



Department for  
**Employment  
and Learning**  
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**SKILLS**  
TO SUCCEED

Department for Employment and Learning  
**ANNUAL REPORT**  
2015 / 16

**Department for Employment and Learning**

**Annual Report and Accounts**

**For the year ended 31 March 2016**

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

*1 July 2016*



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From 9th May, the Department for the Economy (DfE) and the Department for Communities (DfC) will have responsibility for the activities previously carried out by the former Department for Employment and Learning.

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# CONTENTS

## Performance Report

- Overview 1
- Performance Analysis 11

## Accountability Report

- **Corporate Governance Report**
  - Directors' Report 46
  - Statement of Accounting Officer's Responsibilities 49
  - Governance Statement 50
- **Departmental Remuneration and Staff Report** 66
- **Assembly Accountability and Audit Report**
  - Statement of Assembly Supply and Supporting Notes 80
  - Other Assembly Accountability Disclosures 85
  - Certificate and Report of the Comptroller and Auditor General 92

## Financial Statements

- Statement of Comprehensive Net Expenditure 94
- Statement of Financial Position 95
- Statement of Cash Flows 96
- Statement of Changes in Taxpayers' Equity 97
- Notes to the Accounts 98

## Annex A – Financial Data 130

## **Permanent Secretary's Statement**

I am pleased to present the Annual Report for 2015-16 for the Department for Employment and Learning in respect of its final year of existence.

This has been a milestone year for the Department for a variety of reasons. Notwithstanding a very significant reduction in the Department's budget in 2015-16, compared with the previous year, momentum in policy development and service delivery was maintained across the full gamut of the Department's responsibilities. Major policy developments included the publication of "Generating our Success", the new strategy for youth training, "Further Education means Success", the new strategy for the further education sector, and "Preparing for Success", the updated strategy for the delivery of careers education, information, advice and guidance. During the course of the year an Employment Bill was progressed through the Assembly and received Royal Assent just after the year end. Important work was taken forward on delivering pilot Higher Level Apprenticeships as part of the new Apprenticeship Strategy, and the first year of the new European Social Fund Programme for Northern Ireland was implemented. The annual report provides a more detailed flavour of the full range of activity across the Department's priorities.

Two factors make this record of delivery all the more creditable. During the course of 2015-16 the Department, like the rest of Northern Ireland Civil Service, participated in a voluntary exit scheme which saw a significant reduction in its staffing complement with the loss of many experienced and talented colleagues. The Department was also at the heart of the programme of work on reducing the number of Government Departments, preparing for its dissolution and the allocation of its functions to the new Department for the Economy and Department for Communities. Despite these organisational upheavals, the Department maintained a strong focus on its core business of investing in the skills of the local population as part of the wider effort to support economic development.

The Department for Employment and Learning was dissolved on 9 May 2016. The Department had a proud record of delivery and I am sure that this will be continued into the future as its functions are henceforth delivered in new Departments.

For the 2015-16 accounts, the Accounting Officer for the Department for the Economy, Dr Andrew McCormick, takes on the responsibilities associated with the annual accounts for the Department for Employment and Learning.

**Derek Baker**

## **Purpose and Activities of the Department**

### **OUR VISION**

'A dynamic, innovative and sustainable economy where everyone achieves his or her own full potential'.

### **OUR AIM**

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

### **OUR PURPOSE**

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

### **OUR VALUES**

The values of equity, efficiency and effectiveness underpin the Department's delivery of the commitments in its Corporate Plan.

The Department will:

- focus on its key priorities;
- seek to provide a first class service to its customers in an impartial way;
- strive to improve continually as an organisation; and
- motivate, develop and value its staff.

We will contribute to the creation of a shared future - promoting integration and reducing division.

### **OUR STRATEGIC OBJECTIVES**

Our strategic objectives are:

- to promote economic, social and personal development through high quality learning, research and skills training; and
- to help people into employment and promote good employment practices.

### **MAIN AREAS OF ACTIVITY**

We pursue these objectives through four main areas of activity:

- promoting the provision of learning and skills, including entrepreneurship, enterprise, management and leadership;
- encouraging research and development, creativity and innovation in the Northern Ireland economy;
- helping individuals to acquire jobs, including self employment, and improving the linkages between employment programmes and skills development; and
- developing and maintaining a 'fit for purpose' employment law framework.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

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### **OUR RESOURCES**

The Department's provisional outturn for 2015-16 was £674.2 million.

We had over 1,900 staff members working across the Department on a wide range of issues.

Our Acting Permanent Secretary, Derek Baker, was responsible for providing policy advice to the Department's Minister.

He was supported by two Deputy Secretaries who in turn were supported by the Department's eight Directors.

### **OUR MINISTER**

Our Minister was Dr Stephen Farry MLA

### **OUR PARTNERS**

We worked with a diverse range of partners to deliver our activities including:

- six Further Education colleges;
- the Higher Education Institutions;
- the Labour Relations Agency;
- CITB NI;
- Ulster Supported Employment Limited;
- the voluntary and community sector; and
- the business community.

### **OUR WORK**

**Our work was brigaded across seven strategic themes**

**Improving Productivity, Enhancing Skills** – working with employers, the further and higher education sectors and training organisations to improve the skills levels of our working age population.

**Addressing Barriers, Supporting People** – promoting equal access to all of the Department's services.

**Improving Quality, Raising Standards** – assessing the quality and performance of our programmes and provision and identifying key actions for improvement.

**Understanding Demand, Responding to Need** – understanding the needs and demands placed on our services through effective labour market information, research and statistics.

**Improving Engagement, Developing Partnerships** – working with our diverse range of partners to deliver upon the skills, employment and innovation agendas in Northern Ireland.

**Delivering Governance, Maximising Value** – improving the performance, quality and value for money of all our services and provision within the context of a sound governance framework.

**Leading People, Improving Performance** – creating the conditions under which all staff can operate effectively, promoting individual and team development that drives organisational improvement.

## Key issues and risks facing the Department

The Department's approach to the management of risk and the significant risks and uncertainties facing the Department is contained within the Governance Statement, page 50.

## Performance Summary for 2015-16

### Performance at a glance

<p><b>115,500</b></p> <p>The enrolments for professional and technical provision in Northern Ireland's six Further Education Colleges in academic year 2014-15 with 90% achievement rate (the most recent available data).</p>	<p><b>73,469</b></p> <p>The number of qualifications at level 2 and above achieved by the working age population.</p>	<p><b>31,061</b></p> <p>The number of people the Department helped find work (9,680 aged between 18-24).</p>
<p><b>33,878</b></p> <p>The number of careers guidance interviews that the Careers Service delivered to young people by March 2016.</p>	<p><b>1,286</b></p> <p>The number availing of Apprenticeships and Training for Success.</p>	<p><b>1,419</b></p> <p>The number of additional STEM (Science, Technology, Engineering and Mathematics) undergraduate places funded by the Department in the Universities and Further Education Colleges.</p>
<p><b>1,194</b></p> <p>The potential creation of jobs under the Assured Skills Programme.</p>	<p><b>729</b></p> <p>The number of post graduate research posts funded at a value of £44.5m.</p>	<p><b>450</b></p> <p>The number of higher level apprentices (level 3 &amp; above) who have completed or are undertaking off the job learning across all six Further Education Colleges. Qualifications achieved during academic year 2014-15 (the most recent available data).</p>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

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The Department's business plan for 2015-16 contained 48 key commitments (five of which were carried forward Programme for Government commitments).

These commitments underpinned the Department's seven strategic themes of:

- Improving Productivity, Enhancing Skills;
- Addressing Barriers, Supporting People;
- Improving Quality, Raising Standards;
- Understanding Demand, Responding to Need;
- Improving Engagement, Developing Partnerships;
- Delivering Governance, Maximising Value; and
- Leading People, Improving Performance.

Performance against the commitments was monitored at quarterly intervals throughout the year and graded according to the 'modified traffic light' assessment of Red, Amber, Green/Amber and Green (RAG). The RAG assessments applicable were:

- Red - severe difficulties (commitment has not been or is not expected to be achieved)
- Amber - significant difficulties (rate of progress less than planned)
- Green/Amber - broadly on track (small but redeemable deviations)
- Green - on track (commitment has been or is expected to be achieved)

The table below reflects the year end position of achievement of these targets using the traffic light 'RAG' status. Of the 48 commitments:

- 39 are noted as being achieved;
- one is noted as being broadly on track for achievement;
- five have been noted as the progress being less than planned; and
- three have been noted as not being achieved.

Further analysis by each strategic theme is included at pages 11 – 37.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

<b>Commitments</b>		<b>Status</b>
<b><i>Improving Productivity, Enhancing Skills</i></b>		
A1	To deliver 64,000 qualifications at level 2 and above through DEL training, further education and higher education.	
A2	To achieve at least 20% representation as measured over the period 2015-16, from the most deprived areas in DEL provision. DEL provision comprises Essential Skills, employment and training programmes, further education and higher education. Most deprived areas comprise those in the lowest quintile on the Northern Ireland Multiple Deprivation Measure (MDM).	
A3	To maintain funding for additional 850 higher education places in STEM subject areas.	
A4	To develop a revised Leadership and Management Strategy, to reflect the current and future management needs of Northern Ireland companies (including micro-businesses) and social enterprises. Interim report published and recommendations agreed by March 2016.	
A5	To make available £3m via Letters of Offer to deliver the Assured Skills project to support the inward investment activity of Invest NI. In addition a further £2m Change Fund will be made available during the financial year 2015/16 for upfront investment to achieve longer term benefits.	
A6	To review the actions in the Skills Strategy to ensure the targets are achieved.	
A7	To make £0.8m available in the 2015-16 budget year for Northern Ireland Micro Businesses, SMEs and Social Economy Enterprises (SEEs) to develop their leadership and management capacity.	
A8	To commence the implementation of the apprenticeship strategy through a series of pilots to test key aspects of the new model, in preparation for its full implementation in 2016. To pilot apprenticeships, principally at level 3 and above to test aspects of the new apprenticeship model, as articulated in the NI Strategy on Apprenticeships. These pilots will inform full implementation of the new model which will commence in September 2016.	
A9	Following the review of Youth Training Interim Report (published in November 2014), and its public consultation, to publish a final policy statement and implementation strategy document by Spring 2015.	
A10	To develop a new Further Education Strategy for Northern Ireland. Drafting of consultation document is nearing completion and will issue for public consultation in April/May 2015. A 12 week consultation period will follow with the strategy published before the end of 2015.	

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**OVERVIEW**  
**for the year ended 31 March 2016**

A11	To continue the implementation of projects flowing from the Department's two Higher Education Strategies: Graduating to Success - the Higher Education Strategy for Northern Ireland and Access to Success, the Integrated Regional Strategy for Widening Participation in Higher Education.	
<b>Addressing Barriers, Supporting People</b>		
B1	To further enhance achievement rates in Essential Skills and aim to deliver an additional 7,500 Level 2 qualifications in literacy, numeracy and ICT skills by March 2016.	
B2	To assist 25,000 working age benefit clients into employment in 2015/16. Cumulative target 162,000 (2011/16)	
B3	To commence implementation of the new Economic Inactivity Strategy 'Enabling Success', in partnership with the Department of Enterprise, Trade and Investment (DETI), Department for Social Development, InvestNI and the Department of Health, Social Services and Public Safety.	
B4	During 2015/16, in conjunction with the SSA, to introduce a number of early implementation activities preparing staff and claimants for the introduction of Universal Credit in Northern Ireland from May 2016, and by 31 March 2016 to identify and plan for the deployment of appropriate IT systems required by UC clients.	
B5	To successfully launch a new Employment and Skills Strategy for People with Disabilities by end of January 2016.	
B6	To develop the United Youth Programme in partnership with OFMDFM and other relevant departments. To fund organisations to deliver approximately 10 pilots during 2015/16, targeting approximately 300 young people aged 16-24 who are not in education, employment or training. These pilots will help inform the roll out of the United Youth Programme, which is anticipated to take place in 2016.	
B7	Through the European Social Fund, to work with the successful ESF applicant organisations and through a number of Departmental programmes to reduce economic inactivity and improve access to skills training for 132,600 people through the lifespan of the new ESF Programme 2014-2020.	
B8	To secure passage of an Assembly Bill and regulations to introduce, from April 2015, a new right to shared parental leave and an extended right to request flexible working.	
B9	Supporting the Northern Ireland Economic strategy, we will provide at least 85% (circa between 23,000-24,000) of pupils in their final year of compulsory schooling with face to face impartial and professional careers guidance, and conduct over 15,000 guidance interviews with adults, contributing to economic growth and social mobility.	

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

B10	<p>To implement the Careers Review recommendations focusing on 4 key areas:</p> <p>1) Development of an accountability and quality assurance framework, including a possible statutory duty to provide impartial advice, by March 2016.</p> <p>2) Enhancing online provision including introduction of an instant messaging service by September 2015;</p> <p>3) Development of a central work experience website to provide guidance and information to pupils, schools, employers and parents on the benefits, selection and organisation of work experience. Scoping the potential for development of a central portal to ensure equal access to work experience for young people by September 2016; and</p> <p>4) Ensuring that all young people and parents have access to impartial and professional careers advice about opportunities and pathways in areas of employment growth, and of economic importance to Northern Ireland by March 2016.</p>	
B11	<p>To ensure there are no increases in student fees beyond the rate of inflation for Northern Ireland students studying here.</p>	
<b><i>Improving Quality, Raising Standards</i></b>		
C1	<p>To apply a rigorous continuous quality improvement framework across all our providers including publication of the sixth DEL Quality and Performance Assessment Report during the financial year (pending publication timeframe review).</p>	
C2	<p>To help the further education sector achieve a more sustainable, coherent and modern estate by providing £17.5m of capital investment (to bring forward the design phase of seven major new capital investment projects and to ensure the completion of the Performing Arts, Technology and Innovation Centre in Bangor. This funding will also permit significant investment in minor capital projects across all six colleges).</p>	
C3	<p>To help the higher education sector to improve the quality of the teaching and learning environment by providing £15.6m of capital investment.</p>	
C4	<p>Through the new Connected 3 programme, support our universities and FE colleges to undertake a further 111 knowledge exchange projects on behalf of local businesses by March 2016.</p>	
<b><i>Understanding Demand, Responding to Need</i></b>		
D1	<p>Implement the DEL Research Agenda for the period 2012 – 2016 "Underpinning Success". Conduct a programme of research and evaluation and publish a range of statistical bulletins on aspects of</p>	

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

	our services to appropriate quality standards and in a timely manner, so that policy decisions and programmes are informed by a robust evidence base.	
D2	To implement legislation to introduce, from April 2016, revised rules and procedures for employment tribunals.	
D3	Using the Principles Of "Better Regulation" - complete a consultation on the revision of Tribunal Rules and Processes by December 2015 and establish an Expert Working Group to review the TUPE Regulations (2006) and the Service Provision Change Regulations (2006) by September 2015.	
D4	To introduce an Employment Bill by June 2015 and to ensure successful passage by February 2016.	
<b><i>Improving Engagement, Developing Partnerships</i></b>		
E1	To work with the further education sector to develop and implement the provision of shared services across the sector. Shared Service provision across Procurement & Advertising and Marketing in place: other areas including Online enrolment, Customer Relationship and Management Information System (MIS) to be delivered in 2015-16.	
E2	Through BMC and NWRC deliver a range of learning and skills programmes on behalf of the Northern Ireland Prison Service from 1 April 2015. This will contribute to the DoJ/NIPS reform of prison education and will contribute to the overall DoJ objective of reducing reoffending. The objective in 2015-16 is to embed the new arrangements with a view to evaluating impact in 2017.	
E3	To work with other administrations in the UK to develop National Occupational Standards (NOS) policy to maintain comparability and portability of vocational qualifications. UK- wide NOS Governance Panel in place and collective arrangements to procure required NOS in place. The target date for agreement on the new arrangements is November 2015.	
E4	To participate in 50 cross-departmental strategy and policy development groups towards better joined-up working across Government by 31 March 2016.	
E5	To contribute to the work of the Barroso Taskforce by identifying and submitting DEL priorities and implementation plan by June 2015. (Ongoing monitoring and appropriate action to achieve identified targets).	
E6	To continue to lead the work of a Stakeholder Advisory Group and during 2015 hold three formal meetings to further implement the strategy for young people who are not in education, employment or training.	
E7	To continue to work with DE, DETI, DCAL, DARD and DHSSPS to implement the STEM Strategy, 'Success through STEM' and to complete a stocktake and refresh of the Strategy.	

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
OVERVIEW  
for the year ended 31 March 2016**

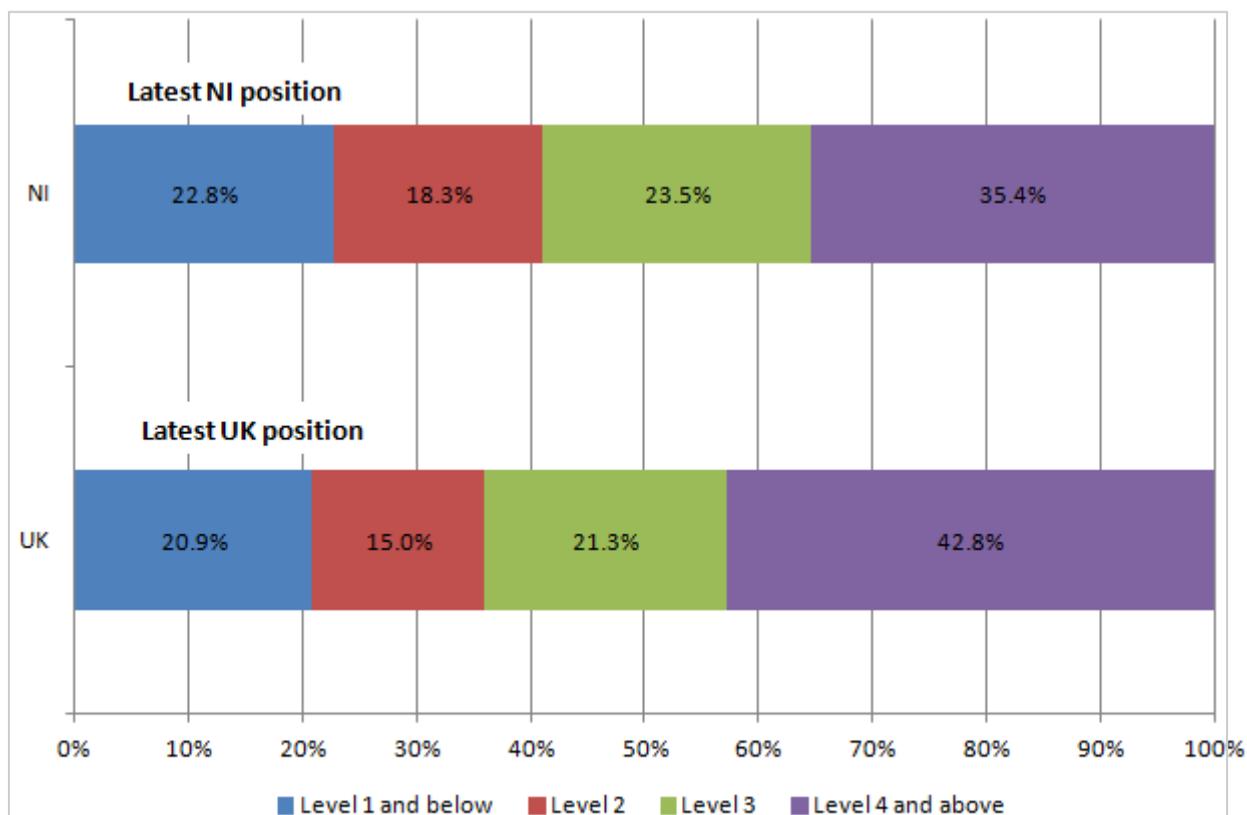
E8	To work with senior colleagues in DETI and DSD to ensure a smooth transition of functions from DEL to the new Department for the Economy and Department for Communities.	
<b><i>Delivering Governance, Maximising Value</i></b>		
F1	To implement a savings plan which will generate reductions in expenditure of some £63.3m to provide for investment in priority services and ensure we live within our budget.	
F2	To ensure that our Provisional Non-Ring fenced Outturn (Capital and Resource) is at least 99% of the Final Budget.	
F3	To produce the annual Resource Accounts on time and to professional standards.	
F4	To continue to ensure compliance with Equality and Human Rights responsibilities.	
F5	Continue to maintain the core funding of the Universities' knowledge exchange activities through the new NI Higher Education Innovation Fund (HEIF) 4 funding streams (£3.96m per annum) with targets for the Universities to: undertake 1,792 SME engagements; secure Intellectual Property income of £950k; and establish four new spin out businesses. (All by end of Academic Year 2014/15, reportable Nov 2015).	
F6	To ensure migration of Further Education sector procurement activities to Central Procurement Directorate. Project Board has overseen transfer of procurement activities in line with Northern Ireland Public Procurement Policy and the process is ongoing.	
<b><i>Leading People, Improving Performance</i></b>		
G1	To ensure our leaders at all levels have the skills to lead positively and effectively in order to deliver key business results with focus on delivering operational excellence in this period of unprecedented change.	
G2	To continue to implement our people strategy through our year 2 people plan and maintain our Investors in People (IiP) accreditation.	
G3	To reduce the days lost per member of staff through sickness to 7.9 days by March 2016 through robust application of absence management policies and to support staff to maintain and improve their health and wellbeing.	
G4	To formulate and oversee the implementation of the 2015-16 workforce plan to ensure that the department achieves the required 7.99% saving in staffing costs.	

## **PERFORMANCE ANALYSIS BY THE SEVEN STRATEGIC THEMES**

### **A Improving Productivity, Enhancing Skills**

In comparison to the UK position, it is clear that Northern Ireland has a higher proportion of individuals in employment with no or low qualifications – over 41% have Level 2 or below in Northern Ireland compared to around 36% across the UK. Just over 35% are qualified to Level 4 and above which is below the UK average of almost 43%. There is therefore a real need to enhance skills levels to increase productivity and improve economic competitiveness to be in line with the rest of the UK.

#### **Highest level of qualification attained by people in employment**



*Source: Labour Force Survey  
 2015 data are from Q4*

## Key strategies in place to develop the skills and employability of the Northern Ireland workforce

**Success through Skills – Transforming Futures**, the skills strategy for Northern Ireland, considers the current skills base, examines the skills we are likely to need in the future to grow the Northern Ireland economy and highlights a number of areas for action.

**Structured to Deliver Success** sets out how the work undertaken by the Department in relation to Further Education, Higher Education, training, the Careers Service, the Employment Service and employment law comes together to provide one overall Skills Implementation Plan to achieve the goals set out in *‘Success through Skills – Transforming Futures’*.

Structured to Deliver Success can be accessed at the following website:  
<https://www.economy-ni.gov.uk/publications/success-through-skills-structured-deliver-success-0>

**Success through STEM**, the Science, Technology, Engineering and Mathematics strategy brings together the work of six Departments. Much progress has been made in implementing this strategy to date.

**Preparing for Success, 2015-2020 – A Strategy for Careers Education and Guidance**, builds on the achievements of Preparing for Success 2009-2014 and sets out the vision, guiding principles, aims and objectives for the careers system in Northern Ireland for the coming years. The overall vision is that through the implementation of the Strategy and associated action plan, young people and adults are encouraged to develop the skills and qualifications most valued by employers, to realise their potential, enabling them to access and progress in fulfilling employment. The aim of the strategy is to develop effective career decision-makers leading to increased and appropriate participation in education, training and employment, thus contributing to social and economic prosperity.

**Graduating to Success**, a Higher Education strategy for Northern Ireland, sets out the long term vision for the Higher Education sector with implementation targets spanning the period from 2013 until 2020.

**Securing our Success**, the Northern Ireland Strategy on Apprenticeships was launched in June 2014 and sets out new policy commitments and an implementation plan to ensure their delivery. Through a strong matching of supply and demand, the new model will facilitate economic and social progress, employers will play a lead role in ensuring the provision and content of an apprenticeship meets their needs, while apprentices will know they have skills which will be valued and rewarded.

