

Education and Library
Boards' Accounts For the year
ended 31 March 2003

*Laid before the Houses of Parliament by the Department of
Education in accordance with Paragraph 12(2) and (4) of
the Schedule to the Northern Ireland Act 2000 and Paragraph
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Foreword

The five Education and Library Boards were established on 1 October 1973 under the provisions of the Education and Libraries (Northern Ireland) Order 1972 now consolidated by the Education and Libraries (Northern Ireland) Order 1986. The Boards are sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department of Employment and Learning (prior to 20 July 2001 the Department of Higher and Further Education, Training and Employment).

Article 114 of the 1986 Order provides that the Departments may pay to Boards grants equal to approved net expenditure incurred in accordance with Resource Allocation Plans approved by the Departments under Article 113 (1) or (2), as amended by the 2003 Order, Articles 10-12.

In accordance with the provisions of Article 119 (2) 1986 Order each Board is required to submit to the Comptroller and Auditor General for Northern Ireland, a statement of accounts in respect of each financial year, in such form as the Departments, with the approval of the Department of Finance and Personnel, may direct. The statements of accounts submitted by the Boards are examined and certified by the Comptroller and Auditor General for Northern Ireland.

This Command paper includes the accounts of the five Education and Library Boards.

Accounts of the Belfast Education and Library Board

For Period 1 April 2002 to 31 March 2003

FOREWORD TO THE ACCOUNTS

1 BACKGROUND INFORMATION

The Belfast Education and Library Board (hereinafter referred to as the Board) is an executive non-departmental public body sponsored by the Department of Education, Department of Culture, Arts and Leisure and the Department for Employment and Learning (hereinafter referred to as the Departments). The Board's principal functions are the provision of education, library and youth services to the Belfast City Council area.

These accounts have been prepared in a form directed by the Departments with the consent of the Department of Finance and Personnel in accordance with Article 119 of the Education and Libraries (N.I.) Order 1986. A copy of the Accounts Direction can be found at Annex A.

2 BRIEF HISTORY

Business Review

The Board produces an Annual Report of its activities and a full report is contained therein.

Results for the Year

The results for the year of the Board are set out in detail on page 13. The deficit for the year was £25,772,004 (2002 – £34,102,743) after charging notional costs of £25,713,732 (2002 - £25,834,162) and the resultant deficit transferred to the income and expenditure reserve was £58,272 (2002 – £8,268,581).

Fixed Assets

Details of the movement of fixed assets are set out in note 12 to the accounts.

The Board does not believe that there is any material difference between the market and book values of its lands and buildings.

3 FUTURE DEVELOPMENTS

During 2002/03 work continued as planned on the construction of the four new primary schools as reported last year. In addition to this the Board was also successful in obtaining approval and funding from the Department of Education (DE) to construct two new special schools, Harberton and Cedar Lodge. The combined capital investment in both schools is of the order of £8.5m. These schools are funded from Executive Programme Funding (EPF) and are scheduled for completion during 2006/07.

During this year, DE also granted approval and funding for two further primary schools at Suffolk and Springhill at a cost of £4.3m. Design for both schools is in the preliminary phases and construction is also scheduled to complete during 2006/07.

In relation to PPP/PFI funding, the Board was also granted approval from DE to proceed to design and procurement on a "PPP cluster" for 6 new schools in the north and east of the city. The following schools are approved;

Ashfield Girls High School (indicative cost £13.2m)

Orangefield Primary School (indicative cost £4.0m)

Belfast Boys Model (indicative cost £17.0m)

Belfast Model School for Girls (indicative cost £16.2m)

Orangefield High Schools (indicative cost £12.3m, new T & D and Science wings retained)

Grosvenor Grammar School (indicative cost £11.5m, new T & D and Science wings retained).

This is a very significant capital programme over the next five years or so, and has been achieved through the ongoing efforts of technical staff to prepare and present economic appraisals, which is the first stage of obtaining approval for new capital works from DE. The total indicative cost of the PPP cluster is £74.2m.

The Board will continue to function in its present form for the foreseeable future.

4 IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since the year end, which would affect these accounts.

5 CHARITABLE DONATIONS

During the year the Board made no donations for charitable or political purposes.

6 BOARD MEMBERS

The following served as Board members during the year.

Miss Carmel McKinney BA (Hons) MEd DASE (MODS)	Chairperson
Councillor Jim Rodgers BSc	Vice-Chairperson
Councillor Dr David K Alderdice OBE MB BCG MA(Oxon)	
Mr Trevor Blayney BSc(Econ) FCA	
Councillor David Browne	
Mr Jim Caves OBE BA MEd FRSA	
Mr James Clarke MEd BA(Hons) Cert Ed	<i>(resigned 28 January 2003)</i>
Councillor Jim Clarke	
Councillor Pat Convery	
Reverend David Cooper BA MSc	<i>(resigned 27 June 2002)</i>
Mrs Patricia Diamond BA(Hons) DipEd	
Mr Roger Dixon BA (Hons) PG Dip	
Dr Michael Harriott MSc PhD CChem FRSC	
Councillor Tom Hartley	
Mr Brendan Henry Cert Ed Dip Soc Admin	
Councillor Danny Lavery	<i>(appointed 16 May 2002)</i>
Mrs Pauline Leeson BA(Hons) CQSW	
Reverend Canon Walter Lewis BA MPhil	
Mr John MacVicar	
Mr Finbarr McCallion MSc BEd DASE	
Councillor Fra McCann	<i>(resigned 25 April 2002)</i>
Councillor Pat McCarthy	
Councillor Nelson McCausland MA Dip Ed	
Mrs Siobhan McIntaggart MEd BEd	
Very Reverend Dr Houston McKelvey QVRM TD BA(Hons) MA (Ed) DMin	
Councillor Catherine Molloy	
Dr Pamela Montgomery BA(Hons) PhD	
Councillor Robin Newton	
Councillor Joe O'Donnell	
Councillor Gerard O'Neill	
Miss Sheelagh O'Prey BEd MEd	
Mr Edwin Paynter B Ed (Hons)	
Miss Rosemary Rainey BA Dip Ed FCollP ABIM	<i>(appointed 26 September 2002)</i>
Mrs Hilary Sloan MA HDip Ed	
Councillor Reverend Eric Smyth	
Mr James Toner BA DipEd	
Ms Selina Yu BSc (Hons)	

7. DISABLED EMPLOYEES

The Board actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled it is the Board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

8. PAYMENTS TO SUPPLIERS

Public Sector Payment Policy – Measure of compliance:

The Government requires that the Board pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. The Board's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. The measure of compliance is:

	Based on Invoice Date Number
Total invoices paid	145,953
Total invoices paid within target	103,604
% of invoices paid within target	71.0%
2001/02	71.5%

9. EMPLOYEE INVOLVEMENT

During the year the policy of providing employees with information about the Board has been continued through regular distribution of circulars. Regular meetings are held between staff at different levels to allow a free flow of information and ideas.

David Cargo
Accounting Officer

Date 20 March 2006

STATEMENT OF INTERNAL CONTROL-TRANSITIONAL STATEMENT

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Board policies, aims and objectives, whilst safeguarding the public funds and Board assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place by March 2004 necessary to implement Department of Finance and Personnel guidance. This takes account of the time needed to fully embed the processes which the Board has agreed should be established and improve their robustness.

We are developing appropriate procedures to ensure that we have identified the Board's objectives and risks and determined a control strategy for each of the significant risks. As a result, risk ownership will be allocated to the appropriate staff and the Board will set out its attitude to risk in relation to the achievement of the Board's objectives.

The Board will ensure that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be an ongoing risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been incorporated more fully into the corporate planning and decision making processes of the Board.

The Board via the audit committee receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

Following the identification of the Board's key objectives and risks, further work will be done to bring about more consistency in the way in which the Board treats risks.

In addition to the actions mentioned above, in the coming year the Board plans to:

- Implement risk management awareness training and workshops;
- Regularly review and update the record of risks facing the organisation;
- Establish a risk management group; and
- Develop and maintain departmental and section risk registers.

The Board has an Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. The unit submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. Overall this process and the work of internal auditors and other review bodies confirm that controls are generally sound.

The Boards' computerised financial systems do not easily facilitate in year completion of accounts on an accruals basis leading to an increased risk of budget overspend due to in year revenue budget monitoring on a cash basis. Monthly management information, therefore, is based on cash expenditure adjusted for known accruals (e.g. Job Evaluation Arrears, Pay Awards Outstanding, Prepayments). The Boards' are currently investigating methods of improving the capture of accruals utilising IT.

I can confirm that where weaknesses have been identified as a result of my review, action plans have been developed and approved by the audit committee to address these. In addition, policies are being reviewed and implemented to further improve the system of risk management, control and governance within the Board. These include the development of the corporate plan (2003-2006), the corporate assessment and the organisational improvement plan (2003-2006). In addition, business plans have been developed, based upon the corporate plan, and codes of conduct and practice have been issued to both Board members and staff. The Board's register of interests has also been updated, and a system of self assessment and certification has been introduced and issued to schools.

In the post balance sheet period a whistle blower made allegations relating to procurement and allocation of work within the property services area of the Board. Given the previous reviews within this area and following an internal review, an independent investigation was commissioned by the Department of Education. A report has been received by the Board and an action plan developed to address the weaknesses identified. The Board's disciplinary scheme has also been instigated and is ongoing.

Following the phased implementation of the new procedures over the management of existing contracts, as a result of the previous reports, a further area of concern relating to Disability Discrimination Act (DDA) works in libraries has been identified. This is subject to a new independent investigation commissioned by the Board. It is planned to conclude this investigation by the end of 2005/2006. The relevant sponsoring Departments, Northern Ireland Audit Office and the Police Service of Northern Ireland (PSNI) have been notified in accordance with the Board's fraud response plan and receive regular updates.

David Cargo
Accounting Officer

Date 20 March 2006

STATEMENT OF THE BOARD AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Article 119 (2) of the Education and Libraries (Northern Ireland) Order 1986 the Board is required to prepare a statement of accounts in the form and on the basis directed by the Departments with the consent of the Department of Finance and Personnel.

The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- Observe the Accounts Direction issued by the Departments including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officers of the Departments have designated the Chief Executive of the Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers Memorandum, issued by the Departments.

David Cargo
Accounting Officer

Date 20 March 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 13 to 40 under the Education and Libraries (NI) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 to 21.

Respective responsibilities of the Belfast Education and Library Board, the Chief Executive and Auditor

As described on page 10, the Board and Chief Executive are responsible for the preparation of the financial statements in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder and for ensuring the regularity of financial transactions. The Board and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 8 and 9 reflects the Board's compliance with the Department of Finance and Personnel's guidance 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Belfast Education and Library Board at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education and Libraries (NI) Order 1986 and directions made thereunder by the Department of Education; and

- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

Report

As shown at Note 35 (Financial Target) on page 40 of the financial statements, the Board did not contain expenditure within the accrued limit for the 2002-03 financial year approved by the Department of Culture, Arts and Leisure. The Board used funds of £0.497 million which it had accumulated in previous years to partly offset the exceeding of £0.935 million on the approved budget.

Article 113 of the Education and Libraries (NI) Order 1986, which was the relevant legislation then in force, prohibited the Board from incurring expenditure on public libraries otherwise than in accordance with a financial scheme approved by the Department of Culture, Arts and Leisure. I decided not to qualify my opinion on the regularity of the exceeding amount as it was partly funded by the Board's reserves and I concluded that the unfunded balance of £0.438 million was not a material breach of regularity.

I will report further on delays in finalising Education and Library Board accounts, financial control in Boards, and related matters, in my General Report, 2004-05.

J M Dowdall CB
Comptroller and Auditor General
30th March 2006

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

Income	Notes	2003 £	2002 £
Grant from Departments	2	212,378,797	203,865,935
Other grant income	3	1,779,552	1,252,501
Other operating income	4	3,711,512	4,489,041
Total Income		<u>217,869,861</u>	<u>209,607,477</u>
Staff costs	6 & 7	153,456,718	143,385,600
Depreciation	12	7,495,314	16,196,596
Other operating expenses	8 & 11	56,976,101	58,293,862
Notional costs	9	25,713,732	25,834,162
Total Expenditure		<u>243,641,865</u>	<u>243,710,220</u>
Deficit for the year		(25,772,004)	(34,102,743)
Credit in respect of notional costs	9	<u>25,713,732</u>	<u>25,834,162</u>
Amount Transferred from Reserves	20	<u>(58,272)</u>	<u>(8,268,581)</u>

All amounts above relate to continuing activities.

The notes on pages 17 to 40 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 MARCH 2003**

	Notes	2003 £	2002 £
Deficit for the year		(25,772,004)	(34,102,743)
Unrealised (deficit)/surplus on revaluation of fixed assets	21	(54,626,155)	75,247,114
Backlog depreciation	21	-	-
Total recognised (losses)/gains for the year		<u>(80,398,159)</u>	<u>41,144,371</u>

The notes on pages 17 to 40 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003 £	2002 £
Fixed Assets			
Tangible Assets	12	382,547,834	437,552,475
Current Assets			
Stocks	13	59,810	56,971
Debtors	14	30,364,756	29,394,525
Cash at bank and in hand	23(vi)	3,256,621	1,612,968
		<u>33,681,187</u>	<u>31,064,464</u>
Current Liabilities			
Creditors: amounts falling due within one year	15	<u>(14,728,702)</u>	<u>(10,829,454)</u>
Net Current Assets		<u>18,952,485</u>	<u>20,235,010</u>
Total Assets less Current Liabilities			
		401,500,319	457,787,485
Creditors: amounts falling due after more than one year	16	-	-
Provisions for Liabilities and Charges	18	(6,960,855)	(7,290,163)
Deferred Income	19	(644,280)	(741,368)
Net Assets		<u>393,895,184</u>	<u>449,755,954</u>
Reserves			
Income and Expenditure Reserve	20	(7,847,815)	(9,576,127)
Other Reserves	21	401,742,999	459,332,081
		<u>393,895,184</u>	<u>449,755,954</u>

The Financial Statements on pages 13-40 will be approved by the Finance Committee on 2 March 2005 and were signed on its behalf by:

Chairperson: Jim Rodgers

Date: 20 March 2006

Chief Executive: David Cargo

Date: 20 March 2006

The notes on pages 17 to 40 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	23 (i)	1,585,527	(5,240,117)
Returns on investments and servicing of finance	23 (ii)	58,126	60,070
Capital expenditure and financial investment	23 (iii)	<u>-</u>	<u>(37,275)</u>
Net cash inflow before financing		1,643,653	(5,217,322)
Financing	23 (iv)	-	-
Increase/ (Decrease) in cash	23 (v) & (vi)	<u>1,643,653</u>	<u>(5,217,322)</u>

The notes on pages 17 to 40 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting Convention

These financial statements have been prepared in accordance with the Accounts Direction issued by the Departments on 26 November 1999 and in accordance with applicable Accounting Standards under the modified historical cost convention.

Without limiting the information given the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

1.2 Recognition of Income

The final approved resource allocations (recurrent) from the Department of Education are included in the Income and Expenditure Account to the extent of matching the relevant expenditure incurred during the period. Where expenditure incurred exceeds cash received a Departmental debtor is created. Where expenditure incurred is less than the final approved resource allocation a funding commitment is disclosed. However reference should be made to note 5 for further detail.

The annual recurrent allocations from the Departments and the Department of Health, Social Services and Public Safety are intended to meet recurrent costs, which are credited to the income and expenditure account.

Income from other grants received for specific purposes that is restricted income, are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Restricted income received but not matched to relevant expenditure during the period is shown as deferred income on the balance sheet.

Income from services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

1.3 Foreign Currency Transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

1.4 Taxation

The Board is exempt from corporation tax on income it receives. Items in the Income and Expenditure account are net of recoverable VAT.

1.5 Fixed Assets

All spending on a fixed asset which yields a benefit for a period of more than one year, is treated as capital expenditure in the accounts. This excludes expenditure on repairs and maintenance of fixed assets which only maintains the value of the asset.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.5.1 Land and Buildings

All land and buildings are capitalised and stated in the balance sheet at valuation on the basis of depreciated replacement cost. Full valuations are made by the Valuation and Lands Agency (VLA) every five years and in the intervening years these valuations are updated by the VLA using appropriate indices. Land and buildings acquired during the year are included in the balance sheet. Completed building projects will be capitalised but not depreciated until commissioned. Ongoing building projects are categorised as assets in the course of construction and shown separately. Project costs capitalised include design and related fees as well as construction costs. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a Government Grant Reserve and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

1.5.2 Maintained Schools

Land and buildings shown in the financial statements do not include any voluntary maintained schools, the assets of which belong to their trustees. The Board, however, is responsible for buildings and grounds maintenance at these schools, as well as providing them with certain other services and with 100% funding for general running costs under Local Management of Schools (LMS). These costs are reflected in the Board's Income and Expenditure Account.

1.5.3 Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt. This value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure Account.

1.5.4 Assets other than Land and Buildings

Assets other than land and buildings costing less than £3,000 per individual item are written off to the Income and Expenditure account in the period of acquisition. Assets are valued each year using appropriate indices or professional valuations.

1.5.5 Depreciation

Depreciation is provided for all fixed assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed regularly and revised where appropriate.

All assets are depreciated on a straight line basis over their expected useful lives. A full month's depreciation is charged in the period of acquisition/commissioning and no depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until brought into use. Depreciation will not normally be provided for on freehold land unless subject to depletion or on assets which are identified as surplus to requirements and held pending disposal.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

Capitalised assets are depreciated over their useful economic lives as follows:

Asset Class	Asset Sub-Class	Asset Life
Lands	Land	Not Depreciated
Buildings	Permanent Buildings	50 years
	Temporary Buildings	15 years
Computers	Hardware and Software	3 years
Plant and Equipment	Reprographics	7 years
	Machinery	15 years
	Music	10 years
	General and Other	10 years
	Cleaning	7 years
	Special Books	Not Depreciated
	Vehicles	Small Mini-buses
	33 Seater Mini-buses	10 years
	> 33 Seater Mini-buses	14 years
	Vans	5 years
	Grounds Maintenance	7 years
	Mobile Libraries	10 years
	Cars	4 years

Where these assets are acquired with the aid of specific grants the asset is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Government Grant Reserve and released to the Income and Expenditure Account over the expected useful economic life of the related asset.

1.6 Stocks

It is policy to carry stock for the meals service. Stocks are stated at the lower of current replacement cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.7 Pension Scheme

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC).

The Teachers' Superannuation Scheme is a contributory defined benefits type scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme. The scheme is currently notionally funded. The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance and Personnel.

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is of the defined benefits type, the assets of the scheme being held in separate trustee administered funds.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.8 Nature of Substantial Reserves

- The *Income and Expenditure Reserve* balance represents the surplus of revenue income over expenditure. It can be used to supplement income in future years.

Other Reserves

- The *Schools Reserve* is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management in Schools arrangements required by the Education Reform Northern Ireland Order 1989.
- The *Grant Consolidated Revenue Account* balance represents the surplus of grant income over expenditure.
- The *Government Grant Reserve* represents the movement on fixed assets in line with the accounting guidance for Non Departmental Public Bodies, issued on 18 January 2001.
- The *General Reserve* represents the proceeds of the sale of assets in line with the accounting guidance for Non Departmental Public Bodies, issued on 18 January 2001.
- The *Special Book Reserve* represents the valuation of the special library book collection.
- The introduction of a Donated Assets Reserve and/or a Revaluation Reserve will depend on the application of the accounting guidance for Non Departmental Public Bodies, issued on 18 January 2001, to appropriate circumstances.

1.9 Finance and Operating Leases

Operating lease rentals are charged to the Income and Expenditure Account in equal annual amounts over the lease term. Leasing arrangements which transfer to the Board substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

1.10 Private Finance Initiative

The Board follows HM Treasury's 'Technical Note 1 (revised) How to Account for PFI Transactions' which provides guidance for application of the FRS5 Amendment.

The Belfast Board's schools under the PFI Scheme are treated as off balance sheet. The scheme involves the building of new schools and the provision of catering, cleaning and maintenance services. Land at the school sites have been handed over for development as part of the funding of the scheme.

The South Eastern Education and Library Board has responsibility on behalf of all 5 Boards for the Board's Finance IT system. This is a PFI scheme, the purpose of which is to provide a financial accounting system.

The Western Education and Library Board has responsibility on behalf of all 5 Boards for the Classroom 2000 project. This is a PFI scheme, the purpose of which is to design, develop and operate an ICT infrastructure to support the curriculum, management and information needs of the major bodies within the education service in Northern Ireland.

The North Eastern Education and Library Board has responsibility on behalf of all 5 Boards for the Electronic Libraries for Northern Ireland (ELFNI) project. This is a PFI scheme to deliver public access to electronic information through the public library network and to provide new library management systems.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.11 Cost of Capital

The Board bases the cost of capital calculation on the total assets of the Board by the cost of capital percentage issued by HM Treasury. For the year ended 31 March 2003 the cost of capital percentage was 6%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

2. GRANT FROM DEPARTMENTS OF EDUCATION, CULTURE, ARTS AND LEISURE AND EMPLOYMENT AND LEARNING

	2003 £	2002 £
<i>Recurrent Grant</i>		
- Grant-in-Aid	201,367,390	178,616,849
- Mandatory Awards	518,000	1,129,000
- Premature Retirement Compensation Pensions	885,000	858,000
- Premature Retirement Compensation Lump Sums	350,000	370,000
- Funding Maintained Schools Improvements	-	-
- Release of general reserve	414,604	69,101
- Release of Government Grant Reserve	8,628,228	22,666,956
	<u>212,163,222</u>	<u>203,709,906</u>

DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY

<i>Recurrent Grant</i>		
- Mandatory Awards	<u>215,575</u>	<u>156,029</u>
	<u>212,378,797</u>	<u>203,865,935</u>

3. OTHER GRANT INCOME	2003 £	2002 £
European Funds	94,205	270,685
New Opportunities Fund	977,276	832,948
Other Funds	<u>708,071</u>	<u>148,868</u>
	<u>1,779,552</u>	<u>1,252,501</u>

4. OTHER OPERATING INCOME	2003 £	2002 £
Catering Operations	2,097,983	1,920,014
Other Income Generating Activities	670,887	1,774,285
Interest Receivable	59,030	60,173
Miscellaneous	<u>883,612</u>	<u>734,569</u>
	<u>3,711,512</u>	<u>4,489,041</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

5. FUNDING COMMITMENT

The following funding commitment from the Departments has not been accrued as income:

	2003	2002
	£	£
Amount of Grant formally committed:		
Department of Education	1,576,000	6,524,000
Department for Employment and Learning	-	-
Department of Culture, Arts and Leisure	-	-
	<u>1,576,000</u>	<u>6,524,000</u>

The funding commitment or year end flexibility represents a guaranteed resource which will be added to the Board's approved spending limit in the next financial year. In establishing whether the Board has achieved financial targets set, this funding commitment or year end flexibility is added to the reserves position reported in these accounts.

