools, the General Teaching Council for Northern Ireland, the Middletown Centre for Autism, the Northern Ireland Council for Integrated Education and the Northern Ireland Council for the Curriculum, Examinations and Assessment;

Other Education Services - range of services, including miscellaneous grants to third party organisations;

Early Years Provision – some specific early years programmes, including the Sure Start Programme and the Pathway Fund;

Youth and Community Relations - resource funding for youth services;

Department of Education costs - salary and administration costs for the Department; and

Capital grants and Departmental capital - capital programmes including Major works, the Schools' Enhancement Programme, the Fresh Start Programme, Minor works schemes, youth capital projects and Departmental non-current assets.

Operating Segments	2017-18 Gross expenditure £000	2017-18 Income £000	2017-18 Net expenditure £000
Aggregated Schools Budget**	1,197,468	-	1,197,468
Education Authority (EA) Block Grant**	598,734	-	598,734
Earmarked budgets**	107,485	(18,136)	89,349
Other NDPBs	26,617	-	26,617
Other Education Services	7,496	-	7,496
Early Years Provision	27,963	-	27,963
Youth and Community Relations	34,019	-	34,019
Department of Education costs	28,547	(58)	28,489
Total resource	**2,028,329**	**(18,194)**	**2,010,135**
Capital grants and Departmental capital	169,057	(587)	168,470
Total resource and capital*	**2,197,386**	**(18,781)**	**2,178,605**

Operating Segments	2016-17 Gross expenditure £000	2016-17 Income £000	2016-17 Net expenditure £000
Aggregated Schools Budget**	1,176,196	-	1,176,196
Education Authority (EA) Block Grant**	588,098	-	588,098
Earmarked budgets**	107,511	(15,313)	92,198
Other NDPBs	30,871	-	30,871
Other Education Services	9,746	-	9,746
Early Years Provision	27,651	-	27,651
Youth and Community Relations	33,357	-	33,357
Department of Education costs	28,333	(114)	28,219
Total resource	**2,001,763**	**(15,427)**	**1,986,336**
Capital grants and Departmental capital	196,730	(406)	196,324
Total resource and capital*	**2,198,493**	**(15,833)**	**2,182,660**

*****The expenditure position reported above includes the cash grant in aid and not the resource and capital outturn reported to the Departmental Board.

**The expenditure position which is based on the cash grant in aid for Aggregated Schools Budget, Education Authority Block Grant and Earmarked budgets has been apportioned using the percentage spend reported by the Education Authority for provisional outturn.

The total assets, total liabilities and net assets are not disclosed as they are not reported separately to the Departmental Board.

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

	2017-18 £000	2016-17 £000
Total net expenditure reported for operating segments	2,178,605	2,182,660
Reconciling items:		
AME – impairments	(867)	1,052
AME – provisions	128	27
Operating income payable to the Consolidated Fund	(2,632)	(2,983)
Depreciation	216	184
Notional charges	3,590	3,546
Departmental capital	(5,946)	(8,516)
Total net expenditure per the statement of comprehensive net expenditure	**2,173,094**	**2,175,970**

3. Other administration costs

	Note	£000	2017-18 £000	£000	2016-17 £000
Staff costs*					
Wages and salaries		10,703		10,388	
Social security costs		1,030		1,016	
Other pension costs		2,196		2,239	
			13,929		13,643
Purchase of goods and services					
Rentals under operating leases		9		9	
Travel and subsistence		73		83	
Other staff related costs		80		183	
Accommodation costs		17		21	
Office services		269		300	
Contracted out services		622		628	
Other professional fees		21		86	
Managed services – information technology		33		30	
Other expenses		240		128	
			1,364		1,468
Non-cash items (Note 3.1)					
Depreciation		10		10	
Amortisation		2		2	
			12		12
Notional charges					
- auditor's remuneration and expenses		54		79	
- accommodation		1,519		1,616	
- others		2,017		1,809	
			3,590		3,504
Increase in provisions (provision provided for in year less any release)	14		128		52
Total			**19,023**		**18,679**