**Generating our Success**, the Northern Ireland Strategy for Youth Training, published in June 2015, aims to establish a new system of professional and technical learning for all young people, aged 16-24, requiring training at level 2 (broadly equivalent to GCSE). This new youth training system has a dual purpose:

- providing young people with a solid foundation of skills, experience and qualifications recognised and valued by employers and relevant in today's labour market; and
- providing them with broad-based knowledge and skills as the basis from which they can access future opportunities for employment or study at a higher level.

**Further Education Means Success**, the new Further Education Strategy for Northern Ireland, which sets out the future direction of further education in Northern Ireland, was launched on 12 January 2016.

## **Achievements in 2015-16**

### **Programme for Government Commitment – STEM places**

*“Increase uptake in economically relevant Science, Technology, Engineering and Mathematics places.”*

This commitment enables the Department fund an additional 700 STEM places across the lifetime of the Programme for Government 2011-15. By the end of the Programme, the number of students enrolled in economically relevant STEM places had increased by 990, well in excess of the original target.

### **Programme for Government Commitment – Tuition fees**

*“Ensure there are no increases in student fees beyond the rate of inflation for Northern Ireland students studying here.”*

The legislation maintaining tuition fees as they are for 2016-17, apart from annual inflationary increases, was introduced in May 2015.

### **Programme for Government Commitment – Upskilling**

*“Upskill the working age population by delivering over 200,000 qualifications.”*

Over the four year period under review up to academic year 2013-14, almost 300,000 Level 2 and above full qualifications were delivered. In the absence of a PfG during 2015-16, the Department set its own target to deliver a further 64,000 qualifications at Level 2 and above. For the academic year 2014-15, 73,469 qualifications were achieved, surpassing the target by almost 15%.

### **Apprenticeships and Youth Training**

In advance of implementation of the new youth training and apprenticeship systems, a number of pilots commenced during the 2015-16 academic year.

A total of 16 youth training pilots for the non-employed route were approved to commence in the Further Education Sector from September 2015. These pilots, which are either one year or two years in duration, cover a wide range of occupational areas. As at 29 January 2016, 226 young people aged 16-24 are taking part in the pilots. Initial feedback from the Education and Training Inspectorate's first phase of longitudinal evaluation of the youth training pilots has been very positive.

There are also currently two level 3 apprenticeship pilots taking place in the FE sector in the occupational areas of Dental Nursing and Automotive Engineering. As at 29 January 2016, 28 apprentices are taking part in these pilots.

Higher Level Apprenticeship (HLA) pilots (level 4 and above, equivalent to sub-degree to PhD level) are underway in a broad range of priority occupational areas including: Life Sciences, Insurance, International Tourism and Hospitality Management, Engineering, Building Gas Management, ICT, Business Technology, Sustainable Construction, Civil & Environmental Engineering, Food Manufacturing, Automotive Engineering, Animation, Film and Video, Social Media and Digital Marketing and Professional Services.

More than 450 higher apprentices have completed or are undertaking their off-the-job learning across all six Further Education colleges and Ulster University. Over 50 employers are already engaged in these pilots that are in occupational areas which align closely with the findings of the first Skills Barometer report. In the 2015-16 year, 244 individuals commenced apprenticeships with off the job training delivered by the Further Education and Higher Education sectors.

Further pilots will be undertaken during the 2016-17 academic year. It is expected that the new apprenticeship and youth training systems will be fully rolled out from September 2017.

### **Assured Skills**

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

During 2015-16 agreements were put in place with three companies supporting the potential creation of 1,194 jobs.

In addition, Assured Skills provided seven capacity building projects via the Change Fund (Academy model). The Academy model is a short term intervention to help companies to meet specific needs. To date, we have upskilled unemployed graduates in software testing, cloud computing, data analytics, professional software development

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

---

and sales and marketing. The Academy model has proven hugely successful with high numbers of graduates obtaining employment following completion of an Academy. Between 80%-100% participants have obtained employment as a result of the Academy model.

### **Management Development**

Management Development offers a range of development support to micro businesses (fewer than 10 Full-time Equivalent employees), small to medium-sized enterprises (10-250 Full-time Equivalent employees) and social economy enterprises in Northern Ireland. During 2015-16:

- more than 695 individual managers were trained through the Management and Leadership Development Programme;
- the INTRO Graduate Management Development programme enabled 100 graduates to enter managerial positions and receive important Level 5 management training; and
- in February 2016 the Department provided support for a major event for micro businesses in the Causeway and Glens council area. Several hundred participants heard about the opportunities available to help develop key management and leadership competences and also be inspired by successful local and international entrepreneurs.

### **Further Education Means Success**

The new Further Education strategy was launched on 12 January 2016. A Programme for Implementation, which sets out the key milestones and associated timescales for delivery of the 21 policy commitments within the new strategy through eight separate, but related, projects, was published on 15 March 2016. The strategy will be implemented jointly by the Department and the Further Education sector.

### **Further Education Colleges' Performance**

The Department remains committed to ensuring high quality delivery of education and training and better outcomes for students in the sector. In the 2014-15 academic year, the latest year for which validated data is available, Further Education learner retention and achievement rates were 92% and 90% respectively.

In the academic year 2014-15, there were just over 115,500 enrolments for professional and technical provision in Northern Ireland's six Further Education colleges. Departmental funding provided the infrastructure required to support a number of activities in the Further Education sector in terms of curriculum, ICT, qualifications and support for students encountering a range of difficulties.

For further detailed analysis, see the statistical bulletin: 'Further Education Activity in Northern Ireland: 2010-11 to 2014-15'

<https://www.economy-ni.gov.uk/publications/further-education-activity-fe-colleges-northern-ireland-201415>

### **Foundation Degrees**

The Department remains committed to the expansion of Foundation degrees as the primary intermediate level Higher Education qualification in Northern Ireland. During 2015-16 the Department in conjunction with the Further Education Colleges, continued to promote the benefits of Foundation degrees to both employers and to those in work. The biggest increase in enrolments has been in those taking the qualification on a part-time basis thereby enhancing the skills and employability of the workforce. There are currently 78 full-time and 73 part-time Foundation degree courses available across the Further Education colleges and the College of Agriculture, Food and Rural Enterprise.

### **Higher Education Research Funding**

The Department provided circa £44.5 million in mainstream research funding for academic year 2015-16. An additional 234 postgraduate places, on top of the 495 core places were also allocated in this academic year.

### **Careers Service**

The Careers Service across Northern Ireland ensures that young people have access to impartial advice and guidance at critical transition stages in their education. During 2015-16, the Careers Service:

- delivered 33,878 individual careers guidance interviews to young people (during September 2014 to August 2015 academic year);
- interviewed 95% of year 12 pupils (a total of 22,330 interviews on a one-to-one basis) against a target of 85%; and
- delivered 11,904 adult guidance interviews with both unemployed and employed clients.

### **Employer Support Programme**

In April 2015 Skills Focus, a new strand under the Employer Support Programme, was introduced. The purpose of Skills Focus is to meet business needs by increasing the skills levels and employability of the existing workforce to accredited qualification at level 2 and above. In 2015-16, the first year of the new programme resulted in 418 projects with 1519 employees being upskilled to level 2 or above.

### **'SPACE Centre', Bangor**

The South Eastern Regional College's Performing Arts, Computing and Engineering facility (SPACE) in Bangor was officially opened by Minister Farry on Tuesday 13 October 2015. SPACE, a £12 million capital investment has approximately 180 students following courses in performing arts and music. In addition, the facility has approximately 160 students studying computing and engineering.

### **WorldSkills and Skills Competitions**

The enhancement of skills in Northern Ireland is reflected through our representation and achievement at various skills competitions. It has been another very successful year for Northern Ireland competitors:

- Northern Ireland had 7 competitors (out of total of 41) on Team UK for the WorldSkills Sao Paulo, 2015 and they won one gold, two silver and one bronze medal and a medallion of excellence;
- Northern Ireland currently has 22 competitors competing for a place on Team UK for the next WorldSkills competition in Abu Dhabi in October 2017; and
- Northern Ireland had a number of representatives at the Skills Show who performed exceptionally well winning 16 medals (seven gold, four silver and five bronze) and three commendations out of a UK total of 33.

## **B Addressing Barriers, Supporting People**

Equal access to the Department's services is fundamental to ensuring that all can share in and contribute to the economic success of Northern Ireland.

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

### **Measures in place to support people to enter employment, stay in employment and move up the skills ladder**

#### **Programme for Government Commitment – Moving People into Employment**

*“Support people (with an emphasis on young people) into employment by providing skills and training.”*

The Programme for Government committed the Department to help 114,000 people into employment between 2011-12 and 2014-15. Up to 31 March 2016 the Department had assisted 182,160 working age benefit clients into employment. For the year to 31 March 2016, we helped 31,061 people find work of which 9,680 (31.16%) were aged between 18–24.

#### **Training Programmes**

The Department continued to deliver on its upskilling objectives through its key training programmes, ApprenticeshipsNI and Training for Success. The most recent data available indicates that occupancy levels at the end of November 2015 were 6,564 Apprentices and 6,296 Training for Success participants.

#### **Essential Skills**

In 2015-16 there have been just over 40,500 enrolments (just over 14,500 individuals<sup>1</sup>) in Essential Skills courses with individuals gaining just over 31,500 qualifications. In the most recent academic year, 27% of enrolments were from the most deprived quintile of Northern Ireland super output areas.

A complete review of the Essential Skills Strategy was commenced during 2015-16. This work is nearing completion and will ensure that the curriculum is effectively updated as well as contextualised to address the varying needs of learners. It will also ensure that assessment arrangements are robust. The new arrangements will be in place for first teaching in September 2016.

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<sup>1</sup> An individual may do one, two or all three Essential Skills qualifications

### **Access to Success**

The strategy is aimed at widening participation in higher education by students from those sections of society which are currently under represented, in particular students from disadvantaged backgrounds and those with disabilities and learning difficulties. The Department's vision for widening participation is that any qualified individual in Northern Ireland should be able to gain access to higher education that is right for them, irrespective of their personal or social background. The Department makes available a range of financial and other support, through the higher education institutions, to ensure that students can enter higher education based upon their ability to learn, not their ability to pay.

### **Careers Online Services and Information**

The careers online information continues to be one of the most popular areas on the NI Direct platform with pages receiving over 400,000 unique views during 2015-16. Online services are supported by a dedicated social media campaign which uses Facebook and Twitter channels to promote key messages, careers events, open days and training opportunities throughout the year.

### **Careers Software and Assessment Tools**

Careers Software includes a suite of online career matching tools which aim to support young people and adults through the career planning process. Between April 2015 and March 2016, a total of 50,747 new registered users accessed the career matching tools. In addition, a total of 100,767 users have accessed the online career tools, CV builder and Careers A-Z via the NI Direct website.

A total of 1,726 Motivation, Attitude and Aptitude Personal Style (MAPS) assessments were carried out with clients during 2015/16. Over 94% of clients surveyed agreed that completing the MAPS assessment created positive motivational improvement towards taking action to achieving their career goals. The client demographic of those clients completing the survey showed nearly 39% of the client group were unemployed. Of the remaining clients, 49% were in education and 12% were in employment.

### **Work Experience**

In July 2015, a series of dedicated work experience webpages were developed to provide guidance and information on the benefits, selection and organisation of work experience.

In addition, a separate section dedicated to employers has been created on the nibusinessinfo.co.uk website to provide support to employers in planning and organising work experience opportunities.

Between going live in July 2015 to March 2016, the parent and pupil work experience webpages on NI Direct have received a total of 8,493 views. The work experience section for employers on nibusinessinfo has received 1,847 views to date.

### **Careers Video – ‘How the Careers Service can help you’**

In July 2015, the Careers Service launched a new promotional video aimed at raising awareness of the services it offers. The video highlights how professionally qualified careers advisers provide impartial, all-age careers information, advice and guidance service throughout Northern Ireland. The video is available to view on the NI Direct website and YouTube channel.

### **Careers Webchat**

In November 2015, the Careers Service launched a new webchat service offering clients immediate access to help and support without the need for an appointment or having to travel to a careers office. The new service is aimed at assisting those clients who may have difficulty accessing services in the traditional office setting. The anonymity of the service also has an appeal for those clients who may lack confidence, or have other barriers which could deter them from engaging face to face.

## **Measures in place to support Young People**

### **Pathways to Success**

Pathways to Success is the Northern Ireland cross departmental strategy designed to address the issue of young people who are Not in Education, Employment or Training (NEET) with particular focus on helping those young people who face barriers to participation.

The Department supports young people not in employment, education or training through the new European Social Fund (ESF) Programme which commenced in April 2015.

During 2015 the Department finalised a formal evaluation of the strategy and has now developed a ‘refresh’ of the Pathways to Success Strategy which will remain an Executive wide strategy led by the Department for the Economy.

### **Youth Employment**

A new Work Experience programme was introduced in August 2015 and in the period to March 2016, 162 clients had started on the Programme. 34% (47) of the clients, whose participation on Work Experience ended in April 2016, moved directly into employment.

### **United Youth Programme**

The Department is leading on the development and implementation of United Youth for the Northern Ireland Executive. The programme is a key commitment in the Northern Ireland Executive’s *‘Together: Building a United Community’* Strategy.

United Youth is a good relations programme that aims to provide flexible, high-quality; young-person-centred opportunities for young people aged 16–24 who are not in education, employment or training.

Funding for the pilot phase was secured via the Executive’s Change Fund, with pilots commencing in August 2015 and running through to the end of March 2016. The pilot

phase involved 12 pilots running across Northern Ireland and engaged with over 300 young people.

An external evaluation of the pilots will provide an independent examination and analysis, focusing on the achievement of the agreed outcomes.

Post the pilot phase, the Executive has committed to utilising EU PEACE IV funding (Children and Young People Priority 2.1) to deliver a cross-border Youth Initiative programme that will comprise elements of the United Youth Programme. A programme level target for this Youth Initiative of engaging with up to 10,000 14–24 year olds who are NEET, or are at risk of becoming NEET, has been agreed.

## **Measures in place to support social, community and human rights issues**

### **Equality Scheme**

The Department set out how it fulfils its Section 75 statutory duties through a five year Equality Scheme (2011-16), which was approved by the Equality Commission in 2011.

Section 75 of the Northern Ireland Act 1998 requires the Department, in carrying out its functions relating to Northern Ireland, 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; men and women generally; persons with a disability and persons without; and persons with dependants and persons without. We are also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. These responsibilities require that Departmental policies are equality screened, and during 2015 - 2016 the resulting screening documents were routinely copied to a wide range of public stakeholder consultees and published on the Department's website. Also, an annual report which includes screening activity (2014-15) was submitted to the Equality Commission during 2015.

### **STEM Gender Inequality**

To address the issue of gender inequality in Science, Technology, Engineering and Mathematics (STEM) the Department continued to fund the STEM Business Co-ordinator. The Business Co-ordinator launched the STEM Chief Executive Officer Charter in association with the Equality Commission for Northern Ireland. Since then, 37 STEM based employers have signed the Charter indicating their commitment to promoting gender equality in their employment practices.

The Business Coordinator's secondment term concluded in November 2015 and this work is now being taken forward by the STEM Business Sub-Group.

## **Measures in place to support people with disabilities and health conditions**

### **Disability Employment Service**

The Disability Employment Service continues to deliver a range of specialist programmes and services aimed at helping people with disabilities and health conditions to progress towards, move into and then sustain meaningful employment.

During the course of the year, over 2,000 disabled people have been offered assistance and been able to move into or remain in work through these provisions.

The Disability Employment Service also provides funding for Ulster Supported Employment Limited which is an Arms Length Body. It delivers a range of pre-employment and employment programmes for people with disabilities and operates a factory that produces bedding and industrial sewing goods.

The Disability Employment Service, in partnership with the local disability sector and other key stakeholders, has continued to work on the development of a new Employment Strategy for People with Disabilities. A full public consultation exercise has been completed and the new strategy was launched in March 2016.

## **Measures put in place to address Economic Inactivity**

### **Support in place through European Funding**

The Department is the designated Managing Authority and Certifying Authority for the Northern Ireland European Social Fund programme. The strategic aim of the NI European Social Fund Programme 2014-2020 is to combat poverty and enhance social inclusion by reducing economic inactivity and to increase the skills base of those currently in work and future potential participants in the workforce.

The aim of the European Social Fund programme will be realised through the implementation of thematic objectives 8 - promoting sustainable and quality employment and supporting labour mobility; 9 - promoting social inclusion and combating poverty and any discrimination; and 10 - investing in education, training and vocational training for skills and life-long learning.

The total value of the new European Social Fund Programme is €513.4m. This amount is made up of €205.4m (40%) from the European Union, which requires 60% match funding of €308m. The Department provided €128.35m (25%) of the match funding required, with projects sourcing the remaining 35% match funding.

European Social Fund funding is awarded on a competitive basis. The call for applications for funding under Priorities 1 and 2 for the first three years of the programme resulted in 134 applications being received and 67 projects successfully being offered funding amounting to £36.7m in 2015-16.

## **C Improving Quality, Raising Standards**

The Department undertakes an analysis of the quality and performance of its programmes and provision, assessing performance against its own key targets and Programme for Government Executive commitments as well as identifying key actions to be taken forward to address any issues highlighted. This analysis is undertaken by a number of bodies as detailed below.

### **Analysis by External Bodies**

#### **Education and Training Inspectorate**

The Further Education Colleges are subject to inspection by the Education and Training Inspectorate. Inspection reports identify strengths which colleges can build on and areas where they need to improve. During the year an inspection was carried out in South West College, and follow up inspections were carried out in Southern Regional College, Northern Regional College, North West Regional College and Belfast Metropolitan College.

#### **Quality Assurance Agency for Higher Education (QAA)**

The Department has a statutory duty to ensure that the quality of Higher Education is assessed appropriately. It currently engages the Quality Assurance Agency to carry out this duty under a methodology called the Higher Education Review. This links to the Higher Education strategy commitment to introduce a single Quality Assurance Framework for all Higher Education providers by 2016, although the recent move by the Higher Education funding bodies (England, Wales and Northern Ireland) to review future approaches to quality assessment means that a new mechanism will be piloted in academic year (AY) 2016-17 with full implementation from AY 2017-18 onwards.

### **Internal Analysis by the Department**

#### **Quality Improvement Team**

The Quality Improvement Team is responsible for monitoring and reporting the quality of provision across further education, training, employment and European Social Funded programmes. The team, via the Quality Improvement Adviser, reports to senior management within the Department on the quality of provision across these sectors.

The team works with the Education and Training Inspectorate where appropriate to ensure that inspection activities meet the needs of the Department, and ensures that all areas for improvement identified through inspection are acted upon in an appropriate timescale.

The Quality Improvement Team is currently working with the Apprenticeship Review Team, and the Youth Training Team, to develop and implement a range of quality assurance procedures to ensure the highest quality provision in the new programmes.

These procedures build on experience to date, and reflect the varying degree of risk within the new programmes.

The Quality Improvement Team identifies and showcases good practice at a national and international level, and promotes the sharing of good practice through quality forums. The team is also responsible for quality assurance and quality improvement activities for the Steps 2 Success (S2S) employment programme.

### **Further Education Colleges' Performance**

The **health check report** is a key tool that has been designed by the Department to provide detailed information, on a clear and effective basis, for college governing body members and college senior management teams. The purpose of the tool is twofold. Firstly, it enables the Department to monitor and scrutinise college performance on an ongoing basis, outside of the college development planning cycle. Secondly, it enables members of college governing bodies to identify issues as they arise more comprehensively, as well as to monitor and scrutinise the performance of the college more proactively.

The health check:

- focuses on the financial standing and governance of individual colleges, as well as educational performance in terms of learner retention, achievement and success;
- allows the Department to take a critical look at how the college is managed, as well as key outputs;
- outlines the risk management process and includes details of any internal audit reports; and
- provides information on the other college reports, by way of comparison.

## **D Understanding Demand, Responding to Need**

Understanding the needs and demands being placed on our services is fundamental to being able to deliver the skills required by industry and provide the help and support needed by individuals. The Department understands the need for availability of timely, high quality and meaningful labour market information. This is an area which has been substantially enhanced by the Department over recent years.

### **Research and Statistics**

The Department's latest annual review of the research agenda was published in September 2015 and this set out the research planned to be conducted during the 2015-16 year.

Securing our Success, the Apprenticeship Strategy for Northern Ireland, committed the Department to develop a skills barometer mechanism. This was on the basis that identifying both the skills needs of employers and the level of skills supplied through education institutions are important to fully inform Government policy decisions. The results of the Skills Barometer were launched by Minister on 12 November 2015 at an event at the Belfast Metropolitan College, Titanic Quarter. The Barometer is the result of work that the Ulster University Economic Policy Centre has been taking forward with the Department over the past year. It provides a detailed understanding of the skill requirements for our economy under a high growth scenario up to 2025 with forecasts of both the demand and supply of skills.

As part of the Quality Improvement Strategy, **Success through Excellence**, the Department has produced a number of reports which assess the quality and performance of its programmes and provision, with a quantitative analysis of the Department's programmes and provision being produced by the Department's Analytical Services group. The latest report was published in January 2016.

### **Employment Relations**

The Department has lead responsibility for employment law and employment relations in Northern Ireland.

During 2015-16, the Department took forward major legislation following a significant review of employment law, guided by better regulation principles, which sought to identify opportunities to reduce regulatory and administrative burdens on businesses, whilst protecting the rights of individual employees. The review focused in particular on three key themes: early resolution of workplace disputes; efficient and effective employment tribunals; and better regulation measures.

The Employment Bill was formally introduced on 7 December 2015 and received Royal Assent on 22 April 2016. In summary the key provisions of the Act focus on early resolution of workplace disputes; the creation of enabling powers to allow for procedural changes concerning Industrial and Fair Employment Tribunals; a range of protections relating to Public Interest Disclosure (Whistle-Blowing); the provision of impartial Careers

Guidance; the provision of apprenticeships and traineeships; enabling powers to make provision concerning zero hours contracts; and requirements in relation to the reporting of gender pay differentials.

**Posting of Workers Enforcement Directive**

During the year the Department continued its preparatory work in liaison with the Department for Business, Innovation and Skills, on the transposition of the Posting of Workers Enforcement Directive, 2014/67/EU. The Directive seeks to ensure that there is a clear legal framework for how posted workers can enforce their rights, and that the appropriate mechanisms are put in place to support cross-border enforcement between Member States. The Directive must be transposed by June 2016.

## **E Improving Engagement, Developing Partnerships**

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

### **Skills Advisory Groups**

The Department has convened a number of groups to contribute to fostering a collaborative approach to tackling the skills issues faced by certain sectors of the Northern Ireland economy.

The Minister for Employment and Learning chairs an ICT Sector Implementation Working Group, an Advanced Manufacturing and Engineering Services Working Group and a Food Skills Advisory Group. These groups bring together government officials, employer representative groups, local employers and education and training providers to identify the skills issues facing the sectors and to develop an action plan articulating the short, medium and long term actions to address those issues.

### **Northern Ireland Science Festival**

For the second year the Department acted as the principal sponsor of the Northern Ireland Science Festival which took place from 18 – 28 February 2016. The Department's objectives in supporting the Festival are to assist in the engagement of a broad and diverse audience in the STEM disciplines in a way that will excite and enthuse young people about pursuing a career in these economically relevant areas. The Festival provided over 120 separate events within the 10 day period and initial figures show that over 60,000 people engaged with the festival.

Such events are crucial in creating a STEM culture in our society and increasing the attractiveness of the STEM sector. The Festival also plays a significant role in giving exposure to the exciting opportunities within Northern Ireland and provides a platform for STEM professionals to network, collaborate and promote their work.

### **The Careers Service**

The Careers Service works with a range of organisations and stakeholders throughout Northern Ireland to support all individuals starting with young people in school through to further and higher education training and into employment.