6. STAFF COSTS

The average number of persons (including senior post-holders) employed by the Board during the year expressed as full-time equivalents (FTE) and staff costs are as follows:-

	2003	2002
	£	£
Staff costs:		
<i>Teaching</i>		
Gross Pay	90,365,788	85,306,821
NIC	6,508,138	6,831,236
Pension Costs	7,934,969	8,078,921
Other Employee Expenses	601,113	657,868
	<u>105,410,008</u>	<u>100,874,846</u>
<i>Non-Teaching (including Board Members)</i>		
Gross Pay	42,851,171	37,434,619
NIC	2,252,159	2,106,909
Pension Costs	2,677,339	2,659,992
Other Employee Expenses	266,041	309,234
	<u>48,046,710</u>	<u>42,510,754</u>
 <i>Average staff numbers:</i>		
	2003	2002
	Number	Number
Teaching	3,741	3,742
Non-Teaching	4,718	4,587
	<u>8,459</u>	<u>8,329</u>

7. EMOLUMENTS OF SENIOR POSTHOLDERS AND MEMBERS

SENIOR POSTHOLDERS

	Age	Salary including benefits in kind	Real increase/(decrease) in pension at 65	Total accrued pension at 65 at 31 March 2003
		£	£	£
Mr D Cargo <i>Chief Executive</i>	52	79,230	5,903	29,290
Mr George Campbell <i>Senior Education Officer</i>	54	54,363	5,014	20,775
Mr D Megaughin <i>Chief Finance Officer</i>	47	62,088	2,222	14,386
Mr B Mulholland <i>Chief Administrative Officer</i>	44	56,970	2,926	15,727
Mrs L Houston <i>Chief Librarian</i>	46	56,861	4,098	18,119
Mr T Hesketh <i>Director Regional Training Unit</i>	49	57,175	3,645	17,563

For each of these members of the NILGOSC pension scheme, a lump sum equal to three times the total accrued pension at 31 March 2003 is also payable on retirement. The Board does not operate a car loan scheme.

BOARD MEMBERS

The total emoluments (incl. honoraria) of the chairpersons were £7,379 (2002 - £6,871).

The highest payment for any other Board member was £2,509 (2002 - £1,880).

The aggregate amount of Board members emoluments was £22,631 (2002 - £23,345).

No members waived emoluments. However, 9 members made no claim for emoluments during the year.

The number of Board members who received emoluments falling within the range below:

	2002/03 Number	2001/02 Number
£1 - £4,999	25	29
£5,000 - £5,999	-	-
£6,000 - £6,999	-	1
£7,000 - £7,999	1	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

8. OTHER OPERATING EXPENSES

THE DEPARTMENTS	2003	2002
	£	£
Premises, Fixed Plant & Grounds	23,966,725	22,748,654
Supplies & Services	15,705,567	16,714,522
Transport	3,670,514	3,785,515
Establishment	7,447,528	5,349,482
Grants to Persons/Bodies	4,042,018	2,550,392
Bad Debts	35,355	(21,603)
(Profit)/Loss on Disposal of Fixed Assets	1,132,915	6,470,353
Miscellaneous	759,904	540,518
	<u>56,760,526</u>	<u>58,137,833</u>
DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY		
Grants to Persons/Bodies	215,575	156,029
	<u>56,976,101</u>	<u>58,293,862</u>

Other operating expenses include:

	2003	2002
	£	£
Operating leases - hire of plant and machinery	-	-
Operating leases – property	55,862	8,533
Travel, subsistence and hospitality	1,445,980	1,657,491
P.F.I. Payments	819,095	212,551
	<u>2,320,937</u>	<u>1,878,575</u>

9. NOTIONAL COSTS

	2003	2002
	£	£
Auditor's Remuneration	35,500	43,500
Teachers' Payroll	292,128	282,353
Land & Buildings Valuation	35,000	-
Use of Capital	<u>25,351,104</u>	<u>25,508,309</u>
	<u>25,713,732</u>	<u>25,834,162</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

10. INTER BOARD TRADING

During the year the Board earned £NIL from the selling of services and purchased £NIL of services from the other Boards.

11. INTEREST PAYABLE

	2003	2002
	£	£
On Finance Leases	-	-
Other	904	103
	<u>904</u>	<u>103</u>

These expenses are included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS

	Land & Buildings	Transport Equipment	Information Technology	Plant and Machinery	Assets in course of construction	Total
	£	£	£	£	£	£
Cost or Valuation						
At 1 April 2002	451,381,135	2,642,132	723,449	4,651,629	1,890,242	461,288,587
Additions	3,309,659	604,259	171,964	91,369	4,072,492	8,249,743
Transfer from assets in the course of construction	1,779,053	-	-	-	(1,779,053)	-
Capitalisation of Special Books	-	-	-	-	-	-
Disposals	(1,185,822)	(290,811)	-	(5,857)	-	(1,482,490)
Revaluation	(82,220,044)	(31,877)	(34,226)	23,057	-	(82,263,090)
Permanent Impairment of value	(655,915)	-	-	-	-	(655,915)
At 31 March 2003	372,408,066	2,923,703	861,187	4,760,198	4,183,681	385,136,835
Depreciation						
At 1 April 2002	21,920,188	1,071,379	356,689	387,856	-	23,736,112
Disposals	(85,405)	(261,039)	-	(3,131)	-	(349,575)
Charge for period	6,777,381	380,855	196,935	136,928	-	7,492,099
Deficit on Revaluation	(652,700)	-	-	-	-	(652,700)
Backlog depreciation	-	-	-	-	-	-
Revaluation	(27,613,260)	(12,453)	(20,976)	9,754	-	(27,636,935)
At 31 March 2003	346,204	1,178,742	532,648	531,407	-	2,589,001
Net Book value at 31 March 2003	372,061,862	1,744,961	328,539	4,228,791	4,183,681	382,547,834
Net Book value at 1 April 2002	429,460,947	1,570,753	366,760	4,263,773	1,890,242	437,522,475
					2003	2002
					£	£
The net book value of assets in the course of construction includes the following:						
Buildings					4,183,681	1,890,242
Vehicles					-	-
					<u>4,183,681</u>	<u>1,890,242</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS (cont'd ...)

Fixed assets include £3,591,700 in relation to a special collection of library books which were valued by Sothebys, 34/35 Bond Street, London, on 2 April 2001 and P & B Rowan, 92 Malone Road, Belfast, on 20 March 2001 and 25 October 2002. The library books were valued on an open market existing use basis and have not been indexed or depreciated. The next revaluation will be performed in April 2004.

Land and buildings were valued as at 31 March 2003, on a depreciated replacement cost basis. The valuations were performed independently by the Valuation and Lands Agency. These assets were last valued in 1995, and have been indexed up to current values to be included in the Boards first set of accruals accounts in 1999/2000. Indices have also been applied for the intervening two years, and a full physical inspection and revaluation has taken place during 2002/03. This valuation has produced a significant change in asset values for land and buildings, and has resulted in a significant write down to the carrying values in the balance sheet.

Should fixed assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Department of Education.

The net book value of tangible fixed assets includes an amount of £nil (2002 - £nil) in respect of assets held under reversionary trusts i.e. if the properties cease to be used as specified in the deeds, they will revert to the ownership of the trustees.

The net book value of tangible fixed assets includes an amount of £nil (2002 - £nil) in respect of assets held under finance leases.

The depreciation charge for the period is analysed as follows:

	2003	2002
	£	£
Owned assets	7,492,099	7,827,741
Assets held under finance leases and hire purchase arrangements	-	-
Deficit on Revaluation	3,215	8,368,855
	<u>7,495,314</u>	<u>16,196,596</u>

13. STOCK

	2003	2002
	£	£
Catering	59,810	56,971
Maintenance and central depots	-	-
	<u>59,810</u>	<u>56,971</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

14. DEBTORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £	2002 £
Trade debtors	422,452	249,375
Amount owed by Departments	8,747,764	1,394,977
Amount owed by Boards	341,701	567,700
Prepayments and accrued income	1,842,761	3,258,048
Recoverable VAT	862,472	5,020,883
	<u>12,217,150</u>	<u>10,490,983</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Trade debtors	95,573	60,909
Prepayments	18,052,033	18,842,633
	<u>18,147,606</u>	<u>18,903,542</u>
	<u>30,364,756</u>	<u>29,394,525</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Obligations under finance leases	-	-
Trade creditors	6,603,041	5,166,725
Amount owed to Boards	69,417	86,710
Other taxation and social security	877,238	553,602
Other creditors	283,800	115,683
Accruals	6,895,206	4,906,734
PFI commitment	-	-
	<u>14,728,702</u>	<u>10,829,454</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Obligations under finance leases	-	-
PFI commitment	-	-
	<u>-</u>	<u>-</u>

17. ANALYSIS OF BORROWINGS OF THE BOARD: FINANCE LEASES

The net finance lease obligations to which the Board is committed are:

	2003 £	2002 £
In one year or less	-	-
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
PFI commitment	-	-
	<u>-</u>	<u>-</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employer & Public liability claims	Pensions	Job Evaluation	Total
	£	£	£	£
At 1 April 2002	1,121,153	5,647,108	521,902	7,290,163
Expenditure in the period	(352,157)	0	(521,902)	(874,059)
Transferred from Income and Expenditure Account	(177,011)	235,950	485,812	544,751
At 31 March 2003	591,985	5,883,058	485,812	6,960,855

Premature Retirement for Teachers

As directed by the Department of Education, with the consent of the Department of Finance and Personnel, a provision has not been included in the Board accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teachers' Superannuation Account (part of the Departmental accounting structure). The in-year charge in respect of such cases as well as the requisite employer superannuation contributions is charged to the Board's Income and Expenditure Account. In that respect the number of teacher premature retirement compensation cases is as follows:

	2003 Number	2002 Number
New Cases	45	51
Cumulative	534	489

Employer and Public Liability Claims

These are claims in relation to accidents/incidents by members of staff and or the public against the Board. At the balance sheet date, a legal claim has been received by the Board, and an estimated "settlement" figure has been calculated by reference to analysis of previous claims of a similar type, and to the previous history of successful settlements.

Pension Provision

This provision refers to previous employees of the Board who have retired and are in receipt of current pension benefits. The provision is calculated by reference to age, at the balance sheet date, an actuarial indexation factor which anticipates future life expectancy, and finally the actual current pension being paid in the current year. The product of this calculation is an estimate of the future liability of the Board in respect of these former employees.

Job Evaluation

This provision refers to current employees, whose job descriptions have been altered, and as such may be doing duties of a higher grade and therefore entitled to a higher salary. There are several staff groupings within the Board who may be eligible for evaluation, but this provision is made only in respect of those employees, who have actually signed revised job descriptions; have been accepted for evaluation; and the Board has calculated an estimated liability for those staff groups.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

19. DEFERRED INCOME - DEFERRED GRANTS

	Department	Other Sources	Total
	£	£	£
At 1 April 2002	741,368	-	741,368
Cash received	(133,515)	36,427	(97,088)
At 31 March 2003	607,853	36,427	644,280

20. INCOME AND EXPENDITURE RESERVE

At 1 April 2002	£ (9,576,127)
Adjustment 2001/2 Income and Expenditure Reserve	(7,257)
Amount transferred (to)/from Income and Expenditure Account	(58,272)
Transfer (to)/from School Reserve	1,770,652
Transfer (to)/from Grant Reserve	77,038
Transfer (to)/from Government Grant Reserve	(53,849)
Transfer (to)/from Donated Asset Reserve	-
At 31 March 2003	(7,847,815)

21. OTHER RESERVES

	Government Grant Reserve	General Reserve	Schools Reserve	Grant Consolidated Revenue A/c	Special Book Reserve	Total
	£	£	£	£	£	£
At 1 April 2002	433,906,926	19,634,419	1,772,798	426,238	3,591,700	459,332,081
Transfer to/(from) Income and Expenditure Reserve	53,849	-	(1,770,652)	(77,038)	-	(1,793,841)
Capital grants received for tangible fixed assets	7,873,747	-	-	-	-	7,873,747
Release of Grants- Depreciation	(7,492,099)	-	-	-	-	(7,492,099)
Release of Grants-Deficit on Revaluation	652,700	-	-	-	-	652,700
Revaluation of tangible fixed assets	(54,626,155)	-	-	-	-	(54,626,155)
Impairment in value of fixed assets	(655,915)	-	-	-	-	(655,915)
Backlog depreciation	-	-	-	-	-	-
Release of PFI Prepayment	-	(414,604)	-	-	-	(414,604)
Disposal of fixed assets	(1,132,915)	-	-	-	-	(1,132,915)
Transfer to/from General Reserve	375,996	(375,996)	-	-	-	-
Capitalisation of Special Books	-	-	-	-	-	-
At 31 March 2003	378,956,134	18,843,819	2,146	349,200	3,591,700	401,742,999

22. PENSION AND SIMILAR OBLIGATIONS

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC).

For 2002/03 the Board contributed 7.85% of salary to the Teachers Pension Scheme. This scheme is administered by the Department of Education, Balloo Road, Bangor.

For 2002/03 the Board contributed 4.60 % of salary to the Northern Ireland Local Government Pension Scheme. The contribution is determined by the fund's actuary based on a triennial valuation. The scheme is administered by NILGOSC, Hollywood Road, Belfast.

The Board has included pension costs totalling £10,612,308 (2002 - £10,738,913) in relation to the two schemes.

The latest actuarial valuations of the schemes were at 31 March 2001 (TSS) and 31 March 2001 (NILGOSC). The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

	TSS	NILGOSC
Rate of return on investments:		
- After Retirement	N/A	5.3%
- Before Retirement	N/A	6.3%
- Long Term	N/A	6.55%
Rate of increase in salaries	N/A	3.8%
Rate of increase in pensions	N/A	2.3%
Rate of dividend growth	N/A	2.3%
Market value of the assets at the date of the last valuation	N/A	£2,293.7m

The actuarial value of the assets of NILGOSC was sufficient to cover all of the benefits which had accrued to members after allowing for future increases in earnings.

23. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating surplus/(deficit) to cash flow from operating activities

	2003	2002
	£	£
(Deficit) for the year	(25,772,004)	(34,102,743)
Deficit Grant Received	-	1,142,181
Non-cash sale of land re PFI	-	19,765,001
Release of General Reserve for PFI Asset	(375,996)	(62,666)
Release of General Reserve for PFI Prepayment	(414,604)	(69,101)
Depreciation (note 12)	7,492,099	7,827,741
Government grant release (note 21)	(7,492,099)	(7,827,741)
Impairment of assets (note 12)	3,215	8,368,855
Government grant impairment release (note 21)	(3,215)	(8,368,855)
Loss on disposal of land and buildings	1,100,417	6,485,000
Loss on disposal of assets other than land and buildings	32,498	(14,647)
Government grant release for the disposal of assets (Note 8)	(1,132,915)	(6,470,353)
Interest payable (note 11)	904	103
Interest receivable	(59,030)	(60,173)
Notional Costs (note 9)	25,713,732	25,834,162
Decrease/(increase) in stocks	(2,839)	7,309
Decrease/(increase) in debtors	(3,176,118)	692,468
Decrease/(increase) in prepayments and accrued income	2,205,887	(20,901,543)
Increase/(decrease) in creditors	1,587,140	2,330,587
Increase/(decrease) in other taxation and social security	323,636	26,968
Increase/(decrease) in accruals	1,988,472	(1,225,131)
Increase/(decrease) in provisions	(329,308)	641,093
Increase/(decrease) in deferred income	(97,088)	741,368
Increase in Income & Expenditure Reserve	(7,257)	-
Net cash inflow from operating activities	<u>1,585,527</u>	<u>(5,240,117)</u>

(ii) Returns on investment and servicing of finance

	2003	2002
	£	£
Interest received	59,030	60,173
Other interest paid	(904)	(103)
	<u>58,126</u>	<u>60,070</u>

23. NOTES TO THE CASH FLOW STATEMENT (cont'd ...)

(iii) Capital expenditure and financial investment

	2003 £	2002 £
Payments to acquire tangible fixed assets	(7,873,747)	(5,328,569)
Capital grants received	7,873,747	4,591,000
Receipts from sale of tangible fixed assets	-	700,294
	<u>-</u>	<u>(37,275)</u>

(iv) Financing

	2003 £	2002 £
Capital element of finance lease rental payments	-	-
Increase in deficit loan	-	-
	<u>-</u>	<u>-</u>

(v) Analysis of net funds

	1 April 2002 £	Cash flow £	Non cash changes £	31 March 2003 £
Cash at bank and in hand	1,612,968	1,643,653	-	3,256,621

(vi) Reconciliation of net cash flow to movement in net funds

	2003 £	2002 £
Increase/(decrease) in cash	1,643,653	(5,217,322)
Cash inflow/(outflow) from increase/(decrease) in debt and finance leases	-	-
Change in net funds/(debt) resulting from cash flows	<u>1,643,653</u>	<u>(5,217,322)</u>
Other non cash items	-	-
Movement in net funds/(debt)	<u>1,643,653</u>	<u>(5,217,322)</u>
Net funds at 1 April 2002	<u>1,612,968</u>	<u>6,830,290</u>
Net funds at 31 March 2003	<u>3,256,621</u>	<u>1,612,968</u>

24. CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted	14,902,977	132,592
Authorised but not contracted	<u>14,781,295</u>	<u>9,725,700</u>
	<u>29,684,272</u>	<u>9,858,292</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

25. FINANCIAL COMMITMENTS

At 31 March 2003 the Board had annual commitments under non-cancellable operating leases as follows:

	2003	2003	2003	2002	2002	2002
	Plant and	Property	Total	Plant and	Property	Total
	machinery			machinery		
	£	£	£	£	£	£
Expiring within one year	-	-	-	-	-	-
Expiring between 1 and 5 years inclusive	-	-	-	-	-	-
Expiring after 5 years	-	58,300	58,300	-	8,300	8,300
	-	58,300	58,300	-	8,300	8,300

26. PRIVATE FINANCE TRANSACTIONS
PFI Schemes deemed to be off Balance Sheet

	2003	2002
	£	£
Amount included within Other Operating Expenses in respect of PFI transactions deemed to be off Balance Sheet	819,095	212,551
	<u>819,095</u>	<u>212,551</u>

The Board is committed to make the following payments during the next year:

	2003	2002
	£	£
PFI Scheme which expires within one year	-	-
Expiring between 1 and 5 years inclusive	-	-
Expiring between 6 and 10 years inclusive	-	-
Expiring between 11 and 15 years inclusive	-	-
Expiring between 16 and 20 years inclusive	-	-
Expiring between 21 and 25 years inclusive	834,639	810,792
Total	<u>834,639</u>	<u>810,792</u>
Estimated capital value of the PFI Scheme	<u>9,400,000</u>	<u>9,400,000</u>

	<u>Contract start date</u>	<u>Contract end date</u>
Wellington / Balmoral/ RTU	Jan 2002	Jan 2027

The PFI scheme for Wellington College, Balmoral High School and the Regional Training Unit (RTU) is contracted for by the Board. The Board has an on-going financial commitment in respect of making monthly unitary payments.

27. CONTINGENT ASSETS AND LIABILITIES

PFI House Sale Income

The Private Finance Initiative involving Wellington College, Balmoral High School and the Regional Training Unit (RTU) includes the sale of surplus land to finance the building of the schools. Homes are to be built on the surplus land and the Board will benefit from a share of the income when the income from the sale of the homes reaches the agreed targets. The amount and timing of the income share is not certain and is therefore noted as a contingent asset.

Teaching salary award agreement 2000.

The Board expects that a liability may arise for teachers who qualify for assessment for upgrade to the second point on the upper pay spine (Cohort 1 threshold). Until the report from the independent inquiry into teachers' pay and conditions is received and negotiations with unions are concluded, we cannot estimate, with any certainty, the value of any liability to the Board.

Job Evaluation - Board headquarters staff and classroom assistants

Whilst the Board expects a liability will arise, until the relevant job descriptions and evaluations have been agreed, we cannot estimate, with any certainty, the value of the liability to the Board.

Legal cases and public liability

Proceedings against the Board have been initiated in a number of cases of public and employer's liability cases. The likelihood of the Board being found liable and the amount of any resulting settlements cannot yet be estimated as the cases concerned have not progressed sufficiently to allow assessment by the Board's solicitors. Those amounts which are probable and ascertainable have been accrued within provisions for liabilities and charges.

28. POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the Annual Report of the Board.

29. RELATED PARTY TRANSACTIONS

The Belfast Education and Library Board is a Non-Departmental Public Body (NDPB) sponsored by the Department of Education, Department of Culture, Arts and Leisure and the Department for Employment and Learning.

The Departments are regarded as related parties. During the year, the Belfast Education and Library Board has had various material transactions with the Departments and with other entities for which the Departments are regarded as the parent Department. These include:

- South Eastern Education and Library Board;
- North Eastern Education and Library Board;
- Southern Education and Library Board;
- Western Education and Library Board;
- Staff Commission for Boards;
- Council of Catholic Maintained Schools;
- Voluntary Grammar Schools;
- Grant Maintained Integrated Schools; and
- Council for the Curriculum Examinations Assessment.

In addition, the Belfast Education and Library Board has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the:

- (a) Department of Health, Social Services and Public Safety;
- (b) Health and Social Services Boards which are sponsored by the Department of Health, Social Services and Public Safety; and
- (c) Probation Board for Northern Ireland, a body sponsored by the Northern Ireland Office.

None of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the Belfast Education and Library Board during the year.

30. FINANCIAL INSTRUMENTS

FRS 13, (Derivatives and Other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Belfast Education and Library Board, being largely a non trading entity, in the way it is financed, is not exposed to the degree of financial risk faced by business entities. The Board has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change risks facing the department in undertaking its activities.

Liquidity Risk

The Board's net revenue resource requirements are largely financed by grants from its sponsoring departments, just as its capital expenditure is. The Board is not therefore exposed to significant liquidity risks.

Interest Rate Risks

The Board's financial assets and liabilities carry NIL or fixed rates of interest. The Board is not therefore exposed to significant interest rate risk.