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

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

3.1 Non-cash transactions included in the reconciliation of resources to net cash requirement in note SOAS3 and the Statement of Cash Flows

		2017-18		2016-17
	£000	**£000**	**£000**	**£000**
Depreciation and amortisation (Note 3)	12		12	
Depreciation, amortisation and revaluation (credit)/charge to SOCNE (Note 4)	(663)		1,224	
		(651)		1,236
New provisions, and adjustments to previous provisions (Note 3)	128		52	
New provisions, and adjustments to previous provisions (Note 4)	-		(25)	
		128		27
Other non-cash items				
Notional charges (Note 3)	3,590		3,504	
Notional Minister's salary*	-		42	
		3,590		3,546
Total non-cash transactions (Note SOAS3 and Statement of Cash Flows)		**3,067**		**4,809**

*The notional Minister's salary is disclosed in the Staff Report within the Accountability Report.

3.2 Analysis of notes 3 and 4 for the Statement of Comprehensive Expenditure

	Other administration costs (Note 3) £000	**Programme costs (Note 4) £000**	**2017-18 £000**	**2016-17 £000**
Staff costs	13,929	11,416	25,345	25,194
Purchase of goods and services (including notional charges)	4,954	3,503	8,457	10,263
Depreciation, amortisation and revaluation (credit)/charge	12	(663)	(651)	1,236
Provision expense	128	-	128	27
Other operating expenditure	-	2,161,228	2,161,228	2,158,066
	19,023	**2,175,484**	**2,194,507**	**2,194,786**

4. Programme costs

	Note	£000	2017-18 £000	£000	2016-17 £000
Staff costs*					
Wages and salaries		8,686		8,865	
Social security costs		880		840	
Other pension costs		1,850		1,846	
			11,416		11,551
Other operating expenditure					
Grants		2,160,832		2,158,066	
EU Grant		396		-	
			2,161,228		2,158,066
Purchase of goods and services					
Rentals under operating leases		100		95	
Travel and subsistence		290		330	
Other staff related costs		70		60	
Accommodation costs		25		17	
Office services		1,795		1,609	
Contracted out services		20		42	
Other expenses		1,203		3,138	
			3,503		5,291
Non-cash items (Note 3.1)					
Depreciation		187		122	
Amortisation		17		50	
Revaluation (credit)/charge to SOCNE		(867)		1,052	
			(663)		1,224
Decrease in provisions (provision provided for in year less any release)	14		-		(25)
Total			**2,175,484**		**2,176,107**

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

5. Income

	RfRA £000	RfRB £000	2017-18 Total £000	2016-17 Total £000
Co-funded ALB income (Further Education and Student Support (from Department for the Economy))	12,811	-	12,811	13,530
Shared Education (from Atlantic Philanthropies)	4,244	-	4,244	1,783
Sale of property, plant and equipment (NDPBs)	2,467	1	2,468	2,921
Other income	809	-	809	582
Vulnerable Persons Relocation Scheme	744	-	744	-
European Union Programme for Peace and Reconciliation	337	-	337	-
	21,412	**1**	**21,413**	**18,816**

6. Property, plant and equipment

	Land £000	Buildings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation							
At 1 April 2017	6,180	8,897	25	152	76	11,446	26,776
Additions	-	21	-	-	-	5,914	5,935
Disposals	-	-	-	(59)	(4)	-	(63)
Revaluation credit to SOCNE	-	445	-	-	-	-	445
Revaluations	(26)	19	1	2	1	-	(3)
At 31 March 2018	**6,154**	**9,382**	**26**	**95**	**73**	**17,360**	**33,090**
Depreciation							
At 1 April 2017	-	-	16	108	70	-	194
Charged in year	-	178	7	10	2	-	197
Disposals	-	-	-	(59)	(4)	-	(63)
Revaluation depreciation	-	(172)	-	-	-	-	(172)
Revaluations	-	(6)	1	1	1	-	(3)
At 31 March 2018	**-**	**-**	**24**	**60**	**69**	**-**	**153**
Carrying amount at 31 March 2018	**6,154**	**9,382**	**2**	**35**	**4**	**17,360**	**32,937**
Carrying amount at 31 March 2017	**6,180**	**8,897**	**9**	**44**	**6**	**11,446**	**26,582**
Asset financing							
Owned	6,154	9,382	2	35	4	17,360	32,937
Carrying amount at 31 March 2018	**6,154**	**9,382**	**2**	**35**	**4**	**17,360**	**32,937**
Fair value of assets funded by government grant	**5,854**	**-**	**-**	**-**	**-**	**1,577**	**7,431**