These arrangements include working with a range of partner organisations including the Health and Social Care Board, Youth Justice Agency, Social Services, Youth Service and Education Welfare Service to ensure that clients are able to avail of appropriate careers guidance services. Partnership agreements have been established with the Health and Social Care Trusts and Youth Justice Agency to ensure that all young people with care or custodial experience receive careers support and timely access to information, advice and

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**PERFORMANCE ANALYSIS**  
**for the year ended 31 March 2016**

---

guidance services. Support is delivered in partnership with stakeholder groups to all clients vulnerable to social exclusion.

A review of Careers Service partnership and collaborative working arrangements is planned for 2017/18. This will include the introduction of new robust measures to ensure the continued effectiveness of careers services delivered and ensure that all young people and adults have support and timely access to high quality careers information, advice and guidance.

### **Employment Service Employer Engagement**

The Employment Service offers an online vacancy advertising service to all employers across Northern Ireland. This service is free to use and is available on a self service basis via [employersonlineni.com](http://employersonlineni.com) or manually through contacting any of the Department's network of 35 Jobs and Benefits Offices and JobCentres.

A dedicated team manages the [employersonlineni.com](http://employersonlineni.com) website and provides a high quality vacancy management service to employers who wish to display their vacancies. An increasing number of employers are choosing to place and manage their vacancies electronically, through the Employers Online service. By the end of March 2016, 57.8% of all the job vacancies attracted by the Department were notified through this medium.

The Department provides a service to clients and employers across Northern Ireland through its Employer Contact Managers. The team provides a link between the Employment Service and employers by engaging directly to promote the Department's services and programmes and to assist with employer recruitment needs. A team of dedicated Employer Contact Managers is located right across the province and works closely with local Jobs and Benefits Offices and JobCentres to alert staff to upcoming job opportunities. They also provide a customised offer through a single point of contact and end to end service. The Department also handles large scale recruitment exercises and works with key employer accounts. A series of events are also provided throughout the year including large and small scale job fairs, employer breakfast information events and a tailored recruitment service as and when required.

### **European Research Agenda**

Having successfully secured a drawdown of over €88 million from the European Commission's Seventh Framework Programme for Research and Technological Development (FP7), Northern Ireland well exceeded the €50 million target set by the Barroso Taskforce.

FP7's successor, Horizon 2020, was launched by the European Commission in December 2013. It is the world's largest research programme with a total budget of nearly €80 billion and is running from 2014 to 2020.

Queen's University and the Ulster University were responsible for over 70% of the total Northern Ireland drawdown under FP7, and have been responsible for approximately 60% of the initial drawdown from Horizon 2020 (up to November 2015). They will clearly play a

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

---

critical role in achieving the Executive's challenging drawdown target of at least €145 million from Horizon 2020.

The Horizon 2020 Northern Ireland Contact Point (NICP) network was established in 2012-13, underpinned by the joint DEL/DETI "Higher Education EU Framework Support Fund". The network includes fifteen expert advisors based in Queen's University, the Ulster University, Invest NI, the Agri-Food & Biosciences Institute, Department of Environment and Department of Justice. These advisors provide direct support to potential applicants across industry, academia and the public sector, across areas of economic relevance to Northern Ireland and of priority to the European Commission. These include engineering, energy, health, arts, humanities and social sciences, environment, agri-food, information and communication technologies, security and connected health.

### **US-Ireland Research and Development Partnership**

The US-Ireland Research and Development Partnership continue to represent an important opportunity for the Northern Ireland universities to undertake strategically important research collaboration with US and ROI universities in agreed priority areas.

Twenty-four of the twenty-seven approved projects are supported directly by the Department, representing an overall commitment by the Department of almost £7.29m.

### **Science Foundation Ireland (SFI) – DEL Investigators Programme Partnership**

In January 2014 the Department and Science Foundation Ireland announced a ground-breaking collaboration which allows NI universities to participate as full academic partners in SFI's prestigious 'Investigators Programme' on a pilot basis.

The 'SFI-DEL Investigators Programme Partnership' will support collaborative projects involving universities from both jurisdictions to undertake internationally peer reviewed, leading edge, discovery and fundamental research. Projects will typically run for 4-5 years.

The Department has made funding of up to £8.4m available over six years to enable Queen's and Ulster universities to participate in the 2014 and 2015 Investigator Programme calls.

On 14 May 2015 Dr Stephen Farry MLA announced £3.5m of research funding for seven research projects involving Queen's University Belfast. The funding will support successful Science Foundation Ireland (SFI) Investigators Programme projects from the 2014 Call through the SFI-DEL Investigators Programme Partnership.

The 2015 Call closed in June 2015 and results are expected to be announced in June 2016.

This programme will provide a real opportunity to develop new cross-border research collaborations which will help NI universities to take full advantage of funding

opportunities under Horizon 2020 and will consequently lead to economic and societal gain for both Northern Ireland and the Republic of Ireland.

### **Other International Initiatives**

The Department remains committed to promoting and encouraging strategic partnerships and opportunities for international collaboration and mobility in the tertiary education sector.

In November 2015, the Department provided grant funding to the first Friendship Four Ice Hockey tournament and the associated Festival of STEM. The event used sport as a catalyst to attract the interest of young people to the opportunities within STEM. The Festival of STEM ran from the 3 - 27 of November and included 11 separate events aimed at secondary school pupils which highlighted the use of STEM skills in sport as well as promoting the associated skills crucial to success in sport and business such as teamworking, commitment and determination. The event culminated in the Festival of Hockey which saw four US College Ice Hockey teams compete and this was attended by over 1,000 school children who had access to over 250 interactive STEM exhibits at W5.

Over the course of the Festival, it is estimated that over 10,000 students were engaged from around 60 schools and over 110 youth organisations. In addition to the broad audience the event reached, it has served further to strengthen the relationship the Department has established with the US State Department and educational institutions based in the US.

Building on a relationship established with Worcester Polytechnic Institute (WPI) in 2014, for the second year, the Department funded nine award winning FE students to attend the Frontiers II programme at WPI, a two week summer camp focused on developing STEM and leadership skills.

In promoting international links the Department has committed £570k to support its flagship programme Study USA over the 2015-16 period. Study USA enables approximately 54 local Higher Education students to broaden their academic learning through spending a year at an American college and offers up to 15 of them the opportunity to stay on in the USA on completion of their studies to take up a summer STEM or sales and marketing internship.

The Department also provides significant additional funding and works with a range of partners to promote and support a number of international higher education programmes such as:

- **UK China Partnerships in Education**– which provides opportunities for our students to avail of the Study China three week cultural study programme;
- **Generation UK** – In 2013 The British Council in China launched a new three-year campaign, 'Generation UK', to encourage outward mobility of UK students and young people to China through study or internship opportunities. 27 NI students availed of these opportunities in the year ended March 2016.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

---

- **UK-India Education and Research initiative** which provides opportunities for research collaboration or for students to avail of the Study India, a four week cultural study programme; and
- **Mitchell Scholarship Programme** which provides the opportunity for one year postgraduate study placements in Northern Ireland for US students who have displayed high levels of academic and leadership potential.

## **F Delivering Governance, Maximising Value**

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

An overview of the Governance Structures that were in place throughout 2015-16 are included in the Governance Statement contained within the Accountability Report on page 50.

## **G Leading People, Improving Performance**

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

### **Staffing**

As at 31 March 2016 the Department had 1,933 permanent staff members. 1,310 (68%) were female and 623 (32%) male. The split for Senior Civil Servants was four (50%) female and four (50%) male. As at 31 March 2016 there were also three females temporarily promoted to Senior Civil Servant Grades.

The Department also had two male Independent Board Members who were also members of the Audit Committee.

### **People Strategy**

The Departmental People Strategy 2014-17 was developed by HR following a process of consultation with the Senior Management Team, line managers, staff and Trade Union Side. Each year HR reviewed the activities set out in the original People Plan to develop a refreshed annual action plan which took account of the key challenges facing the Department in the coming period. The strategy was refreshed for 2015-16 to reflect the priorities in the then current environment in which the Department was delivering services and took into account the challenges posed by the launch of an NICS-wide Voluntary Exit Scheme and preparation for departmental restructuring.

A significant number of initiatives and projects set out in the People Strategy have been achieved over the past year. A brief summary of key achievements is provided below for ease of reference:

### **Effective Leadership**

- A Future Engage Deliver (FED) leadership programme was rolled out across the Employment Service network and has been attended by all staff at EO1 grade and above.
- The Senior Management Team endorsed a set of actions and guiding principles on leadership which were promoted across the organisation in 2015-16.

### **Performance Management**

- Targeted management information on performance management resulted in significant improvement in compliance rates across the Department.
- The Permanent Secretary and Senior Management Team championed an enhanced focus on effective performance management.

### **Enabled Workforce**

- The Permanent Secretary issued regular updates to staff on actions taken in the Department in relation to the results of the 2013 NICS Staff Survey. Directors developed business-area action plans to address specific issues raised by staff in their Division.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**PERFORMANCE ANALYSIS**  
**for the year ended 31 March 2016**

---

- The NICS Staff Survey Attitude was conducted in October 2015 and a high level analysis of the results was provided to the Senior Management Team.

### **Improved Skills and Resourcing**

- The Department's key Learning and Development priorities agreed by the Senior Management Team were issued to all staff on 7 May 2015.
- A number of mandatory e-learning packages were successfully rolled-out across the Department.
- The DEL Career Development Transfer process continued to operate successfully.
- The 2015-16 Departmental Workforce Plan was developed and implemented. This challenging programme of staffing reductions delivered a reduction of 7.99% in costs compared to 2014-15.
- A workshop was held with the Senior Management Team to provide guidance on succession planning and redeployment issues arising as a result of the NICS Voluntary Exit Scheme.

### **Attendance Management**

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

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

The target for 2015-16 was 7.9 days and the projected outturn (at 31 March 2016) is 12.6 days.

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

- the development of a managing attendance action plan;
- delivering early interventions and support programmes to staff with stress-related absences;
- exploring absence hotspots to identify emerging issues and develop response strategies; and
- promoting health and well-being by encouraging the use of the wide range of NICS support services, delivering events and initiatives and utilising the resources available via the NICS Well programme including the network of Well Champions.

### **Learning and Development**

The Department is committed to developing the potential of all staff to enable them to achieve business objectives. Staff participated in a wide range of development initiatives aimed at developing the necessary knowledge and skills to support individuals through a challenging period of unprecedented change. Staff were actively encouraged to consider their personal leadership development needs and select from a choice of new leadership and management programmes developed by the Centre for Applied Learning.

The investment in learning and development in 2015-16 included financial spend, staff time to attend training and an internal training delivery team focusing on delivery of skills and product knowledge to the Employment Service frontline staff. Annual investment in learning and development in the Department is typically in the region of £1.5m taking all financial, time and salary spend into account.

During the year the Regional Learning and Development (RLD) gained Approved Delivery Centre status. In September 2015, in partnership with Quality Learning Solutions, RLD launched the Level 3 Award Programme in Employment Related Services. A total of 79 Employment Service Advisers successfully attained the Award between September and December 2015 and 100 candidates enrolled on the programme for the period January to March 2016. A further 80 places will be available on the programme April to June 2016, which will further increase the numbers of staff working on frontline service provision achieving professional accreditation.

### **Celebrating Success**

Celebrating Success has been an established annual event in the Department's calendar. It aims to recognise and celebrate the efforts of staff who achieve qualifications or who participate in unique development opportunities including volunteering.

The Department's final Celebrating Success event, prior to NICS re-structuring, was held on 17 November 2015 in Belfast Metropolitan College, Titanic Campus. It was attended by over 100 staff, including the Permanent Secretary and members of the Senior Management Team, and around 90 staff received recognition for a wide range of achievements. A new "Value and Recognition" category was included for the first time to recognise the outstanding contributions made by a number of individuals and teams across the department. The important roles of the Departmental First Aiders and Fire Wardens were also acknowledged at the event. Attendees enjoyed an entertaining and challenging presentation by guest speaker David Meade on the theme of change.

### **Communications**

The Department continues to promote its services to key target audiences through a full range of news and communication services, utilising marketing, public relations, digital, online and social media functions.

The nidirect website is the primary online channel for communications with the public. Our Employment theme is continually the second most visited theme on nidirect with over 304,272 visits per month with an average 16,190 page views per day.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**PERFORMANCE ANALYSIS**  
**for the year ended 31 March 2016**

---

The Education, Learning and Skills theme achieves over 81,805 visits per month with a daily average of 5,263 page views. All employer facing information is on [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk). The Employment and Skills theme is the most visited section on the site achieving 1,448,770 page views between April 2015 and February 2016.

### **Business Improvement**

The Business Improvement Programme continued to be the key framework for monitoring all the Department's improvement projects. The programme is sufficiently flexible to respond to changing business needs against the background of a fluid economic and political environment.

During 2015-16 the Business Improvement Steering Group oversaw the implementation of a number of projects and improvement activity across the Departments and specifically the Consultancy Services work programme.

The role of the Steering Group is to ensure that there is a systematic and coherent approach to the improvement agenda. The Steering Group reviews the programme regularly and amends it as required to address emerging demands in the context of the Department's corporate priorities. The overall aim is to facilitate ongoing improvements and contribute to departmental efficiencies. Activity during this period included senior grading assignments, as well as contributions to various improvement initiatives and re-structuring of business functions.

### **Compliance with Codes of Practice**

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

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

### **Consultation with employees**

Throughout the year, in order to provide information to, and consult with employees, the Department continued to hold periodic meetings with Trade Union Side through the Departmental Whitley Committee.

### **Carbon Reduction Commitment (CRC)**

The Carbon Reduction Commitment Energy Efficiency Scheme is part of a mandatory emissions trading scheme to help reduce carbon dioxide emissions caused by energy use from around 4,000-5,000 large organisations - which contribute almost 10% of the entire UK economy's emissions. The scheme, which was introduced in April 2010, will help the Executive meet its Programme for Government target to reduce greenhouse gas emissions by 25% by 2025. All Northern Ireland Departments are mandated participants, regardless of the qualification criteria.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

---

The Department has submitted its fifth annual report for the 2014-15 year IN July 2015 and purchased and surrendered allowances to meet its obligations under the terms of the Carbon Reduction Commitment scheme. The Department is actively engaged in the next stage of the process, making preparations for the purchasing of Carbon Reduction Commitment allowances in June 2016 and the submission of the sixth annual report by the end of July 2016.

**Accommodation – The Departmental Estate**

In the past year the Department has been heavily involved in the rationalisation of the DEL estate.

Notably the Adelaide House Refurbishment Project has been completed in June 2016. Five floors have been completed and occupied. Completion of the remaining floors will increase the overall occupancy of the building to 580.

Two JobCentres (JCs) have been co-located with their Social Security Agency (SSA) counterparts in Newcastle and Bangor to further streamline their respective business delivery. Both locations have benefited from the provision of larger fit for purpose accommodation.

The Department also completed a number of other projects in various offices in the Jobs and Benefits Office (JBO) network. This was to facilitate the improved delivery of the Customer Journey process and to ensure business service delivery continued while major refurbishment projects were undertaken in Foyle and Newtownabbey JBOs.

The Department is also represented on the Estates Modernisation Project established in 2012 to create JBOs in Downpatrick and Strabane. The project delivered the Strabane JBO on 7 March 2016 after a 13 month build programme. As the first new JBO since 2010 many new features have been incorporated and these will be used as the benchmark going forward with further new offices.

Considerable input continues to be provided to the various Universal Credit project teams to ensure the Department's public facing accommodation aspect meets the relevant Universal Credit business needs in JBOs and sites where JCs and SSA co-locate. Following the decision to pilot front office elements of Universal Credit, the Department has been heavily involved in the design and health and safety elements of its delivery in Knockbreda, Shaftesbury Square and Strabane JBOs.

In the latter part of the year the Department has provided major support to the accommodation workstreams seeking to establish accommodation solutions for the creation of both the Department for the Economy and the Department for Communities.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

**Statement of Assembly Supply (SOAS)**

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

							2015-16 £'000	2014-15 £'000
	Estimate			Outturn				Outturn
Request for Resources	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Saving/ (excess)	
A	692,256	(52,972)	639,284	676,380	(50,502)	625,878	13,406	916,976
Total Resource	692,256	(52,972)	639,284	676,380	(50,502)	625,878	13,406	916,976
Non Operating Accruing Resources	-	(70,307)	(70,307)	-	(70,307)	(70,307)	-	(60,440)

**Net Resource Outturn**

SOAS1 reflects the analysis of Net Resource Outturn by function. This shows outturn by budget category within the Departmental Expenditure Limit (DEL), Annually Managed Expenditure (AME) and Non Budget. Resource Outturn for 2015-16 was £626m compared to £917m for 2014-15, with an allocation of £639m in the Spring Supplementary Estimates (SSE's). The saving of £13.4m is explained further by category below.

**Variance between DEL Resource Outturn and Estimate (SOAS1)**

DEL Resource outturn was £440.4m against an Estimate of £442.6m resulting in a saving of £2.2m (0.5%)

	DEL Resource outturn to estimate			
	Outturn £'000	Estimate £'000	Variance £'000	Variance adjusted for virement £'000
Employment and Skills	175,997	178,273	2,276	230
Higher Education	205,687	204,681	(1,006)	-
Student Support	23,778	24,708	930	1,971
Labour Market Services	24,816	24,818	2	-
ESF Payments – Public and Private Sector	10,125	10,140	15	16
<b>Total</b>	<b>440,403</b>	<b>442,620</b>	<b>2,217</b>	<b>2,217</b>

After virement, the most significant variance arose in Student Support. Impairments to student loans were £2m lower than forecast as a result of movement in the financial data used in the calculations.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

**Variance between Annually Managed Expenditure Resource Outturn and Estimate**

Outturn was £1.2m lower than the Estimate as a result of the potential to create provisions which were not required.

**Variance between Non Budget Outturn and Estimate**

Notional charges were £1.4m below the Estimate due to actual accommodation costs being lower than forecast.

**Year on Year DEL Resource Outturn**

The net resource outturn for 2015-16 was £440.4m compared to £756.3m last year and can be analysed as follows:

	Outturn 2015-16 £'000	Outturn 2014-15 £'000	Variance £'000	Variance %
Employment and Skills	175,997	201,487	(25,490)	(12.7)
Higher Education	205,687	232,244	(26,557)	(11.4)
Student Support	23,778	282,126	(258,348)	(91.6)
Labour Market Services	24,816	33,935	(9,119)	(26.9)
ESF Payments – Public and Private Sector	10,125	6,527	3,598	55.1
<b>Total Departmental Expenditure Limit (DEL)</b>	<b>440,403</b>	<b>756,319</b>	<b>(315,916)</b>	<b>(41.8)</b>

**Employment and Skills**

Within Employment and Skills the main change relates to Employment Schemes and the Steps to Work Programme.

Spending on Employment Schemes has decreased by £7.5m. This reflects reduced activity in respect of the Youth Employment Scheme (YES) which was closed over the period December 2014 to February 2015. 2015-16 spend reflects residual payments to existing participants. This reduction of £11.4m was offset by Enterprise Allowance, a new scheme costing £2.3m to encourage unemployed people to become self employed, Client offer increased spend by £1.0m and training initiatives for front line staff of £0.5m

The Steps to Work (StW) programme funding fell by £18.0m from £22.2m to £4.2m. Referrals to this demand led programme ended in May 2014 with the last participants entering the programme in August 2014. StW was replaced by a new adult return to work programme Steps 2 Success (S2S) in October 2014. Participation has also fallen in the last year as the number on job seekers continues to fall.

### **Higher Education (HE)**

Funding to the HE sector has reduced mainly because of a £22.2m decrease in Learning and Teaching Capital spend. A number of significant capital projects at the University of Ulster (UU) and Queens University Belfast (QUB) completed in 2014-15. Two new capital projects have started in 2015-16 for UU Coleraine Sports Facilities and QUB Computer Science Facilities. While spend is initially slow the projects are expected to cost £20.1m. Offset against the capital reduction is an increase of £1.2m in Reinvestment and Renewal Initiative (RRI) funding to Higher Education Institutions to help the institutions fund building projects. Recurrent grant to QUB and UU also fell by £5.2m from £142.3m to £137.1m reflecting budget cuts across the Department in 2015-16.

### **Student Support**

Funding in respect of Student Support has decreased by £258.3m (91.6%) on last year. Student Support includes the Notional Loan Subsidy charge, which reflects the notional cost to the Department of issuing loans to NI students at a subsidised rate in line with Government policy. These costs are calculated using a complex financial model and are dependent upon a range of factors including RPI, student earning potential and repayment patterns. The financial model was updated this year from the HERO model to the Stochastic Earning Path (StEP) financial model adapted for Northern Ireland. The model uses improved wage equation to generate better future earning paths for borrowers. The model uses several years of actual graduate earnings histories and data from the Student Loan Company to improve the accuracy of forecasts. The change in model has not caused significant movement in the Notional Loan Subsidy. However, guidance issued by HM Treasury as part of the Autumn spending review resulted in the discount rate applied to Student Loans decreasing from RPI plus 2.2% to RPI plus 0.7%, to bring it into line with the Government's long term cost of borrowing. The change in the discount rate has been the main contributory factor in causing a significant change in the Notional Loan Subsidy from a £152.1m charge in 2014-15 to a £105.8m credit at 31 March 2015-16. The overall reduction in the subsidy charge as a result of the change in discount rate has been £262.5m, offset by an increase of £4.6m as a result of new loans issued.

### **Labour Market Services (LMS)**

Expenditure in respect of Labour Market Services has decreased by £9.1m last year to £24.8m. This spend includes new elements such as £1.5m on the Voluntary Exit Scheme and £2.4m in relation to the new European Social Fund (ESF) programme 2014-2020. However, this increase is offset by reductions in spend due to a number of projects ending in March 2015 including:

- The Collaboration and Innovation Fund (£4.5m);
- LEMIS (£2.4m);
- Community Family Support Programme (£1.4m); and,
- ESF 2007-2013 Programme (£2.6m).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

**Year on Year Annually Managed Expenditure Outturn**

	Outturn 2015-16 £'000	Outturn 2014-15 £'000	Variance £'000	Variance %
Student Support	(27,358)	(62,183)	34,825	56.0
<b>Total Annually Managed Expenditure</b>	<b>(27,358)</b>	<b>(62,183)</b>	<b>34,825</b>	<b>56.0</b>

Annually Managed Expenditure in respect of Student Support mainly represents Effective Interest on the loan book.

Effective Interest varies according to the interest rate conditions in force, together with the other financial parameters within the financial model. RPI was 0.7% this year, compared to 2.26% last year due to a significant reduction in the HM Treasury Discount Rate. The effective interest rate for the current year is 1.48% compared to 4.51% last year.

**Year on Year Non Budget Outturn**

Non Budget includes cash based grant in aid funding to the Department's Non-Departmental Public Bodies.

	Outturn 2015-16 £'000	Outturn 2014-15 £'000	Variance £'000	Variance %
Teachers Premature Retirement	2,012	1,998	14	0.7
Construction Industry Training Board	-	-	-	-
Ulster Supported Employment Ltd	733	796	(63)	(7.9)
Labour Relations Agency	3,628	3,772	(144)	(3.8)
Further Education Colleges	206,920	197,973	8,947	4.5
Higher Education Colleges	5,689	8,118	(2,429)	(29.9)
Notional Charges	8,876	10,183	(1,307)	(12.8)
Prior Period Adjustments	(15,025)	-	(15,025)	(100.0)
<b>Total Non Budget</b>	<b>212,833</b>	<b>222,840</b>	<b>(10,007)</b>	<b>(4.5)</b>

### **Further Education (FE)**

Grant in aid funding to the FE Colleges increased this year by £8.9m.

- Recurrent grant increased by £19.3m from £179.2m to £198.5m. This includes the Voluntary Exit Scheme in the FE Colleges (£20.4m), offset by efficiency savings.
- Capital grant in aid reduced by £10.3m from £18.7m to £8.4m due to major projects completing in 2014-15.

### **Prior Period Adjustments**

During 2015-16, the carrying value of the student loan book and the financial liability in respect of the debt sale were reviewed.

This identified that the debt sale liability in the accounts at 31 March 2015 was overstated. Revised estimates of the liability have resulted in a £15.0m correction (prior period adjustment) being required in the accounts to reduce the opening liability from £20.7m to £5.7m. This has been based on discussions with the Department for Business, Innovation and Skills (BIS), information provided by their economists, as well as our experience of claims from the purchasers of the loan book.