Foreign Currency Risk

The Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

31. EUROPEAN UNION FUNDING

	2003	2003	2002	2002
	Income	Expenditure	Income	Expenditure
	£	£	£	£
Received via Department of Education				
Applicant:				
(a) Board	-	-	(14,167)	14,167
(b) Schools	(16,395)	16,395	(31,518)	31,518
(c) Other Services	(14,250)	14,250	(5,671)	5,671
	<u>(30,645)</u>	<u>30,645</u>	<u>(51,356)</u>	<u>51,356</u>
Received from Other Sources:				
(a) Milk Subsidy	(63,560)	63,560	(106,789)	106,789
(b) Others	-	-	(112,540)	112,540
	<u>(63,560)</u>	<u>63,560</u>	<u>(219,329)</u>	<u>219,329</u>
Total	<u>(94,205)</u>	<u>94,205</u>	<u>(270,685)</u>	<u>270,685</u>

32. NEW OPPORTUNITIES FUND

	2003	2003	2002	2002
	Income	Expenditure	Income	Expenditure
	£	£	£	£
(a) Schools	(902,885)	902,885	(768,456)	768,456
(b) Public Libraries	(74,391)	74,391	(64,492)	64,492
(c) Other Services	-	-	-	-
	<u>(977,276)</u>	<u>977,276</u>	<u>(832,948)</u>	<u>832,948</u>

33. STATEMENT OF LOSSES

	2003	2002
	£	£
(a) Cash Losses	20,762	9,527
(b) Claims Abandoned	348	47
(c) Fruitless Payments	-	-
(d) Stores Losses	358,623	575,333
	<u>379,733</u>	<u>584,907</u>

34. STATEMENT OF SPECIAL PAYMENTS

	2003	2002
	£	£
(a) Ex-Gratia Payments	3,000	-
(b) Extra Statutory Payments	282	-
	<u>3,282</u>	<u>-</u>

35. FINANCIAL TARGET

The Board's financial targets for 2002-2003 were to contain expenditure within the accrued expenditure limits approved by the Department of Education and the Department of Employment and Learning and within the cash expenditure limits approved by the Department of Culture, Arts & Leisure. These targets for the year have been achieved for the Department of Education and the Department of Employment and Learning. The target for the Department of Culture, Arts and Leisure was exceeded by £935k.

One of the main reasons for the in-year overspend was to run down reserves and deferred income. At the start of the year the Board had £254k in reserves and £243k in deferred income in relation to this Department. This leaves a cumulative deficit of £438k.

There are various underspending and overspending areas in the Board's management accounts. The main overspending area that contributed to the financial position on top of running down reserves was books and materials (£325k).

The Board is in discussion with the Department of Culture, Arts and Leisure about resolving this situation.

Accounts Direction given by the Department of Education for Northern Ireland (DENI) with the approval of the Department of Finance and Personnel (DFP) in accordance with Article 119 of the Education and Libraries (NI) Order 1986.

1. The Belfast Education and Library Board (“the Board”) shall prepare accounts for the financial year ended 31 March 2000 and subsequent years, comprising:-

- a. a foreword;
- b. an income and expenditure account;
- c. a balance sheet;
- d. a cash flow statement; and
- e. a statement of total recognised gains and losses,

including such notes as may be necessary for the purposes referred to in the following paragraphs.

Date of Submission

2. The accounts shall be submitted to the Comptroller and Auditor General by the 30 June immediately following the end of the financial year.

Presentation of Accounts

3. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.

4. Except where otherwise specified in this Direction, the accounts shall be prepared in accordance with:-

- a. generally accepted accounting practice in the United Kingdom (UK GAAP);
- b. the disclosure and accounting requirements contained in the “Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of services provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
- c. the accounting and disclosure requirements given in “Government Accounting Northern Ireland”, and in “Executive NDPBs: Annual Reports and Accounts Guidance”, as amended or augmented from time to time;

insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order, and the accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of :-

- a. fixed assets at their value to the business by reference to current costs; and
- b. stock at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Accounting Policies

7. In preparing its accounts, the Board shall comply with the agreed statement of Accounting Policy approved by DENI and DFP, and adopted collectively by the Boards.
8. This Direction shall be reproduced as an Appendix to the accounts.

Signed by authority of the Department of Education for Northern Ireland.

D Woods

Dated 26 November 1999

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order

The disclosure exemptions permitted by the Companies (Northern Ireland) Order shall not apply to the Board unless specifically approved by DFP.

The Companies (Northern Ireland) Order requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.

When preparing its income and expenditure account, the Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order.

When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order. The balance sheet totals shall be struck at "Total assets less current liabilities".

The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order.

The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

The Board is not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword to the accounts shall, inter alia:-

State that the Accounts have been prepared in a form directed by the Department with the consent of DFP in accordance with Article 119 of the Education and Libraries (Northern Ireland) Order 1986, and in accordance with this Direction;

Include a brief history of the Board and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.

Accounts of the North Eastern Education and Library Board

For Period 1 April 2002 to 31 March 2003

ANNUAL ACCOUNTS FOR YEAR ENDED 31 MARCH 2003

FOREWORD TO THE ACCOUNTS

BACKGROUND INFORMATION

The North Eastern Education and Library Board (hereinafter referred to as the Board) is an executive non-departmental public body sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department for Employment and Learning (hereinafter referred to as 'the Departments'). The Board's principal functions are the provision of education, library and youth services to the District Council areas of Antrim, Ballymena, Ballymoney, Carrickfergus, Coleraine, Larne, Magherafelt, Moyle and Newtownabbey.

These accounts have been prepared in a form directed by the Departments with the consent of the Department of Finance and Personnel in accordance with Article 119 of the Education and Libraries (N.I.) Order 1986. A copy of the Accounts Direction can be found at Annex A.

BRIEF HISTORY

Business Review

The Board produces an Annual Report of its activities and a full report is contained therein.

Results for the Year

The results for the year of the North Eastern Education and Library Board are set out in detail on page 57. The deficit for the year was £22,892,475 after charging notional costs of £22,558,565.

Fixed Assets

Details of the movement of fixed assets are set out in note 12 to the accounts.

The Board does not believe that there is any material difference between the market and book values of its lands and buildings.

FUTURE DEVELOPMENTS

During 2002/03 the Board continued its extensive programme of minor works. These included large scale minor works at several schools to provide office and staffroom accommodation as well as changing accommodation and toilet refurbishments. Under the Reinvestment and Reform Initiative schemes to replace mobile classrooms with permanent accommodation commenced at Mallusk, Toreagh, Cairncastle, Straidhavern, Carnaghts, The Diamond, Bushvalley and Straidbilly Primary Schools. The total cost of this programme is £1.725m. Various minor works, involving a total investment of £927k, were also carried out to enhance facilities in a number of small rural primary schools.

Work continued during 2002/03 on the extension and refurbishment of Antrim Grammar School at a cost of £7.250m and of school meals accommodation, costing £410k, at St Pius X High School, Magherafelt. Work continued on the construction of a replacement building, at a cost of £1.050m for Damhead Primary School, Coleraine, while construction commenced on a new library, costing £1.50m, in Ballymena and a new Sports Hall at Crumlin High School at a cost of £452k. In addition, two other libraries, in Ballymoney and Randalstown, were extensively refurbished at a cost of £181k and £154k respectively.

Planning continued on a PPP scheme in relation to Coleraine College (indicative cost £13.0m) and also for replacement buildings at Hillcroft Special School (indicative cost £3.96m) and Loanends Primary School (indicative cost £1.082m). The Department also announced new starts clearance for schemes to replace existing accommodation at:-

Camphill Primary School, Ballymena (indicative cost £2.472m);
Leaney Primary School, Ballymoney (indicative cost £1.55m);
Mossley Primary School (indicative cost £3.550m);
Rossensvale Special School, Larne (indicative cost £3.10m)

These projects, designed to provide new and refurbished accommodation, will greatly enhance the teaching and learning environment in schools and improved facilities for users of the library service. A number of officers from various departments and branches in the Board are involved in undertaking the preliminary planning and preparation of economic appraisals.

IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since the year end, which would affect these accounts.

CHARITABLE DONATIONS

During the year the Board made no donations for charitable or political purposes.

BOARD MEMBERS

The following served as Board Members during the year:

Mr J K F Currie	(Chairperson)
Mrs J Christie	(Vice-Chairperson)
Mr D D Barbour	
Mr J R Beggs	
Mr R F Cavan	
Mrs O M Church	
Mr J Convery	
Mrs J M Crilly	
Mrs M W Crockett	
Mr M P Devine	
Mrs U M Duncan	
Mrs L Frazer	
Mr J A Gaston	
Mrs P A Gillespie	
Rev D S Graham	
Mrs L A Hicklin	
Rev J T Jamieson	
Mr M J Johnston	
Miss M Laverty	
Mr J A McBride	
Mr K M McCann	
Mr A P McConaghy	
Mr S A McCrea	
Rev F J McDowell	(Resigned May 2002)
Mr P G McShane	
Mr N S Macartney	
Mr N C Murray	
Mr H Nicholl	(Appointed February 2003)
Mrs C M Poots	
Mr J C Reid	
Rev R B Savage	
Rev T Scott	(Appointed June 2002)
Mr A Templeton	
Mr R Thompson	
Mr A D C Watson	
Mrs C Wegwermer	
Mr W T Wright	(Resigned December 2002)

Disabled Employees

The Board actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled it is the Board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

PAYMENT TO SUPPLIERS

Public Sector Payment Policy – Measure of compliance:

The Government requires that the Board pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. The Board's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. The measure of compliance is:

	Based on Invoice Date		Based on Date Invoice Received	
	Number	£000	Number	£000
Total bills paid	198,483	98,410	198,483	98,410
Total bills paid within target	137,059	78,846	197,780	98,181
% of bills paid within target	69.05%		99.65%	

Employee Involvement

During the year the policy of providing employees with information about the Board has been continued through regular distribution of circulars. Regular meetings are held between staff at different levels to allow a free flow of information and ideas.

Chairman: Joan Christie

Date: 28 June 2005

Chief Executive: Gordon Topping

Date: 28 June 2005

STATEMENT ON INTERNAL CONTROL 2002/2003 – TRANSITIONAL STATEMENT

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Board policies, aims and objectives, whilst safeguarding the public funds and Board assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum and Management Statement for the NEELB.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Procedures necessary to implement DFP guidance have been in place since March 2003.

We have developed appropriate procedures to ensure the identification of the Board's objectives and risks and have determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Board has set out its attitude to risk to the achievement of the Board objectives.

The Board has ensured that procedures are in place to verify that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been incorporated more fully into the business planning and decision-making processes of the Board.

The Board receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Board has identified its key objectives and risks and further work has been done to bring about more consistency in the way in which the Board treats risks.

In addition to the actions mentioned above, in the coming year the Board plans to:

- regularly review and update the record of risks facing the Board;
- set up a system of key performance and risk indicators; and
- continue to maintain the Board's Corporate risk register.

The Board has an Internal Audit Unit, which operates to standards defined in Government Internal Audit Standards. They submit regular reports which include the HIA's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

During the period under review difficulties in recruiting staff within the internal audit section reduced the volume of audit work which it was possible to complete. This was offset by stewardship reporting at unit and departmental level with review and challenge by heads of department prior to completion of their departmental certificates. Overall this process and the work of internal audit and other review bodies confirmed that controls are generally sound. I can confirm that where weaknesses have been identified as a result of my review an action plan has been developed and approved by the audit committee to address these.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Gordon Topping
Accounting Officer

Date 28 June 2005

STATEMENT OF THE BOARD AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Article 119 (2) of the Education and Libraries (N.I.) Order 1986 the Board is required to prepare a statement of accounts in the form and on the basis directed by the Departments with the consent of the Department of Finance and Personnel.

The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- Observe the Accounts Direction issued by the Departments including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officers of the Departments have designated the Chief Executive of the Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers Memorandum, issued by the Department of Finance and Personnel.

Gordon Topping
Accounting Officer

Date 28 June 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly.

I certify that I have audited the financial statements on pages 54 to 81 under the Education and Libraries (NI) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 58 to 62.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 51, the Board and Chief Executive are responsible for the preparation of the financial statements in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder and for ensuring the regularity of financial transactions. The Board and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 50 reflects the Board's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the North Eastern Education and Library Board at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education and Libraries (NI) Order 1986 and directions made thereunder by the Department of Education; and

- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

Report

I have reported separately on Accountability to parliament by Education and Library Boards in my General Report: Financial Auditing and Reporting 2003-04 (HC96, Session 2004-05). The report deals with delays in finalising Boards accounts and related matters.

J M Dowdall CB
Comptroller and Auditor General
24th September 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £000	2002 £000
Income			
Grant from Departments	2	252,067	225,099
Other grant income	3	5,027	1,599
Other operating income	4	<u>10,049</u>	<u>9,998</u>
Total Income		<u>267,143</u>	<u>236,696</u>
Expenditure			
Staff Costs	6 & 7	183,892	172,236
Depreciation	12	15,076	10,804
Other operating expenses	8 & 11	68,509	60,604
Notional costs	9	<u>22,558</u>	<u>20,297</u>
Total Expenditure		<u>290,035</u>	<u>263,941</u>
(Deficit) for the year		(22,892)	(27,245)
Credit in respect of notional costs	9	<u>22,558</u>	<u>20,297</u>
Amount transferred to Reserves	20	<u>(334)</u>	<u>(6,948)</u>

All amounts above relate to continuing activities.

The notes on pages 58 to 81 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £000	2002 £000
(Deficit) for the year		(22,892)	(27,245)
Net surplus on revaluation of fixed assets	21	43,300	46,351
Backlog Depreciation	21	20	(2,751)
Total recognised gain/(losses) for the year		<u>20,428</u>	<u>16,355</u>

The notes on pages 58 to 81 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003 £000	2002 £000
Fixed Assets			
Tangible Assets	12	394,085	353,945
Current Assets			
Stocks	13	232	253
Debtors	14	12,911	10,026
Cash at bank and in hand	23(v)	175	97
		<u>13,318</u>	<u>10,376</u>
Current Liabilities			
Creditors: amounts falling due within one year	15	(14,540)	(11,239)
		<u>(1,222)</u>	<u>(863)</u>
Net Current Assets			
		<u>(1,222)</u>	<u>(863)</u>
Total Assets less Current Liabilities			
		<u>392,863</u>	<u>353,082</u>
Creditors: amounts falling due after more than one year	16	(5)	(47)
Provisions for Liabilities and Charges	18	(3,188)	(3,059)
Deferred Income/Grants	19	(389)	(518)
		<u>(3,582)</u>	<u>(3,584)</u>
Net Assets			
		<u>389,281</u>	<u>349,458</u>
Reserves			
Income and Expenditure Reserve	20	(7,089)	(7,457)
Other Reserves	21	396,370	356,915
		<u>389,281</u>	<u>349,458</u>

The Financial Statements on page 54 - 81 were approved by the Board on 28 June 2005 and were signed on its behalf by:

Chairman: Joan Christie

Date: 28 June 2005

Chief Executive: Gordon Topping

Date: 28 June 2005

The notes on pages 58 to 81 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £000	2002 £000
Net cash inflow from operating activities	23 (i)	794	(6,175)
Returns on investments and servicing of finance	23 (ii)	17	40
Capital expenditure and financial investment	23 (iii)	(472)	(1,083)
Net cash inflow before financing		<u>339</u>	<u>(7,218)</u>
Financing	23 (iv)	-	-
Increase in cash and cash equivalents		<u><u>339</u></u>	<u><u>(7,218)</u></u>

The notes on pages 58 to 81 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES

1.1 *Accounting Convention*

These financial statements have been prepared in accordance with the Accounts Direction issued by the Departments on 26 November 1999 and in accordance with applicable Accounting Standards under the modified historical cost convention.

Without limiting the information given the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

1.2 *Recognition of Income*

The annual recurrent allocations from the Departments and the Department of Health, Social Services and Public Safety, are intended to meet recurrent costs, which are credited to the income and expenditure account. However reference should be made to Note 5 for further detail.

Income from other grants received for specific purposes, that is restricted income, are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Restricted income received but not matched to relevant expenditure during the period is shown as deferred income on the balance sheet.

Income from services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

1.3 *Foreign Currency Transactions*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

1.4 *Taxation*

The Board is exempt from corporation tax on income it receives.
Items in the Income and Expenditure account are net of recoverable VAT.

1.5 *Fixed Assets*

All spending on a fixed asset which yields a benefit for a period of more than one year, is treated as capital expenditure in the accounts. This excludes expenditure on repairs and maintenance of fixed assets which only maintains the value of the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.5.1 Land and buildings

All land and buildings are capitalised and stated in the balance sheet at valuation on the basis of depreciated replacement cost. Full valuations are made by the Valuation and Lands Agency (VLA) every five years and in the intervening years these valuations are updated by the VLA using appropriate indices. Land and buildings acquired during the year are included in the balance sheet. Completed building projects will be capitalised but not depreciated until commissioned. On going building projects are categorised as assets in the course of construction and shown separately. Project costs capitalised include design and related fees as well as construction costs. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a government grant reserve account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

1.5.2 Maintained Schools

Land and buildings shown in the financial statements do not include any maintained schools, the assets of which belong to their trustees. The Board, however, is responsible for buildings and grounds maintenance at these schools, as well as providing them with certain other services and with 100% funding for general running costs under LMS. These costs are reflected in the Board's Income and Expenditure Account.

1.5.3 Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt. This value is credited to the donated asset reserve. Subsequent re-valuations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure Account.

1.5.4 Assets other than land and buildings

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets are valued each year using appropriate indices or professional valuations.

1.5.5 Depreciation

Depreciation is provided for all fixed assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted prospectively over the revised economic life.

All assets are depreciated on a straight line basis over their expected useful lives. A full months depreciation is charged in the period of acquisition/commissioning and no depreciation charged in the month of disposal. Assets in the course of construction are not depreciated until brought into use. Depreciation will not normally be provided for on freehold land unless subject to depletion or on assets which are identified as surplus to requirements and held pending disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.5.5 Depreciation (Cont'd)

The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually.

Asset Class	Asset Sub-Class	Asset Life
Lands	Land	Not Depreciated
Buildings	Permanent Buildings	50 years
	Temporary Buildings	15 years
Computers	Hardware and Software	3 years
Plant and Equipment	Reprographics	7 years
	Machinery	15 years
	Music	10 years
	General and Other	10 years
	Cleaning	7 years
Vehicles	Small Mini-buses	5 years
	33 Seater mini-buses	10 years
	> 33 Seater Mini-buses	14 years
	Vans	5 years
	Grounds Maintenance	7 years
	Mobile Libraries	10 years
	Cars	4 years
Miscellaneous	Library Books - Books And Collection	Not Depreciated

Where these assets are acquired with the aid of specific grants the asset is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Government Grant Reserve and released to the income and expenditure account over the expected useful economic life of the related asset.

1.6 Stocks

It is policy to carry stock for the meals service and maintenance and central depots.

Stocks are stated at the lower of current replacement cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.7 Pension Scheme

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

The Teachers' Superannuation Scheme is a contributory scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme. The scheme is presently notionally funded. The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance and Personnel. The scheme is administered by the Department of Education, Balloo Road, Bangor.

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is of the defined benefits type, the assets of the scheme being held in separate trustee administered funds. The Board's contribution to the Northern Ireland Local Government Pension Scheme is determined by the fund's actuary based on a triennial Valuation. The scheme is administered by NILGOSC, Holywood Road, Belfast.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

1.8 Nature of substantial reserves

- The **Income and Expenditure Reserve** balance represents the surplus of revenue income over expenditure. It can be used to supplement income in future years.

Other Reserves

- The Schools Reserve is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management in Schools arrangements required by the Education Reform Northern Ireland Order 1989.
- The Grant Consolidated Revenue Account balance represents the surplus of grant income over expenditure.
- The Government Grant Reserve represents the movement on fixed assets in line with the accounting guidance for NDPBs issued on 18 January 2001.
- The General Reserve represents the proceeds of the sale of non-property assets.
- The Special Book Reserve represents the valuation of special library book collections.
- The Donated Asset Reserve represents the net book value of assets donated to the Board, either by way of a gift or funds to purchase the asset.

1.9 Finance and Operating Leases

Operating lease rentals are charged to the Income and Expenditure in equal annual amounts over the lease term. Leasing agreements which transfer to the Board substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.10 Private Finance Initiative

The Board follows H M Treasury's "Technical Note 1 (Revised) How to Account for PFI Transactions", which provides guidance for the application of the FRS5 Amendment.

The North Eastern Education and Library Board has responsibility for the Electronic Libraries for Northern Ireland (ELfNI) Project. This is a PFI scheme to deliver public access to electronic information through the public library network and to provide new library management systems. Under the scheme these systems are treated as off balance sheet.

The South Eastern Education and Library Board has responsibility, on behalf of all five Boards, for the Oracle financial IT system. This is a PFI scheme, the purpose of which is to provide an IT system to support the financial and management needs of the Boards, in light of the requirements of Resource Accounting.

The Western Education and Library Board has responsibility, on behalf of all five Boards, for the Classroom 2000 Project. This is a PFI scheme, the purpose of which is to design, develop and operate an ICT infrastructure to support the curriculum, management and information needs of the major bodies within the Education Service in Northern Ireland.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

2. GRANT FROM DEPARTMENTS OF EDUCATION, CULTURE, ARTS AND LEISURE AND EMPLOYMENT AND LEARNING

	2003	2002
	£000	£000
THE DEPARTMENTS		
<i>Recurrent Grant</i>		
- Grant-in-Aid	231,937	210,513
- Mandatory Awards	2,866	1,620
- Premature Retirement Compensation Pensions	1,190	1,197
- Premature Retirement Compensation Lump Sums	372	390
- Release of government grant reserve	15,084	10,808
- Funding Maintained Schools Improvements	-	4
	<u>251,449</u>	<u>224,532</u>
DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY		
<i>Recurrent Grant</i>		
- Mandatory Awards	618	567
	<u>252,067</u>	<u>225,099</u>

3. OTHER GRANT INCOME

	2003	2002
	£000	£000
European funds	88	349
New Opportunities Fund	4,939	1,250
Other funds	-	-
	<u>5,027</u>	<u>1,599</u>

4. OTHER OPERATING INCOME

	2003	2002
	£000	£000
Catering operations	6,233	5,949
Other income generating activities	1,658	1,719
Interest Receivable	17	44
Miscellaneous	2,141	2,286
	<u>10,049</u>	<u>9,998</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

5. FUNDING COMMITMENT/END YEAR FLEXIBILITY

The following funding commitment or end year flexibility has not been accrued as income:

	2003 £000	2002 £000
Amount of grant formally committed:		
Department of Education	11,432	9,717

The funding commitment or end year flexibility represents a guaranteed resource which will be added to the Board's approved spending limit in the next financial year. In establishing whether the Board has achieved financial targets set, this funding commitment or year end flexibility is added to the reserves position reported in these Accounts.