Land comprises a site at Strule (formerly Lisanelly), Omagh, which was transferred from the Ministry of Defence to the Department of Education on 15 April 2011. This land was "gifted" under the Hillsborough Agreement 2010, made 5 February 2010. The Department also owns land at Ormeau Road, Belfast which was purchased in July 2015. Buildings relate to the Strule Shared Education Campus (SSEC).

Land and buildings are stated at current value in existing use. Land is valued in the year of purchase and buildings in the year in which they are brought into use, using a professional valuation provided by Land and Property Services (LPS), a Division of the Department of Finance. Subsequently, a professional valuation is made by LPS every five years and in the intervening years interim valuations are obtained from LPS. A full professional valuation of the land and buildings was undertaken by LPS as at 31 March 2018. All other assets are re-valued using indices.

	Land £000	Buildings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation							
At 1 April 2016	5,745	-	25	143	82	13,023	19,018
Additions	-	1,152	-	5	-	7,333	8,490
Disposals	-	-	-	(1)	(7)	-	(8)
Reclassifications and transfers	-	8,910	-	-	-	(8,910)	-
Revaluation charge to SOCNE	-	(1,165)	-	-	-	-	(1,165)
Revaluations	435	-	-	5	1	-	441
At 31 March 2017	**6,180**	**8,897**	**25**	**152**	**76**	**11,446**	**26,776**
Depreciation							
At 1 April 2016	-	-	8	98	74	-	180
Charged in year	-	113	8	9	2	-	132
Disposals	-	-	-	(1)	(7)	-	(8)
Revaluation depreciation	-	(113)	-	-	-	-	(113)
Revaluations	-	-	-	2	1	-	3
At 31 March 2017	**-**	**-**	**16**	**108**	**70**	**-**	**194**
Carrying amount at 31 March 2017	**6,180**	**8,897**	**9**	**44**	**6**	**11,446**	**26,582**
Carrying amount at 31 March 2016	**5,745**	**-**	**17**	**45**	**8**	**13,023**	**18,838**
Asset financing							
Owned	6,180	8,897	9	44	6	11,446	26,582
Carrying amount at 31 March 2017	**6,180**	**8,897**	**9**	**44**	**6**	**11,446**	**26,582**
Fair value of assets funded by government grant	**5,880**	**-**	**-**	**-**	**-**	**1,577**	**7,457**

7. Intangible assets

	Information technology £000	Software licences £000	Asset under construction £000	Total £000
Cost or valuation				
At 1 April 2017	1,294	19	26	1,339
Additions	-	-	11	11
Revaluations	33	-	-	33
At 31 March 2018	**1,327**	**19**	**37**	**1,383**
Amortisation				
At 1 April 2017	1,275	19	-	1,294
Charged in year	17	2	-	19
Reclassification	2	(2)	-	-
Revaluations	33	-	-	33
At 31 March 2018	**1,327**	**19**	**-**	**1,346**
Carrying amount at 31 March 2018	**-**	**-**	**37**	**37**
Carrying amount at 31 March 2017	**19**	**-**	**26**	**45**
Asset financing				
Owned	-	-	37	37
Carrying amount at 31 March 2018	**-**	**-**	**37**	**37**