### **Statement of Financial Position**

Student Loan movements have included the continued growth in the size of the Student Loan book, with a further £317m loans issued during the year. Total repayments received and effective interest earned were £70.9m and £26.7m respectively.

Receivables decreased by £11.5m largely due to the 2015-16 Supply Receivable balance decreasing by £8.2m to £3.2m.

Payables increased by £9.6m from £98.3m at 31 March 2015 to £88.7m at 31 March 2016 mainly due to the bank overdraft position decreasing by £8.2m.

### **Significant Accounting Judgements**

#### **Student loans**

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

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is based on the HMT discount rate. In 2015-16, HM Treasury changed its discount rate from RPI plus 2.2% to RPI plus 0.7% to bring it into line with the Government's long term cost of borrowing. This had a significant impact on the impairment calculations.

The face value of the loan book has increased since last year mainly following the issue of £317.2m of new loans in 2015-16. However, the valuation is impacted by a number of

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**PERFORMANCE ANALYSIS**  
**for the year ended 31 March 2016**

---

The face value of the loan book has increased since last year mainly following the issue of £317.2m of new loans in 2015-16. However, the valuation is impacted by a number of macro economic assumptions used in our modelling that are reviewed annually. The major risk to student loan repayments arises when there is an economic downturn and a reduction in growth. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued. This can lengthen the time period before loans are in repayment and extend the repayment period, both of which impact on the carrying value of the loans in the accounts. It can also lead to an increase in the provision for future write offs against loans as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

An enhanced version of the financial model has been developed and implemented by the Department for Business, Innovation and Skills in England and in 2015-16 the Department has implemented a version of the model that can be applied to Northern Ireland loans.

The risk of the Government recovering the real value of student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation. The cap arises because students are charged interest equivalent to the rate of inflation, or the Bank of England base rate plus 1%, whichever is the lower. As such, when the base rate cap is in operation, interest on loans is charged at a lower rate than inflation. Details of the impairments made to the loan book in this financial year are set out in Note 11 to the Accounts.

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

### **Future Developments**

From 9<sup>th</sup> May, the Department for the Economy (DfE) and the Department for Communities (DfC) will have responsibility for the activities previously carried out by the former Department for Employment and Learning. The significant areas of activity include the following:

#### *Higher Education and Student Support (under DfE)*

- Bring forward identified options on the financial sustainability of the higher education funding system;
- Implement student finance arrangements for part-time undergraduate and postgraduate students;
- Implement a revised operating model for quality assessment in Northern Ireland;

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**PERFORMANCE REPORT**  
**PERFORMANCE ANALYSIS**  
**for the year ended 31 March 2016**

---

- Continue to take forward the implementation of Graduating to Success and Access to Success strategies. The recommendations of a recent interim review of implementation of the strategies to date will also be taken forward with a view to ensuring that the strategies remain relevant and that they are making a demonstrable positive impact; and,
- Progress the necessary work and legislation towards introducing part time undergraduate and postgraduate loans for September 2017.

*SEERD (under DfE)*

- Develop the Department's social and economic statistics, including a greater understanding of the underlying trends in the economy and society and developing new administrative data linkages which will support our understanding of the experiences of young people as they move through education and into the labour market; and,
- For the 2016/17 year, plans are in place which, subject to Ministerial approval, will see development of a range of legislative measures flowing from or connected with the Employment Bill. These include a new system of early conciliation to be operated by the Labour Relations Agency and new regulations and rules of procedure for industrial tribunals and the Fair Employment Tribunal. Measures concerning public interest disclosure and further public engagement on the regulation of zero hours contracts are also planned.

*Youth Policy (under DfE)*

- Implement the strategies set out in "Generating our Success" and "Securing our Success" to radically transform how traineeships and apprenticeships are delivered in Northern Ireland;
- Develop a new curriculum across a broad range of professional and technical occupational sectors that are relevant to the needs of the economy;
- Host an Apprenticeship and Youth Training Information Gateway for citizens through NI Direct, the content of which is currently under development. An opportunity advertising system is currently in the latter stages of development. This service will provide participants with information on the range of options available at both Youth Training and Apprenticeships level and will allow them to search for relevant opportunities in their occupation and/or location of choice; and,
- Establish a permanent Strategic Advisory Forum for Apprenticeships.

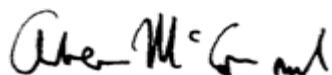
*Employment and Skills (Under DfC)*

- Implement the year one action plan of the Employment Strategy for People with Disabilities;
- Provide a client offer, including a work experience programme and employer incentives, to support young people and the long term unemployed to move into employment;

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
PERFORMANCE REPORT  
PERFORMANCE ANALYSIS  
for the year ended 31 March 2016**

---

- A new strand of the Universal Credit Programme has been created called 'Labour Market and Employers'. The main strategic aim of Universal Credit is to address poverty, through tackling unemployment and benefit dependency, ensuring that "work pays". The Universal Credit Programme will identify and ensure implementation of the optimum delivery model, including appropriate resources and ICT infrastructure, for individualised work focused support for clients claiming Universal Credit who have work-related requirements;
- Continue the delivery of Steps 2 Success, including an evaluation of the programme; and,
- Review the Into Work Training Support programme with the aim of making recommendations on the ongoing need for this provision.



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**Dr Andrew McCormick  
Accounting Officer  
27 June 2016**

## **Directors' Report**

### **Departmental accounting boundary**

These accounts refer to the activities of the Department for Employment and Learning ('the Department') for the period from 1 April 2015 to 31 March 2016.

### **Bodies outside the Departmental boundary**

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

- Ulster Supported Employment Limited (a company limited by guarantee);
- CITB–NI (a statutory training organisation, formerly known as Construction Industry Training Board);
- Labour Relations Agency (a Non-Departmental Public Body);
- Stranmillis University College (a Non-Departmental Public Body);
- St Mary's University College (a Non-Departmental Public Body); and
- the six Further Education colleges (Non-Departmental Public Bodies).

In 2010 the Office for National Statistics made a decision that the Further Education colleges, Stranmillis University College and St Mary's University College should be reclassified as Central Government bodies. With regards to the reclassification of St Mary's University College, the Department continued to engage throughout the year with the Office for National Statistics with a view to reversing this classification decision.

### **The Minister**

Ministerial responsibility for the Department for Employment and Learning for the 2015-16 financial year rested with Dr Stephen Farry MLA.

### **Permanent Head of the Department and the Management Board**

Mr Derek Baker was Acting Permanent Secretary and Accounting Officer of the Department for the 2015-16 financial year.

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

Ms Heather Cousins; and  
Mrs Catherine Bell CBE.

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

Catherine Bell retired from the Department on 24 March 2016.

### **Independent Board Members**

Professor Russel Griggs OBE; and  
Dr Brian Scott.

### **Expenses for Independent Board Members**

Total fees and expenses of £15,847 (2014-15: £16,481) were paid in respect of the Department's Independent Directors.

### **Departmental Reporting Cycle**

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

### **Pension liabilities**

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

### **Register of Interests**

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

### **Auditors**

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

### **Managing Attendance**

Staff sickness and absence is managed in accordance with the Northern Ireland Civil Service Inefficiency Sickness Absence Policy. Further information on performance during the year is contained within the Performance Report on page 34.

### **Persons with Disability**

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

### **Equal Opportunities**

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

### **Consultation with employees**

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

### **Personal Data Related Incidents**

The Department regards the lawful and correct treatment of personal information as essential to its successful operations and to maintaining confidence between the Department and those with whom it transacts business, as well as the public in general. Further information on Personal Data Related Incidents is contained within the Performance Report on page 61.

### **Future of the Department**

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments Act (Northern Ireland) 2016 and The Departments (Transfer of Functions) Order (Northern Ireland) 2016. Staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government change and the functions of the Department for Employment and Learning transferred to the Department for the Economy and the Department for Communities on 9 May 2016.

## **Statement of Accounting Officer's Responsibilities**

The Department of Finance (DoF) (formerly the Department of Finance and Personnel) has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. For the 2015-16 accounts, the Accounting Officer for the Department for the Economy, (DfE) takes on the responsibilities associated with the annual accounts for the Department for Employment and Learning since DfE came into being shortly after the 2015-16 financial year end.

The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in Managing Public Money Northern Ireland published by DoF.

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

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

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

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

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

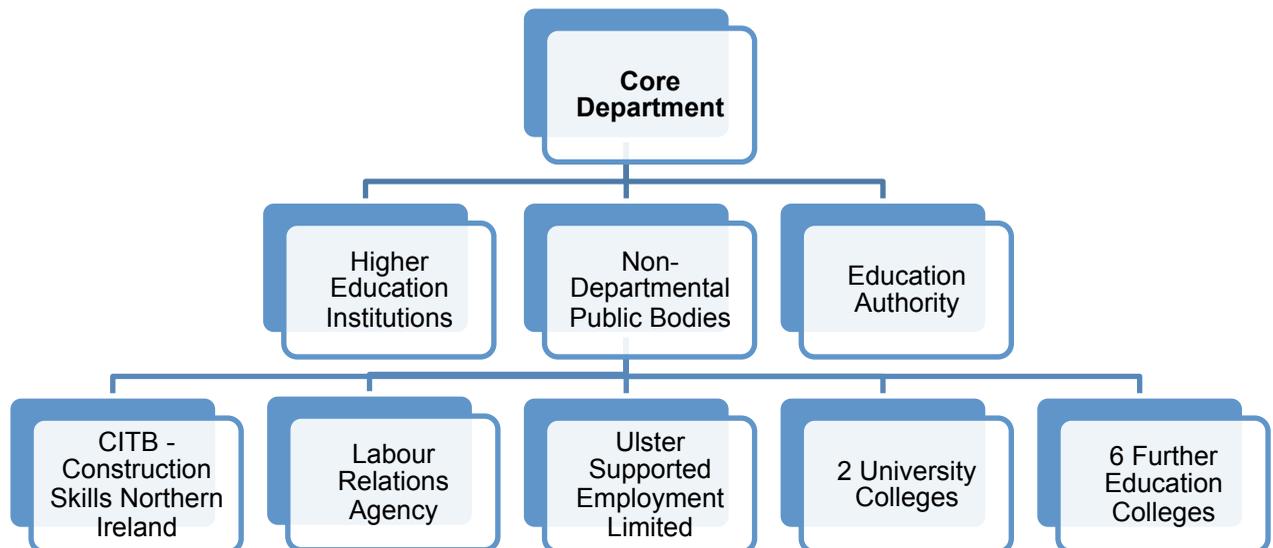
## The Governance Statement

The Governance Statement sets out the governance structures, risk management and internal control procedures that operated within the Department during the 2015-16 financial year. It also considers any material post balance sheet events up to the date of approval of the Annual Report and Accounts. This Governance Statement has been prepared in accordance with guidance issued by the Department of Finance (formerly Department of Finance and Personnel).

Aim
To support better governance and drive more consistent, coherent and transparent reporting

## Departmental Structure

There were a number of bodies beyond the departmental boundary in receipt of substantial financial support from the Department – they were as follows:



## **Scope of Responsibility**

The Department operated under the direction and control of the Minister for Employment and Learning, who was responsible and answerable to the Assembly for the exercise of the powers on which the administration of the Department depends. He had a duty to the Assembly to account and to be held to account for all the policies, decisions and actions of the Department, including its Arms Length Bodies. The Permanent Secretary was accountable to the Minister.

The Permanent Secretary and Accounting Officer for the Department had responsibility for maintaining a robust governance and risk management structure and a sound system of internal control that supported the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money Northern Ireland.

The public bodies for which the Department had oversight responsibility were accountable for ensuring they had robust governance and risk management structures and sound internal control arrangements in place. In order to ensure appropriate governance arrangements were in place, dedicated sponsor branches monitored and provided guidance to these Arms Length Bodies. The Department had written agreements in place with its Arms Length Bodies which set out the respective roles and responsibilities of both parties. In addition, the Department received mid-year and annual assurance statements from each of its Arms Length Bodies to confirm that appropriate systems and controls were in place and operated effectively within each organisation.

In order to manage the Department efficiently, the Accounting Officer was supported by formal governance structures with clear remits, details of which are provided below.

## **The Departmental Board**

The Departmental Board assisted the Permanent Secretary in meeting his responsibilities as Accounting Officer for establishing and overseeing the corporate governance arrangements of the Department. The Board itself was a core element of the Department's corporate governance arrangements, agreeing the other elements and, through its scrutiny role, overseeing the policies, plans and effectiveness of those other elements.

The Board was chaired by the Permanent Secretary, who, as Accounting Officer, was responsible for the appointment of all Board Members. Membership comprised:

- the Permanent Secretary;
- the Deputy Secretaries; and
- two Independent Board Members.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

Attendance during the year at Board meetings was as follows:

<b>Board Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Derek Baker	10	12
Heather Cousins	10	12
Catherine Bell CBE*	11	12
<b><i>Independent Board Members</i></b>		
Professor Russel Griggs OBE	8	12
Dr Brian Scott	12	12
<b><i>Official Attendees</i></b>		
Beverley Harrison	5	7
Lisa Morgan**	3	5
Stephen McMurray	11	12

\*Catherine Bell retired from the Department on 24 March 2016.

\*\*Lisa Morgan has been acting as Director of HR & Corporate Services Division from 16<sup>th</sup> November 2015.

Directors of policy and operations were invited to attend where significant items pertaining to their business area were to be discussed by the Board.

Information presented to the Board was drafted by the appropriate business area with formal sign off by the Director of that Division. This information then went through the necessary internal clearance procedures before being presented as a formal paper to the Board. This ensured a high quality of reliable and up-to-date information was presented for the Board's consideration. The Board was content with the quality and reliability of the information presented during 2015 -16.

The Board's role was to set and oversee the strategic direction of the Department within the strategic framework set by the Minister, to monitor performance against corporate and business plans, Programme for Government commitments, budgets and targets, and to establish and oversee the governance and risk management arrangements of the Department. In order to fulfil this role, the Board met monthly during the 2015-16 financial year.

A minimum of three members of the Board had to be present for the meeting to be deemed quorate. All Board meetings during the 2015-16 financial year were quorate.

## **Board Performance and Effectiveness**

In April 2016 the Board carried out an assessment of its own effectiveness. This assessment was completed through a detailed evaluation questionnaire based on Cabinet Office guidance which sought to determine how the Board approached its work including its contribution to strategy, risk and control, performance management and communication. It also assessed how the Board worked together, through its culture and dynamics, composition, size and tenure. Through completion of this assessment, a number of points were raised from the members, notably the lack of discussion around

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

---

departmental leadership, development and training, and the desire for the independent members to have more regular contact with the Minister. All points raised from this assessment will be considered as part of the new processes and procedures in the new Department for the Economy.

## **The Departmental Audit Committee**

The Departmental Board established an Audit Committee which acted in an advisory capacity and reported to the Accounting Officer. The Audit Committee's overall purpose was to assist the Accounting Officer and the Board in fulfilling their corporate governance responsibilities. The Audit Committee oversaw the financial reporting process and corporate governance processes.

The Audit Committee was chaired by an Independent Board Member. Members of the Audit Committee were:

- two Independent Board Members (including the Chair); and
- an external Senior Civil Servant.

Attendance during the year at the Audit Committee meetings was as follows:

<b>Committee Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
<b><i>Independent Board Members</i></b>		
Professor Russel Griggs OBE ( <i>Chair</i> )	5	5
Dr Brian Scott	5	5
<b><i>External Senior Civil Servant</i></b>		
Grace Nesbitt	5	5
<b><i>Official Attendees</i></b>		
Catherine Bell CBE	4	5
Heather Cousins	5	5
Derek Baker	5	5
Stephen McMurray	3	5
Internal audit representation	4	4
Northern Ireland Audit Office (NIAO) representation	4	4
European Social Fund (ESF) Audit Authority	3	3

Other attendees were invited to attend the Audit Committee meetings if a discussion was to be held about their particular business area.

The Terms of Reference for the Audit Committee stated that the Committee should meet at least four times a year, and more frequently as circumstances require. During the 2015-16 financial year five Audit Committee meetings were held. A quorum for any meeting of the Audit Committee was two members. All Committee meetings during the 2015-16 financial year were quorate.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

---

The key issues discussed at the Audit Committee meetings during the 2015-16 financial year were as follows:

- European Social Fund (ESF) audit progress, Annual Report and Opinion;
- Update on progress of ESF Programme 2014-2020 Steering Group;
- Internal Audit plan, progress updates and annual report, as well as updates on outstanding internal audit recommendations;
- Financial Audit Support Team (FAST) 2014-15 Annual Report;
- Contract Management – how contract compliance functions of FAST were being continued through Contract Management;
- Accountability Grids – Reports to Those Charged with Governance and updates on commitments made to Public Accounts Committee;
- NI National Insurance Fund Assurance Statement;
- Mid Year Assurance Statements;
- Northern Ireland Audit Office audit strategy, updates and Audit Findings;
- Corporate Risk Register and;
- Review of the Annual Report, Governance Statement and Resource Accounts.

The Board received assurance from the annual report provided by the Audit Committee which reported on the above discussions undertaken during the financial year.

## **Senior Management Team**

The Senior Management Team (SMT) of the Department consisted of:

- the Deputy Secretaries;
- the Directors;
- the Assistant Chief Inspector for Further Education and Work-Based Learning; and
- the Department’s Principal Information Officer.

Attendance during the year at the SMT meetings was as follows:

<b>Member</b>	<b>Meetings Attended</b>	<b>Out of a Possible</b>
Catherine Bell CBE	9	10
Heather Cousins	7	11
Stephen McMurray	8	11
Mary McIvor	8	11
June Ingram	9	11
Colin Jack	9	11
David Sales	3	11
Beverley Harrison*	2	6
Lisa Morgan*	2	5
Yvonne Croskery	8	11

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

Sian Kerr**	7	11
John Baird	10	11
Anne Armstrong	8	11

*\*Lisa Morgan has been acting as Director of HR & Corporate Services Division from 16<sup>th</sup> November 2015 standing in for Beverley Harrison, attending both the November and December SMT meetings.*

*\*\*Sian Kerr has been acting Director of Higher Education from 26 September 2014.*

The Senior Management Team operated as a collegiate forum of Directors and Deputy Secretaries. It did not have executive authority in its own right but it exercised such authority through that invested in its membership. Its role was to provide Directors with a regular opportunity for engagement and debate on corporate and other significant issues including policy development and to provide a forum in which a collective view of the Senior Management Team, where this is required or desirable, can be reached. It also acted in an advisory and consultative capacity, offering Directors guidance when sought from colleagues.

## **The Procurement Sub-Committee**

The Procurement Sub-Committee provided strategic oversight of the Department's procurement activities across all areas of the Department and its Non Departmental Public Bodies. Its key role was to lead on the dissemination and co-ordination of public procurement policy and practice for the Department and oversight of compliance with public procurement policy.

Membership of the Sub-Committee consisted of senior staff with responsibility for procurement from each Division and Non Departmental Public Bodies and was chaired by the Deputy Secretary, Resources. The Procurement Sub-Committee met twice during 2015-16.

## **Compliance with the Corporate Governance Code**

Within Northern Ireland, Departments are required to operate under the "*Corporate Governance in Central Government Departments: Code of Good Practice NI 2013*". The 2013 Code contains the requirement for Departments to "comply or explain" any significant departures from the guidance set out in the Code.

During 2015-16, the Department complied with the principles and supporting provisions set out in this Code. The Code outlines a model Board Operating Framework that can be used to document a board's roles and responsibilities. The Department has adopted this through the Terms of Reference which is included in its Corporate Governance Framework. The Department met the key objective of the Board Operating Framework by clarifying roles and responsibilities of the Board and its members. All Board members of the new Department will be subsequently directed to the Corporate Governance Framework as part of their induction.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

---

The Code also articulates departmental responsibilities in the management of Arms Length Bodies, and this was adopted into the Department's Corporate Governance Framework, with provision made for the greater degree of autonomy within the Higher Education Institutions.

The Department's Corporate Governance Framework set out the roles and responsibilities in terms of governance within the Department and it also includes the Terms of Reference for the Board, Audit Committee, the Procurement Sub-Committee and the Senior Management Team.

## **Conflicts of Interest**

There were no conflicts or potential conflicts of interest relating to Board members identified during the year.

Conflicts of interest were a standing agenda item at all Board, Audit Committee, Procurement Sub-Committee and Senior Management Team meetings. In addition, each year as part of the assurance framework a register of potential conflicts of interest was compiled covering Board members and the Department's senior management.

## **Risk Management**

The Department placed significant emphasis on risk management. Risk management was viewed as an essential element of the Department's Corporate Governance Framework, and was closely linked to the business planning and monitoring process. The Department's Risk Management Strategy outlined a robust risk management process for identifying and managing issues which may hinder the achievement of objectives.

The risk appetite defined the level of exposure the Department was willing to accept and helped risk owners decide whether risks had been managed to an acceptable level.

The Department had a low risk appetite for those risks which were assessed as being likely to:

- impact adversely upon the delivery of the Department's commitments in the Programme for Government;
- impact adversely upon the Department's strategic and business objectives;
- impact adversely upon the delivery of the Department's statutory requirements;
- impact adversely upon the Department's compliance with its wider legislative responsibilities;
- result in significant adverse publicity or reputational damage for the Department or Minister; and
- require additional funds in excess of the budget allocation.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ACCOUNTABILITY REPORT**  
**CORPORATE GOVERNANCE REPORT**  
**for the year ended 31 March 2016**

---

The Department had a more open risk appetite for those risks which were assessed as being likely to offer opportunities to:

- release and redirect resources;
- provide cash releasing efficiency savings;
- improve delivery of frontline services; and
- promote innovation.

A corporate governance team within Finance Division acted as a central point for advice and guidance on effective risk management and corporate governance arrangements. This team also coordinated the corporate risk register, which was the route by which significant risks were escalated to the Departmental Board.

Risk management was viewed by the Department as a dynamic process which was continuously changing. Risks were therefore assigned to the appropriate individual and reviewed at regular intervals. Policies and procedures around risk management and corporate governance within the Department were reviewed at regular intervals to ensure compliance with best practice.

The Corporate Risk Register focused on risks at a strategic level. The corporate risks identified for the register during 2015-16 were Delivery; Demand; Supplier; Finance; Governance; Strategic Relationship; Staffing; Information; Business Continuity; Absence; and European Funding. The Departmental Board reviewed the register on a monthly basis and ensured that the disclosed corporate risks were appropriate in the context of delivering corporate and business plan commitments.

During 2015-16 there were significant residual risks, outlined below, which required active management by the Department;

- budgetary uncertainty due to the Welfare Reform issue not being resolved by the Executive until November 2015;
- ability to deliver the 2015-16 workforce plan including managing the potential adverse impact on attendance as a result of the Voluntary Exit Scheme and redeployment issues;
- meeting the corporate absence target;
- risk to reputation and budget cover from non receipt of EU funds if verification claims work was not completed within the regulatory deadline; and
- management of potential pension deficit in Ulster Supported Employment Limited.

The Department took a number of steps internally to manage the budgetary pressures throughout the year. These included:

- a ban on hospitality for internal meetings, business lunches and Organisational Development (OD) events where only civil servants are present;

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ACCOUNTABILITY REPORT**  
**CORPORATE GOVERNANCE REPORT**  
**for the year ended 31 March 2016**

---

- a ban on the use of hotels / paid venues for OD purposes. There was no hospitality provided at OD events;
- a ban on staff attendance at conferences for which there is a charge unless there were exceptional business reasons and Permanent Secretary approval is given; and
- suspending the Assistance to Study Scheme for 2015-16 year in relation to any new applications.

The Workforce Plan 2015-16, which was approved in June 2015, indicated that 173.43 posts at a range of grades would be suppressed in business areas by March 2016. These reductions were intended to deliver a 7.99% decrease in staffing costs and annual savings of £5.39m in order to enable the Department to live within the constraints of the budget allocations. Following a small number of revisions to the Workforce Plan over the course of the year, a total of 175.66 reductions and equivalent annual financial savings of £5.32m were achieved.