6. STAFF COSTS

The average number of persons (including Senior Postholders) employed by the Board during the year expressed as full-time equivalents (FTE) and staff costs are as follows:-

Staff costs:

	2003 £000	2002 £000
Teaching		
Gross Pay	111,898	105,853
NIC	7,958	8,003
Pension Costs	8,540	8,089
Other Employee Expenses	2,384	2,498
	<u>130,780</u>	<u>124,443</u>
Non-Teaching (including Board Members)		
Gross Pay	48,485	43,357
NIC	2,301	2,076
Pension Costs	1,763	1,507
Other Employee Expenses	563	853
	<u>53,112</u>	<u>47,793</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

6. STAFF COSTS (cont'd...)

Average staff numbers:

	2003 Number	2002 Number
Teaching	4,557	4,541
Non-Teaching	6,288	6,366
	<u>10,845</u>	<u>10,907</u>

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

SENIOR POST HOLDERS

	Age	Salary including benefits in kind £	Real increase in pension at 65 £	Total accrued pension at 65 at 31 March 2003 £
Mr G Topping <i>Chief Executive</i>	55	88,853	3,154	31,816
Mr R Harper <i>Chief Administrative Officer</i>	50	62,968	4,402	21,494
Mr G Irwin <i>Senior Education Officer</i>	52	64,852	3,014	22,921
Mr A Moody <i>Project Manager – PFI/PPP</i>	58	64,852	1,901	14,075
Mr S McCurdy <i>Chief Finance Officer</i>	39	64,852	1,790	12,759
Mrs P Valentine <i>Chief Librarian</i>			Consent for disclosure withheld	

For each of these members of the NILGOSC pension scheme, a lump sum equal to three times the total accrued pension at 31 March 2003 is also payable on retirement.

Where the requirements of a post include the use of a car, the Board offers a loan. Interest is currently payable at 4.45% on the initial capital borrowed and repayments of capital and interest are deducted from pay on a monthly basis. In 2002/03 no senior post holder availed of this facility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS (cont'd ...)

BOARD MEMBERS

The total emoluments (incl. honoraria) of the Chairpersons were £6,202.

The highest payment for any other Board member was £2,709.

The aggregate amount of Board members emoluments was £25,361.

No members waived emoluments. However, 4 members made no claim for emoluments during the year.

The number of Board members who received emoluments falling within the ranges below:

	2002/03 Number	2001/02 Number
£1 - £4,999	32	44
£5,000 - £5,999	-	-
£6,000 - £6,999	1	-
£7,000 - £7,999	-	-

8. OTHER OPERATING EXPENSES

	2003 £000	2002 £000
THE DEPARTMENTS		
Premises, Fixed Plant & Grounds	19,442	20,937
Supplies & Services	22,425	14,643
Transport	15,176	13,804
Establishment	3,945	3,384
Grants to Persons/Bodies	6,425	5,616
Profit/(Loss) on Disposal of Fixed Assets	8	4
Miscellaneous	550	1,649
	67,971	60,037
DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY		
Grants to Persons/Bodies	538	567
	68,509	60,604

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

8. OTHER OPERATING EXPENSES (cont'd ...)

Other Operating Expenses include:

	2003 £000	2002 £000
Operating leases - hire of plant and machinery	256	222
Operating leases – property	151	126
Travel, subsistence and hospitality	1,205	1,306
P.F.I.	6,276	-
	<hr/>	<hr/>
	7,888	1,654

9. NOTIONAL COSTS

	2003 £000	2002 £000
Auditors Remuneration	36	43
Teacher's Payroll	292	343
Land & Buildings Valuation	35	-
Use of Capital	22,195	19,910
	<hr/>	<hr/>
	22,558	20,296

10. INTER BOARD TRADING

During the year the Board earned £NIL from the selling of services and purchased £NIL of services from the other Boards.

11. INTEREST PAYABLE

	2003 £000	2002 £000
On finance leases	-	-
Other	-	4
	<hr/>	<hr/>
	4	4

These expenses are included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS

	Land & Buildings	Vehicles	Computers	Plant Equipment & Miscellaneous	Assets in course of Construction	TOTAL
	£000	£000	£000	£000	£000	£000
*Cost or Valuation						
At 1 April 2002	375,021	3,541	693	3,429	4,217	386,901
Additions	-	738	449	901	10,701	12,789
Transfer from assets in the course of construction	4,946	165	-	-	(5,111)	-
Disposals	(888)	(41)	-	(22)	-	(951)
Revaluation	(1,376)	(47)	(32)	51	-	(1,404)
Permanent Impairment	-	-	-	-	-	-
* At 31 March 2003	377,703	4,356	1,110	4,359	9,807	397,335
Depreciation						
At 1 April 2002	30,632	1,311	324	689	-	32,956
Disposals	(20)	(25)	-	(13)	-	(58)
Backlog Depreciation	-	(20)	(19)	19	-	(20)
Charge for period	10,587	472	199	313	-	11,571
Deficit on Revaluation	3,466	27	14	(2)	-	3,505
Revaluation	(44,665)	(27)	(14)	2	-	(44,704)
At 31 March 2003	-	1,738	504	1,008	-	3,250
Net Book value at 31 March 2003	377,703	2,618	606	3,351	9,807	394,085
Net Book value at 1 April 2002	344,389	2,230	369	2,740	4,217	353,945
					2003	2002
					£000	£000
The net book value of assets in the course of construction include the following:						
Land and Buildings					9,659	4,052
Vehicles					148	165
					9,807	4,217

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS (cont'd ...)

Land and buildings were valued as at 31 March 2000 and 31 March 1999 on a depreciated replacement cost basis. The valuations were performed independently by the Valuation and Lands Agency. The valuations as at 31 March 2003 were performed by the Valuation and Lands Agency.

Should fixed assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Departments.

Fixed assets include £1,135,965 in relation to special collections of library books, which have been valued by J Gamble, 539 Antrim Road, Belfast, on 5 October 2001. The library books have been valued on an open market existing use basis and have not been indexed or depreciated. The next revaluation will be performed in April 2004.

The net book value of tangible fixed assets includes an amount of £1,053,716 (2002 - £908,326) in respect of assets held under reversionary trusts i.e. if properties cease to be used as specified in the deeds, they will revert to the ownership of the trustees.

As disclosed in note 1.5.2, the amount of land and buildings noted does not include maintained schools. In 2002/03 there were 92 such schools in the Board's area.

The depreciation charge for the period is analysed as follows:

	2003 £000	2002 £000
Owned assets	11,571	10,804
Assets held under finance leases and hire purchase arrangements	-	-
Deficit on revaluation	3,505	-
	<u>15,076</u>	<u>10,804</u>

13. STOCK

	2003 £000	2002 £000
Catering	119	120
Maintenance and central depots	113	133
	<u>232</u>	<u>253</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

14. DEBTORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £000	2002 £000
Trade debtors	672	619
Amount owed by ELBs	58	50
Prepayments and accrued income	697	1,043
Recoverable VAT	2,568	1,379
Amount owed by Departments	8,880	6,798
Other Debtors	<u>3</u>	<u>80</u>
	12,878	9,969

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Prepayments	<u>33</u>	<u>57</u>
	<u>33</u>	<u>57</u>
	<u><u>12,911</u></u>	<u><u>10,026</u></u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £000	2002 £000
Bank Overdraft	1,079	1,340
Obligations under finance leases	-	-
Trade creditors	4,339	4,666
Amount owed to Boards	128	361
Other taxation and social security	1,149	1,065
Accruals	7,828	3,790
Other creditors	17	17
PFI commitment	<u>-</u>	<u>-</u>
	<u>14,540</u>	<u>11,239</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £000	2002 £000
Obligations under finance leases	-	-
PFI commitment	-	-
Accruals	<u>5</u>	<u>47</u>
	<u>5</u>	<u>47</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

17. ANALYSIS OF BORROWINGS OF THE BOARD : FINANCE LEASES

The net finance lease obligations to which the Board is committed are:

	2003 £000	2002 £000
In one year or less	-	-
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
PFI commitment	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employer & Public Liability Claims £000	Pensions £000	Job Evaluation £000	Total £000
At 1 April 2002	467	2,009	583	3,059
Expenditure in the period	(237)	(148)	(583)	(968)
Transferred from Income and Expenditure Account	806	291	-	1,097
	<hr/>			
At 31 March 2003	1,036	2,152	-	3,188
	<hr/>			

As directed by the Department of Education, with the consent of the Department of Finance and Personnel a provision has not been included in Board accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teachers' Superannuation Account (part of the Departmental accounting structure). The in-year charge in respect of such cases as well as requisite employer superannuation contributions is charged to the Board's income and expenditure account. In that respect the number of teacher premature retirement compensation cases is as follows:-

	2003 Number
2002/03	58
	<hr/>
Cumulative	1,100
	<hr/>

18. PROVISIONS FOR LIABILITIES AND CHARGES (cont'd ...)

Employer and Public Liability Claims

These are claims against the Board submitted by members of staff and or the public in relation to accidents or incidents which have happened before the balance sheet date. Claims which are not considered formant or statute barred by the passage of time since being lodged, but have progressed sufficiently to allow an estimated “settlement” figure to be calculated, are included in the provision. Estimates are calculated by reference to; analysis of previous claims of a similar type, the previous history of successful settlements and professional judgement.

The possible timing of payments in settlement of such cases in uncertain; it is plaintiff driven and the case’s progress is dependant on the individual circumstances of that case. As a case progresses and more information becomes available the amount of the estimated “settlement” figure may in subsequent years be revised up or down.

Pension Provision

This provision refers to previous employees of the Board who have retired and are in receipt of current pension benefits. The provision is calculated by reference to their current age at the balance sheet date, an actuarial indexation factor which anticipates future life expectancy, and the actual current pension being paid in the current year. The product of this calculation is an estimate of the future liability of the Board in respect of these former employees. Payments in relation to this provision will be ongoing on a monthly basis.

Job Evaluation

This provision refers to employees, whose posts are due to be evaluated under the job evaluation scheme. As a result employees may be regarded to a higher grade and therefore entitled to a higher salary from the date additional duties were undertaken. The provision is made only in respect of those employee categories, whose job evaluations have progressed to the stage of agreed revised job descriptions, where the Board is able to make a reasonable estimation of the arrears liability.

The timing of such payments is likely to vary for the different categories of staff. However, the Board makes every effort to process payments as soon as possible, once union and individual agreement has been formally reached.

The level of information available on which to base estimates for arrears, increases the closer a staff category is to completion of the job evaluation process.

19. DEFERRED INCOME – DEFERRED GRANTS

	£000
At 1 April 2002	518
Cash Received	(129)
At 31 March 2003	389

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

20. INCOME AND EXPENDITURE RESERVE

	2003	2002
	£000	£000
At 1 April 2002	(7,457)	1,406
Amount transferred from Income and Expenditure account	(334)	(6,948)
Transfer to/from Schools Reserve	723	(1,854)
Transfer to/from Grant Reserve	(21)	(61)
At 31 March 2003	<u>(7,089)</u>	<u>(7,457)</u>

21. OTHER RESERVES

	Government Grant Reserve £000	General Reserve £000	Schools Reserve £000	Grant Reserves	Special Book Reserve	Total £000
At 1 April 2002	352,809	15	2,626	330	1,135	356,915
Transfer to/from Income and Expenditure Reserve	-	-	(723)	21	-	(702)
Capital grants received for tangible fixed assets	12,789	-	-	-	-	12,789
Release of Grants - Depreciation	(11,571)	-	-	-	-	(11,571)
- Deficit on Revaluation	(3,505)	-	-	-	-	(3,505)
Revaluation of tangible fixed assets	43,300	-	-	-	-	43,300
Impairment in value of fixed assets	-	-	-	-	-	-
Backlog depreciation	20	-	-	-	-	20
Disposal of fixed assets	(876)	-	-	-	-	(876)
Transfer to/from General Reserve	(17)	17	-	-	-	-
At 31 March 2003	<u>392,949</u>	<u>32</u>	<u>1,903</u>	<u>351</u>	<u>1,135</u>	<u>396,370</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

22. PENSION AND SIMILAR OBLIGATIONS

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

For 2002/03 the contribution rates to the Teachers' Superannuation Scheme were 7.85% employers and 6% employees. For 2002/03 the employers contribution rate to the Northern Ireland Local Government Pension Scheme was 4.6%.

The Board has included pension costs totalling £10,302,889 in relation to the two schemes.

The latest actuarial valuation of the scheme was at 31 March 2001 (NILGOSC). The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

	TSS	NILGOSC
Rate of return on investments - After Retirement	N/A	5.30%
- Before Retirement	N/A	6.30%
- Long Term	N/A	6.55%
Rate of increase in salaries	N/A	3.89%
Rate of increase in pensions	N/A	2.30%
Rate of dividend growth	N/A	2.30%
Market value of the assets at the date of the last valuation	N/A	£2,293.7m

The actuarial value of the assets of NILGOSC was sufficient to cover all of the benefits which had accrued to members after allowing for future increases in earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

23. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating (deficit) to cashflow from operating activities

	2003	2002
	£000	£000
(Deficit) for the year	(22,892)	(27,245)
Depreciation (Note 12)	15,076	10,804
Government Grant Release	(15,084)	(10,808)
(Profit) on disposal of assets other than land and buildings	8	4
Notional Costs (Note 9)	22,558	20,297
Decrease in stocks	21	29
Interest payable (Note 11)	-	4
(Increase) in debtors	(2,414)	(1,206)
Decrease in prepayments and accrued income	347	4,379
(Decrease) in creditors	(747)	1,854
(Decrease) in deferred income	(129)	-
Increase in other taxation and social security	84	155
Increase in accruals	3,853	(4,223)
Increase in provisions	130	(175)
Interest receivable (Note 4)	(17)	(44)
	<hr/>	<hr/>
Net cash inflow/ from operating activities	794	(6,175)
	<hr/>	<hr/>

(ii) Returns on investment and servicing of finance

	2003	2002
	£000	£000
Interest received	17	44
Interest paid on finance leases	-	-
Other interest paid	-	(4)
	<hr/>	<hr/>
	17	40
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

23. NOTES TO THE CASH FLOW STATEMENT (cont'd ...)

(iii) Capital expenditure and financial investment

	2003	2002
	£000	£000
Purchase of tangible fixed assets	(12,460)	(10,184)
Capital grants received	11,971	9,096
Proceeds from disposal of tangible fixed assets	17	5
	<u>(472)</u>	<u>(1,083)</u>

(iv) Financing

	2003	2002
	£000	£000
Capital element of finance lease payments	-	-
Increase in deficit loan	-	-
	<u>-</u>	<u>-</u>

(v) Analysis of net funds

	2003	2002
	£000	£000
Cash	175	97
Overdrafts	(1,079)	(1,340)
	<u>(904)</u>	<u>(1,243)</u>
Debt within one year	-	-
Debt due after one year	-	-
Finance Leases	-	-
	<u>(904)</u>	<u>(1,243)</u>

(vi) Reconciliation of net cash to movement in net funds

	2003	2002
	£000	£000
Increase in cash	78	(6,175)
Cash outflow from decrease in debt	261	(1,043)
Change in net debt resulting from cash flows	339	(7,218)
Other non cash items	-	-
Movement in net funds	339	(7,218)
Net funds at 1 April 2002	(1,243)	5,975
Net funds at 31 March 2003	<u>(904)</u>	<u>(1,243)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

24. CAPITAL COMMITMENTS

	2003 £000	2002 £000
Contracted	5,263	9,422
Authorised but not contracted	<u>13,650</u>	<u>299</u>
	<u><u>18,913</u></u>	<u><u>9,721</u></u>

25. FINANCIAL COMMITMENTS

At 31 March 2003 the Board had annual commitments under non-cancellable operating leases as follows:

	2003 £000	2002 £000
Expiring within one year	36	23
Expiring between 1 and 5 years inclusive	268	310
Expiring after 5 years	<u>92</u>	<u>62</u>
	<u><u>396</u></u>	<u><u>395</u></u>

**26. PRIVATE FINANCE TRANSACTIONS
PFI Schemes deemed to be off Balance Sheet**

	2003 £000	2002 £000
Amounts included within Other Operating Expenses in respect of PFI transactions deemed to be off Balance Sheet	6,276	-
	<u>6,276</u>	<u>-</u>
	<u><u>6,276</u></u>	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

26. PRIVATE FINANCE TRANSACTIONS (cont'd ...)

The Board is committed to make the following payments during the next year:

	2003	2002
	£000	£000
PFI Scheme which expires within 1 year	-	-
PFI Scheme which expires from 2 to 5 years (inclusive)	-	-
PFI Scheme which expires from 6 to 10 years (inclusive)	4,150	6,276
PFI Schemes which expire from 11 to 15 years (inclusive)	-	-
PFI Schemes which expire from 16 to 20 years (inclusive)	-	-
PFI Schemes which expire from 21 to 25 years (inclusive)	-	-
	<hr/>	<hr/>
	4,150	-
	<hr/>	<hr/>
	£000	£000
Estimated capital value of the PFI Scheme	36,000	36,000
	<hr/> <hr/>	<hr/> <hr/>

Contract start date – May 2002

Contract end date – April 2012

The PFI Scheme relates to the installation, implementation and technical support of hardware and software for the Electronic Libraries for Northern Ireland (ELfNI) project. ELfNI is being introduced to provide the five Education and Library Boards with systems to deliver public access to electronic information as part of the national implementation of the People's Network. The project also provides new library management systems.

27. CONTINGENT LIABILITIES

- **Teachers' Threshold Assessment**

The Board expects that a liability may arise in respect of Cohort 1 teachers qualifying for assessment for upgrading to the second point on the Upper Pay Spine. Until the report from an independent inquiry into teachers' pay and conditions is received and negotiations are concluded with Trade Unions, it is not possible to estimate, with any certainty, the potential liability.

- **Job Evaluation – Headquarters Staff and Classroom Assistants**

It is not possible to estimate, with any certainty, the potential liability until individual posts have been evaluated and schemes agreed.

- **Public and Employer's Liability Claims**

The majority of claims have been accrued, within Provisions for Liabilities and Charges, on the basis of estimated reserve figures, adjusted for potential reduction in settlements and cases not going to court.

A number of claims have not progressed sufficiently to allow assessment of potential liability.

28. POST BALANCE SHEET EVENTS

There were no significant Post Balance Sheet events.

29. RELATED PARTY TRANSACTIONS

The NEELB is a Non-Departmental Public Body (NDPB) sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department for Employment and Learning.

The Departments are regarded as related parties. During the year, the North Eastern Education and Library Board has had various material transactions with the Departments and with other entities for which the Departments are regarded as the parent Department, these include;

- Belfast ELB;
- South Eastern ELB;
- Southern ELB;
- Western ELB;
- Staff Commission for ELBs;
- CCMS;
- Voluntary Grammar Schools; and
- Grant Maintained Integrated Schools
- CCEA
- Colleges of Further Education

In addition, the North Eastern Education and Library Board has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the:

- a. Department of Health, Social Services and Public Safety;
- b. Health and Social Services Boards which are sponsored by the Department of Health, Social Services and Public Safety;
- c. Probation Board for Northern Ireland, a body sponsored by the Northern Ireland Office;

None of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the North Eastern Education and Library Board during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

30. FINANCIAL INSTRUMENTS

FRS 13, (Derivatives and Other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the North Eastern Education and Library Board is not exposed to the degree of financial risk faced by business entities. The Board has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

The Board's net revenue resource requirements are largely financed by grants from its sponsoring Departments, just as its capital expenditure is. The Board is not, therefore, exposed to significant liquidity risks.

Interest Rate Risk

The Board's financial assets and liabilities carry Nil or fixed rates of interest. The Board is not, therefore, exposed to significant interest rate risk.

Foreign Currency Risk

The Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

31. EUROPEAN UNION FUNDING

	2003 Income £000	2003 Expenditure £000	2002 Income £000	2002 Expenditure £000
Received via Department of Education Applicant				
(1) Board	(30)	(30)	52	52
(2) Schools	-	-	-	-
(3) Other Services	-	-	-	-
	(30)	(30)	52	52
Received from Other Sources				
(1) Milk Subsidy	118	118	118	118
(2) Others	-	-	178	178
	118	118	296	296

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

32. NEW OPPORTUNITITES FUND

	2003 Income £000	2003 Expenditure £000	2002 Income £000	2002 Expenditure £000
(1) Schools	124	124	1,162	1,162
(2) Public Libraries	4,377	4,377	72	72
(3) Other Services	438	438	16	16
	<u>4,939</u>	<u>4,939</u>	<u>1,250</u>	<u>1,250</u>

33. STATEMENT OF LOSSES

	2003 £000	2002 £000
A Cash Losses	9	10
B Claims Abandoned	1	1
C Fruitless Payments	-	-
D Stores Losses	443	408
	<u>453</u>	<u>419</u>

34. STATEMENT OF SPECIAL PAYMENTS

	2003 £000	2002 £000
A Ex-Gratia Payments	-	-
B Extra Statutory Payments	-	-
	<u>-</u>	<u>-</u>

35. KEY FINANCIAL TARGETS

The Board's financial targets for 2002/03 were to contain expenditure within the accrued limits for the Department of Education and Department of Employment and Learning and within the cash limits approved by the Department of Culture, Arts and Leisure. These targets have been achieved.

Accounts Direction given by the Department of Education for Northern Ireland (DENI) with the approval of the Department of Finance and Personnel (DFP) in accordance with Article 119 of the Education and Libraries (NI) Order 1986.

1. The North Eastern Education and Library Board (“the Board”) shall prepare accounts for the financial year ended 31 March 2000 and subsequent years, comprising:-
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.

Date of Submission

2. The accounts shall be submitted to the Comptroller and Auditor General by the 30 June immediately following the end of the financial year.