	Information technology £000	Software licences £000	Asset under construction £000	Total £000
Cost or valuation				
At 1 April 2016	1,278	22	-	1,300
Additions	-	-	26	26
Disposals	(3)	(3)	-	(6)
Revaluations	19	-	-	19
At 31 March 2017	**1,294**	**19**	**26**	**1,339**
Amortisation				
At 1 April 2016	1,209	20	-	1,229
Charged in year	50	2	-	52
Disposals	(3)	(3)	-	(6)
Revaluations	19	-	-	19
At 31 March 2017	**1,275**	**19**	**-**	**1,294**
Carrying amount at 31 March 2017	**19**	**-**	**26**	**45**
Carrying amount at 31 March 2016	**69**	**2**	**-**	**71**
Asset financing				
Owned	19	-	26	45
Carrying amount at 31 March 2017	**19**	**-**	**26**	**45**

8. Impairments

The Department has incurred the following impairments to current and non-current assets during the financial year.

	Impairment taken through the revaluation reserve £000	Impairment (credit)/charge to the Statement of Comprehensive Net Expenditure £000
Trade receivables bad debt provision	-	14
Property, plant and equipment	-	(617)
Investment	-	(250)
Impairment (credit)/charge for the year ended 31 March 2018	**-**	**(853)**
Impairment charged for the year ended 31 March 2017*	**-**	**1,054**

*The 2016-17 figures have been restated to include the impairment charge for the trade receivables bad debt provision.

9 Financial Instruments

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

Classification of financial instruments

The Department's investments are measured at historical cost less any impairment, while all other financial instruments are measured at fair value. The Department's financial assets include investments which are classified as held to maturity, trade and other receivables and cash and cash equivalents which are classified as loans and receivables. The Department's financial liabilities are classified as loans and receivables and comprise payables and accruals, excluding tax liabilities. The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

The following table shows the net gains/losses recognised through the Statement of Comprehensive Net Expenditure by measurement category:

		From subsequent measurement			Net (gain)/loss	
	From interest £000	At fair value £000	Currency translation £000	Impairment /(reversal of impairment) £000	2017-18 £000	2016-17 £000
Held to maturity	-	-	-	(250)	(250)	-
Loans and receivables	-	-	-	14	14	2
Total	-	-	-	**(236)**	**(236)**	**2**

Risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk and manages its exposure via credit risk management policies which require review of the credit history of the organisations that the Department wishes to trade with. Publicly available credit information from recognised providers is utilised for this purpose where available. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the Statement of Financial Position.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by the Northern Ireland Assembly, as is its capital expenditure. The Department of Education is not, therefore, exposed to significant liquidity risks.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Department receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a receivable when it is initially paid to grant recipients. However, only when the Department submits claims to the EU is the relevant portion of the receivable subject to exchange rate risk.

The Department does not have the authority to manage currency risk through hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

10 Investments in other public bodies

	Middletown Centre for Autism (Holdings) Limited £000
At 1 April 2016 and 1 April 2017	565
Revaluation credit to SOCNE	250
At 31 March 2018	**815**

In the year to 31 March 2005 the Department invested in the "Middletown Centre for Autism (Holdings) Limited" as a joint venture with the Department of Education and Skills in the Republic of Ireland. Both parties fund the company equally.

The investment falls outside the departmental accounting boundary and in accordance with paragraph 8 of FD (DoF) 02/18 has been valued at historical cost less impairment, within the Department's Statement of Financial Position.

11 Cash and cash equivalents

	2017-18 £000	2016-17 £000
At 1 April 2017	(1,703)	(963)
Net change in cash and cash equivalents	1,052	(740)
At 31 March 2018	**(651)**	**(1,703)**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	(651)	(1,703)
At 31 March 2018	**(651)**	**(1,703)**
The balance comprises:		
Bank overdraft	(651)	(1,703)
	(651)	**(1,703)**

12 Trade receivables, financial and other assets

	2017-18 £000	2016-17 £000
Amounts falling due within one year:		
VAT	377	251
EU grants receivable	337	-
Trade receivables	204	240
Other receivables	83	70
Prepayments	23	332
Accrued income	930	426
	1,954	**1,319**
Amounts due from the Consolidated Fund in respect of Supply	3,098	6,469
	5,052	**7,788**

Included within accrued income is £185,000 (2016-17: £nil) that will be due to the Consolidated Fund once the debt is collected.