During the 2015-16 year, HR collated information from Directors on planned reductions to be delivered under the Workforce Plan and redeployment plans to fill vacancies arising as a result of staff leaving through the Voluntary Exit Scheme (VES) on a quarterly basis. This indicated that workforce reductions would be achieved, in the main, through the suppression of posts and redeployment of staff within business areas to vacancies generated by VES leavers. This led to an overall decrease in the permanent staffing levels.

A workshop was held for SMT early in the year focusing on business continuity and succession planning to manage the impact of the Voluntary Exit Scheme. HR also introduced a number of measures to manage the impact of the Voluntary Exit scheme, including provision of management information to Directors at each stage of the process, restrictions on secondments and Elective Transfers, and ongoing reviews of vacancies and temporary promotions. The information gathered from Directors regarding the impact of staff leaving through the various tranches of the Scheme enabled HR to refine the overall Departmental supply/demand position and, as a result, redeployment was achieved in the majority of cases, no significant surpluses emerged and there was no evidence that the VES impacted adversely on the level of sickness absence.

In January 2011, the overall Northern Ireland Civil Service and associated Departmental sickness absence targets for the period ending March 2015 were agreed by the Permanent Secretaries and the Minister of Finance and Personnel. In order to contribute to the overall Northern Ireland Civil Service target of 8.5 days, the Department was required to reduce its absence rate from a baseline of 10.7 days (2009-10) to 7.9 days lost per staff member by March 2015. The target for 2015-16 remained unchanged at 7.9 days and no adjustment was made to reflect the fact that the previous year's outturn was significantly higher than originally anticipated (2014-15 12.2 days outturn against 7.9 target). This higher than expected starting point, coupled with an unprecedented level of change, made the 2015-16 journey exceptionally challenging.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ACCOUNTABILITY REPORT**  
**CORPORATE GOVERNANCE REPORT**  
**for the year ended 31 March 2016**

---

Despite robust application of the absence policies the Department failed to meet its target, and the provisional outturn for the 2015-16 year is 12.6 days which is an increase of 0.4 of a day on the previous year.

Further detail on the European Social Fund issue is outlined in the section on European Social Fund below.

Detail on the potential pension deficit in Ulster Supported Employment Limited (USEL) is outlined in the section on 'Assurance Statements' below.

## **Fraud Reporting**

During 2015-16, there were 12 cases of suspected Fraud reported to the Department. Seven suspected fraud cases were reported by the Further and Higher Education Divisions, with a further five reported from other areas within the Department and across other Arms Length Bodies. In one case, relating to ESF, the Department is obtaining legal advice regarding the possibility of recovering funds. In each of the 12 reported cases, an investigation was carried out and, where relevant, any recommendations made are being implemented and policies and procedures updated. In line with appropriate guidance, all cases of fraud during the year have been reported to the Department of Finance (formerly the Department of Finance and Personnel) and the Northern Ireland Audit Office.

## **Whistleblowing**

The Department's whistleblowing policy was updated in March 2015 to incorporate the good practice principles identified from 'Whistleblowing in the Public Sector: A Good Practice Guide for Workers and Employers', a joint publication by the UK audit authorities, together with further points emanating from Assembly and Westminster Public Accounts Committee hearings. The Department's policy reiterates that all whistleblowing allegations must be notified to Finance Division, for maintenance on a central register. The number of incidents notified during 2015-16 was eight compared to ten in the prior year. An investigation has been completed on all of the cases notified in the 2015-16 year, and seven of these have now been resolved.

## **Financial Audit and Support Team**

The Financial Audit and Support Team (FAST), which had the primary objective of providing the Accounting Officer with an assurance on the overall probity of funding paid to external suppliers, was dissolved in March 2015 with the resources largely being transferred to a newly enlarged Supplier Performance Branch. There was however a number of legacy assignments performed by ex-FAST resources during 2015-16 and these received a satisfactory assurance opinion.

## **European Social Fund Audit Authority**

The European Social Fund Audit Authority represents the Department in providing a regulatory assurance function to the European Commission. The Audit Authority is responsible for examining the functioning of management and control systems of the Northern Ireland European Social Fund Programme for 2007-13 and 2014-20 and is required by the European Commission to submit an opinion on whether the systems functioned effectively so as to provide reasonable assurance that Statements of Expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.

Following the submission of the 2014 Annual Control Report and Opinion on 29 December 2014, the Commission interrupted the Programme in February 2015 as it considered there to be serious deficiencies in the management and control of management verifications by the Department's Managing Authority. The shortcomings identified were included in an Internal Audit report and gave rise to a Limited assurance rating.

A detailed Audit Action Plan was developed to address the issues in the Internal Audit report and a Financial, Verification and Audit Issues Project Board, with the relevant stakeholders, was established to take forward the implementation of the Audit Action Plan and wider work associated with the above issues, in line with the deadlines placed on the Department.

On 12 August 2015 the Commission moved from an 'interruption' to a 'partial suspension' on Priority 1 of the ESF programme. Following discussions with the Commission it was proposed that the Department would not claim any further European Social Fund expenditure from the mainly voluntary and community sector open call for projects and would instead claim Government Programme expenditure related to Programme Led Apprenticeships, Training for Success, and ApprenticeshipsNI. This was agreed and on 22 September 2015 the partial suspension relating to Priority 1 was lifted.

Lifting the partial suspension enables the Department to claim the remaining £55m ESF monies available under the ESF programme from the Commission. Vouching of the Government Programme expenditure is now complete. The deadline for submission of these claims and completion of the Closure of the 2007-2013 programme, including expenditure previously claimed from the Commission, is March 2017.

Internal Audit Service are currently undertaking a follow up visit to the ESF Managing Authority.

## **Quality Evaluations**

The Department commissions the Education and Training Inspectorate (the Inspectorate) to inspect and report on the quality of provision across further education and training programmes. Where issues of quality are identified, follow-up inspections take place at regular intervals to monitor progress towards improvement.

During the financial year, four providers (10%) of training programmes (Training for Success and Apprenticeships NI) had follow-up inspections to ensure that the necessary quality improvements were achieved.

In addition, each provider is required to submit an annual self-evaluation report and quality improvement plan in order to build the capacity for self-improvement. These documents are evaluated by the Inspectorate which carries out a short inspection to confirm the strengths and weaknesses identified by each provider.

The Inspectorate also completed a two phase evaluation of the 16 Youth Training system pilot programmes. In addition 26 baseline visits to European Social Fund projects (2014 to 2020) were completed by the Inspectorate.

The Department's Quality Improvement Team visited all providers of pilot Higher Level Apprenticeships at levels 4 and 5 and gathered interim feedback about quality of provision from apprentices, employers and lecturers.

As of 31 March 2016, all three lead contractors for Steps 2 Success have had full, longitudinal quality evaluation visits from the departmental Quality Improvement assessors. Feedback, including grades, has been given to all three providers and a published report will be made available in the next financial year.

## **Information Assurance**

The Department was committed to ensuring that all of the information it managed was handled lawfully and appropriately. The Department's Information Security and Assurance Framework detailed the governance arrangements, structures, policies and procedures in place to ensure delivery of this objective. The Framework was reviewed regularly to ensure compliance with best practice, with the latest review completed in December 2015.

**In the year ended 31 March 2016, there were 19 incidents involving personal data including:**

- one incident relating to a third party;
- one incident where personal data was inappropriately accessed;
- one incident where personal data was inappropriately disclosed; and
- 16 incidents where the processing of personal data did not comply with Data Protection requirements.

On each occasion a full and thorough investigation took place and corrective measures were put in place to mitigate against future occurrences.

No incidents were reported to the Information Commissioner's Office during 2015-16.

## **The Control Environment**

The Accounting Officer had responsibility for reviewing the effectiveness of the governance structures and the system of internal control. His review was informed by:

- assurance statements from:
  - CITB-NI;
  - Labour Relations Agency;
  - Ulster Supported Employment Limited;
  - the six Further Education Colleges, namely: Belfast Metropolitan College; Northern Regional College; North West Regional College; Southern Regional College; South Eastern Regional College; and South West College;
  - Stranmillis University College;
  - St. Mary's University College;
  - the two universities, namely: Queen's University Belfast and Ulster University;
  - Student Loans Company;
  - the Education Authority; and
  - assurance statements provided by Directors of divisions within the Department which also take account of the assurances provided by the Arms Length/Autonomous Bodies for which their respective divisions have responsibility. The statements provided by Directors are reviewed by the respective Deputy Secretaries who provide written assurance to the Accounting Officer that they have reviewed the assurance statements;
- the work of Internal Audit Service throughout the year (according to a pre-agreed audit strategy);
- a programme of annual accountability meetings with the respective Accounting Officers of all of the Department's Non Departmental Public Bodies and the Higher Education Institutions; and
- the comments made by our external auditors, the Northern Ireland Audit Office, in its Report to those Charged with Governance and other reports to the Department.

## **Assurance Statements**

A key source of assurance when drafting this Governance Statement was the end of year assurance statements obtained from Directors of divisions within the Department and all Arms Length and Autonomous Bodies of the Department. These statements provided important assurances about the internal controls in operation within the Department and the various bodies, the drafting and monitoring of business plan objectives, and the monitoring and reporting of fraud. These assurance statements also require business areas to report any significant issues or control weaknesses identified during the year.

The main issues noted in the Assurance Statements were:

- as detailed in the European Social Fund Audit Authority section above, a partial suspension was placed on Priority 1 of the ESF Programme because of shortcomings identified in the management and control of management verifications of claims received for payment. The Department responded to the Commission and on 22 September 2015 the partial suspension relating to Priority 1 was lifted;
- internal delegation limits in respect of one ESF project for the 2007-2013 programmes were not complied with. The amount of spend involved was £600K;
- retrospective approval for the funding model for Work Connect was not given by The Department of Finance (DoF) (formerly the Department of Finance and Personnel) totalling £1.86m; however, DoF have approved spend going forward. Robust tracking and other systems have been introduced at Divisional and Branch level. This should ensure that all economic appraisals, contracts and where necessary, DoF approvals are actioned in accordance with procedures and timescales;
- a number of Employment Service programmes / projects were found to be non-compliant due to approvals either having expired or not being in place. Significant work was undertaken to address this with all cases being progressed as a matter of urgency in accordance with the relevant procedures. The Employment Service has reviewed all historical cases and has since put in place a control database which will be monitored on a monthly basis initially. Training needs have also been identified and these will be given a priority rating. There is currently one economic appraisal outstanding. The complexity of this economic appraisal, due to a number of historical issues, has resulted in a longer delay than anticipated. However significant work has been undertaken and the Branch is hopeful that approval will be secured within a short timeframe;
- Ulster Supported Employment Limited is currently operating with a large pension deficit and has disclosed in its Annual Report a deficit of £2.6m (£5m in 2014-15). This figure is calculated annually by the pension scheme actuary under International Accounting Standard 19. Ulster Supported Employment Limited's

Board has put in place an action plan to recover the deficit by 2022. The issue also featured in the Department's Corporate Risk Register. The new Department for Communities will continue to monitor the situation with the Senior Management Team and Board of Ulster Supported Employment Limited; and

- in 2014 the Department, under Article 18 of the Further Education (NI) Order 1997, arranged for a 'Stock Take Analysis' to be carried out in Northern Regional College to provide a comprehensive analysis of the position in relation to the core functions of the college across financial, corporate, staff, curriculum and estates planning. This 'Stock Take Analysis' was undertaken by consultants, Tribal ITS. The final report contained 36 recommendations and the College appointed consultants to support management in bringing about successful change. A three year Strategic Improvement Plan (SIP) for 2015-18 was approved in September 2015. The new Department for the Economy will continue to monitor the implementation of the Tribal recommendations and the SIP.

## **Internal Audit Service**

Internal Audit Service's main remit was to provide the Accounting Officer with an independent and objective opinion on the overall adequacy and effectiveness of the Department's risk management, control and governance processes. The Internal Audit Annual Opinion and Report was a key element of the framework of assurance that the Accounting Officer needed to inform this Governance Statement. Internal Audit Service operated in accordance with HM Treasury's Public Sector Internal Audit Standards.

The Internal Audit Strategy for the Department, covered the period 2013-14 to 2015-16. It remained flexible throughout this period to take account of new and emerging issues. The strategy is in accordance with the Public Sector Internal Audit Standards to map coverage to the Department's Corporate Risk Strategy, giving consideration to new systems, areas of high risk and any other central government requirements.

Internal Audit Service carried out its annual audit plan for the financial year 2015-16, which was agreed by the Departmental Audit Committee. A mid-year review of the plan resulted in it being revised to reflect changing priorities, changing circumstances and emerging issues. This revision was agreed by the Accounting Officer and endorsed by the Audit Committee.

For the period 2015-16, Internal Audit Service has reported an overall satisfactory audit opinion on the effectiveness of the Department's risk management, control and governance processes. In relation to the audit work carried out during the year, all reports issued contained a substantial or satisfactory audit opinion except for the review of the Department's Steps 2 Success Programme. The draft Internal Audit report is likely to have a limited opinion as a result of a number of issues including weaknesses identified in project governance operating over the programme, a failure to resolve emerging issues and take appropriate action to mitigate key risks in a timely manner. Internal Audit also

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
CORPORATE GOVERNANCE REPORT  
for the year ended 31 March 2016**

---

identified a considerable backlog of post payment validation inspections and a lack of robust contractor compliance and performance monitoring.

There is one outstanding limited audit opinion within the Department. This relates to a 2014-15 audit of EU Management Verifications within the European Social Fund (ESF) Managing Authority. The review identified significant deficiencies in the management and control. Internal Audit is currently conducting a follow-up review in this area. The IAS review of the Designation of the ESF Managing Authority which commenced in 2015-16 will not be completed until early 2016-17.

The Department of Finance's (formerly the Department of Finance and Personnel's) Internal Audit Service has provided its Annual Assurance Report and Opinion on Enterprise Shared Services. Enterprise Shared Services has received an overall satisfactory audit opinion.

### **Other Matters**

During the year it was noted that according to the training records of the Chief Executives Forum, the Accounting Officers at NRC, NWRC and Stranmillis University College may not have had recent training. This was followed up and training has now been either undertaken or scheduled.

### **Ministerial Directions**

There were no Ministerial directions given during the 2015-16 financial year.

## **Remuneration Report**

### **Remuneration Policy**

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

### **Service Contracts**

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](http://www.nicscommissioners.org).

### **Salary and pension entitlements**

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

**Remuneration (Audited Information)**

Ministers	2015-16			2014-15		
	Salary £	Pension benefits* (to nearest £1000)	Total £000	Salary £	Pension benefits* (to nearest £1000)	Total £000
Dr Stephen Farry <i>Minister for Employment and Learning</i>	38,000	14,000	50-55	38,000	14,000	50-55
Officials	2015-16			2014-15		
	Salary £000	Pension benefits* (to nearest £1000)	Total £000	Salary £000	Pension benefits* (to nearest £1000)	Total £000
Derek Baker <i>Acting Permanent Secretary</i>	105-110	54,000	160-165	105-110	56,000	160-165
Catherine Bell CBE** <i>Deputy Secretary</i> <i>01/04/2015 – 30/03/2016 &amp; 01/04/2014 – 31/03/2015</i>	90-95 (90-95 full year equivalent)	(35,000)	55-60	90-95	21,000	110-115
Heather Cousins <i>Deputy Secretary</i>	85-90	27,000	115-120	85-90	23,000	105-110

\*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.

	2015-16	2014-15
<b>Band of Highest Paid Director's Total Remuneration (£000)</b>	105-110	105-110
<b>Median Total Remuneration (£)</b>	26,711	24,728
<b>Ratio</b>	4.02	4.35

None of the above received benefits in kind or bonus payments in 2015-16 or 2014-15.

Derek Baker was appointed as Acting Permanent Secretary until 8 May 2016.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

**Salary**

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

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

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were awarded to senior officials in respect of 2015-16 and 2014-15.

**Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonuses were awarded to senior officials in respect of 2015-16 and 2014-15.

**Median Total Remuneration**

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

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

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

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

The ratio is calculated as follows:

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

The banded remuneration of the highest paid director in the Department in the financial year 2015-16 was £105,000–110,000 (2014-15: £105,000-110,000). This was 4.02 times (2014-15: 4.35 times) the median remuneration of the workforce, which was £26,711 (2014-15: £24,728).

In 2015-16, two individuals (2014-15: two individuals) received remuneration in excess of the highest paid director. Remuneration ranged from £120,000 to £135,000 (2014-15: £120,000 - £135,000).

The movement in the ratio between 2015-16 and 2014-15 is primarily attributable to an increase in the median total remuneration figure caused by a reduction in staff numbers.

**Pension Benefits (Audited Information)**

Ministers	Accrued pension at pension age as at 31/03/2016 £000	Real increase in pension at pension age £000	CETV at 31/03/2016 £000	CETV at 31/03/2015 £000	Real increase in CETV £000
Dr Stephen Farry <i>Minister for Employment and Learning</i>	0-5	0-2.5	47	37	4

**Ministerial pensions**

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

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 7% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

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

**The Cash Equivalent Transfer Value (CETV)**

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

**The real increase in the value of the CETV**

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

**Pension Entitlements (Audited Information)**

Officials	Accrued pension at age as at 31/03/2016 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/2016 £000	CETV at 31/03/2015 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Derek Baker <i>Acting Permanent Secretary</i>	50-55 Plus lump sum of 155-160	2.5-5.0 Plus lump sum of 7.5-10.0	1,171	1,055	52	-
Catherine Bell CBE <i>Deputy Secretary (until 30 March 2016)</i>	30-35 Plus lump sum of 210-215	(5.0-7.5) Plus lump sum of 95.0-100.0	817	850	(23)	-
Heather Cousins <i>Deputy Secretary</i>	15-20 Plus lump sum of 50-55	0-2.5 Plus lump sum of 2.5-5.0	338	293	23	-

**Northern Ireland Civil Service (NICS) Pension arrangements**

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

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who, on 1 April 2012, were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

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

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

Employee contribution rates for all members for the period covering 1 April 2016 to 31 March 2017 are as follows:

**Scheme Year 1 April 2016 to 31 March 2017**

<b>Annualised Rate of Pensionable Earnings (Salary Bands)</b>		<b>Contribution rates – Classic members or classic members who have moved to alpha</b>	<b>Contribution rates – All other members</b>
<b>From</b>	<b>To</b>	<b>From 1 April 2016 to 31 March 2017</b>	<b>From 1 April 2016 to 31 March 2017</b>
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,210.99	4.6%	4.6%
£21,211.00	£48,471.99	5.45%	5.45%
£48,472.00	£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 3% and 14.7% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

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

### **Cash Equivalent Transfer Values**

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 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

### **Compensation for loss of office (Audited Information)**

Catherine Bell left under NICS Voluntary Exit Scheme terms on 30 March 2016. She received a compensation payment of £47k.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

## Staff Report

### Staff costs (Audited Information):

				2015-16 £000	2014-15 £000
	<b>Permanently employed staff*</b>	<b>Others</b>	<b>Minister</b>	<b>Total</b>	<b>Total</b>
Wages and salaries	52,525	11	38	52,574	55,579
Voluntary Exit Scheme	7,986	-	-	7,986	-
Social security costs	3,557	2	4	3,563	3,804
Other pension costs	11,448	-	8	11,456	10,688
<b>Sub Total</b>	<b>75,516</b>	<b>13</b>	<b>50</b>	<b>75,579</b>	<b>70,071</b>
Less recoveries in respect of outward secondments	(43)	-	-	(43)	(83)
<b>Total net costs**</b>	<b>75,473</b>	<b>13</b>	<b>50</b>	<b>75,536</b>	<b>69,988</b>
Of which:	<b>Charged to Administration</b>	<b>Charged to Programme</b>	<b>Total</b>		
<b>Core Department</b>	<b>21,182</b>	<b>54,354</b>	<b>75,536</b>		
<b>Total net costs</b>	<b>21,182</b>	<b>54,354</b>	<b>75,536</b>		

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

\*\* Of the total, no staff costs have been charged to capital in 2015-16 or 2014-15.

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Department for Employment and Learning is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2016.

For 2015-16, employers' contributions of £11,448k were payable to the NICS pension arrangements (2014-15: £10,505k) at one of four rates in the range 20.8% to 26.3% (2014-15: 18% to 25%) of pensionable pay, based on salary bands. The scheme's Actuary

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £7,680.14 (2014-15: £5,942.15) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.7% (2014-15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2014-15: 3%) of pensionable pay. In addition, employer contributions of £624.45, 0.5% of pensionable pay (2014-15: £557.57, 0.8%), were payable to the NICS Pension Arrangements to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Nine persons (2014-15: seven persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £15,234 (2014-15: £9,667).

**Average number of persons employed (Audited Information)**

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

Activity	Permanent staff	Others	Minister	Special advisers	2015-16	2014-15
					Number	Number
					Total	Total
1	1,905	7	1	1	1,914	2,041
Staff engaged on capital projects	-	-	-	-	-	-
<b>Total</b>	<b>1,905</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>1,914</b>	<b>2,041</b>

**Office of Industrial and Fair Employment Tribunals Service**

Judicial office holders are covered by the provisions of the Judicial Pensions Scheme (JPS). The terms of the pension arrangements are set out in the provisions of two Acts of Parliament, the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JuPRA). The JPS is an unfunded public service scheme, providing pensions and related benefits for members of the judiciary. The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders.

Following the Hutton Review on Public sector pensions, two new pension schemes, Judicial Pension Scheme (JPS) 2015 and Northern Ireland Judicial Pension Scheme

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

(NIJPS) 2015, have been introduced from 1 April 2015. These mirror each other and other public sector career average pension schemes. From 1 April 2015 the Department pays contributions in relation to salaried excepted and devolved salaried Judicial Office Holders and excepted fee paid Judicial Office Holders. A subsequent revaluation of the Judicial Pension Schemes resulted in a contribution rate for Appointing Bodies of 38.45% which includes an element of 0.25% as a contribution towards the administrative costs of the schemes.

***O'Brien v Ministry of Justice***

In 2013, the Supreme Court (and the Court of Justice of the European Union) held that a retired fee paid recorder (Mr O'Brien) was a part-time worker within the meaning of the Directive and Regulations, and was therefore eligible to pension entitlement. The cost of providing the pension entitlement for all part-time judges who were fee paid by the Department has been reflected in the financial statements of this Department.

The Department is named, amongst others, as a respondent in an ongoing industrial tribunal case involving 'O'Brien' claims by fee-paid judicial office holders. £4.7 million (2014-15: £4.8million) is included in accruals at Note 15 as a best estimate of contributions payable based on the departmental records of sittings undertaken by all fee paid members of appeal tribunals.

**Attendance Management**

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

The target for 2015-16 was 7.9 days (2014-15: 7.9 days) and the projected outturn (at 31 March 2016) is 12.6 days (2014-15: 12.2 days).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2015-16	2014-15
			Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	7	7	2
£10,000 - £25,000	-	112	112	-
£25,000 - £50,000	-	137	137	2
£50,000 - £100,000	-	24	24	1
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
<b>Total number of exit packages</b>	-	<b>280</b>	<b>280</b>	<b>5</b>
<b>Total resource cost/£000</b>	-	<b>8,168</b>	<b>8,168</b>	<b>121</b>

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.

The above figures include costs of £7.986 million relating to the NICS voluntary exit scheme.

**DVA Exit Scheme**

As a result of the movement in vehicle licensing from Northern Ireland, in 2014-15, the Driver and Vehicle Agency (DVA), an Executive Agency of the Department for Agriculture, Environment and Rural Affairs (formerly Department of the Environment (DOE)), ran a restricted Voluntary Exit Scheme which was open to Administrative Assistant and Administration Officer grades in all NICS Departments. The total cost of compensation paid to staff, by participating Departments was reimbursed to those Departments by the DOE.