Presentation of Accounts

3. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.
4. Except where otherwise specified in this Direction, the accounts shall be prepared in accordance with:-
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. the disclosure and accounting requirements contained in the “Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of services provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. the accounting and disclosure requirements given in “Government Accounting Northern Ireland”, and in “Executive NDPBs: Annual Reports and Accounts Guidance”, as amended or augmented from time to time;

insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order, and the accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of :-
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stock at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Accounting Policies

7. In preparing its accounts, the Board shall comply with the agreed statement of Accounting Policy approved by DENI and DFP, and adopted collectively by the Boards.
8. This Direction shall be reproduced as an Appendix to the accounts.

Signed by authority of the Department of Education for Northern Ireland.

D Woods

Dated 26 November 1999

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order

The disclosure exemptions permitted by the Companies (Northern Ireland) Order shall not apply to the Board unless specifically approved by DFP.

The Companies (Northern Ireland) Order requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.

When preparing its income and expenditure account, the Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order.

When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order. The balance sheet totals shall be struck at "Total assets less current liabilities".

The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order.

The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

The Board is not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword to the accounts shall, inter alia:-

State that the accounts have been prepared in a form directed by the Department with the consent of DFP in accordance with Article 119 of the Education and Libraries (Northern Ireland) Order 1986, and in accordance with this Direction;

Include a brief history of the Board and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.

Accounts of the South Eastern Education and Library Board

For Period 1 April 2002 to 31 March 2003

ANNUAL ACCOUNTS FOR YEAR ENDED 31 MARCH 2003

FOREWORD TO THE ACCOUNTS

1 BACKGROUND INFORMATION

The South Eastern Education and Library Board (hereinafter referred to as 'the Board') is an executive non-departmental public body sponsored by the Department of Education, Department of Culture, Arts and Leisure and the Department for Employment and Learning. The Board's principal functions are the provision of education, library and youth services to the District Council areas of Ards, Castlereagh, Down, Lisburn and North Down.

These accounts have been prepared in a form directed by the Departments with the consent of the Department of Finance and Personnel in accordance with Article 119 of the Education and Libraries (N.I.) Order 1986. (A copy of the Accounts Direction can be found at Annex A.)

2 BRIEF HISTORY

Business Review

The Board produces an Annual Report of its activities and a full report is contained therein.

Results for the Year

The results for the year of the Board are set out in detail on page 102. The deficit for the year was £28,045,000 after charging notional costs of £25,454,733.

Fixed Assets

Details of the movement of fixed assets are set out in note 12 to the accounts.

The Board does not believe that there is any material difference between the market and book values of its land and buildings.

3 FUTURE DEVELOPMENTS

During the financial year 2003/04, the Board plans to:

- 1 Complete the building of the new Glenlola Collegiate School, and Meadowbridge Primary School;
- 2 Commence the building of the Phase II extension of Regent House, the new Dundonald Primary School, Clough/Downshire Primary School and Hillsborough/Newport Primary School;
- 3 Complete economic appraisals for capital development at Knockbreda High School, Brookfield Special School, Ballinderry Primary School, Holywood/Redburn Primary School, Priory College, Dundonald High School, Glastry High School, Towerview Primary School and Pond Park Primary School;
- 4 Continue the PFI process for the new Comber High School and the new Bangor Academy and Sixth Form college;
- 5 Complete economic appraisals for the capital development of static library provision in Bangor and Newtownards;
- 6 Complete economic appraisals and seek funding for the provision of Nursery Unit projects approved under the Pre-School Education Expansion Programme at Dunmurry, Moira, Newtownbreda, Tonagh and Ballynahinch Primary Schools.
- 7 Continue the PFI process for Tor Bank Special School and Lagan College;
- 8 Facilitate the development of Controlled Integrated Schools;
- 9 Complete condition surveys of all Board properties;
- 10 Implement further training programmes for Boards of Governors;

3 FUTURE DEVELOPMENTS (Cont'd)

- 11 Submit and implement the statutory INSET Scheme and programme;
- 12 Support schools in the School Improvement Programme;
- 13 Continue the review of systems for:
 - the monitoring of employment and recruitment practices within the Board; and
 - the training of Board staff and members; and
 - ensuring members of School Boards of Governors meet the requirements of Fair Employment and Equal Opportunities legislation;
- 14 Improve the Health and Safety standards throughout all the Board locations;
- 15 Continue implementing the Government's Eco Energy Strategy to ensure energy efficiency and reduce Greenhouse Gas Emissions in line with the Kyoto Agreement;
- 16 Upgrade the operational capabilities of the new computerised financial accounting system to facilitate the developing requirements of resource accounting;
- 17 Review the Board's Area Strategic Development Plan for prioritising capital projects over the next five years.

4 IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since the year end, which would affect these accounts.

5 CHARITABLE DONATIONS

During the year the Board made no donations for charitable or political purposes.

6 BOARD MEMBERS

The following served as Board Members:

1 April 2002 – 31 March 2003:

Rev Dr D J Watts	<i>(Chairman)</i>
Councillor R Gibson	<i>(Vice Chairman)</i>
Rev Dr J P O Barry	
Rev C W Bell	
Councillor P A Butler	
Mr D Cahill	
Councillor C Calvert	
Mrs J Campbell	
Mr J L Colgan	
Councillor Mrs M Craig	<i>(appointed 29 August 2002)</i>
Mr S I Davidson	
Councillor G N Douglas	
Councillor Mrs R M Dunlop	
Alderman G Ennis	
Mr M P Flanagan	
Mrs F A Gault	
Councillor G H Gregory	<i>(resigned 1 July 2002)</i>
Rev G N Haire	
Alderman Cecil Hall	
Mr R A Jones	
Mr R J McFerran	
Mrs M M McGoran	
Miss M M McHenry	
Mr A J McReynolds	

Mr D G Mullan
 Councillor J Norris
 Councillor Mrs C O'Boyle
 Mrs E M Robinson
 Rev Dr R A Russell
 Councillor Mrs M Smith
 Miss G Tigchelaar
 Mr J D Uprichard
 Councillor W M Ward
 Councillor W G Watson
 Ms J Williams
 Councillor Mrs A Wilson

(resigned 29 August 2002)

Between the end of the financial year and the date on which these accounts were approved the following change took place to the composition of the Board:

Mr A J McReynolds *(resigned 12 June 2003)*
 Mr I Arbuthnot *(Appointed 23 February 2004)*
 Dr R Montgomery *(Appointed 23 February 2004)*

7 DISABLED EMPLOYEES

The Board actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled it is the Board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

8 PAYMENTS TO SUPPLIERS

Public Sector Payment Policy – Measure of compliance:

The Government requires that the Board pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. The Board's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. The measure of compliance is:

	Based on Invoice Date		Based on Date Invoice Received	
	Number	£000	Number	£000
Total bills paid	152,234	102,867	152,234	102,867
Total bills paid within target	62,026	73,044	107,784	88,338
% of bills paid within target	40.7%		70.8%	

9 EMPLOYEE INVOLVEMENT

During the year the policy of providing employees with information about the Board has been continued through regular distribution of circulars. Regular meetings are held between staff at different levels to allow a free flow of information and ideas. Team Briefing was introduced to improve communication to all employees within the Board.

Chairman: Dr D J Watts

Date: 10 February 2006

Chief Executive: Irene Knox

Date: 10 February 2006

STATEMENT OF THE BOARD AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Article 119 (2) of the Education and Libraries (N.I.) Order 1986 the Board is required to prepare a statement of account in the form and on the basis directed by the Departments with the consent of the Department of Finance and Personnel.

The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- Observe the Accounts Direction issued by the Departments including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officers of the Departments have designated the Chief Executive of the Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers Memorandum, issued by the Department of Finance and Personnel.

STATEMENT ON INTERNAL CONTROL 2002/2003 – TRANSITIONAL STATEMENT

As Accounting Officer, I have responsibility for maintaining a system of internal control that supports the achievement of Board policies, aims and objectives, whilst safeguarding the public funds and Board assets for which I am personally responsible. A full statement of my responsibilities in this regard is set out in the Financial Memorandum and Management Statement for the SEELB.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is designed to mitigate rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness.

My review of the effectiveness of the system of internal control is informed inter alia by: a formal annual assurance from each of the senior managers within the Board who have responsibility for the development and maintenance of the internal control framework; the work of the Audit Committee; the work of internal auditors; and, comments made by the external auditors in their management letter and other reports.

The SEELB uses the balanced scorecard approach to identify its business objectives and associated targets. During 2002/2003 the board formally approved a risk management policy and all managers in the board attended a risk management workshop. As a result, each business unit in the Board now has a risk register and ownership of each significant business risk has been allocated to the appropriate manager.

Risk management is now a central theme in the business planning and decision-making processes of the Board but work will continue to further embed the process and ensure consistency in the way in which risks are treated.

The Board, through the Audit Committee ensures that appropriate procedures are in place to verify that risk management, control and corporate governance processes are regularly reviewed and reported on. The Board has an Internal Audit Unit which operates to HM Treasury's 'Government Internal Audit Standards'. The Audit Unit submits regular reports to the Audit Committee which include the Head of Audit's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

Expenditure on services provided centrally by the board for the schools increased significantly in 2001/2003 leading to a centre deficit. This deficit was more than off-set by schools surpluses which have increased again in 2002/2003. The rate of growth in centre expenditure in 2002/2003 has slowed compared with 2001/2002 however there remains a significant risk that demand led elements of centre expenditure which are unavoidable will outstrip funding.

To further improve the system of internal control, in the coming year the Board plans to:

- set up a system of key performance indicators;
- regularly review and update the record of risks facing the Board; and
- continue to maintain the Board's corporate risk register

Irene Knox
Accounting Officer

Date 2 March 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly.

I certify that I have audited the financial statements on pages 95 to 118 under the Education and Libraries (NI) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 99 to 102.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 91, the Board and Chief Executive are responsible for the preparation of the financial statements in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder and for ensuring the regularity of financial transactions. The Board and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the transitional statement on pages 92 reflects the Board's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the transitional statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Transitional Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Boards corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the South Eastern Education and Library Board at 31 March 2002 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education and Libraries (NI) Order 1986 and directions made thereunder by the Department of Education; and
- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

I will report separately on accountability to Parliament and financial control by Education and Library Boards, and related matters, in my General Report for 2004-05.

J M Dowdall CB
Comptroller and Auditor General
15^h March 2006

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

Income	Notes	2003 £000	2002 £000
Grant from Departments	2	249,736	209,468
Other grant income	3	896	1,164
Other operating income	4	6,541	6,392
Total Income		257,173	217,024
Expenditure			
Staff costs	6 & 7	172,317	156,167
Depreciation	12	25,327	9,578
Other operating expenses	8 & 11	62,119	61,094
Notional costs	9	25,455	20,760
Total Expenditure		285,218	247,599
(Deficit) for the year		(28,045)	(30,575)
Credit in respect of notional costs	9	25,455	20,760
Amount Transferred to Reserves	20	(2,590)	(9,815)

All amounts above relate to continuing activities.

The notes on pages 99 to 118 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 MARCH 2003**

	Notes	2003 £000	2002 £000
(Deficit) for the year		(28,045)	(30,575)
Net surplus on revaluation of fixed assets	21	124,174	46,397
Backlog Depreciation	21	71	(2,360)
Total recognised gains for the year		<u>96,200</u>	<u>13,462</u>

The notes on pages 99 to 118 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003 £ 000	2002 £000
Fixed Assets			
Tangible Assets	12	479,158	364,747
Current Assets			
Stocks	13	174	171
Debtors	14	16,121	12,910
Cash at bank and in hand	23(vi)	870	1,087
		17,165	14,168
Current Liabilities			
Creditors: amounts falling due within one year	15	17,929	13,209
Net Current (Liabilities)/Assets		(764)	959
Total Assets less Current Liabilities		478,394	365,706
Creditors: amounts falling due after more than one year	16	-	290
Provisions for Liabilities and Charges	18	3,957	3,468
Deferred Income	19	1,231	591
Net Assets		473,206	361,357
Reserves			
Income and Expenditure Reserve	20	(14,146)	(12,740)
Other Reserves	21	487,352	374,097
		473,206	361,357

The Financial Statements on page 95 - 118 were approved by the Board on 7 October 2005 and were signed on its behalf by:

Chairman: D J Watts

Date: 10 February 2006

Chief Executive: Irene Knox

Date: 10 February 2006

The notes on pages 99 to 118 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £000	2002 £000
Net cash (outflow) from operating activities	23 (i)	(1,253)	(12,160)
Returns on investments and servicing of finance	23 (ii)	29	57
Capital expenditure and financial investment	23 (iii)	<u>1,534</u>	<u>1,727</u>
Net cash inflow/(outflow) before financing		310	(10,376)
Financing	23 (iv)	(234)	75
Increase/(Decrease) in Cash		<u><u>76</u></u>	<u><u>(10,301)</u></u>

The notes on pages 99 to 118 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES

1.1 *Accounting Convention*

These financial statements have been prepared in accordance with the Accounts Direction issued by the Departments on 26 November 1999 and in accordance with applicable Accounting Standards under the modified historic cost convention.

Without limiting the information given the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

1.2 *Recognition of Income*

The final approved resource allocations (recurrent) from the Department of Education are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Where expenditure incurred exceeds cash received a Departmental debtor/creditor is created. Where expenditure incurred is less than that final approved resource allocation (recurrent) a funding commitment is disclosed. However, reference should be made to note 5 for further detail.

The annual recurrent allocations from the Department for Employment and Learning, Department of Culture, Arts and Leisure and the Department of Health and Social Services and Public Safety are intended to meet recurrent costs, which are credited to the income and expenditure account.

Income from other grants received for specific purposes, that is restricted income, are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Restricted income received but not matched to relevant expenditure during the period is shown as deferred income on the balance sheet.

Income from services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

1.3 *Foreign Currency Transactions*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

1.4 *Taxation*

The Board is exempt from corporation tax on income it receives.

Items in the Income and Expenditure account are net of recoverable VAT.

1.5 *Fixed Assets*

All spending on a fixed asset which yields a benefit for a period of more than one year, is treated as capital expenditure in the accounts. This excludes expenditure on repairs and maintenance of fixed assets which only maintains the value of the asset.

1.5.1 *Land and Buildings*

All land and buildings are capitalised and stated in the balance sheet at valuation on the basis of depreciated replacement cost. Full valuations are made by the Valuation and Lands Agency (VLA) every five years and in the intervening years these valuations are updated by the VLA using appropriate indices. Land and buildings acquired during the year are included in the balance sheet. Completed building projects will be capitalised but not depreciated until commissioned. On-going building projects are categorised as assets in the course of construction and shown separately. Project costs capitalised include design and related fees as well as construction costs. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a Government Grant reserve and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.5.2 *Maintained Schools*

Land and buildings shown in the financial statements do not include any voluntary maintained schools, the assets of which belong to their trustees. The Board, however, is responsible for buildings and grounds maintenance at these schools, as well as providing them with certain other services and with 100% funding for general running costs under LMS. These costs are reflected in the Board's Income and Expenditure Account.

1.5.3 *Donated Assets*

Donated tangible fixed assets are capitalised at their valuation on receipt. This value is credited to the donated asset reserve. Subsequent re-valuations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure Account.

1.5.4 *Assets other than Land and Buildings*

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets are valued each year using appropriate indices or professional valuations.

1.5.5 *Depreciation*

Depreciation is provided for all fixed assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted prospectively over the revised economic life where appropriate.

All assets are depreciated on a straight line basis over their expected useful lives. A full months depreciation is charged in the period of acquisition/commissioning and no depreciation charged in the month of disposal. Assets in the course of construction are not depreciated until brought into use. Depreciation will not normally be provided for on freehold land unless subject to depletion or on assets which are identified as surplus to requirements and held pending disposal.

The following useful economic lives should where necessary be used as approximations to the levels estimated annually:

Asset Class	Asset Sub-Class	Asset Life
Lands	Land	Not Depreciated
Buildings	Permanent Buildings	50 years
	Temporary Buildings	15 years
Computers	Hardware and Software	3 years
Plant and Equipment	Reprographics	7 years
	Machinery	15 years
	Music	10 years
	Grounds Maintenance	7 years
	General and Other	10 years
	Cleaning	7 years
Vehicles	Small Mini-buses	5 years
	33 Seater Mini-buses	10 years
	> 33 Seater Mini-buses	14 years
	Vans	5 years
	Grounds Maintenance	7 years
	Mobile Libraries	10 years
	Cars	4 years
Miscellaneous	Library Books – Books And Collections	Not depreciated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

Where these assets are acquired with the aid of specific grants the asset is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Government Grant reserve and released to the income and expenditure account over the expected useful economic life of the related asset.

1.6 *Stocks*

It is policy to carry stock for the meals service and maintenance and central depots.

Stocks are stated at the lower of current replacement cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.7 *Pension Scheme*

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS), the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

The Teachers' Superannuation Scheme is a contributory scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme. The scheme is presently notionally funded. The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance and Personnel. The scheme is administered by the Department of Education, Balloo Road, Bangor.

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is of the defined benefits type, the assets of the schemes being held in separate trustee administered funds. The Board's contribution to the Northern Ireland Local Government Pension Scheme is determined by the fund's actuary based on a triennial valuation. The scheme is administered by NILGOSC, Holywood Road, Belfast.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

1.8 *Nature of substantial reserves*

- The *Income and Expenditure Reserve* balance represents the surplus or deficit of revenue income against expenditure. It can be used to supplement or reduce income in future years.

Other Reserves

- The Schools Reserve is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management in Schools arrangements required by the Education Reform Northern Ireland Order 1989.
- The Grant Consolidated Revenue Account balance represents the surplus of grant income over expenditure.
- The Donated Assets Reserve and Revaluation reserve are used in accordance with the accounting guidance for Non Departmental Public Bodies.
- The Government Grant Reserve represents the movement of fixed assets in line with the accounting guidance for Non Departmental Public Bodies.
- The General Reserve represents the proceeds of the sale of assets, in line with the accounting guidance for Non Departmental Public Bodies.
- The Special Book Reserve represents the valuation of the special library book collection.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.9 *Finance and Operating Leases*

Operating lease rentals are charged to the Income and Expenditure account in equal annual amounts over the lease term. Leasing agreements which transfer to the Board substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

1.10 *Private Finance Initiative*

The Board follows HM Treasury's "Technical Note 1 (Revised) How to Account for PFI Transactions" which provides guidance for the application of the FRS 5 Amendment.

The South Eastern Education and Library Board has responsibility on behalf of all 5 Boards for the Board's Oracle Financial IT system. This is a PFI scheme, the purpose of which is to provide an IT system to support the financial and management needs of the Boards in light of the requirements of Resource Accounting.

The Western Education and Library Board has responsibility on behalf of all five Boards for the Classroom 2000 Project. This is a PFI scheme, the purpose of which is to design, develop and operate an ICT infrastructure to support the curriculum, management and information needs of the major bodies within the Education Service in Northern Ireland.

The North Eastern Education and Library Board has responsibility on behalf of all five Boards for the Electronic Libraries for Northern Ireland (ELFNI) Project. This is a PFI Scheme to deliver public access to electronic information through the public library network and to provide new Library management systems.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

2. GRANT FROM DEPARTMENT

DEPARTMENT OF EDUCATION, DEPARTMENTS OF CULTURE, ARTS AND LEISURE
AND DEPARTMENT FOR EMPLOYMENT AND LEARNING

	2003	2002
	£000	£000
<i>Recurrent Grant</i>		
- Grant-in-Aid	217,997	194,581
- Higher Education Bursaries	1,700	-
- Mandatory Awards	800	1,875
- Department for Employment and Learning	-	1,597
- Premature Retirement Compensation Pensions	964	979
- Premature Retirement Compensation Lump Sums	357	255
- Job Evaluation Income	-	108
- Release of Government Grant Reserve	27,472	9,778
	<hr/>	<hr/>
	249,290	209,173

DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND PUBLIC SAFETY

Recurrent Grant

- Mandatory Awards	446	295
	<hr/>	<hr/>
	249,736	209,468

3. OTHER GRANT INCOME

	2003	2002
	£000	£000
European Funds	-	8
New Opportunities Fund	879	1,114
Other Funds	17	42
	<hr/>	<hr/>
	896	1,164

4. OTHER OPERATING INCOME

	2003	2002
	£000	£000
Catering operations	3,600	3,312
Other income generating activities	1,755	1,504
Interest Receivable	30	87
Miscellaneous	1,156	1,489
	<hr/>	<hr/>
	6,541	6,392

5. FUNDING COMMITMENT/END YEAR FLEXIBILITY

The following funding commitment or end year flexibility from the Departments have not been accrued as income:

	2003	2002
	£000	£000
Amount of Grant formally committed:		
Department of Education	492	6,264
Department for Employment and Learning	-	-
	<u>492</u>	<u>6,264</u>

The funding commitment represents a guaranteed resource which will be added to the Board's approved spending limit in the next financial year.

6. STAFF COSTS

The average number of persons (including Senior Postholders) employed by the Board during the year expressed as Full-Time Equivalents (FTE) and staff costs are as follows:-

Staff costs:

	2003	2002
	£000	£000
<i>Teaching</i>		
Gross Pay	101,611	95,037
NIC	7,200	7,201
Pension Costs	7,758	7,277
Other Employee Expenses	2,075	1,617
	<u>118,644</u>	<u>111,132</u>
<i>Non-Teaching (including Board Members)</i>		
Gross Pay	48,670	41,143
NIC	2,432	2,156
Pension Costs	1,846	1,630
Other Employee Expenses	725	106
	<u>53,673</u>	<u>45,035</u>
Total	<u>172,317</u>	<u>156,167</u>

Average staff numbers:

	Number	Number
Teaching	4,177	3,556
Non-Teaching	5,721	5,547
	<u>9,898</u>	<u>9,103</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

SENIOR POST HOLDERS

	Age	Salary £	Benefits in kind £	Real increase in pension at 65 £	Total Accrued Pension at 65 At 31/03/03
Mr J B Fitzsimons <i>Chief Executive</i>	59	83,000	910	3,868	27,862
Mr M Graham <i>Senior Education Officer – Administration</i>	56	90,766*	900	3,237	25,150
Mr S Sloan <i>Senior Education Officer – Curriculum</i>	50	59,425	870	2,969	21,957
Mr W McCarroll <i>Ass't Snr Education Officer – Administration</i>	58	18,091	-	2,163	20,804
Mr R Gilbert <i>Ass't Snr Education Officer – Curriculum</i>	45	47,394	880	2,216	13,442
Mrs A Hanratty <i>Ass't Snr Education Officer – PPP</i>	consent for disclosure withheld				
Mr K Brown <i>Chief Finance Officer</i>	48	62,000	910	1,893	13,978
Mr M Brown <i>Chief Legal Adviser</i>	58	62,000	-	2,498	21,114
Mrs B Porter <i>Chief Librarian</i>	51	60,710	630	2,757	20,989
Mrs A Lennon <i>Ass't Senior Education Officer - Curriculum</i>	50	47,170	900	1,548	6,417
Mrs S Skelton <i>Ass't Senior Education Officer - Administration</i>	48	45,560	830	2,208	12,838
Mrs I Knox <i>Ass't Senior Education Officer - Special/Youth</i>	46	46,650	940	2,224	13,469
Mr T Walsh <i>Ass't Senior Education Officer – Property Services</i>	48	46,901	890	2,666	14,632

For each member of the NILGOSC pension scheme, a lump sum equal to three times the total accrued pension at 31 March 2003 is also payable on retirement.