There are no amounts falling due after more than one year at 31 March 2018 and 31 March 2017.

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

	2017-18 £000	2016-17 £000
At 1 April 2017	60	58
Impairment losses recognised on trade receivables	14	2
Amounts written off as uncollectable	(5)	-
At 31 March 2018	**69**	**60**

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

No interest is charged on the trade receivables. The Department has provided for trade receivables over six months old where there have been no cash receipts in the six months prior to the year end because historical experience is such that trade receivables that are past due beyond six months are generally not recoverable. The following table shows the ageing of receivables past due but not impaired; no provision has been made as there has not been a significant change in credit quality and the Department believes that the amounts are still fully recoverable:

	2017-18 £000	2016-17 £000
Neither past due nor impaired trade receivables		
Less than 1 month	61	132
1 to 3 months	47	2
3 to 6 months	30	26
Past due but not impaired trade receivables	66	80
Impaired trade receivables	69	60
Gross carrying value	**273**	**300**
Less: impairment	(69)	(60)
Net carrying value	**204**	**240**

13 Trade payables and other current liabilities

	2017-18 £000	2016-17 £000
Amounts falling due within one year:		
Bank overdraft (Note 11)	**651**	**1,703**
Other taxation and social security	17,051	17,352
Trade payables	32,100	34,192
Other payables	1,014	710
Accruals	5,962	6,317
Deferred income	2,414	1,131
	58,541	**59,702**
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received from other sources	2,447	4,766
receivable from other sources	185	-
	2,632	**4,766**
	61,824	**66,171**

There are no amounts falling due after more than one year at 31 March 2018 or 31 March 2017.

14 Provisions for liabilities and charges

	Early departure costs £000	Legal claims £000	Total £000
At 1 April 2017	357	54	411
Provided in the year	116	-	116
Provisions utilised in the year	(15)	(50)	(65)
Change in discount rate	12	-	12
At 31 March 2018	**470**	**4**	**474**
Analysis of expected timing of cash flows			
Not later than one year	19	4	23
Later than one year and not later than five years	76	-	76
Later than five years	375	-	375
At 31 March 2018	**470**	**4**	**474**

	Early departure costs £000	Legal claims £000	Total £000
At 1 April 2016	314	176	490
Provided in the year	58	-	58
Provisions not required written back	-	(31)	(31)
Provisions utilised in the year	(15)	(91)	(106)
At 31 March 2017	**357**	**54**	**411**
Analysis of expected timing of cash flows			
Not later than one year	15	54	69
Later than one year and not later than five years	58	-	58
Later than five years	284	-	284
At 31 March 2017	**357**	**54**	**411**

14.1 Early departure costs

The Department is required to meet the costs of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age (or, in the case of Injury Awards estimated life expectancy), and must provide in full for the cost of meeting pensions resulting from such early retirement schemes. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance Superannuation Vote. The Treasury discount rate of 0.10 per cent in real terms has been applied to early departure provisions where the time value of money is significant.

14.2 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. A discount rate has not been applied to the provisions for legal claims as the time value of money is not significant.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 15.

15 Contingent liabilities and contingent assets

15.1 Contingent liabilities

The Department has a contingent liability estimated at £100k for a legal challenge for personal injuries, loss and damages by reason of negligence and breach of duty/contract.

In addition to the above, the Department has entered into a number of guarantees, indemnities or provided letters of comfort, but the possibility of these crystallising is considered to be too remote to require disclosure.

15.2 Contingent assets

The following contingent assets at 31 March 2018 have not been included in the financial statements:

Nature	Number of cases	Value £000
Probable recoupment of monies from school trustees following closure	23	9,793

16 Leases

16.1 Finance leases

The Department does not have any finance leases.