This Department participated in the scheme and staff costs include £3k in respect of these payments as shown below. The corresponding reimbursement is disclosed in Note 6 Programme Income. There was no overall cost to the Department.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

**Staff Composition**

The table below provides a breakdown of the number of persons employed by the Department as at 31 March 2016, by gender for each of the following groups:

- Directors (interpreted to be the Permanent Secretary and Deputy Secretaries);
- Senior Managers (staff at Senior Civil Servant level that are not included in the Directors Group); and,
- Other Employees.

	As at 31 March 2016			As at 31 March 2015		
	Male	Female	Total	Male	Female	Total
Directors	1	1	2	1	2	3
Senior Managers	3	6	9	3	5	8
Employees	619	1,303	1,922	718	1,495	2,213
<b>Total</b>	<b>623</b>	<b>1,310</b>	<b>1,933</b>	<b>722</b>	<b>1,502</b>	<b>2,224</b>

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

**Off-Payroll Engagements**

The Department had no 'off-payroll' engagements at a cost of over £58,200 per annum in place during 31 March 2016.

**Consultancy and Temporary Staff**

During the year to 31 March 2016, the Department spent £27,950 on external consultancy (31 March 2015: £185,288), and £121,757 on temporary staff (31 March 2015: £100,792 (restated)).

**Number of SCS (or equivalent) staff by band**

The following table summarises the number of Senior Civil Servants in post by pay range as at 31 March 2016. Salary ranges represent full-time equivalent rates.

Pay range	Number of SCS staff within ranges as at 31 March 2016	Number of SCS staff within ranges as at 31 March 2015
£110,000 - £115,000	1	-
£105,000 - £110,000	-	1
£90,000 - £95,000	-	1
£85,000 - £90,000	1	1
£70,000 - £75,000	1	-
£65,000 - £70,000	8	8
<b>Total</b>	<b>11</b>	<b>11</b>

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
DEPARTMENTAL REMUNERATION AND STAFF REPORT  
for the year ended 31 March 2016**

---

**Managing Attendance**

Staff sickness and absence is managed in accordance with the Northern Ireland Civil Service Inefficiency Sickness Absence Policy. Further information on performance during the year is contained within the Performance Analysis on page 34.

**Persons with Disability**

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

**Equal Opportunities**

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

**Consultation with Employees**

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**Statement of Assembly Supply and Supporting Notes (Audited Information)**

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRm) requires the Department for Employment and Learning to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

**Summary of Resource Outturn 2015-16**

		Estimate			Outturn			2015-16 £000	2014-15 £000
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total Outturn
A	SOAS1	692,256	(52,972)	639,284	676,380	(50,502)	625,878	13,406	916,976
<b>Total resources</b>		<b>692,256</b>	<b>(52,972)</b>	<b>639,284</b>	<b>676,380</b>	<b>(50,502)</b>	<b>625,878</b>	<b>13,406</b>	<b>916,976</b>
<b>Non-operating cost Accruing Resources</b>			<b>(70,307)</b>	<b>(70,307)</b>		<b>(70,307)</b>	<b>(70,307)</b>	<b>-</b>	<b>(60,440)</b>

**Net cash requirement 2015-16**

		Estimate			Outturn			2015-16 £000	2014-15 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: Outturn saving/ (excess)	Outturn				
Net cash requirement	SOAS3	1,086,271	1,010,442	75,829	1,054,900				

**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).

		2015-16 £000 Forecast		2015-16 £000 Outturn	
	Note	Income	Receipts	Income	Receipts
Total	SOAS4	-	-	579	2,951

Explanations of variances between Estimate and outturn are given in Note SOAS1 and in the Performance Analysis.

The notes on pages 98 to 129 form part of these accounts

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**SOAS1 ANALYSIS OF NET RESOURCE OUTTURN BY FUNCTION**

							2015-16 £000	2014-15 £000		
							Outturn	Estimate		
								Net Total outturn compared with Estimate, adjusted for virements	Net Total outturn compared with Estimate, adjusted for virements	Prior year outturn
Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Net Total Estimate			
<b>Request for Resources A:</b>										
<i>Promoting economic, social and personal development through high quality learning, research and skills training and helping people into employment and promoting good working practices</i>										
Employment										
and Skills	7,151	50,638	122,337	180,126	(4,129)	175,997	178,273	2,276	230	201,48
Higher Education	2,410	-	205,521	207,931	(2,244)	205,687	204,681	(1,006)	-	232,24
Student Support	-	(105,780)	129,558	23,778	-	23,778	24,708	930	1,971	282,12
Labour										
Market Services	18,478	4,073	2,720	25,271	(455)	24,816	24,818	2	-	33,93
SF Payments -										
Public and										
Private Sector	-	1,954	21,311	23,265	(13,140)	10,125	10,140	15	16	6,52
<b>Total</b>	<b>28,039</b>	<b>(49,115)</b>	<b>481,447</b>	<b>460,371</b>	<b>(19,968)</b>	<b>440,403</b>	<b>442,620</b>	<b>2,217</b>	<b>2,217</b>	<b>756,31</b>
<b>Annually Managed Expenditure:</b>										
Student Support	-	(654)	3,830	3,176	(30,534)	(27,358)	(28,180)	(822)	(796)	(62,183)
Provisions	-	-	-	-	-	-	2,000	2,000	1,974	
Evaluations	-	-	-	-	-	-	5	5	5	
<b>Total</b>	<b>-</b>	<b>(654)</b>	<b>3,830</b>	<b>3,176</b>	<b>(30,534)</b>	<b>(27,358)</b>	<b>(26,175)</b>	<b>1,183</b>	<b>1,183</b>	<b>(62,183)</b>
<b>On Budget:</b>										
Teachers' Premature										
Retirement -										
On-going liabilities	-	2,012	-	2,012	-	2,012	2,022	10	10	1,99
Construction										
Industry										
Training Board	-	-	-	-	-	-	1	1	1	
Truster Supported										
Employment Ltd	-	-	733	733	-	733	764	31	31	79
Labour										
Relations Agency	-	-	3,628	3,628	-	3,628	3,605	(23)	-	3,77
Further Education										
Colleges	-	-	206,920	206,920	-	206,920	214,291	7,371	7,348	197,97
Higher Education										
Colleges	-	-	5,689	5,689	-	5,689	5,834	145	145	8,11
rior Period										
Adjustment	-	(15,025)	-	(15,025)	-	(15,025)	(14,000)	1,025	1,025	
Additional Charges	8,876	-	-	8,876	-	8,876	10,322	1,446	1,446	10,18
<b>Total</b>	<b>8,876</b>	<b>(13,013)</b>	<b>216,970</b>	<b>212,833</b>	<b>-</b>	<b>212,833</b>	<b>222,839</b>	<b>10,006</b>	<b>10,006</b>	<b>222,84</b>
<b>Resource Outturn</b>	<b>36,915</b>	<b>(62,782)</b>	<b>702,247</b>	<b>676,380</b>	<b>(50,502)</b>	<b>625,878</b>	<b>639,284</b>	<b>13,406</b>	<b>13,406</b>	<b>916,97</b>

The notes on pages 98 to 129 form part of these accounts

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**Explanation of the variation between Estimate and Outturn (2015-16)**

After virement, the most significant variance arose in Student Support. Impairments to student loans were £2m lower than forecast as a result of movement in the financial data used in the calculations.

Outturn for Annually Managed Expenditure was £1.2m lower than forecast as a result of the potential to create provisions which were not required.

Outturn for notional costs within Non Budget was £1.4m lower than the Estimates due to assumptions made in forecasting.

**SOAS2 Reconciliation of outturn to net operating cost**

				2015-16 £000	2014-15 £000 (restated)
	<i>Note</i>	<b>Outturn</b>	<b>Supply Estimate</b>	<b>Outturn compared with Estimate</b>	<b>Outturn</b>
Net Resource Outturn	SOAS1	625,878	639,284	(13,406)	916,976
Prior Period Adjustments:					
Debt Sale Adjustment		15,025	14,000	1,025	(15,025)
Non-supply income (CFERs)	SOAS4	(34)	-	(34)	(2,962)
Non-supply expenditure:					
Redundancy Fund Payments	5	2,287	5,000	(2,713)	5,848
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>643,156</b>	<b>658,284</b>	<b>(15,128)</b>	<b>904,837</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**SOAS3 Reconciliation of net resource outturn to net cash requirement**

	<i>Note</i>	<b>Estimate £000</b>	<b>Outturn £000</b>	<b>Net total outturn compared with Estimate: saving/(excess) £000</b>
<b>Resource Outturn</b>	SOAS1	639,284	625,878	13,406
<b>Capital</b>				
Acquisition of property, plant and equipment	7,8	-	-	-
Investments – student loans funding	11.1	319,481	317,196	2,285
<b>Non-operating Accruing Resources</b>				
Proceeds of disposal of property, plant and equipment		-	(1)	1
Student loan repayments applied	11.1	(70,307)	(70,307)	-
<b>Accruals to cash adjustments</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation and Amortisation	4,5	(35)	(29)	(6)
New provisions and adjustments to previous provisions		(2,000)	-	(2,000)
Prior Period Adjustment	11.2	14,000	15,025	(1,025)
Other non-cash items	3,4,5	120,455	124,117	(3,662)
Increase/(decrease) in receivables		20,000	(940)	20,940
Increase/(decrease) in payables falling due within one year		45,000	(1,034)	46,034
Changes in payables falling due after more than one year	15	-	16	(16)
Use of provisions & financial liabilities	11.2,16	393	521	(128)
<b>Net cash requirement</b>		<b>1,086,271</b>	<b>1,010,442</b>	<b>75,829</b>

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**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).

	<i>Note</i>	<b>Forecast 2015-16 £000</b>		<b>Outturn 2015-16 £000</b>	
		<i>Income</i>	<i>Receipts</i>	<i>Income</i>	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	-	2,917
Other operating income and receipts not classified as Accruing Resources		-	-	34	34
		-	-	<b>34</b>	<b>2,951</b>
Non-operating income and receipts – excess Accruing Resources	SOAS6	-	-	546	-
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>580</b>	<b>2,951</b>

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

	<i>Note</i>	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Operating income	6	46,706	95,110
Income authorised to be Accruing Resources		46,672	92,148
<b>Operating income payable to the Consolidated Fund</b>	SOAS4.1	<b>34</b>	<b>2,962</b>

**SOAS6 Non-operating income – Excess Accruing Resources**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Student Loan repayments	546	-
<b>Non-operating income – excess Accruing Resources</b>	<b>546</b>	<b>-</b>

The notes on pages 98 to 129 form part of these accounts

## **Other Assembly Accountability Disclosures**

### **Payment of suppliers**

The Department is committed to the prompt payment of suppliers of goods and services in accordance with the Confederation of British Industry's prompt payer's code and British Standard BS 7890. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, on presentation of a valid invoice or similar demand, whichever is later.

In the year ended 31 March 2016, 97% of invoices from suppliers were paid within the timescale noted above (31 March 2015: 96%). No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1998.

In November 2008, Finance Minister Nigel Dodds set a target for all Northern Ireland Departments to pay supplier invoices within 10 working days of receipt in order to help local business in the current economic climate. The Department is committed to this target and for the year ended 31 March 2016, 93% of invoices from suppliers were paid within this timescale (31 March 2015: 90%).

The following link to the Account NI website discloses Northern Ireland departments' performance both in terms of paying invoices within 30 days and 10 days:

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

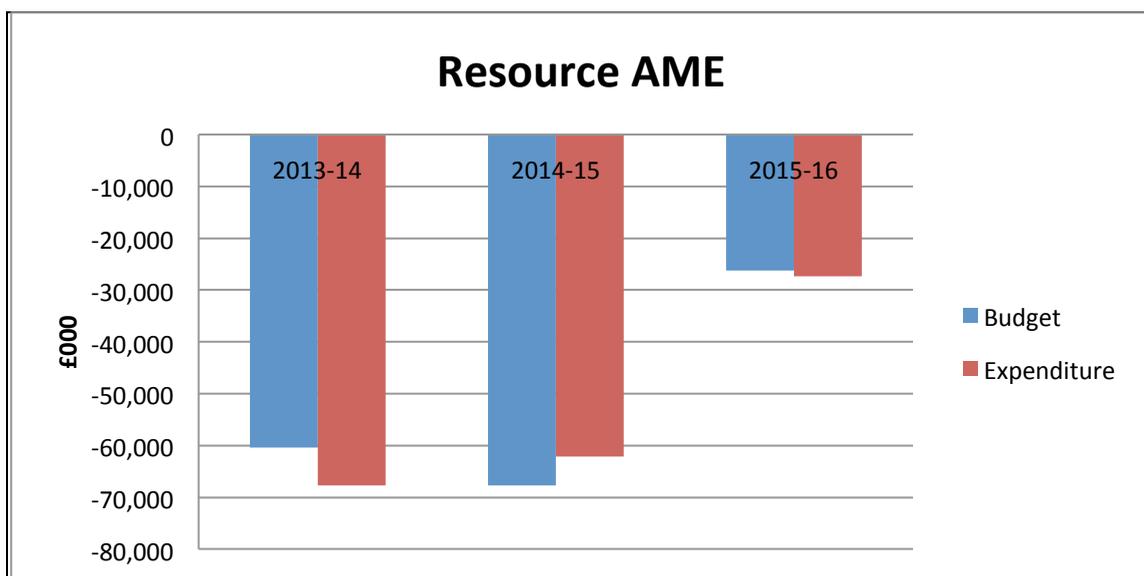
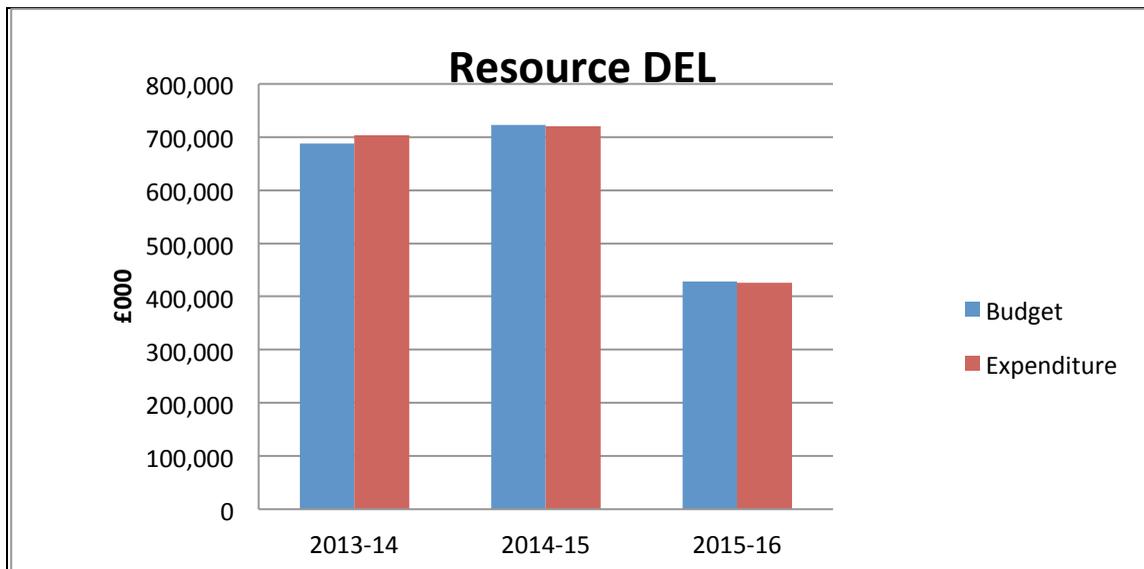
### **HM Treasury Cost allocation**

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

**Long Term Expenditure Trends**

**Total Departmental Spend**

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



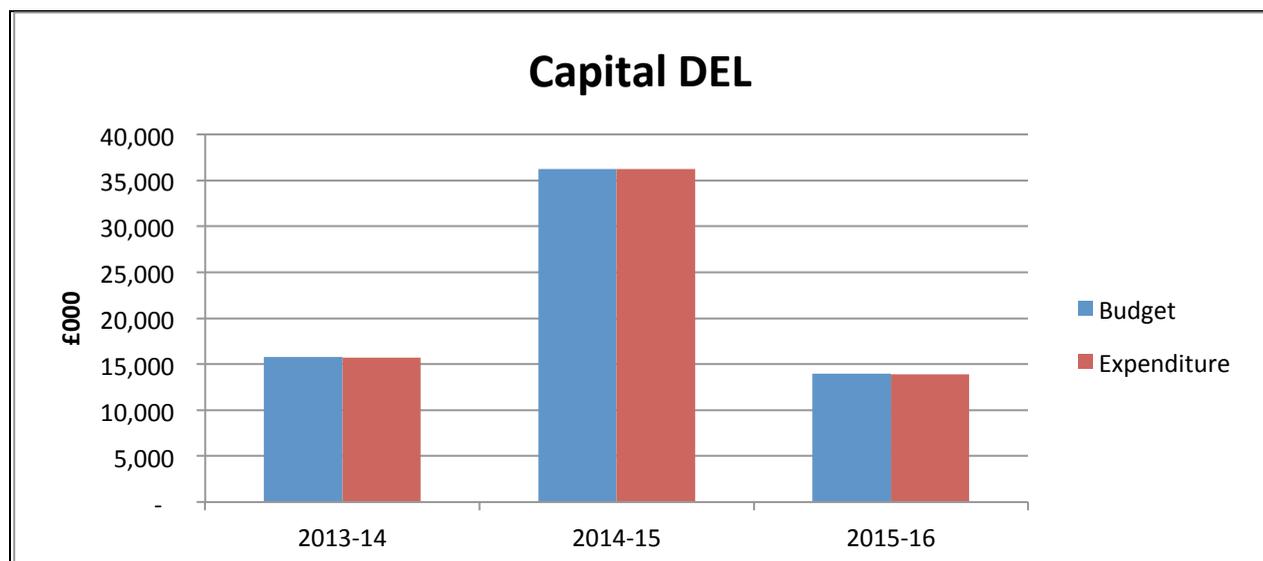
The most significant variations in Resource DEL have arisen in respect of:

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

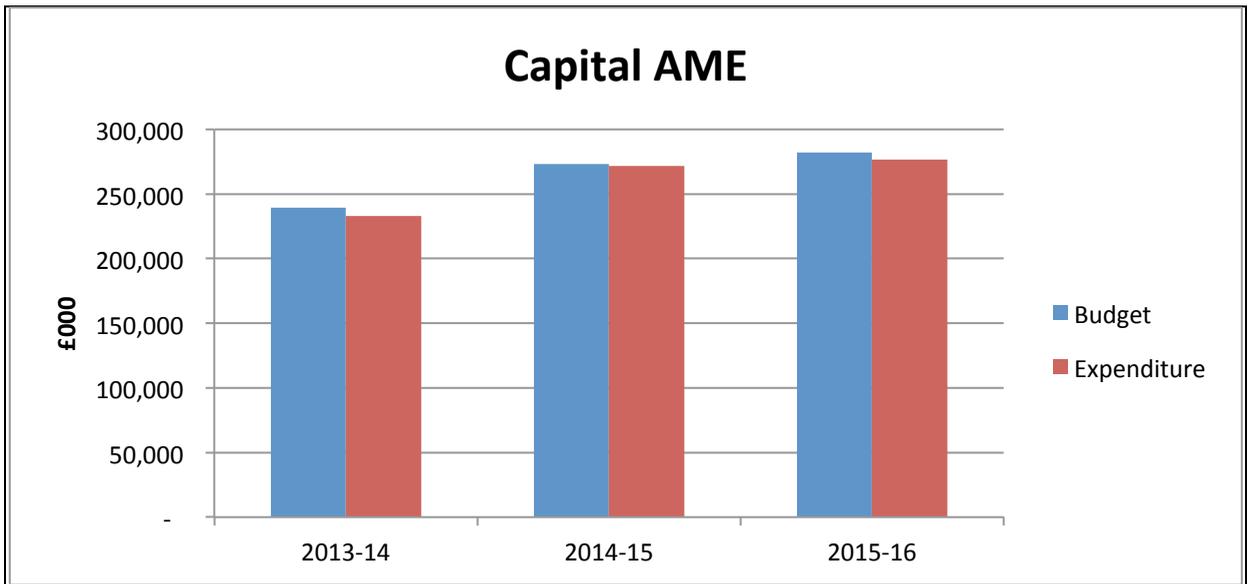
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- Variations in the notional cost of subsidising student loans (impairments), mainly due to the revision to the HMT discount rate from RPI plus 2.2% to RPI plus 0.7% in 2015-16;
- The Voluntary Exit Scheme in 2015-16; and,
- Funding reductions in respect of Universities and programme spend (including a number of Employment Schemes).

Resource AME was also impacted by the movement in discount rate, which directly affected the Effective Interest rate on student loans.



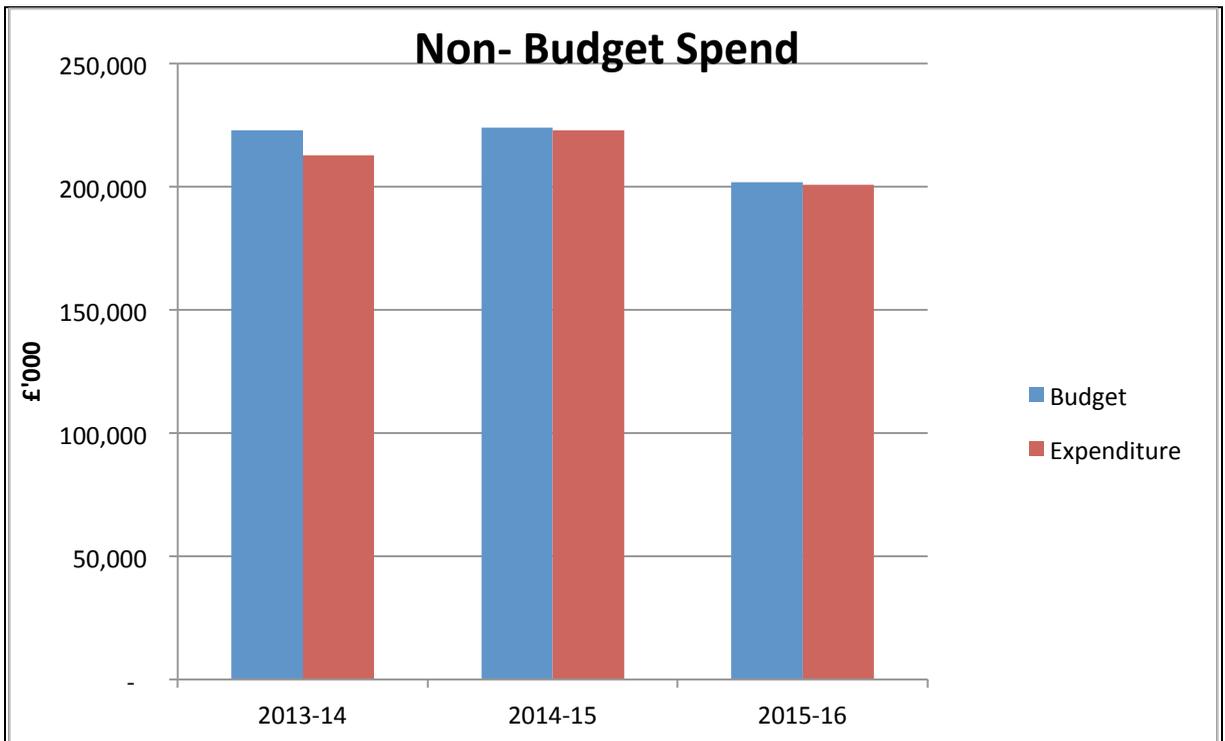
Capital DEL spend mainly comprises capital grants to the HE sector, and varies according to the progress of projects funded. In addition, capital funding is also available to the sector through the Financial Transactions Capital programme administered through the Strategic Investment Board.



Capital AME reflects movements in respect of student loans. New loans issued have increased across the period at a greater rate than repayments received, reflecting the ongoing increasing value of the loan book.