* Includes £31,341 Redundancy Payment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS (cont'd)

Where the requirements of a post include the use of a car, the Board offers a loan. Interest is payable at 4.45% on the initial amount of capital borrowed. Repayments of capital and interest are deducted from pay on a monthly basis.

There are 3 (2002:3) loans outstanding at the year end to Senior postholders amounting to £11,167 (2002:£18,175).

BOARD MEMBERS

The total emoluments (incl. honoraria) of the Chairman were £5,360

The highest payment for any other Board member was £7,743

The aggregate amount of Board members emoluments was £64,154

No members waived emoluments.

The number of Board members who received emoluments falling within the range below:

	2003	2002
	Number	Number
£1 - £4,999	32	44
£5,000 - £5,999	2	-
£6,000 - £6,999	-	-
£7,000 - £7,999	1	-
£8,000 - £8,999	-	-
£9,000 - £9,999	-	-
£10,000 - £14,999	-	1
£15,000 - £19,999	-	-

8. OTHER OPERATING EXPENSES

	2003	2002
DEPARTMENTS	£000	£000
Premises, Fixed Plant & Grounds	22,493	20,396
Supplies & Services	17,047	21,816
Transport	12,290	11,424
Establishment	3,315	2,986
Grants to Persons/Bodies	3,857	3,655
Loss on disposal of fixed assets	2,144	200
Permanent impairment of fixed assets	-	-
Miscellaneous	527	322
	<u>61,673</u>	<u>60,799</u>
DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND PUBLIC SAFETY		
Grants to Persons/Bodies	446	295
	<u>62,119</u>	<u>61,094</u>

Other operating expenses include:

	2003	2002
	£000	£000
Operating leases - hire of plant and machinery	177	162
Operating leases - property	-	-
Hospitality	17	17
P.F.I.	2,299	3,367
	<u>2,493</u>	<u>3,546</u>

9. NOTIONAL COSTS

	2003	2002
	£000	£000
Auditors Remuneration	36	44
Valuation and Land Agency	36	-
Teacher's Payroll	292	311
Use of Capital	25,091	20,405
	<u>25,455</u>	<u>20,760</u>

The Board bases the use of capital calculation on the total assets less total liabilities (excluding deferred income). The cost of capital percentage for the year ended 31 March 2003 is 6.0%.

10. INTER BOARD TRADING

During the year the Board earned £nil from the selling of services and purchased £nil of services from the other Boards.

11. INTEREST PAYABLE

	2003	2002
	£000	£000
On Finance Leases	-	1
Other	20	29
	<u>20</u>	<u>30</u>

These expenses are included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS

	Land & Buildings	Vehicles	Computers	Plant, Equipment & Miscellaneous	Assets in course of Construction	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Cost or Valuation						
At 1 April 2002	371,137	4,117	572	2,482	15,744	394,052
Additions	-	95	227	238	17,326	17,886
Asset Transfer	16,058	493	-	-	(16,551)	-
Disposals	(2,604)	(129)	-	-	-	(2,733)
Revaluation	73,637	(53)	(35)	36	-	73,585
Permanent Impairment of value	-	-	-	-	-	-
At 31 March 2003	458,228	4,523	764	2,756	16,519	482,790
Depreciation						
At 1 April 2002	26,338	2,152	364	451	-	29,305
Disposals	(243)	(97)	-	-	-	(340)
Backlog Depreciation		(49)	(35)	13		(71)
Charge for period	8,973	410	202	188	-	9,773
Deficit on Revaluation	15,521	20	14	(1)		15,554
Revaluation	(50,589)	-	-	-	-	(50,589)
At 31 March 2003	-	2,436	545	651	-	3,632
Net Book value at 31 March 2003	458,228	2,087	219	2,105	16,519	479,158
Net Book value at 1 April 2002	344,799	1,965	208	2,031	15,744	364,747

The Valuation and Lands Agency undertook a complete independent revaluation of all land and buildings as at 31 March 2003.

Should fixed assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Departments.

The net book value of tangible fixed assets includes an amount of £5,816,000 (2002: £4,742,000) in respect of assets held in Reversionary Trusts ie if properties cease to be used as specified in the deeds they will revert to the ownership of the trustees.

As described in note 1.5.2, the amount of land and buildings noted does not include voluntary maintained schools. In 2002/2003 there were 74 such schools in the Board's area.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS (cont'd.....)

Fixed assets include £910,000 in relation to a special collection of library books which have been valued by Mr Jack Gamble FRGS of Emerald Isle Books, 539 Antrim Road, Belfast on 12 September 2002. The library books have been valued on an open market, existing use basis and have not been indexed or depreciated. The next revaluation will be performed in March 2006.

The net book value of tangible fixed assets includes an amount of £0 (2002: £6,000) in respect of assets held under finance leases.

The depreciation charge for the period is analysed as follows:

	2003	2002
	£000	£000
Owned assets	9,773	9,569
Assets held under finance leases and hire purchase arrangements	-	9
Deficit on revaluation	15,554	-
	25,327	9,578

13. STOCK

	2003	2002
	£000	£000
Catering	98	91
Maintenance and central depots	76	80
	174	171

14. DEBTORS:

	2003	2002
	£000	£000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	357	361
Amount owed by Boards	217	238
Prepayments and accrued income	9,946	1,661
Recoverable VAT	1,889	1,918
Amounts owed by Departments	-	4,852
	12,409	9,030

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Prepayments	3,712	3,880
Amounts owed by Departments	-	-
	3,712	3,880
Total	16,121	12,910

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£000	£000
Trade creditors	5,179	5,100
Obligations under finance leases	-	3
Amount owed to Boards	186	137
Other taxation and social security	1,415	975
Accruals	10,254	6,011
Other Creditors	895	983
	17,929	13,209

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£000	£000
Obligations under finance leases	-	-
Loans	-	290
	-	290

17. ANALYSIS OF BORROWINGS OF THE BOARD: FINANCE LEASES

The net finance lease obligations to which the Board is committed are:

	2003	2002
	£000	£000
In one year or less	-	3
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
	-	3

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employer & Public Liability Claims £000	Pensions £000	Job Evaluations £000	Total £000
At 1 April 2002	1,226	1,761	481	3,468
Expenditure in the period	-	(122)	(447)	(569)
Transferred from Income and Expenditure Account	179	311	568	1,058
At 31 March 2003	1,405	1,950	602	3,957

As directed by the Department of Education, with the consent of the Department of Finance and Personnel a provision has not been included in Board accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teacher's Superannuation Account (part of the Departmental Accounting structure).

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

The in-year charge in respect of such cases as well as requisite employer superannuation contributions is charged to the Board's income and expenditure account. In that respect the number of premature retirement compensation cases is as follows.

		No.s				
2002-2003		53				
Cumulative to March 2003		<u>873</u>				
19. DEFERRED INCOME - DEFERRED GRANTS						
	2003	2002				
	£000	£000				
At 1 April 2002	591	671				
Cash received	664	109				
Disposals	-	(178)				
Transfer to Government Grant Reserve	<u>(24)</u>	<u>(11)</u>				
At 31 March 2003	<u>1,231</u>	<u>591</u>				
20. INCOME AND EXPENDITURE RESERVE						
	2003	2002				
	£000	£000				
At 1 April 2002	(12,740)	(66)				
Amount transferred from Income and Expenditure Account	(2,590)	(9,815)				
Transfer to School Reserve	(415)	(2,095)				
Transfer from Grant Reserve	<u>1,599</u>	<u>(764)</u>				
At 31 March 2003	<u>(14,146)</u>	<u>(12,740)</u>				
21. OTHER RESERVES						
	Government Grant Reserve	General Reserve	Schools Reserve	Grant Reserve	Valuable Book Reserve	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 April 2002	363,402	78	11,106	(1,399)	910	374,097
Transfer to/from Income & Expenditure Reserve	-	-	415	(1,599)	-	(1,184)
Capital Receipts	17,858	-	-	-	-	17,858
Revaluation of Tangible Fixed Assets	124,174	-	-	-	-	124,174
Release of Grants – Depreciation	(9,773)	-	-	-	-	(9,773)
– Deficit/ on Revaluation	(15,554)	-	-	-	-	(15,554)
Backlog Depreciation	71	-	-	-	-	71
Transfer from Deferred Income	24	-	-	-	-	24
Disposal of Fixed Assets	(2,361)	-	-	-	-	(2,361)
Transfer to/from General Reserve	(5)	5	-	-	-	-
At 31 March 2003	<u>477,836</u>	<u>83</u>	<u>11,521</u>	<u>(2,998)</u>	<u>910</u>	<u>487,352</u>

22. PENSION AND SIMILAR OBLIGATIONS

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS), the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

For 2003/2004 employers the contribution rate to the Teachers' Superannuation scheme was 7.85%.

For 2003/2004 the employer's contribution rate to the Northern Ireland Local Government Pension Scheme was 4.6%.

The Board has included pension costs totalling £9,604,000 in relation to the two schemes.

The latest actuarial valuation of the schemes was at 31 March 1996 (TSS) and 31 March 2001 (NILGOSC). Updated actuarial valuations as at 31 March 2004 are anticipated in due course.

The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

		TSS	NILGOSC
Rate of return on investments	- After Retirement	N/A	5.3%
	- Before Retirement	N/A	6.3%
	- Long Term	N/A	6.55%
Rate of increase in salaries		N/A	3.8%
Rate of increase in pensions		N/A	2.3%
Rate of dividend growth		N/A	2.3%
Market value of the assets at the date of the last valuation		N/A	£2,293.7m

The actuarial value of the assets of NILGOSC was sufficient to cover all of the benefits which had accrued to members after allowing for future increases in earnings.

23. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating surplus/(deficit) to cashflow from operating activities

	2003	2002
	£000	£000
Deficit for the year	(28,045)	(30,575)
Adjust for:		
Depreciation (note 12)	25,327	9,578
Government grant release (note 21)	(25,327)	(9,578)
Loss on disposal of fixed assets	2,144	200
Government grant disposal of fixed assets (note 21)	(2,144)	(200)
Interest payable (note 11)	1	30
Interest receivable (note 4)	(30)	(87)
Notional costs (note 9)	25,455	20,760
(Increase)/Decrease in stock	(3)	2
Decrease in debtors	25	4,556
(Increase) in prepayments & accrued income	(3,306)	(5,139)
Increase in creditors	127	730
Increase/(Decrease) in accruals	3,594	(2,079)
Increase in other tax & social security	440	29
Increase/(Decrease) in provisions	489	(387)
Net cash (outflow) from operating activities	<u><u>(1,253)</u></u>	<u><u>(12,160)</u></u>

(ii) Returns on investment and servicing of finance

Interest received	30	87
Interest paid on finance leases	(1)	(1)
Other interest paid	-	(29)
	<u>29</u>	<u>57</u>

(iii) Capital expenditure and financial investment

Purchase of tangible fixed assets	(17,297)	(16,894)
Capital grants received	18,510	18,603
Proceeds from disposal of tangible fixed assets	321	18
	<u>1,534</u>	<u>1,727</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

23. NOTES TO THE CASH FLOW STATEMENT (cont'd ...)

(iv) **Financing**

	2003	2002
	£000	£000
Capital element of finance lease payments	(2)	(3)
Issue of loans	(61)	(94)
Receipt of loan repayments	119	130
Repayment of loan	(290)	-
Inception of loan	-	42
	<u>(234)</u>	<u>75</u>

(v) **Analysis of net funds**

	1 April 2002	Cash flow	31 March 2003
	£000	£000	£000
Cash	1,087	(217)	870
Debt within one year	-	-	-
Debt due after one year	(290)	290	-
Finance Leases	(3)	3	-
	<u>(293)</u>	<u>293</u>	<u>-</u>
	<u>794</u>	<u>76</u>	<u>870</u>

(vi) **Reconciliation of net cash to movement in net funds**

	2003
	£000
Decrease in cash	(217)
Cash inflow from decrease in debt	<u>293</u>
Change in net debt resulting from cash flows	76
Other non cash items	<u>-</u>
Movement in net funds	76
Net funds at 1 April 2002	<u>794</u>
Net funds at 31 March 2003	<u>870</u>

27. CONTINGENT LIABILITIES (cont'd)

Legal cases and Public Liability Cases: Proceedings against the Board have been initiated in a number of cases of public and employers liability cases. The likelihood of the Board being found liable and the amount of any settlement cannot yet be estimated as the cases concerned have not progressed sufficiently to allow assessment by the Boards Solicitors.

Those amounts which are probable and ascertainable have been accrued within provisions for liabilities and charges.

28. FINANCIAL INSTRUMENTS

FRS 13, (Derivatives and other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the South Eastern Education and Library Board is not exposed to the degree of financial risk faced by business entities. The Board has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

The Board's net revenue resource requirements are largely financed by grants from its sponsoring Departments, just as its capital expenditure is. The Board is not therefore exposed to significant liquidity risks.

Interest Rate Risk

The Board's financial assets and liabilities carry nil or fixed rates of interest. The Board is not, therefore, exposed to significant interest rate risk.

Foreign Currency Risk

The Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

29. POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the Annual Report of the Board.

30. RELATED PARTY TRANSACTIONS

The South Eastern Education and Library Board is a Non-Departmental Public Body (NDPB) sponsored by the Department of Education, Department of Culture, Arts and Leisure and the Department for Employment and Learning.

The Departments are regarded as related parties. During the year, the South Eastern Education and Library Board has had various material transactions with the Departments and with other entities for which the Departments are regarded as the parent Department. These include:

- Belfast Education and Library Board;
- North Eastern Education and Library Board;
- Southern Education and Library Board;
- Western Education and Library Board;
- Staff Commission for Education and Library Boards;
- Council for Catholic Maintained Schools;
- Voluntary Grammar School;
- Grant Maintained Integrated Schools;
- Northern Ireland Council for the Curriculum Examinations and Assessment; and
- Colleges of Further Education.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

30. RELATED PARTY TRANSACTIONS (cont'd)

In addition, the South Eastern Education and Library Board has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the:

- a) Department of Health and Social Services and Public Safety;
- b) Health and Social Services Boards which are sponsored by the Department of Health and Social Services and Public Safety; and
- c) Probation Board for Northern Ireland, a body sponsored by the Northern Ireland Office.

None of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the South Eastern Education and Library Board during the year other than those disclosed in Note 7.

31. EUROPEAN UNION FUNDING

	2003 Income £ 000	2003 Expenditure £ 000	2003 Total £ 000	2002 Total £000
Received via Department of Education Applicant:				
(a) Board	-	-	-	-
(b) Schools	-	-	-	-
(c) Other Services	-	-	-	8
	-	-	-	8
Received from Other Sources:				
(a) Milk Subsidy	84	(84)	-	-
(b) Others	-	-	-	-
	84	(84)	-	-
Total	84	(84)	-	8

32. NEW OPPORTUNITIES FUND

	2003 Income £ 000	2003 Expenditure £ 000	2003 Total £000	2002 Total £ 000
(a) Schools	739	(777)	(38)	(168)
(b) Public Libraries	51	(135)	(84)	(13)
(c) Other Services	89	(31)	58	48
	879	(943)	(64)	(133)

33. STATEMENT OF LOSSES

	2003 £000	2002 £000
(a) Cash Losses	11	7
(b) Claims Abandoned	-	-
(c) Fruitless Payments	-	-
(d) Stores Losses	135	309
	146	316

34. FINANCIAL TARGET

The Board's financial targets for 2002/03 were to contain expenditure within the accrued limits for the Department of Education and Department for Employment and Learning and within the cash limits approved by the Department of Culture, Arts and Leisure. These targets have been achieved.

Accounts Direction given by the Department of Education for Northern Ireland (DENI) with the approval of the Department of Finance and Personnel (DFP) in accordance with Article 119 of the Education and Libraries (NI) Order 1986.

1. The South Eastern Education and Library Board (“the Board”) shall prepare accounts for the financial year ended 31 March 2000 and subsequent years, comprising:-
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.

Date of Submission

2. The accounts shall be submitted to the Comptroller and Auditor General by the 30 June immediately following the end of the financial year.

Presentation of Accounts

3. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.
4. Except where otherwise specified in this Direction, the accounts shall be prepared in accordance with:-
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. the disclosure and accounting requirements contained in the “Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of services provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. the accounting and disclosure requirements given in “Government Accounting Northern Ireland”, and in “Executive NDPBs: Annual Reports and Accounts Guidance”, as amended or augmented from time to time;

insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order, and the accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of :-
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stock at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Accounting Policies

7. In preparing its accounts, the Board shall comply with the agreed statement of Accounting Policy approved by DENI and DFP, and adopted collectively by the Boards.
8. This Direction shall be reproduced as an Appendix to the accounts.

Signed by authority of the Department of Education for Northern Ireland.

D Woods

Dated 26 November 1999

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order

The disclosure exemptions permitted by the Companies (Northern Ireland) Order shall not apply to the Board unless specifically approved by DFP.

The Companies (Northern Ireland) Order requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.

When preparing its income and expenditure account, the Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order.

When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order. The balance sheet totals shall be struck at "Total assets less current liabilities".

The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order.

The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

The Board is not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword to the accounts shall, inter alia:-

State that the accounts have been prepared in a form directed by the Department with the consent of DFP in accordance with Article 119 of the Education and Libraries (Northern Ireland) Order 1986, and in accordance with this Direction;

Include a brief history of the Board and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.

Accounts of the Southern Education and Library Board

For Period 1 April 2002 to 31 March 2003

FOREWORD TO THE ACCOUNTS

1 BACKGROUND INFORMATION

The Southern Education and Library Board (hereinafter referred to as the Board) is an executive non-departmental public body sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department for Employment and Learning (hereinafter referred to as the Departments). The Board's principal functions are the provision of education, library and youth services to the District Council areas of Armagh, Banbridge, Cookstown, Craigavon, Dungannon and South Tyrone and Newry and Mourne.

These accounts have been prepared in a form directed by the Departments with the consent of the Department of Finance and Personnel in accordance with Article 119 of the Education and Libraries (NI) Order 1986. A copy of the Accounts Direction can be found at Annex A.

2 BRIEF HISTORY

Business Review

The Board produces an Annual Report of its activities and a full report is contained therein.

Results for the Year

The results for the year of the Board are set out in detail on page 131.

The deficit for the year was £13,938,951, after charging notional costs of £14,082,865.

Fixed Assets

Details of the movement of fixed assets are set out in note 12 to the accounts.

The Board does not believe that there is any material difference between the market and book values of its lands and buildings.

3 FUTURE DEVELOPMENTS

To enable the Board to achieve its vision and mission, six corporate objectives are identified in the 2003 – 2006 Corporate Plan, together with a more detailed 2003/04 Operational Plan to guide the work of this Board's key business areas over the next three years.

In December 2002 the Government announced the largest ever spend on infrastructure in Northern Ireland over the next five years. This will be developed under the Re-investment and Reform Initiative to develop the high priority major works backlog, the removal of temporary classrooms and improved disabled access.

4 IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since the year end, which would affect these accounts.

5 CHARITABLE DONATIONS

During the year the Board made no donations for charitable or political purposes.

6 BOARD MEMBERS

The following served as Board Members during the year:

Mr P H Aiken BA DMS MILAM Mrs M Alexander MBE BA Dip Ed Councillor J F Bell BA MSW Dip SW Councillor P Brannigan Mrs S R Brownlee MSc RGN RM Rev J Byrne CC Mr M P Campbell BEd DipPhyEd Alderman F E Crowe Dr P Cunningham BEd Msc Mrs M E Donnell BEd MA(Ed) Councillor J Feehan Mrs S M B Fitzpatrick BSSc MSc MBA CQSW Mrs E Gill Councillor I E B Hanna Councillor J Hanna BSc DipEd PGCTE Alderman G A Hatch Councillor A B Lewis Mr C Mackin BEd CertEd ECDL Councillor W J Martin	Mr W Mayne Mr P C McAleavey OBE BA MSc Dip Ed Dip Soc Studs Dip Ed Man Councillor P P McAleer Mrs D A McBride BSc Dip Ed Mrs C M McCaul MBE BEd Rev C D McClure BSc BD MSSc Councillor P McGinn BA HdipFS PGCFHE Councillor W J McIlwrath Councillor Mrs S McRoberts Very Rev L M McVeigh PP BSc BD Dip CL Councillor B Monteith Very Rev S Rice PP BA Mr J W Saunders BA Dip Ed Mr A G Sleator BA FICS Rev Canon F D Swann Rev Canon W R Twaddell
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Disabled Employees

The Board actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled it is the Board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

PAYMENT TO SUPPLIERS

Public Sector Payment Policy – Measure of compliance:

The Government requires that the Board pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. The Board's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 37 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. The measure of compliance is:

	Based on Invoice Date	
	Number	£000s
Total bills paid	235,983	93,344
Total bills paid within target	147,620	71,319
% of bills paid within target	63%	76%
2001/2002	60%	78%

Employee Involvement

During the year the policy of providing employees with information about the Board has been continued through regular distribution of circulars. Regular meetings are held between staff at different levels to allow a free flow of information and ideas.

Helen McClenaghan
Accounting Officer

Date 16 June 2005

STATEMENT ON INTERNAL CONTROL 2002/03

TRANSITIONAL STATEMENT

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Board policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum and Management Statement for the SELB.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

A risk management policy has been approved by the Audit Committee. Appropriate procedures have been followed to ensure the identification of the Board's objectives and risks and to determine a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate managers.

The Board has procedures in place for ensuring that aspects of risk management and internal control are regularly reviewed and reported on. Risk management is incorporated fully into the planning processes of the Board. The Audit Committee receives periodic reports concerning risk management and internal control.

In addition to the actions mentioned above, the Board has:-

- set up a system of key performance indicators;
- developed and will maintain an organisation-wide risk register; and
- arranged for an assurance statement from each Head of Department on internal control, to be forwarded to me annually.