16.2 Operating leases

£109,000 (2016-17: £104,000) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2018 £000	2017 £000
Other		
Not later than one year	7	6
Later than one year and not later than five years	2	8
	9	**14**

In addition to the above, the Department has leased Arvalee School (on the Strule Shared Education Campus) to the Education Authority for a peppercorn rent. The lease runs from 1 September 2016 to 31 August 2020.

17 Capital and other commitments

17.1 Capital commitments

	2018 £000	2017 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	3,568	8,164
	3,568	**8,164**

17.2 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts or service concession arrangements), for the provision of security, facilities management, evaluation and other services.

The payments to which the Department is committed at 31 March are as follows.

	2018 £000	2017 £000
Not later than one year	1,080	1,131
Later than one year and not later than five years	1,041	1,075
	2,121	**2,206**

18 Related-party transactions

The following list represents those bodies for which the Department had direct funding responsibility during this financial year. These bodies are regarded as related parties with which the Department has had material transactions during the year.

Executive NDPBs

Education Authority
Comhairle na Gaelscolaíochta
Council for Catholic Maintained Schools
General Teaching Council for Northern Ireland
Middletown Centre for Autism
Northern Ireland Council for Integrated Education
Northern Ireland Council for the Curriculum, Examinations and Assessment
Youth Council for Northern Ireland

Tribunals

Exceptional Circumstances Body

Other public bodies

Middletown Centre for Autism (Holdings) Limited
Grant Maintained Integrated Schools*
Voluntary Grammar Schools*
Health and Social Care Board in respect of the Sure Start programme

* Note: Other schools, maintained and controlled, were funded via the Education Authority.

The Department of Education has had a small number of transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Department of Finance.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

19 Third-party assets

The Department administers the Endowment and Miscellaneous Trust Funds on behalf of a number of Royal Schools. These are not Departmental assets and are not included in the Statement of Financial Position. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances, and listed securities. They are set out in the table below.

	31 March 2018 £000	**31 March 2017 £000**
Monetary assets such as bank balances	16	14
Listed securities	728	743
Total	**744**	**757**

The Department also holds legal title to a number of Turbary rights (the right to extract peat) and associated land which is held in Trust. These assets are not included within the Departmental accounts on the grounds that the legal basis of the trusts involved ensures that the Department cannot obtain economic benefit from these assets.

20 Entities within the departmental boundary

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

Supply-financed agencies: None

Non-executive NDPBs: Exceptional Circumstances Body

Other entities: None

21 Machinery of Government

Transfer of function from the Department of Education to the Education Authority

Following completion of the necessary legislative amendments in March 2016, to enable the administrative arrangements of the Voluntary Grammar (VG)/Grant Maintained Integrated (GMI) Schools' Funding Authority function to transfer from the Department of Education to the Education Authority, the handover to the Education Authority took place on 1 April 2017.

The transfer did not involve any potential policy changes and the responsibility for the Common Funding Scheme remained with the Department.
As this was a transfer of function only, no staff transferred from the Department to the Education Authority.

The transfer involved the following administrative arrangements of the VG/GMI Schools Funding Authority function:

- Funding authority for VG/GMI schools;
- Financial monitoring for VG/GMI schools;
- VG/GMI schools' VAT claims processing; and
- Management of VG/GMI schools' redundancy programmes.

The transfer has been accounted for using absorption accounting principles in accordance with the FReM. There is no impact on the 2017-18 or 2016-17 Statement of Assembly Supply and related notes, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position or the Statement of Cash Flows and related notes.

22 Events after the reporting period

Voluntary Grammar (VG)/Grant Maintained Integrated (GMI) Schools – transfer of funding authority – Phase II

From 1 April 2018 the following funding streams for the VG/GMI Schools will be transferred from the Department of Education to the Education Authority:

- Extended Schools;
- Entitlement Framework;
- PPP/PFI Unitary Payments;
- Education Maintenance Allowance; and

- Free School Meals.

There are no other events after the reporting period relating to the 2017-18 financial year.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 25 June 2018.

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