**Non- Budget Spend**

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



**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

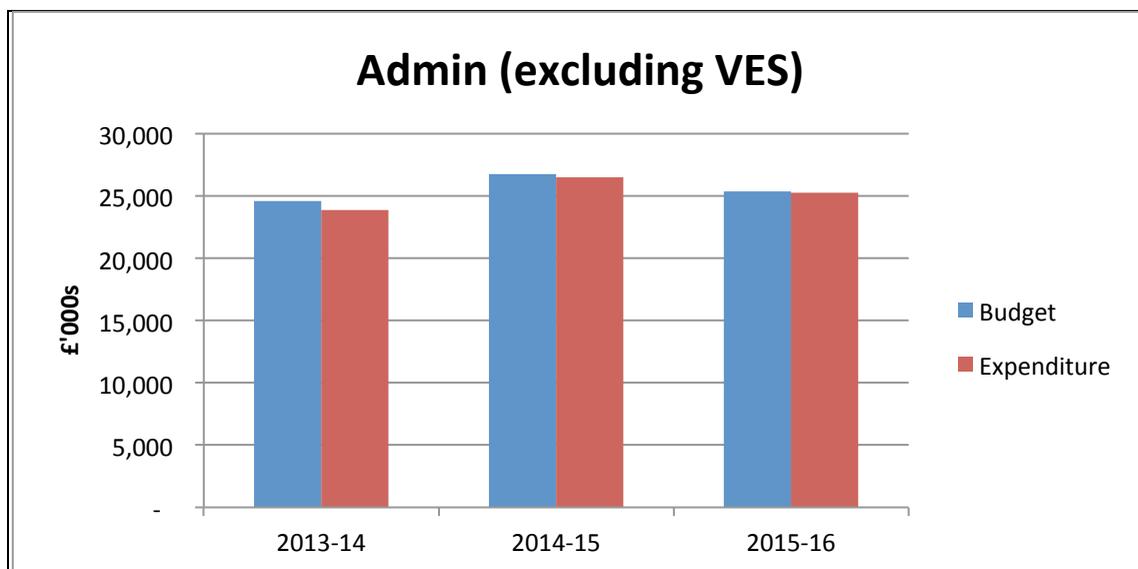
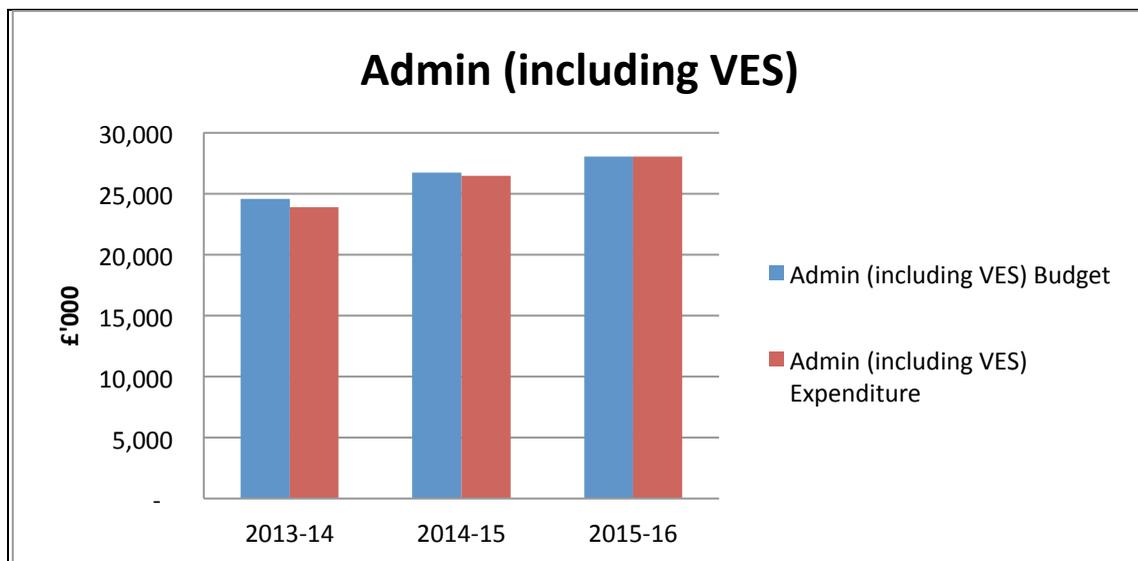
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Non-Budget Spend mainly reflects movements in respect of Grant in Aid to Non Departmental Public Bodies, which varies according to their cash requirements. In addition, 2015-16 is reduced by the impact of a prior period adjustment (£15m) in respect of the Student Loan Debt Sale liability (see Note 11.2).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

**Departmental Administration Spend**

The following tables show the trend in Departmental Administration Spend arising over the last three years. The underlying data can be found in Table 3 in Annex A.



Two tables have been shown to reflect total spend, and spend excluding the costs associated with staff leaving under the Voluntary Exit Scheme (VES) in 2015-16. Spend excluding VES has reduced in 2015-16 due to efficiency savings. 2013-14 spend was low due to recalibration of spend in previous years. 2014-15 saw an increase due to one-off non-recurring charges.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
ACCOUNTABILITY REPORT  
ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT  
for the year ended 31 March 2016**

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**i. Regularity of Expenditure (Audited Information)**

**Losses Statement**

	2015-16	2014-15
Total number of losses	117	532
Total value of losses (£000)	44	112
Cash losses	36	112
Claims abandoned	-	-
Administrative write-offs	-	-
Fruitless payments	8	-
Store losses	-	-

**Special Payments**

	2015-16	2014-15
Total number of special payments	1	4
Total value of special payments (£000)	1	47

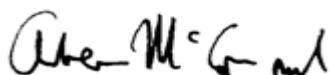
There were no cases over £250,000 in 2015-16 or 2014-15.

**ii. Fees and Charges (Audited Information)**

The Department has no fees and charges to disclose.

**iii. Remote Contingent Liabilities (Audited Information)**

The Department has no remote contingent liabilities to disclose.




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**Dr Andrew McCormick  
Accounting Officer  
27 June 2016**

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL TO THE NORTHERN IRELAND ASSEMBLY  
for the year ended 31 March 2016**

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

**Respective responsibilities of the Accounting Officer and auditor**

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

**Scope of the audit of the financial statements**

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

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

**Opinion on Regularity**

In my opinion, in all material respects:

- The Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL TO THE NORTHERN IRELAND ASSEMBLY  
for the year ended 31 March 2016**

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- The expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Opinion on financial statements**

In my opinion:

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

**Opinion on other matters**

In my opinion:

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

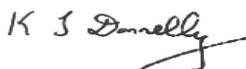
**Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures 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 Department of Finance's guidance.

**Report**

I have no observations to make on these financial statements.



*KJ Donnelly*  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU  
28 June 2016

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**for the year ended 31 March 2016**

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

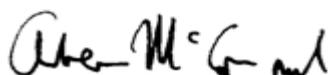
	Note	<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b> <i>(restated)</i>
Other Operating Income	6	(46,706)	(95,110)
<b>Total Operating Income</b>		<b>(46,706)</b>	<b>(95,110)</b>
Staff costs	3	75,536	69,988
Purchase of Goods & Services	4,5	9,201	9,906
Depreciation and impairment charges	4,5	29	42
Provision Expense	4,5	-	-
Other Operating Expenditure	4,5	605,096	920,011
<b>Total Operating Expenditure</b>		<b>689,862</b>	<b>999,947</b>
<b>Net Operating Expenditure</b>		<b>643,156</b>	<b>904,837</b>
Finance Income		-	-
Finance Expense		-	-
<b>Net Expenditure for the year</b>		<b>643,156</b>	<b>904,837</b>
<b>Other Comprehensive Net Expenditure</b> <i>Items that will not be reclassified to net operating costs:</i>			
Net (gain)/loss on revaluation of Property, Plant and Equipment/Intangibles	7,8	(1)	-
<b>Comprehensive Net Expenditure for the year</b>		<b>643,155</b>	<b>904,837</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2016**

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

	Note	2016 £000	2015 £000 (restated)	2014 £000 (restated)
<b>Non-current assets:</b>				
Property, plant and equipment	7	145	188	259
Intangible Assets	8	3	5	7
Financial Assets – Student loans	11.1	1,993,187	1,614,489	1,463,893
Financial Assets – Other	12	2,338	2,338	2,338
<b>Total non-current assets</b>		<u>1,995,673</u>	<u>1,617,020</u>	<u>1,466,497</u>
<b>Current assets:</b>				
Trade and other receivables	14	79,569	91,098	73,855
Cash and cash equivalents	13	14	16	17
<b>Total current assets</b>		<u>79,583</u>	<u>91,114</u>	<u>73,872</u>
<b>Total assets</b>		<u>2,075,256</u>	<u>1,708,134</u>	<u>1,540,369</u>
<b>Current liabilities:</b>				
Trade and other payables	15	(88,706)	(98,264)	(77,751)
Provisions	16	(15)	(29)	(55)
<b>Total current liabilities</b>		<u>(88,721)</u>	<u>(98,293)</u>	<u>(77,806)</u>
<b>Total Assets less Current Liabilities</b>		<u>1,986,535</u>	<u>1,609,841</u>	<u>1,462,563</u>
<b>Non-current liabilities:</b>				
Provisions	16	(1,922)	(2,000)	(2,000)
Other payables	15	(459)	(475)	(485)
Financial Liabilities	11.2	(4,617)	(5,700)	(8,540)
<b>Total non-current liabilities</b>		<u>(6,998)</u>	<u>(8,175)</u>	<u>(11,025)</u>
<b>Total assets less total liabilities</b>		<u>1,979,537</u>	<u>1,601,666</u>	<u>1,451,538</u>
<b>Taxpayers' equity &amp; other reserves:</b>				
General fund		1,979,534	1,601,662	1,451,527
Revaluation reserve		3	4	11
<b>Total equity</b>		<u>1,979,537</u>	<u>1,601,666</u>	<u>1,451,538</u>

Signed



**Dr Andrew McCormick**  
**Accounting Officer**  
**27 June 2016**

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2016**

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

		<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b> <i>(restated)</i>
	<i>Note</i>		
<b>Cash flows from operating activities</b>			
Net operating cost	SOAS2	(643,156)	(904,837)
Adjustments for non-cash transactions	3,4,5,6	(124,088)	82,187
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	11,529	(17,243)
Increase/(Decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	(9,188)	5,496
Use of provisions	15	(1,364)	13,562
	15	2,152	(1,895)
	11.2,16	(521)	(165)
<b>Net cash outflow from operating activities</b>	SOAS3	<b>(764,636)</b>	<b>(822,895)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(31)	(80)
Purchase of intangible assets	8	-	-
Proceeds of disposal of property, plant and equipment		1	158
Student Loan Funding		(317,103)	(298,430)
Student Loan Repayments		70,704	59,678
<b>Net cash outflow from investing activities</b>		<b>(246,429)</b>	<b>(238,674)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		1,007,268	1,043,507
From the Consolidated Fund (Supply) – prior year		11,393	4,954
From the National Insurance Fund		3,574	6,977
<b>Net financing</b>		<b>1,022,235</b>	<b>1,055,438</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>11,170</b>	<b>(6,131)</b>
Payments of amounts due to the Consolidated Fund		(2,962)	(811)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>8,208</b>	<b>(6,942)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>(11,372)</b>	<b>(4,430)</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>(3,164)</b>	<b>(11,372)</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
for the year ended 31 March 2016**

This statement shows the movement in the year on the different reserves held by the Department for Employment and Learning, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use. 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.

	<i>Note</i>	<b>General Fund £000 (restated)</b>	<b>Revaluation Reserve £000</b>	<b>Taxpayers' Equity £000 (restated)</b>
<b>Balance at 31 March 2014</b>		<b>1,438,523</b>	<b>11</b>	<b>1,438,534</b>
Prior Period Adjustment	11.2	13,004	-	13,004
<b>Balance at 1 April 2014</b>		<b>1,451,527</b>	<b>11</b>	<b>1,451,538</b>
Net Assembly Funding		1,043,507	-	1,043,507
National Insurance Fund	SOAS2	5,848	-	5,848
Supply (payable)/receivable adjustment	14	11,393	-	11,393
CFERs payable to the Consolidated Fund	15	(2,962)	-	(2,962)
Comprehensive Net Expenditure for the Year	SOAS2	(919,862)	-	(919,862)
Non-cash charges – notional costs	4	10,078	-	10,078
Non-cash charges – auditor's remuneration	4	105	-	105
Transfers between reserves		7	(7)	-
<b>Balance at 31 March 2015</b>		<b>1,599,641</b>	<b>4</b>	<b>1,599,645</b>
Prior Period Adjustment	11.2	2,021	-	2,021
<b>Balance at 1 April 2015</b>		<b>1,601,662</b>	<b>4</b>	<b>1,601,666</b>
Net Assembly Funding		1,007,268	-	1,007,268
National Insurance Fund	SOAS2	2,287	-	2,287
Supply (payable)/receivable adjustment	14	3,175	-	3,175
CFERs payable to the Consolidated Fund	15	(580)	-	(580)
Comprehensive Net Expenditure for the Year	SOAS2	(643,156)	1	(643,155)
Non-cash charges – notional costs	4	8,781	-	8,781
Non-cash charges – auditor's remuneration	4	95	-	95
Transfers between reserves		2	(2)	-
<b>Balance at 31 March 2016</b>		<b>1,979,534</b>	<b>3</b>	<b>1,979,537</b>

## **1. Statement of Accounting Policies**

These financial statements have been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance (formerly the Department of Finance and Personnel). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Employment and Learning for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes at pages 80 to 84 show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

### ***Going Concern***

As outlined in Note 23, the work of the Department transferred to the Department for the Economy and the Department for Communities on 9 May 2016. The accounts have been prepared on the going concern basis as the functions are continuing.

### **1.1 Accounting convention**

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

### **1.2 Property, plant and equipment and intangible assets**

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

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

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

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

Fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics (ONS).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

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

### **1.3 Depreciation**

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

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

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

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

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

### **1.4 Impairments**

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

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

### **1.5 *Investments***

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

Loans issued by the Department to Ulster Supported Employment Limited are shown at historical cost (Note 12) and have been included within Financial Assets.

### **1.6 *Operating income***

Operating income is income that relates directly to the operating activities of the Department. It comprises effective interest from student loans, income from the European Union in support of Departmental activities, fees and charges for services provided, on a full cost basis, to external customers and public repayment work and other income.

It includes not only the Department's accruing resources but also income payable to the Consolidated Fund, which is treated as operating income.

Operating income is stated net of Value Added Tax (VAT).

### **1.7 *Administration and programme expenditure***

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

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

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

### **1.8 *Financial assets***

The Department measures and presents financial instruments in accordance with IAS 32, IAS 39 and IFRS 7 as modified by the *FReM*. The Department holds financial assets in the form of loans to students, loans to Ulster Supported Employment Limited as well as trade receivables, cash and cash equivalents.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2016**

---

Financial assets which are due to be repaid within one year are shown within current assets on the Statement of Financial Position.

**1.8.1 Student loan valuation**

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

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

Student loans are currently issued under Section 22 of the Teaching and Higher Education (THE) Act, 1998. They were first issued in 1990-91. The Department initially issued mortgage style loans, which required borrowers to repay a fixed amount each year until the loan was repaid with repayments being collected by the Student Loans Company. From 1998-99 onwards the Department has issued income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (2015/16 £17,335 from 1 April 2016 the threshold will be £17,495) and are collected by HMRC through the tax system.

During 2013-14, the remaining UK mortgage style loans were sold, leaving only income contingent loans in the accounts at 31 March 2016.

*Measurement and carrying values*

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is based on RPI plus 0.7% (31 March 2015: RPI plus 2.2%), which is the HMT discount rate.

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

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2016**

---

Income Contingent loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1% whichever is the lower ('the Base Rate Cap'). The Department estimates the future cash flows arising from repayments, and discounts these at RPI plus 0.7% (31 March 2015: RPI plus 2.2%) to represent the Government's cost of borrowing and therefore to determine the current value of the loans. The Department increases the accumulated amortisation based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions.

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

Disclosures relating to risk can be found in Note 10 while further details of the movements in the loan valuation can be found in Note 11.

#### **1.8.2 *Other financial assets***

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

#### **1.9 *Financial liabilities***

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

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

#### **1.10 *Employee Benefits including Pensions***

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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS (NI)). The defined benefit schemes are unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an

accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

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

#### **1.11 *European Union (EU) income***

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

#### **1.12 *Notional costs***

Some of the costs directly related to the running of the Department are borne by other Departments and are outside the Department's vote. These costs have been included in these accounts on the basis of the estimated cost incurred by the providing Department.

#### **1.13 *Value Added Tax***

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

#### **1.14 *Grants payable***

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

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

#### **1.15 *Provisions***

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. As shown in Note 16, this includes:

- the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age; and
- the cost of paying Long Service Awards in respect of Judiciary relating to the Office of the Industrial and Fair Employment Tribunals.

**1.16 *Contingent liabilities***

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

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

**1.17 *Third party assets***

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

**1.18 *Foreign Exchange***

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

**1.19 *Impending application of newly issued accounting standards not yet effective***

Where material, the Department must disclose that it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Department's financial statements.

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

Accounting boundary IFRS's 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 (NI), which will bring NI departments under the same adaptation, has been carried out, but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12.

#### **1.20 *Critical Accounting Estimates and Key Judgements***

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated. Where estimates have been required in order to prepare these financial statements in conformity with *FReM*, management has used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

The most significant area involving accounting estimates and key judgements is the carrying value of student loans. Information on these estimates and judgements are shown at Note 10 and Note 11.

#### **1.21 *Prior Period Adjustment***

During the year the Department reviewed the carrying value of the debt sale liability in the accounts (Note 11.2). The review incorporated discussions with the Department for Business Innovation and Skills, analysis of information provided by their economists as well as consideration of the level of claims from the purchasers of the loan book. The review identified that the debt sale liability at 31 March 2015 was overstated by £15.0m and a prior period adjustment has been included in the accounts in order to bring the opening liability of the debt sale to £5.7m.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**2. Statement of Operating Costs by Operating Segment**

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

The main activities of the Operating Segments comprise:

*Employment and Skills* - Further and adult education, youth and adult skills training, management and enterprise training, employment schemes and services including those for people with disabilities.

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

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

*Labour Market Services* - Labour market services, including tribunals and labour relations, employment law and redundancy payments.

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

	<b>2015-16</b>					
	<b>Employment and Skills £000</b>	<b>Higher Education £000</b>	<b>Student Support £000</b>	<b>Labour Market Services £000</b>	<b>EU £000</b>	<b>Total £000</b>
<b>Gross Expenditure</b>	389,791	213,620	11,929	19,633	23,265	<b>658,238</b>
<b>Income</b>	(4,129)	(2,244)	(30,534)	(455)	(13,140)	<b>(50,502)</b>
<b>Net Expenditure</b>	<b>385,662</b>	<b>211,376</b>	<b>(18,605)</b>	<b>19,178</b>	<b>10,125</b>	<b>607,736</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

	<b>2014-15</b>					
	Employment and Skills £000	Higher Education £000	Student Support £000 <i>(restated)</i>	Labour Market Services £000	EU £000	Total £000 <i>(restated)</i>
<b>Gross Expenditure</b>	417,261	245,295	235,318	23,808	16,757	<b>938,439</b>
<b>Income</b>	(15,007)	(4,933)	(30,400)	(475)	(10,230)	<b>(61,045)</b>
<b>Net Expenditure</b>	<b>402,254</b>	<b>240,362</b>	<b>204,918</b>	<b>23,333</b>	<b>6,527</b>	<b>877,394</b>

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

	<b>2015-16</b>					
<i>Note</i>	Employment and Skills £000	Higher Education £000	Student Support £000	Labour Market Services £000	EU £000	Total £000
<b>Total Net Expenditure reported for Operating Segments</b>	385,662	211,376	(18,605)	19,178	10,125	<b>607,736</b>
<b>Income – CFERS</b>	-	-	-	-	-	-
<b>Prior Period Adjustment</b>	-	-	15,025	-	-	<b>15,025</b>
<b>Non supply expenditure</b>	-	-	-	2,287	-	<b>2,287</b>
	<b>385,662</b>	<b>211,376</b>	<b>(3,580)</b>	<b>21,465</b>	<b>10,125</b>	<b>625,048</b>
<b>Reconciling Items:</b>						
Finance, Corporate Services and Top Management CFERS						18,142 (34)
<b>Total Net Expenditure per SoCNE</b>	SOAS2					<b>643,156</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

							2014-15
Note	Employment and Skills £000	Higher Education £000	Student Support £000 <i>(restated)</i>	Labour Market Services £000	EU £000	Total £000 <i>(restated)</i>	
<b>Total Net Expenditure reported for Operating Segments</b>	402,254	240,362	204,918	23,333	6,527	877,394	
<b>Income - CFERS</b>	-	-	(2,917)	-	-	(2,917)	
<b>Non supply expenditure</b>	-	-	-	5,848	-	5,848	
	<b>402,254</b>	<b>240,362</b>	<b>202,001</b>	<b>29,181</b>	<b>6,527</b>	<b>880,325</b>	
<b>Reconciling Items:</b>							
Finance, Corporate Services and Top Management CFERS						24,557 (45)	
<b>Total Net expenditure per SoCNE</b>	SOAS2					<b>904,837</b>	

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**3. Staff Costs**

Staff costs comprise:

			2015-16 £000		2014-15 £000	
	Permanently employed staff*	Others	Minister	Total	Total	
Wages and salaries	52,525	11	38	52,574	55,579	
Voluntary Exit Scheme	7,986	-	-	7,986	-	
Social security costs	3,557	2	4	3,563	3,804	
Other pension costs	11,448	-	8	11,456	10,688	
<b>Sub Total</b>	<b>75,516</b>	<b>13</b>	<b>50</b>	<b>75,579</b>	<b>70,071</b>	
Less recoveries in respect of outward secondments	(43)	-	-	(43)	(83)	
<b>Total net costs**</b>	<b>75,473</b>	<b>13</b>	<b>50</b>	<b>75,536</b>	<b>69,988</b>	
Of which:	<b>Charged to Administration</b>	<b>Charged to Programme</b>	<b>Total</b>			
<b>Core Department</b>	<b>21,182</b>	<b>54,354</b>	<b>75,536</b>			
<b>Total net costs</b>	<b>21,182</b>	<b>54,354</b>	<b>75,536</b>			

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

\*\* Of the total, no staff costs have been charged to capital in 2015-16 or 2014-15.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**4. Other Administration Costs**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Goods and Services	6,907	7,660
<b>Non-cash items:</b>		
Accommodation costs (DFP)	4,916	5,937
Other notional costs	3,815	4,091
Auditors' remuneration and expenses	95	105
<b>Total</b>	<b>15,733</b>	<b>17,793</b>

During the year, the Department spent £Nil on non-audit services from its auditor, the Northern Ireland Audit Office (2014-15: £4,929)

**5. Programme Costs**

	<i>Note</i>	<b>2015-16 £000</b>	<b>2014-15 £000 (restated)</b>
Grants		700,272	767,648
Goods and Services		2,294	2,246
Non-voted expenditure	SOAS2	2,287	5,848
<b>Non-cash items:</b>			
Financial liability and impairments	11.1, 11.2	(106,389)	135,904
Borrowing costs (unwinding of discount) on financial liability	11.2	84	474
Depreciation and Amortisation	7,8	29	42
Provision provided for in year	16	-	-
Profit on disposal of property, plant and equipment	7	(1)	-
Loss on disposal of property, plant and equipment	7	17	4
<b>Total</b>		<b>598,593</b>	<b>912,166</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**6. Income**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Administration	34	45
Programme	1,108	4,733
DVA exit scheme	3	642
Student Loan – Effective Interest	26,704	64,420
Science Research Investment Fund	1,676	1,077
EU	17,181	24,193
	<b>46,706</b>	<b>95,110</b>
<b>Total</b>	<b>46,706</b>	<b>95,110</b>

Income includes the following amounts that will be due to the Consolidated Fund:

- Administration income £34k (2014-15: £45k);
- Student Loan Receipt £546k (2014-15: £0k); and
- Student Loan Effective Interest £0k (2014-15: £2,917k).