The Board has an Internal Audit Branch, which operates to standards defined in the Government Internal Audit Standards. They submit regular reports which include the HIA's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Heads of Department within the Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

Helen McClenaghan
Accounting Officer

Date 16 June 2005

STATEMENT OF THE BOARD AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Article 119 (2) of the Education and Libraries (NI) Order 1986 the Board is required to prepare a statement of accounts in the form and on the basis directed by the Departments with the consent of the Department of Finance and Personnel.

The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- Observe the Accounts Direction issued by the Departments including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officers of the Departments have designated the Chief Executive of the Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers Memorandum, issued by the Department of Finance and Personnel.

Helen McClenaghan
Accounting Officer

Date 16 June 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly.

I certify that I have audited the financial statements on pages 131 to 158 under the Education and Libraries (NI) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 135 to 139.

Respective responsibilities of the Southern Education and Library Board, the Chief Executive and Auditor

As described on page 128, the Board and Chief Executive are responsible for the preparation of the financial statements in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder and for ensuring the regularity of financial transactions. The Board and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education and Libraries (NI) Order 1986 and Department of Education's directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 127 reflects the Board's compliance with the Department of Finance and Personnel's guidance on the transitional Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Southern Education and Library Board at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education and Libraries (NI) Order 1986 and directions made thereunder by the Department of Education; and
- in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

Report

I have reported separately on Accountability to parliament by Education and Library Boards in my General Report: Financial Auditing and Reporting 2003-04 (HC 96, Session 2004-05). The report deals with delays in finalising Board accounts and related matters.

J M Dowdall CB
Comptroller and Auditor General
8th July 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003	2002
		£000	£000
Income			
Grant from Departments	2	264,656	237,454
Other grant income	3	1,718	2,144
Other operating income	4	9,829	9,327
Total Income		<u>276,203</u>	<u>248,925</u>
Staff costs	6 & 7	198,015	182,798
Depreciation	12	13,865	7,794
Other operating expenses	8 & 11	64,180	63,000
Notional costs	9	14,083	12,831
Total Expenditure		<u>290,143</u>	<u>266,423</u>
Deficit for the year		(13,940)	(17,498)
Credit in respect of notional costs	9	14,083	12,831
Amount transferred to Reserves	20	<u>143</u>	<u>(4,667)</u>

All amounts above relate to continuing activities.

The notes on pages 135 to 158 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES**

FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £000	2002 £000
Deficit for the year		(13,940)	(17,498)
Unrealised (deficit)/surplus on revaluation of fixed assets	21	(7,395)	27,411
Backlog depreciation	21	27,425	(1,823)
Total recognised gains for the year		<u>6,090</u>	<u>8,090</u>

The notes on pages 135 to 158 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003 £000	2002 £000
Fixed Assets			
Tangible Assets	12	236,200	221,295
Current Assets			
Stocks	13	580	637
Debtors	14	19,616	11,616
Cash at bank and in hand	23(v)	<u>(1,628)</u>	<u>1,118</u>
		18,568	13,371
Current Liabilities			
Creditors: amounts falling due within one year	15	15,379	11,652
Net Current Assets		<u>3,189</u>	<u>1,719</u>
Total Assets less Current Liabilities		<u>239,389</u>	<u>223,014</u>
Creditors: amounts falling due after more than one year	16	131	63
Provisions for Liabilities and Charges	18	2,374	2,513
Deferred Income	19	2,476	1,109
Net Assets		<u>234,408</u>	<u>219,329</u>
Reserves			
Income and Expenditure Reserve	20	(4,882)	(6,962)
Other Reserves	21	<u>239,290</u>	<u>226,291</u>
		<u>234,408</u>	<u>219,329</u>

The Financial Statements on pages 131 - 158 were approved by the Board on 16 June 2005 and were signed on its behalf by:

Chairman: Moira Alexander

Chief Executive: Helen McClenaghan.

The notes on pages 135 to 158 form part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003	2002
		£000	£000
Net cash outflow from operating activities	23 (i)	(3,029)	(3,661)
Returns on investments and servicing of finance	23 (ii)	(13)	(7)
Capital expenditure and financial investment	23 (iii)	298	898
Net cash outflow before financing		<u>(2,744)</u>	<u>(2,770)</u>
Financing	23 (iv)	(2)	752
Decrease in Cash		<u><u>(2,746)</u></u>	<u><u>(2,018)</u></u>

The notes on pages 135 to 158 form part of these accounts.

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting Convention

These financial statements have been prepared in accordance with the Accounts Direction issued by the Departments on 26 November 1999 and in accordance with applicable Accounting Standards under the modified historical cost convention.

Without limiting the information given the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

1.2 Recognition of Income

The final approved resource allocations (recurrent) from the Department of Education and the Department for Employment and Learning are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Where expenditure incurred exceeds cash received a Departmental debtor is created. Where expenditure incurred is less than the final approved resource allocation (recurrent) a funding commitment is disclosed. However, reference should be made to note 5 for further detail.

The annual recurrent allocations from the Department of Culture, Arts and Leisure and the Department of Health, Social Services and Public Safety are intended to meet recurrent costs, which are credited to the income and expenditure account.

Income from other grants received for specific purposes, that is restricted income, are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Restricted income received but not matched to relevant expenditure during the period is shown as deferred income on the balance sheet.

Income from services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

1.3 Foreign Currency Transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

1.4 Taxation

The Board is exempt from corporation tax on income it receives.

Items in the Income and Expenditure account are net of recoverable VAT.

1.5 Fixed Assets

All spending on a fixed asset which yields a benefit for a period of more than one year, is treated as capital expenditure in the accounts. This excludes expenditure on repairs and maintenance of fixed assets which only maintains the value of the asset.

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.5.1 Land and buildings

All land and buildings are capitalised and stated in the balance sheet at valuation on the basis of depreciated replacement cost. Full valuations are made by the Valuation and Lands Agency (VLA) every 5 years and in the intervening years these valuations are updated by the VLA using appropriate indices. Land and buildings acquired during the year are included in the balance sheet. Completed building projects will be capitalised but not depreciated until commissioned. Ongoing building projects are categorised as assets in the course of construction and shown separately. Project costs capitalised include design and related fees as well as construction costs. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a government grant reserve account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

1.5.2 Maintained Schools

Land and buildings shown in the financial statements do not include any maintained schools, the assets of which belong to their trustees. The Board, however, is responsible for buildings and grounds maintenance at these schools, as well as providing them with certain other services and with 100% funding for general running costs under LMS. These costs are reflected in the Board's Income and Expenditure Account.

1.5.3 Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt. This value is credited to the donated asset reserve. Subsequent re-valuations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure Account.

1.5.4 Assets other than land and buildings

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets are valued each year using appropriate indices or professional valuations.

1.5.5 Depreciation

Depreciation is provided for all fixed assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted prospectively over the revised economic life.

All assets are depreciated on a straight line basis over their expected useful lives. A full months depreciation is charged in the period of acquisition/commissioning and no depreciation charged in the month of disposal. Assets in the course of construction are not depreciated until brought into use. Depreciation will not normally be provided for on freehold land unless subject to depletion or on assets which are identified as surplus to requirements and held pending disposal.

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.5.5 Capitalised assets are depreciated over their useful economic lives. The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually.

Asset Class	Asset Sub-Class	Asset Life
Lands	Land	Not Depreciated
Buildings	Permanent Buildings	50 years
	Temporary Buildings	15 years
Computers	Hardware and Software	3 years
Plant and Equipment	Reprographics	7 years
	Machinery	15 years
	Music	10 years
	Grounds Maintenance	7 years
	General and Other	10 years
	Cleaning	7 years
Vehicles	Small Mini-buses	5 years
	33 Seater mini-buses	10 years
	> 33 Seater Mini-buses	14 years
	Vans	5 years
	Grounds Maintenance	7 years
	Mobile Libraries	10 years
	Cars	4 years
	Miscellaneous	Library Books -Books And Collection

Where these assets are acquired with the aid of specific grants the asset is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a government grant reserve account and released to the income and expenditure account over the expected useful economic life of the related asset.

1.6 Stocks

It is policy to carry stock for the catering service and maintenance and central depots.

Stocks are stated at the lower of current replacement cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.7 Pension Scheme

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The Teachers' Superannuation Scheme is a contributory scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme. The scheme is presently notionally funded. The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance and Personnel. The scheme is administered by the Department of Education, Balloo Road, Bangor.

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is of the defined benefits type, the assets of the schemes being held in separate trustee administered funds. The Board's contribution to the Northern Ireland Local Government Pension Scheme is determined by the fund's actuary based on a triennial Valuation. The scheme is administered by NILGOSC, Holywood Road, Belfast.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

1.8 Nature of substantial reserves

- The ***Income and Expenditure Reserve*** balance represents the surplus of revenue income over expenditure. It can be used to supplement income in future years.

Other Reserves

- The Government Grant Reserve represents the movement on fixed assets in line with the accounting guidance for NDPBs.
- The Special Book Reserve represents the valuation of the Local Studies library collection.
- The General Reserve represents the proceeds of the sale of non property assets in line with latest accounting guidance for NDPBs.
- The Schools Reserve is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management in Schools arrangements required by the Education Reform Northern Ireland Order 1989.
- The Grant Reserve represents the surplus of grant income over expenditure.
- The PFI Reserve represents the unamortised portion of the surplus land granted to the PFI Operator.
- The introduction of a Revaluation Reserve or Donated Asset Reserve will depend on the application of the accounting guidance for Non Departmental Public Bodies.

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.9 Finance and Operating Leases

Operating lease rentals are charged to the Income and Expenditure account in equal annual amounts over the lease term. Leasing arrangements which transfer to the Board substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

1.10 Private Finance Initiative

The Board follows HM Treasury's 'Technical Note 1 (Revised) How to Account for PFI Transactions' which provides guidance on the application of the FRS 5 Amendment.

The provision of accommodation and related services at Drumglass High School in Dungannon is accounted for in accordance with this guidance. The scheme is treated as off balance sheet, however the provision of surplus land is classified as a prepayment and amortised to the income and expenditure account as an expense over the term of the contract. This is offset by an equal and opposite release from the PFI reserve.

The Western Education and Library Board has responsibility on behalf of all five Boards for the Classroom 2000 Project. This is a PFI scheme, the purpose of which is to design, develop and operate an ICT infrastructure to support the curriculum, management and information needs of the major bodies within the Education Service in Northern Ireland.

The North Eastern Education and Library Board has responsibility on behalf of all five Boards for the Electronic Libraries for Northern Ireland (ELFNI) Project. This is a PFI Scheme to deliver public access to electronic information through the public library network and to provide new Library management systems.

The South Eastern Education and Library Board has responsibility on behalf of all 5 Board for the Board's Oracle financial IT system. This is a PFI scheme, the purpose of which is to provide an IT system to support the financial and management needs of the Boards in light of the requirements of Resource Accounting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

2. GRANT FROM DEPARTMENTS

**DEPARTMENT OF EDUCATION, DEPARTMENT OF CULTURE, ARTS AND LEISURE AND
DEPARTMENT FOR EMPLOYMENT AND LEARNING**

	2003	2002
	£000	£000
Recurrent Grant		
Grant-in-Aid	244,936	226,136
New Deal Maintenance	0	0
New Deal - National Grid for Learning	0	0
Mandatory Awards	3,549	1,750
Premature Retirement Compensation Pensions	1,061	947
Premature Retirement Compensation Lump Sums	482	344
Release of Government Grant Reserve	13,914	7,794
	<u>263,942</u>	<u>236,971</u>

DEPARTMENT OF HEALTH, SOCIAL SERVICES AND PUBLIC SAFETY

Recurrent Grant		
Mandatory Awards (Vote 14)	<u>714</u>	<u>483</u>
TOTAL	<u><u>264,656</u></u>	<u><u>237,454</u></u>

	2003	2002
	£000	£000
3. OTHER GRANT INCOME		
European funds	591	309
New opportunities fund	850	1,688
Other funds	277	147
	<u>1,718</u>	<u>2,144</u>

	2003	2002
	£000	£000
4. OTHER OPERATING INCOME		
Catering operations	7,767	7,333
Other income generating activities	1,410	1,200
Interest Receivable	14	33
Miscellaneous	638	761
	<u>9,829</u>	<u>9,327</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

5. FUNDING COMMITMENT/END YEAR FLEXIBILITY

The following funding commitments from the Departments have not been accrued as income:

	2003	2002
	£000	£000
Amount of Grant formally committed:		
Department of Education	4,483	5,543
Department for Employment and Learning	621	481
	<u>5,104</u>	<u>6,024</u>

The funding commitment or end year flexibility represents a guaranteed resource which will be added to the Board's approved spending limit in the next financial year. In establishing whether the Board has achieved financial targets set, this funding commitment or end year flexibility should be added to the reserves position reported in these accounts.

6. STAFF COSTS

The average number of persons (including Senior Postholders) employed by the Board during the year expressed as Full-Time Equivalents (FTE) and staff costs are as follows:-

	2003	2002
	£000	£000
Staff costs:		
Teaching		
Gross Pay	118,119	110,764
NIC	8,478	8,699
Pension Costs	9,055	8,744
Other Employee Expenses	2,407	1,931
	<u>138,059</u>	<u>130,138</u>
Non-Teaching (including Board Members)		
Gross Pay	55,211	48,228
NIC	2,409	2,264
Pension Costs	1,797	1,677
Other Employee Expenses	539	491
	<u>59,956</u>	<u>52,660</u>
TOTAL	<u><u>198,015</u></u>	<u><u>182,798</u></u>
Average staff numbers:	2003	2002
	No	No
Teaching	4,252	4,768
Non-Teaching	6,927	6,895
	<u>11,179</u>	<u>11,663</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

7. EMOLUMENTS OF SENIOR POSTHOLDERS AND MEMBERS

		£	at 65 £	at 31.3.03 £
Mrs H McClenaghan <i>Chief Executive</i>	59	79,000	4,846	28,813
Mr T Heron <i>Head of Corporate Services</i>	49	62,000	1,250	7,364
Mr A McGee <i>Chief Architect</i>	59	62,000	2,602	26,114
Mrs K Ryan* <i>Chief Librarian</i>	56	49,930	263	263
Mr J Curran <i>Inter Board Services Manager</i>	51	55,570	2,980	16,692
Mr W Burke <i>Senior Education Officer</i>	55	53,000	2,959	14,305

* *Mrs K Ryan was appointed on 28 October 2002.*

For each of these members of the NILGOSC Pension Scheme, a lump sum equal to 3 times the total Accrued Pension at 31 March 2003 is also payable on retirement. Where the requirements of a post include the use of a car, the Board offers a loan. Interest is payable at 4.45% on the initial amount of capital borrowed. Repayments of capital and interest are deducted from pay on a monthly basis. There were no loans made to senior postholders in the year.

The total emoluments (incl. honoraria) of the Chairman were £11,671.

The highest payment for any other Board member was £4,494.

The aggregate amount of Board members emoluments was : £51,766.

No members waived emoluments. However, 6 members made no claim for emoluments during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

7. EMOLUMENTS OF SENIOR POSTHOLDERS AND MEMBERS (cont'd)

The number of Board members who received emoluments falling within the range below:

	2002/03	2001/02
	No	No
£1 - 4,999	28	38
£5,000 - 5,999	0	0
£6,000 - 6,999	0	0
£7,000 - 7,999	0	0
£8,000 - 8,999	0	1
£9,000 - 9,999	0	0
£10,000 - 10,999	0	0
£11,000 - 11,999	1	0

8. OTHER OPERATING EXPENSES

2003
£000

2002
£000

DEPARTMENTS

Premises, Fixed Plant & Grounds	21,886	21,725
Supplies & Services	17,079	18,614
Transport	14,377	13,690
Establishment	3,730	3,749
Grants to Persons/Bodies	5,524	4,162
Loss/(Profit) on disposal of fixed assets	33	(15)
Miscellaneous	837	592
	<u>63,466</u>	<u>62,517</u>

**DEPARTMENT OF HEALTH,
SOCIAL SERVICES AND
PUBLIC SAFETY**

Grants to Persons/Bodies	714	483
	<u>714</u>	<u>483</u>
	<u>64,180</u>	<u>63,000</u>

2003
£000

2002
£000

Other Operating Expenses include:

Operating leases - hire of plant and machinery	130	119
Operating leases - property	0	0
Hospitality	7	12
PFI	716	727
	<u>853</u>	<u>858</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

9. NOTIONAL COSTS	2003	2002
	£000	£000
Auditors Remuneration	36	44
Teacher's Payroll	292	362
Land & Buildings Valuation	36	0
Use of Capital	<u>13,719</u>	<u>12,425</u>
	<u>14,083</u>	<u>12,831</u>

10. INTER BOARD TRADING

During the year the Board earned £0 from the selling of services and purchased £0 of services from the other Boards.

11. INTEREST PAYABLE	2003	2002
	£000	£000
On finance leases	0	1
Other	<u>27</u>	<u>39</u>
	<u>27</u>	<u>40</u>

These expenses are included in other operating expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

12. TANGIBLE FIXED ASSETS

	Land & Buildings	Vehicles	Computers	Plant Equip & Misc	Valuable Books	Payments on Account and Assets in Course of Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2002	230,939	6,372	314	2,026	1,398	3,668	244,717
Additions	3,263	709	80	444	0	4,879	9,375
Asset Transfers	1,488	994	0	0	0	(2,482)	0
Disposals	(789)	(32)	0	(9)	0	0	(830)
Revaluation	(7,335)	(91)	(15)	46	0	0	(7,395)
Deficit on Revaluation	(5,379)	0	0	0	0	0	(5,379)
At 31 March 2003	<u>222,187</u>	<u>7,952</u>	<u>379</u>	<u>2,507</u>	<u>1,398</u>	<u>6,065</u>	<u>240,488</u>
Depreciation							
At 1 April 2002	20,324	2,264	194	640	0	0	23,422
Disposals	(157)	(32)	0	(6)	0	0	(195)
Charge for period	7,230	895	86	275	0	0	8,486
Backlog Depreciation	<u>(27,397)</u>	<u>(33)</u>	<u>(11)</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>(27,425)</u>
At 31 March 2003	<u>0</u>	<u>3,094</u>	<u>269</u>	<u>925</u>	<u>0</u>	<u>0</u>	<u>4,288</u>
Net Book value at 31 March 2003	<u>222,187</u>	<u>4,858</u>	<u>110</u>	<u>1,582</u>	<u>1,398</u>	<u>6,065</u>	<u>236,200</u>
Net Book value at 1 April 2002	<u>210,615</u>	<u>4,108</u>	<u>120</u>	<u>1,386</u>	<u>1,398</u>	<u>3,668</u>	<u>221,295</u>

* Payments on account at 31 March 2003 include £657,586 (31 March 2002 £307,811) relating to the PFI residual asset at Drumglass High School.

FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS (cont'd ...)

Land and buildings were valued as at 31 March 2003 on a depreciated replacement cost basis. The valuations were performed independently by the Valuation and Lands Agency.

Fixed assets include £1,398,505 in relation to Local Studies collection of library books, which have been valued by Mr Jack Gamble, FRGS of Emerald Isle Books, 539 Antrim Road, Belfast. The valuation survey took place between 19 May 2001 and 9 August 2001. They have not been indexed or depreciated. The library books have been valued on an open market existing use basis. The next revaluation will be performed for the year ended 31 March 2004.

Should fixed assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Departments.

As described in note 1.5.2, the amount of land and buildings noted does not include maintained schools. In 2002/2003 there were 160 such schools in the Board's area.

The net book value of tangible fixed assets includes an amount of £Nil (2002 : £1,943) in respect of assets held under finance leases.

The depreciation charge for the period is analysed as follows:

	2003	2002
	£000	£000
Owned assets	8,486	7,790
Assets held under finance leases and hire purchase arrangements	0	4
Deficit on revaluation	5,379	0
	<u>13,865</u>	<u>7,794</u>

13. STOCK

	2003	2002
	£000	£000
Catering	190	180
Maintenance and central depots	390	457
	<u>580</u>	<u>637</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

14. DEBTORS	2003	2002
	£000	£000
Amounts falling due within one year		
Trade debtors	996	1,138
Amount owed by Boards	53	36
Prepayments and accrued income	4,043	3,098
Recoverable VAT	1,459	1,441
Amounts owed by Departments	<u>13,018</u>	<u>5,843</u>
	19,569	11,556
Amounts falling due after more than one year		
Trade Debtors	<u>47</u>	<u>60</u>
	<u>19,616</u>	<u>11,616</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£000	£000
Trade creditors	4,159	5,035
Obligations under finance leases	0	2
Amount owed to Boards	125	134
Taxation and social security	1,602	1,480
Accruals	8,343	3,789
Other creditors	1,150	1,125
Department for Employment and Learning	<u>0</u>	<u>87</u>
	<u>15,379</u>	<u>11,652</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£000	£000
Obligations under finance leases	0	0
Retentions	<u>131</u>	<u>63</u>
	<u>131</u>	<u>63</u>

17. ANALYSIS OF BORROWINGS OF THE BOARD: FINANCE LEASES

The net finance lease obligations to which the Board is committed are:	2003	2002
	£000	£000
In one year or less	0	2
Between one and two years	0	0
Between two and five years	0	0
Over five years	<u>0</u>	<u>0</u>
	<u>0</u>	<u>2</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employer & Public Liability Claims	Pensions	Job Evaluation	Total
	£000	£000	£000	£000
At 1 April 2002	533	1,239	741	2,513
Expenditure in the period	(187)	(96)	(524)	(807)
Transferred from Income and Expenditure Account	0	189	479	668
At 31 March 2003	346	1,332	696	2,374

Premature Retirement for Teachers

As directed by the Department of Education, with the consent of the Department of Finance and Personnel a provision has not been included in Board accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teachers' Superannuation Account (part of the Departmental accounting structure). The in year charge in respect of such cases as well as requisite employer superannuation contributions is charged to the Board's income and expenditure account. In that respect the number of teacher premature retirement compensation cases is as follows:

	No
2002/03	61
Cumulative	1,195

Employer and Public Liability Claims

These are claims against the board submitted by members of staff and or the public in relation to accidents or incidents which have happened before the balance sheet date. Claims which are not considered dormant or statute barred by the passage of time since being lodged, but have progressed sufficiently to allow an estimated "settlement" figure to be calculated, are included in the provision. Estimates are calculated by reference to; analysis of previous claims of a similar type, the previous history of successful settlements and professional judgement.