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**7. Property, plant and equipment**

**2015-16**

	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2015	19	42	336	397
Additions	-	-	-	-
Disposals	-	(1)	(29)	(30)
Revaluations	-	-	1	1
<b>At 31 March 2016</b>	<b>19</b>	<b>41</b>	<b>308</b>	<b>368</b>
<b>Depreciation</b>				
At 1 April 2015	19	42	148	209
Charged in year	-	-	26	26
Disposals	-	(1)	(12)	(13)
Revaluations	-	-	1	1
<b>At 31 March 2016</b>	<b>19</b>	<b>41</b>	<b>163</b>	<b>223</b>
<b>Carrying amount at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>145</b>
<b>Carrying amount at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>188</b>
<b>Asset financing</b>				
Owned	-	-	145	145
Finance Leased	-	-	-	-
<b>Carrying amount at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>145</b>

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

2014-15

	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2014	19	346	722	1,087
Additions	-	(5)	135	130
Disposals	-	(299)	(522)	(821)
Revaluations	-	-	1	1
<b>At 31 March 2015</b>	<b>19</b>	<b>42</b>	<b>336</b>	<b>397</b>
<b>Depreciation</b>				
At 1 April 2014	14	333	481	828
Charged in year	5	4	31	40
Disposals	-	(295)	(364)	(659)
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>19</b>	<b>42</b>	<b>148</b>	<b>209</b>
<b>Carrying amount at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>188</b>
<b>Carrying amount at 31 March 2014</b>	<b>5</b>	<b>13</b>	<b>241</b>	<b>259</b>
<b>Asset financing</b>				
Owned	-	-	188	188
Finance Leased	-	-	-	-
<b>Carrying amount at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>188</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**8. Intangible Assets**

2015-16

	Software License £000	Externally Developed Software £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2015	33	14	47
Additions	-	-	-
Disposals	(25)	-	(25)
Revaluations	-	-	-
<b>At 31 March 2016</b>	<b>8</b>	<b>14</b>	<b>22</b>
<b>Amortisation</b>			
At 1 April 2015	28	14	42
Charged in year	2	-	2
Disposals	(25)	-	(25)
Revaluations	-	-	-
<b>At 31 March 2016</b>	<b>5</b>	<b>14</b>	<b>19</b>
<b>Carrying amount at 31 March 2016</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Carrying amount at 31 March 2015</b>	<b>5</b>	<b>-</b>	<b>5</b>
<b>Asset financing</b>			
Owned	3	-	3
Finance Leased	-	-	-
<b>Carrying amount at 31 March 2016</b>	<b>3</b>	<b>-</b>	<b>3</b>

Software License is valued using Office of National Statistics (ONS) indices.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

2014-15

	Software License £000	Externally Developed Software £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2014	33	491	524
Additions	-	-	-
Disposals	-	(477)	(477)
Revaluations	-	-	-
<b>At 31 March 2015</b>	<b>33</b>	<b>14</b>	<b>47</b>
<b>Amortisation</b>			
At 1 April 2014	26	491	517
Charged in year	2	-	2
Disposals	-	(477)	(477)
Revaluations	-	-	-
<b>At 31 March 2015</b>	<b>28</b>	<b>14</b>	<b>42</b>
<b>Carrying amount at 31 March 2015</b>	<b>5</b>	<b>-</b>	<b>5</b>
<b>Carrying amount at 31 March 2014</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Asset financing</b>			
Owned	5	-	5
Finance Leased	-	-	-
<b>Carrying amount at 31 March 2015</b>	<b>5</b>	<b>-</b>	<b>5</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**9. Capital and other commitments**

**9.1 Capital Commitments**

There were no contracted capital commitments at 31 March 2016 or 31 March 2015 not otherwise included in these financial statements.

**9.2 Commitments under leases**

**9.2.1 Operating leases**

There were no operating leases for land or buildings at 31 March 2016 or 31 March 2015.

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

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Other:</b>		
Not later than one year	7	8
Later than one year and not later than five years	2	-
Later than five years	-	-
	<u>9</u>	<u>8</u>

**10. Financial Instruments**

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

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

***Financial Assets at carrying value***

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

### ***Financial Liabilities at carrying value***

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

### ***Fair values of financial instruments***

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

### ***Loan to Ulster Supported Employment Limited***

The Department's loan to Ulster Supported Employment Limited £2.3m (2014-15: £2.3m) neither pays interest nor has a maturity date and is secured by a charge on the company's undertaking and property. It is not regarded as tradable on an organised market in a standard form as it is an integral part of the Department's involvement in training and employment for the disabled. Accordingly, it is not practical to estimate a fair value with sufficient reliability.

### ***Student loans***

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

At a national level, the Government is continuing to assess how best to manage its holding of current and future loans, including the potential to realise value for the taxpayer from a sale of its portfolio. The Department is part of the project taking this forward, led by the Department for Business, Innovation and Skills (BIS) and involving all Devolved Administrations. In 2013-14 the remaining mortgage style loans were sold, leaving the loan book value comprising income contingent loans only.

These Accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. The valuation basis of income contingent loans reflects the requirements of IAS 39 to hold the loans at amortised cost. Should sales take place in 2016-17 or subsequently, it will be necessary to re-assess the basis for the carrying value, in accordance with the relevant Accounting Standards.

In the absence of an active market for the income contingent loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans in Note 11 is the most reliable method to derive fair value. In deriving this figure, the Department has used the Treasury's long-term discount rate is RPI plus 0.7% (31 March 2015: RPI plus 2.2%). If an active market existed for student loans, the discount rate applied by

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

---

potential buyers may be different from the Treasury's RPI plus 0.7%. If the discount rate applied was greater than RPI plus 0.7%, the fair value of the student loans may be lower than the values calculated on the basis applied here.

***Credit Risk***

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

As disclosed in Note 11 and the accounting policy Note 1.8.1, the Department estimates the value of future write-offs when loans are issued based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour.

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

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

***Interest rate risk***

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

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

***Liquidity Risk***

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

***Foreign Currency Risk***

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

At 31 March 2016, with a 10% weakening or strengthening of sterling against the euro, the outturn for the year would have increased by £4.2m or decreased by £4.2m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated payables.

**11. Investments - Financial Instruments**

**11.1 Student Loans**

		2015-16 £000	2014-15 £000
	<i>Note</i>		
<b>Total value of loans outstanding at 1 April</b>		<b>1,614,489</b>	<b>1,463,893</b>
Additional loan funding	SOAS3	317,196	298,537
Repayments	SOAS3	(70,853)	(60,278)
New Impairments			
Deferment and Default	11.1a	(63,113)	(77,401)
Interest Subsidy	11.1b	168,764	(74,682)
Effective Interest		26,704	64,420
<b>Total value of loans at 31 March</b>		<b>1,993,187</b>	<b>1,614,489</b>

The Student Loans Company Limited issues loans on behalf of the Department for Northern Ireland, the Department for Business, Innovation and Skills (in England and Wales) and the Scottish Executive. The split of total loans between the three Departments is provided by the Student Loans Company.

Student loans are held at amortised cost. This involves the value of the loans issued being discounted to net present value using the effective interest rate. The effective

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

interest rate for student loans is RPI plus 0.7% (31 March 2015: RPI plus 2.2%), which is the HMT discount rate. In 2015-16 the effective interest was 1.48% (2014-15: 4.51%).

The face value of the loan book at 31 March 2016 was £2,660m (31 March 2015: £2,383m).

As outlined on the Statement of Cash Flows, student loan cash advances for the period were £317.1m (2014-15: £298.4m) and repayments were £70.1m (2014-15: £59.7m).

**11.1a Movements on Deferment and Default Impairment**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Balance at 1 April</b>	<b>366,066</b>	<b>275,534</b>
New Impairment	63,113	77,401
Loans Written off	(574)	(532)
Borrowing costs	5,602	13,663
<b>Balance at 31 March</b>	<b>434,207</b>	<b>366,066</b>

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

**11.1b Interest Subsidy Impairment**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Balance at 1 April</b>	<b>402,730</b>	<b>372,814</b>
New Impairment	(168,764)	74,682
Utilisation in the year	(4,782)	(62,000)
Borrowing costs	3,010	17,234
<b>Balance at 31 March</b>	<b>232,194</b>	<b>402,730</b>

Student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1%, whichever is the lower. The Department meets the costs resulting from difference between the forecast future interest paid by students and the cost of capital on loans, which is known as the interest subsidy. The interest subsidy impairment therefore reflects the cost to the Government of issuing and holding the loan. The Department increases the impairment based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earning on graduation and other assumptions.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2016**

---

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

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate as at 31 March 2016.

*Changes in assumptions and modelling*

The following changes in assumptions and modelling arose during 2015-16:

- The Department introduced a new financial model for use in calculating the impairment required to the carrying value of the loan book. The Stochastic Earning Path (StEP) financial model is used to forecast the "lifetime" repayment of loans, and the amount estimated not to be repaid through the Income Contingent Repayment system. The model uses improved wage equation to generate better future earning paths for borrowers. The model uses several years of actual graduate earnings histories and data from the Student Loan Company to improve the accuracy of forecasts. The introduction of the new model however did not cause significant movements in the impairment calculations.
- During the year, HM Treasury issued guidance that changed the discount rate from RPI plus 2.2% to RPI plus 0.7%. As the carrying value of the loan book is based on the value of the loans issued being discounted to net present value, this has had the effect of increasing the carrying value shown in the accounts. The carrying value of student loans increased by £249m as a result of this change.

*Key assumptions used to calculate the student loan balance at 31 March 2016*

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

It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

*Discount rate*

To value the future cash flows, the Department has used RPI plus 0.7% (2014-15: RPI plus 2.2%), which is the HM Treasury's long-term discount rate. If an active market existed for student loans, the discount rate applied by potential buyers may be different

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

from this rate - reflecting the buyers' cost of capital and assessment of risk. If the discount rate applied were greater than that used in the accounts, the fair value of the student loans on issue would be lower than the values calculated on the basis applied here.

*Graduate earnings and employment*

The Student Loan Repayment model assumes future real earnings growth (net of RPI inflation) to be 1.5 percentage points, as this is HMT's long-term forecast. The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2020-21. Future earnings growth is then assumed to be 4.5% from 2025-26, as this is the long-term forecast, with a linear change from the 2020-21 value each year up to 2025-26. If real earnings growth was lower than assumed in every year, this would lead to a reduction in the carrying value of the loan book.

*Graduate Income Distribution*

The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel and administrative data held by the Student Loans Company. If these income profiles were lower than previously assumed in every year, this would lead to a reduction in the value of the loan book.

*Base Rates*

The model assumes that Bank of England base rates will be in line with OBR forecasts up to 2020-21. The base rate is assumed to equal the long term OBR forecast of 5.0% from 2025-26, with linear change from the 2020-21 value each year up to 2025-26. The base rate cap is forecast to apply intermittently until 2020-21. If base rates were to be lower than forecast for each year this would lead to a reduction in the value of the loan book.

**11.2 Financial Liabilities**

	<b>2015-16 £000</b>	<b>2014-15 £000 (restated)</b>	<b>2013-14 £000 (restated)</b>
<b>Balance at 1 April</b>	5,700	8,540	22,384
New Impairment	(738)	(1,154)	(1,178)
Borrowing costs	84	474	492
Receipts/(Payments)	(429)	(139)	(154)
Prior Period Adjustment	-	(2,021)	(13,004)
<b>Balance at 31 March</b>	4,617	5,700	8,540

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

***Student loan debt sale costs***

The student loan debt sale subsidy is classified within other financial liabilities and is measured at amortised cost in accordance with IAS 39.

The student debt sale subsidy is the additional cost to the Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999 and represents the proportion of the national sale applicable to Northern Ireland. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30 year duration of the first debt sale agreement.

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

The Department has reviewed the carrying value of the liability based on forecast economic condition and historical claims paid. As a result, a prior period adjustment of £15.0m has been made to reduce the liability at 31 March 2015 to £5.7m.

**12. Investments and loans in other public sector bodies**

**(a) Ulster Supported Employment Limited Loan**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Balance at 1 April</b>	<b>2,338</b>	<b>2,338</b>
Additions	-	-
<b>Balance at 31 March</b>	<b><u>2,338</u></b>	<b><u>2,338</u></b>

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

**(b) Student Loans Company Limited**

The Department holds one share, with a nominal value of £1, in the Student Loans Company Limited.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**13. Cash and Cash Equivalents**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Balance at 1 April	(11,372)	(4,430)
Net change in cash and cash equivalent balances	8,208	(6,942)
<b>Balance at 31 March</b>	<b><u>(3,164)</u></b>	<b><u>(11,372)</u></b>

	<i>Note</i>	<b>2015-16 £000</b>	<b>2014-15 £000</b>
The following balances at 31 March were held at:			
Commercial banks	15	(3,178)	(11,388)
Cash in hand		14	16
<b>Balance at 31 March</b>		<b><u>(3,164)</u></b>	<b><u>(11,372)</u></b>

**14. Trade receivables and other current assets**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	6,404	6,288
Deposits and advances	1,421	4,659
Other receivables:		
VAT	1,739	235
EU receivables	64,585	64,924
Due from National Insurance Fund	1,689	2,790
Prepayments and accrued income	556	809
Amounts due from the Consolidated Fund in respect of supply	3,175	11,393
	<b><u>79,569</u></b>	<b><u>91,098</u></b>

Included within the trade receivables is £0.5m (2014-15: £nil) that will be due to the Consolidated Fund once the debts are collected.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

**15. Trade payables and other current liabilities**

	<i>Note</i>	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Amounts falling due within one year:</b>			
Trade payables		7,248	7,405
Accruals and deferred income		77,376	76,370
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:			
received		34	45
receivable		546	2,917
Amounts due to Consolidated Fund in respect of supply		-	-
Amounts due to National Insurance Fund		324	139
Bank overdraft	13	3,178	11,388
		<b>88,706</b>	<b>98,264</b>
<b>Amounts falling due after more than one year:</b>			
Other payables, accruals and deferred income		459	475
		<b>459</b>	<b>475</b>

**16. Provisions for liabilities and charges**

	Early Departure Costs	Long Service Award	<b>2015-16 £000 Total</b>	<b>2014-15 £000 Total</b>
<b>Balance at 1 April</b>	29	2,000	2,029	2,055
Provided in the year	-	-	-	-
Provisions utilised in year	(14)	(78)	(92)	(26)
<b>Balance at 31 March</b>	<b>15</b>	<b>1,922</b>	<b>1,937</b>	<b>2,029</b>

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

***Analysis of expected timing of discounted flows***

	Early Departure Costs	Long Service Award	2015-16 £000 Total	2014-15 £000 Total
Not later than one year	15	-	15	29
Later than one year and not later than five years	-	-	-	-
Later than five years	-	1,922	1,922	2,000
<b>Balance at 31 March</b>	<b>15</b>	<b>1,922</b>	<b>1,937</b>	<b>2,029</b>

**16.1 Early departure costs**

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

**16.2 Long Service Award**

Provision has been made for a long service award for members of the judicial pension scheme within the Office of the Industrial and Fair Employment Tribunals. The purpose of the long service award is that, subject to any future changes in legislation, the award will compensate for any tax or national insurance charges on lump sums payable from the deregistered judicial pension schemes on retirement, whatever the personal circumstances of the judge or his other pension benefits.

**17. Contingent Liabilities**

The Department has the following quantifiable contingent liabilities:

**a. *Litigation cases***

There are nineteen outstanding cases as at 31 March 2016. The estimated potential liability is less than £200k.

**b. *Future Redundancy Payments***

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**FINANCIAL STATEMENTS**  
**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS**  
**for the year ended 31 March 2016**

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

**c. EU Funding**

In 2014-15 the Department reported that a partial suspension had been placed by the European Commission on Priority 1 of the 2007 – 2013 European Social Fund (ESF) Programme because of concerns over how the Department was administering certain aspects of ESF funded schemes. The Department responded to the Commission and on 22 September 2015 the partial suspension was lifted.

The European Commission deadline for closure of the 2007 – 2013 ESF Programme is 31 March 2017. The Department is in the progress of completing all closure work. It is not yet practical to quantify the potential liability, if any, that might arise from this undertaking.

**18. Financial Guarantees, Indemnities and Letters of Comfort**

The Department did not enter into any quantifiable guarantees, indemnities or did not provide any letters of comfort in 2015-16 or 2014-15. There is therefore no liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

There are no associated costs to be disclosed to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

**19. Related-party transactions**

The Department sponsors the Labour Relations Agency, Ulster Supported Employment Limited, the Further Education colleges, Stranmillis University College, St Mary's University College and CITB NI (Construction Industry Training Board Northern Ireland). These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Department of Education, the former Social Security Agency, and the Department of Finance (formerly Department of Finance and Personnel).

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

**DEPARTMENT FOR EMPLOYMENT AND LEARNING  
FINANCIAL STATEMENTS  
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
for the year ended 31 March 2016**

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**20. Third-party assets**

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

At 31 March 2016, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £31,075k (2014-15: £38,592k).

**21. Entities within the Departmental boundary**

These accounts comprise the accounts of the core Department.

The accounts of the following entities, all of which are sponsored by the Department, are not included by way of consolidation:

- Ulster Supported Employment Limited (a company limited by guarantee);
- CITB NI (a statutory training organisation);
- Labour Relations Agency (a Non-Departmental Public Body);
- Stranmillis University College (a Non-Departmental Public Body);
- St Mary's University College (a Non-Departmental Public Body); and
- The six Further Education colleges (Non-Departmental Public Bodies).

Whilst St Mary's University College has been reclassified as a Non Departmental Public Body from 1 April 2012, the Department is engaging with the Office for National Statistics with a view to reversing this decision.

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

**22. Events after the Reporting Period**

As a result of the outcome of the EU referendum on 23 June 2016 and the UK's vote to leave the EU, it is possible that there may be an impact on the sterling amount receivable from the European Commission in respect of EU Programmes. As any liability would depend on timing of claims and exchange rates, it is not possible to reliably identify or quantify any liability that might arise. This is a non-adjusting event and consequently the 2015-16 accounts have not been adjusted.

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

**23. Future of the Department**

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments Act (Northern Ireland) 2016 and The Departments (Transfer of Functions) Order (Northern Ireland) 2016. Staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government change and the functions of the Department for Employment and Learning transferred to the Department for the Economy and the Department for Communities on 9 May 2016.

**Date of authorisation for issue**

The Accounting Officer authorised the issue of these financial statements on 28 June 2016.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ANNEX A – FINANCIAL DATA**  
**for the year ended 31 March 2016**

**Table 1: Total Departmental Spend**

The table below shows the movement in Resource Departmental Expenditure Limits (DEL) and Annual Managed Expenditure (AME) categories in the last three years.

	2013/14 £000 Outturn	2014/15 £000 Outturn	2015/16 £000 Outturn
<b>Resource DEL</b>			
Employment & Skills	205,019	201,336	175,997
Higher Education	207,123	196,144	191,773
Student Support	250,014	282,126	23,778
Labour Market Services	41,275	40,462	34,941
<b>Total Resource DEL</b>	<b>703,431</b>	<b>720,068</b>	<b>426,489</b>
<i>of which:</i>			
Staff Costs	68,167	69,988	67,550
Voluntary Exit Scheme	-	-	7,986
Purchase of Goods & Services	6,399	8,218	6,907
Depreciation	231	42	29
Impairment	1,329	-	-
Support to Higher Education	205,247	193,882	189,363
Support to Students	125,830	129,999	129,558
Notional Cost of subsidising Student loans	124,165	152,097	(105,652)
Training Programmes	60,497	53,182	57,819
Support to Further Education	15,993	15,597	15,224
Programme Spend	93,735	95,980	55,604
Other	1,838	1,083	2,101
<b>Resource AME</b>			
Student Support	(67,720)	(62,183)	(27,358)
<b>Total Resource AME</b>	<b>(67,720)</b>	<b>(62,183)</b>	<b>(27,358)</b>
<i>of which:</i>			
Effective Interest	(69,797)	(61,503)	(26,704)
Take up/Revaluation of Debt Sale	(683)	(680)	(654)
Disposal of Mortgage Style Loans	740	-	-
Other	2,020	-	-
<b>Total Resource Budget</b>	<b>635,711</b>	<b>657,885</b>	<b>399,131</b>
<i>of which:</i>			
DEL Depreciation	1,560	42	29

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ANNEX A – FINANCIAL DATA**  
**for the year ended 31 March 2016**

The table below shows the movement in the Capital Departmental Expenditure Limit (DEL) and Annual Managed Expenditure (AME) categories in the last three years.

	2013/14 £000 Outturn	2014/15 £000 Outturn	2015/16 £000 Outturn
<b>Capital DEL</b>			
Employment & Skills	(479)	257	-
Higher Education	16,189	36,100	13,914
Student Support	-	-	-
Labour Market Services	11	(137)	-
<b>Total Capital DEL</b>	<b>15,721</b>	<b>36,220</b>	<b>13,914</b>
<i>of which:</i>			
Capital Grant to Third Parties	16,189	36,100	13,914
Other	(468)	120	-
<b>Capital AME</b>			
Capital AME	232,950	271,576	276,876
<b>Total Capital AME</b>	<b>232,950</b>	<b>271,576</b>	<b>276,876</b>
<i>of which:</i>			
Student Loans issued	273,552	298,537	317,196
Student loan receipts	(60,501)	(60,278)	(70,853)
Student Loan Capitalised Interest	27,698	33,317	30,533
Other	(7,799)	-	-
<b>Total Capital Budget</b>	<b>248,671</b>	<b>307,796</b>	<b>290,790</b>
<b>Total Departmental Spending</b>	<b>884,382</b>	<b>965,681</b>	<b>689,921</b>
<i>of which:</i>			
Total DEL	702,416	756,288	440,403
Total AME	181,966	209,393	249,518

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ANNEX A – FINANCIAL DATA**  
**for the year ended 31 March 2016**

**Table 2: Non-Budget**

The table below shows the movement in the Non-Budget categories in the last three years.

	<b>Outturn £000's 2013/14</b>	<b>Outturn £000's 2014/15</b>	<b>Outturn £000's 2015/16</b>
<b>Non Budget</b>			
Total Non Budget	200,757	222,840	212,833
<b>Total Non Budget</b>	<b>200,757</b>	<b>222,840</b>	<b>212,833</b>
<i>Of Which:</i>			
Grant in aid to NDPB's	188,543	210,659	216,970
Notional Charges	10,251	10,183	8,876
Prior Period Adjustments	-	-	(15,025)
Other	1,963	1,998	2,012

The table below shows the reconciliation between the tables above and SOAS 1 in the last three years.

<b>£000's 2013/14 Outturn</b>	<b>£000's 2014/15 Outturn</b>	<b>£000's 2015/16 Outturn</b>
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**SOAS 1 Analysis of NET Resource Outturn by Function**

Request for Resources A	703,056	756,319	440,403
Annual Managed Expenditure	(50,984)	(62,183)	(27,358)
Non-Budget	200,757	222,840	212,833
	<b>852,829</b>	<b>916,976</b>	<b>625,878</b>

**Table 1 above**

Resource DEL	686,695	720,068	426,489
Capital DEL	15,721	36,220	13,914
Resource AME	(50,984)	(62,183)	(27,358)
Non-Budget	200,757	222,840	212,833
	<b>852,189</b>	<b>916,945</b>	<b>625,878</b>

*Reconciling Items*

640                      31                      -

As with Capital AME, this represents capital transactions recorded in the Statement of Financial Position and not SOAS1.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING**  
**ANNEX A – FINANCIAL DATA**  
**for the year ended 31 March 2016**

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**Table 3: Departmental Administration Spend**

The table below shows the movement in Departmental Administration Spend in the last three years.

	2013/14 £000 Outturn	2014/15 £000 Outturn	2015/16 £000 Outturn
Employment & Skills	6,821	6,466	7,151
Higher Education	1,831	2,262	2,410
Student Support	-	-	-
Labour Market Services	15,222	17,748	18,478
<b>Total Administration Budget</b>	<b>23,874</b>	<b>26,476</b>	<b>28,039</b>
<i>of which:</i>			
Staff Costs	17,167	18,866	18,407
Voluntary Exit Scheme	-	-	2,775
General Admin	6,202	7,041	6,441
Other	505	569	416

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