The possible timing of payments in settlement of such cases is uncertain; it is plaintiff driven and the case's progress is dependant on the individual circumstances of that case. As a case progresses and more information becomes available the amount of the estimated "settlement" figure may in subsequent years be revised up or down.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

18. PROVISIONS FOR LIABILITIES AND CHARGES (cont'd ...)

Pension Provision

This provision refers to previous employees of the board who have retired and are in receipt of current pension benefits. The provision is calculated by reference to their current age at the balance sheet date, an actuarial indexation factor which anticipates future life expectancy, and the actual current pension being paid in the current year. The product of this calculation is an estimate of the future liability of the board in respect of these former employees. Payments in relation to this provision will be ongoing on a monthly basis.

Job Evaluation

This provision refers to employees, whose posts are due to be evaluated under the job evaluation scheme. As a result employees may be regraded to a higher grade and therefore entitled to a higher salary from the date additional duties were undertaken. The provision is made only in respect of those employee categories, whose job evaluations have progressed to the stage of agreed revised job descriptions, where the board is able to make a reasonable estimation of the arrears liability

The timing of such payments is likely to vary for the different categories of staff. However, the board makes every effort to process payments as soon as possible, once union and individual agreement has been formally reached.

The level of information available on which to base estimates for arrears, increases the closer a staff category is to completion of the job evaluation process.

19. DEFERRED INCOME - DEFERRED GRANTS

	2003	2002
	£000	£000
Deferred Grants	<u>2,476</u>	<u>1,109</u>

Deferred income relates to receipts from EU and other non-Educational Government Departments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

20. INCOME AND EXPENDITURE RESERVE	2003	2002
	£000	£000
At 1 April 2002	(6,962)	(1,210)
Amount transferred from Income and Expenditure account	143	(4,667)
Transfer to/from Schools Reserve	1,937	(1,455)
Transfer to/from Grant Reserve	0	336
Drawdown of Deficit Grant-In-Aid	0	34
At 31 March 2003	<u>(4,882)</u>	<u>(6,962)</u>

21. OTHER RESERVES

	Government Grant Reserve	Special Book Reserve	General Reserve	Schools Reserve	Grant Reserve	PFI Reserve	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2002	219,897	1,398	49	4,571	(8)	384	226,291
Transfer to/from Income and Expenditure Reserve	0	0	0	(1,937)	0	0	(1,937)
Capital grants received for tangible fixed assets	9,027	0	0	0	0	0	9,027
Capitalisation of PFI Residual Asset	350	0	0	0	0	0	350
Capital grants received for tangible fixed assets - unallocated	0	0	0	0	34	0	34
Release of government grant reserve - depreciation	(8,486)	0	0	0	0	0	(8,486)
Revaluation of tangible fixed assets	(7,395)	0	0	0	0	0	(7,395)
Release of government grant reserve - deficit on revaluation	(5,379)	0	0	0	0	0	(5,379)
Backlog depreciation	27,425	0	0	0	0	0	27,425
Disposal of fixed assets	(623)	0	0	0	0	0	(623)
Transfer to/from General Reserve	(14)	0	14	0	0	0	0
Amortisation of PFI Reserve	0	0	0	0	0	(17)	(17)
At 31 March 2003	<u>234,802</u>	<u>1,398</u>	<u>63</u>	<u>2,634</u>	<u>26</u>	<u>367</u>	<u>239,290</u>

236,200

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

22. PENSION AND SIMILAR OBLIGATIONS

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

For 2002/2003 the contribution rates to the Teachers' Superannuation Scheme were 7.85% employers and 6% employees.

For 2002/2003 the employers contribution rate to the Northern Ireland Local Government Pension Scheme was 4.6%.

The Board has included pension costs totalling £10,851,855 in relation to 2 schemes.

The latest actuarial valuation of the scheme was at 31 March 2001 (NILGOSC). The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

	TSS	NILGOSC
Rate of return on investments		
- after retirement	N/A	5.30%
- before retirement	N/A	6.30%
- long term	N/A	6.55%
Rate of increase in salaries	N/A	3.80%
Rate of increase in pensions	N/A	2.30%
Rate of dividend growth	N/A	2.30%
Market value of the assets at the date of the last valuation	N/A	£2293.7m

The actuarial value of the assets of NILGOSC was sufficient to cover all of the benefits which had accrued to members after allowing for future increases in earnings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

23. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating deficit to cashflow from operating activities

	2003	2002
	£000	£000
Deficit for the year	(13,940)	(17,498)
Depreciation (note 12)	8,486	7,794
Government Grant Release (note 21)	(8,486)	(7,794)
Deficit on revaluation of assets (note 12)	5,379	0
Government grant release - deficit on revaluation (note 21)	(5,379)	0
Loss/(Profit) on disposal of assets other than land and buildings	33	(15)
Government grant release relating to the disposal of assets other than land and buildings (note 21)	(33)	15
Notional Costs (note 9)	14,083	12,831
Interest payable (note 11)	27	40
Interest receivable (note 4)	(14)	(33)
Decrease in stocks	57	49
Decrease/ (Increase) in debtors	155	(217)
(Decrease)/Increase in prepayments and accrued income	(8,542)	1,656
(Decrease)/ Increase in creditors	(876)	854
Increase in other taxation and social security	122	109
Increase/ (Decrease) in accruals	4,671	(2,062)
Decrease in provisions	(139)	(18)
Increase in deferred income	1,367	628
Net cash outflow from operating activities	<u>(3,029)</u>	<u>(3,661)</u>

(ii) Returns on investment and servicing of finance

	2003	2002
	£000	£000
Interest received	14	33
Interest paid on finance leases	0	(1)
Other interest paid	(27)	(39)
	<u>(13)</u>	<u>(7)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

23. NOTES TO THE CASH FLOW STATEMENT (cont'd ...)

(iii) Capital expenditure and financial investment	2003	2002
	£000	£000
Purchase of tangible fixed assets	(8,975)	(10,141)
Capital grants received	9,259	11,013
Proceeds from disposal of tangible fixed assets	14	26
	<u>298</u>	<u>898</u>

(iv) Financing	2003	2002
	£000	£000
Capital element of finance lease payments	(2)	(2)
Decrease in Deficit Grant	0	754
	<u>(2)</u>	<u>752</u>

(v) Analysis of net debt	1 April	Cash	Non-Cash	31 March
	2002	Flow	Changes	2003
	£000	£000	£000	£000
Cash	<u>1,118</u>	<u>(2,746)</u>	<u>0</u>	<u>(1,628)</u>
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Finance leases	(2)	2	0	
	<u>(2)</u>	<u>2</u>	<u>0</u>	<u>0</u>
	<u>1,116</u>	<u>(2,744)</u>	<u>0</u>	<u>(1,628)</u>

(vi) Reconciliation of Net Cash Flow to Movement in Net Funds

	2003	2002
	£000	£000
Increase/(Decrease) in cash	(2,746)	(2,018)
Cash inflow/(outflow) from increase/(decrease) in debt and finance leases	<u>2</u>	<u>4</u>
Change in net debt resulting from cash flows	(2,744)	(2,014)
Other non cash items	<u>0</u>	<u>0</u>
Movement in net funds	(2,744)	(2,014)
Net funds at 1 April 2002	1,116	3,130
Net funds at 31 March 2003	<u>(1,628)</u>	<u>1,116</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

24. CAPITAL COMMITMENTS	2003	2002
	£000	£000
Contracted	6,144	7,333
Authorised but not contracted	<u>13,964</u>	<u>3,972</u>
	<u><u>20,108</u></u>	<u><u>11,305</u></u>

25. FINANCIAL COMMITMENTS

At 31 March 2003 the Board had annual commitments under non-cancellable operating leases as follows:

	2003	2002
	£000	£000
Expiring within one year	57	19
Expiring between 1 and 5 years inclusive	<u>77</u>	<u>97</u>
	<u><u>134</u></u>	<u><u>116</u></u>

26. PRIVATE FINANCE TRANSACTIONS

PFI schemes deemed to be off Balance Sheet	2003	2002
	£000	£000
Amounts included within Operating Expenses in respect of PFI transactions deemed to be off Balance Sheet	<u>716</u>	<u>727</u>

The Board is committed to make the following payments under a PFI scheme:	2003	2002
	£000	£000
within 1 year	1,051	1,047
2 to 5 years (inclusive)	4,205	4,187
6 to 10 years (inclusive)	5,256	5,233
11 to 15 years (inclusive)	5,256	5,233
16 to 20 years (inclusive)	5,256	5,233
21 to 25 years (inclusive)	<u>5,256</u>	<u>5,233</u>
	<u><u>26,280</u></u>	<u><u>26,166</u></u>

	2003	2002
	£000	£000
Estimated capital value of the PFI Scheme	<u>6,000</u>	<u>6,000</u>

Contract start date - September 2000

Contract end date - September 2025

The PFI scheme relates to the provision of accommodation and related services at Drumglass High School in Dungannon. This PFI Scheme enables the Board to deliver specific curricular areas for some 500 pupils aged 11-18 under a design, build, finance and operate (DBFO) agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

27. CONTINGENT LIABILITIES

Teacher Salary Award Agreement 2000:

The Board expects a liability may arise for teachers who qualify for assessment for upgrade to the second point on the upper pay spine (Cohort 1 threshold). Until the report from the independent inquiry into teachers' pay and conditions is received and negotiations with Unions are concluded, we cannot estimate, with any certainty, the value of the liability to the Board.

Job Evaluation:

Headquarters' staff and classroom assistants: Whilst the Board expects a liability will arise, until the relevant job descriptions and evaluations have been agreed, we cannot estimate, with any certainty, the value of the liability to the Board.

Legal Cases Public and Employers' Liability:

Proceedings against the Board have been initiated in a number of public and employer liability cases. The likelihood of the Board being found liable and the amount of the resulting settlements cannot yet be estimated as the cases concerned have not progressed sufficiently to allow assessment by the Board's solicitors.

Those amounts which are probable and ascertainable have been accrued within provisions for liabilities and charges.

Craigavon Senior High School (CSHS) Land at Enniscrone Park, Portadown:

In May 2001 the Upper Bann Institute of Further and Higher Education (UBIFHE) vacated their portion of the CSHS/UBIFHE shared site, known as the "Blue Block" which had up until then been the Institute's catering training facility. Subsequently, the school occupied Blue Block. To enable the Institute to fund a replacement catering facility, the Board's surplus land noted above was to transfer to UBIFHE. The land has not yet transferred because of ongoing valuation issues. Negotiations are continuing to agree the value of the land to be transferred, but at this time it is not possible to accurately estimate this amount.

28. POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the Annual Report of the Board.

29. RELATED PARTY TRANSACTIONS

The Southern Education and Library Board is a Non-Departmental Public Body (NDPB) sponsored by the Department of Education, Department of Culture, Arts and Leisure and the Department for Employment and Learning.

The Departments are regarded as related parties. During the year, the Southern Education and Library Board has had various material transactions with the Departments and with other entities for which the Departments are regarded as the parent Departments. These include:

- Belfast Education and Library Board;
- North Eastern Education and Library Board;
- South Eastern Education and Library Board;
- Western Education and Library Board;
- Staff Commission for Education and Library Boards;
- Council for Catholic Maintained Schools;
- Voluntary Grammar Schools;
- Grant Maintained Integrated Schools;
- Northern Ireland Council for the Curriculum Examinations and Assessment;
- Colleges of Further Education.

In addition, the Southern Education and Library Board has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the:

- a. Department of Health, Social Services and Public Safety;
- b. Health and Social Services Boards which are sponsored by the Department of Health, Social Services and Public Safety; and
- c. Probation Board for Northern Ireland, a body sponsored by the Northern Ireland Office.

None of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the Southern Education and Library Board during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

30. FINANCIAL INSTRUMENTS

FRS 13, (Derivatives and Other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Southern Education and Library Board is not exposed to the degree of financial risk faced by business entities. The Board has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

The Board's net revenue and capital resource requirements are largely financed by grants from its sponsoring Departments. The Board is not therefore exposed to significant liquidity risks.

Interest Rate Risk

The Board's financial assets and liabilities carry Nil or fixed rates of interest. The Board is not, therefore, exposed to significant interest rate risk.

Foreign Currency Risk

The Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

31. EUROPEAN UNION FUNDING

	Income	Expenditure	Income	Expenditure
	2003	2003	2002	2002
	£000	£000	£000	£000
Received via Department of Education Applicant				
(a) Board	478	474	13	12
(b) Schools	40	40	219	225
(c) Other Services	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
	<u>518</u>	<u>514</u>	<u>233</u>	<u>238</u>
Received from Other Sources				
(a) Milk Subsidy	85	85	76	76
(b) Others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>603</u>	<u>599</u>	<u>309</u>	<u>314</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

32. NEW OPPORTUNITIES FUND

	Income	Expenditure	Income	Expenditure
	2003	2003	2002	2002
	£000	£000	£000	£000
(a) Schools	796	810	1,659	1,659
(b) Public Libraries	8	8	13	13
(c) Other Services	46	46	16	16
	<u>850</u>	<u>864</u>	<u>1,688</u>	<u>1,688</u>

33. STATEMENT OF LOSSES

	2003	2002
	£000	£000
(a) Cash Losses	4	2
(b) Claims Abandoned	2	1
(c) Fruitless Payments	0	0
(d) Stores Losses	237	294
	<u>243</u>	<u>297</u>

34. STATEMENT OF SPECIAL PAYMENTS

	2003	2002
	£000	£000
(a) Ex-Gratia Payments	2	3
(b) Extra Statutory Payments	0	0
	<u>2</u>	<u>3</u>

35. KEY FINANCIAL TARGETS

The Board's only financial target for 2002/2003 was to contain expenditure within the accrued limit approved by the Departments. This target was achieved.

THE SOUTHERN EDUCATION AND LIBRARY BOARD

Accounts Direction given by the Department of Education for Northern Ireland (DENI) with the approval of the Department of Finance and Personnel (DFP) in accordance with Article 119 of the Education and Libraries (NI) Order 1986.

1. The Southern Education and Library Board ("the Board") shall prepare accounts for the financial year ended 31 March 2000 and subsequent years, comprising:-
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.

Date of Submission

2. The accounts shall be submitted to the Comptroller and Auditor General by the 30 June immediately following the end of the financial year.

Presentation of Accounts

3. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.
4. Except where otherwise specified in this Direction, the accounts shall be prepared in accordance with:-
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. the disclosure and accounting requirements contained in the "Fees and Charges Guide" (in particular those relating to the need for appropriate segmental information for services or forms of services provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. the accounting and disclosure requirements given in "Government Accounting Northern Ireland", and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;

insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order, and the accounting standards is given in Schedule 1 attached.

Additional disclosure requirements are set out in Schedule 2 attached.

6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:-
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stock at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Accounting Policies

7. In preparing its accounts, the Board shall comply with the agreed statement of Accounting Policy approved by DENI and DFP, and adopted collectively by the Boards.
8. This Direction shall be reproduced as an Appendix to the accounts.

Signed by authority of the Department of Education for Northern Ireland

D WOODS

Dated 26 NOVEMBER 1999

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order

The disclosure exemptions permitted by the Companies (Northern Ireland) Order shall not apply to the Board unless specifically approved by DFP.

The Companies (Northern Ireland) Order requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.

When preparing its income and expenditure account, the Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order.

When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order. The balance sheet totals shall be struck at "Total assets less current liabilities".

The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order.

The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

The Board is not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword to the Accounts shall, inter alia:

state that the accounts have been prepared in a form directed by the Department with the consent of DFP in accordance with Article 119 of the Education and Libraries (Northern Ireland) Order 1986, and in accordance with this Direction;

include a brief history of the Board and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.

Accounts of the Western Education and Library Board

For Period 1 April 2002 to 31 March 2003

ANNUAL ACCOUNTS FOR YEAR ENDED 31 MARCH 2003

FOREWORD TO THE ACCOUNTS

1 BACKGROUND INFORMATION

The Western Education and Library Board (hereinafter referred to as the Board) is an executive non-departmental public body sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department for Employment and Learning (hereinafter referred to as 'the Departments')(prior to 1 December 1999 the Board was sponsored by the Department of Education for Northern Ireland). The Board's principal functions are the provision of education, library and youth services to the local Council areas of Derry, Fermanagh, Limavady, Omagh and Strabane.

These accounts have been prepared in a form directed by the Departments with the consent of the Department of Finance and Personnel in accordance with Article 119 of the Education and Libraries (N.I) Order 1986. A copy of the accounts direction can be found as an annex.

2 BRIEF HISTORY

Business Review

The Board produces an Annual Report of its activities and a full report is contained therein.

Results for the Year

The results for the year of the Western Education and Library Board are set out in detail on page 172. The deficit for the year was £13,062,356 after charging notional costs of £12,025,607.

Fixed Assets

Details of the movement of fixed assets are set out in note 12 to the accounts.

The Board does not believe that there is any material difference between the market and book values of its lands and buildings.

3 FUTURE DEVELOPMENTS

(a) Education Services

During 2002/03 work commenced on the construction of a replacement school for Gibson Primary School in Omagh and the provision of new school meals accommodation at St Patrick's Primary School in Londonderry. Both of these projects should be completed and operational in time for the beginning of the 2003/04 academic year.

In the current year planning work has continued apace in respect of a number of new schools' capital projects for:

The Jubilee Primary School, Bready	-	estimated cost £1.30m
Sixmilecross Primary School	-	estimated cost £1.31m
Edwards Primary School	-	estimated cost £2.03m
Strabane Special School	-	estimated cost £4.33m

and building work is expected to commence on these schemes by the autumn 2003. In addition the Board has received approval and funding under the Reinvestment and Reform Initiative to improve facilities at small rural primary schools and to replace temporary classrooms with permanent accommodation. Under this latter measure the Board proposes to replace temporary classrooms at Drumahoe and Sion Mills Primary Schools and at Foyleview Special School at a total estimated cost of £1.30m, with works planned to commence late in 2003.

The Board currently is preparing economic appraisals on a replacement for Strabane Grammar School and for a new post primary school in Fermanagh to replace the Enniskillen and Duke of Westminster High Schools. Appraisals are also being prepared for school rationalisation projects at Burnfoot/Largy/Dungiven Primary Schools and Glasvey/Limegrove Special Schools. These economic appraisals will be submitted to the Department of Education by October 2003 with a request that these schemes be included on the Department's list of projects awaiting new starts approval.

(b) Library Services

During 2002/03 work proceeded on the construction of a new public library and community facility in Strabane at a cost of £1.50m and work commenced on a new public library in Irvinestown at a cost of £0.25m. Both of these new facilities will be brought into use by the summer 2003.

(c) Youth Services

Under the Executive Programme Fund the Board has received approval to proceed with a number of capital infrastructure renewal projects costing £0.28m. In 2003/04 the Board would intend to undertake works at Glenfoyle, Shantallow and Lakeland Youth Centres and at the Corrick Residential Centre.

The Board will continue to function in its present form for the foreseeable future.

4 IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since the year-end, which would affect these accounts.

5 CHARITABLE DONATIONS

During the year the Board made no donations for charitable or political purposes.

Board Members

The following served as Board Members during the year:

Mr H Faulkner **Chairman**

Mr J H Mullan **Vice-Chairman**

Rev R Herron

Archdeacon C T Pringle

Mr N W Lambert

Mrs F G Durkan

Mr J P Martin

Mr D N McElholm

Mr P Duffy

Miss D M McNamee

Mrs E F Brunt

Mr S Morrow

Miss E M Cunningham

Mr S Mac Cionnaith

Ms B McCusker

Mr D Donnelly

Dr J Cornyn

Mr D Rainey

Mr W D Reilly

Mr E McCaffrey

Mrs E Watterson

Members Representative of District Councils

Mrs M Bradley

Mr W Hay (resigned in May 2002)

Mr J J Kerr

Mr C McGill

Mrs A Brolly

Mr E Stephenson

Mr D Hussey

Mr S Shields

Mr R Irvine

Mr J O'Kane

Mr B McElduff

Mrs M McLaughlin

Mr P Fleming

Mr T O'Reilly

Mrs M Garfield (replaced Mr W Hay)

Disabled Employees

The Board actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled it is the Board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

Payment to Suppliers

Public Sector Payment Policy - Measure of compliance:

The Government requires that the Board pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. The Board's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. The measure of compliance is:

Based on Invoice Date

	Number	£000s
Total Bills paid	186,536	88,847
Total bills paid within target	142,140	69,317
% of bills paid within target	76.2	

Employee Involvement

During the year the policy of providing employees with information about the Board has been continued through regular distribution of circulars. Regular meetings are held between staff at different levels to allow a free flow of information and ideas.

B Mulholland
Accounting Officer

Date 22 June 2005

STATEMENT OF INTERNAL CONTROL 2002/2003 - TRANSITIONAL STATEMENT

As accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Board policies, aims and objectives, whilst safeguarding the public funds and Board assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum and Management Statement for the WELB.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I have had the procedures in place since March 2003 necessary to implement DFP guidance.

We have developed appropriate procedures to ensure the identification of the Board's objectives and risks and have determined a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Board has set out its attitude to risk to the achievement of the Board objectives.

The Board has ensured that procedures are in place to verify that aspects of risk management and internal control are regularly reviewed and reported on. There will be an ongoing risk and control assessment before reporting on the year ending 31 March 2004. Risk management has been incorporated more fully into the business planning and decision-making processes of the Board.

The Board, via the Audit Committee, receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Board has identified its key objectives and risks and further work has been done to bring about more consistency in the way in which the Board treats risks.

In addition to the actions mentioned above, in the coming year the Board plans to:

- regularly review and update the record of risks facing the Board;
- set up a system of key performance and risk indicators; and
- continue to maintain the Board's Corporate risk register.

The Board has an Internal Audit Unit, which operates to standards defined in Government Internal Audit Standards. They submit regular reports which include the HIA's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

B Mulholland
Accounting Officer

Date 22 June 2006

Statement of the Board and Chief Executive's Responsibilities

Under Article 119 (2) of the Education and Libraries (N.I) Order 1986 the Board is required to prepare a statement of accounts in the form and on the basis directed by the Departments with the consent of the Department of Finance and Personnel.

The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- Observe the Accounts Direction issued by the Departments including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officers of the Departments have designated the Chief Executive of the Board as the Accounting Officer for the Board. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers Memorandum, issued by the Department of Finance and Personnel.

B Mulholland
Accounting Officer

Date 22 June 2006

The Certificate of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 172 to 199 under the Education and Libraries (NI) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 176 to 180.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 167 the Board and Chief Executive are responsible for the preparation of the financial statements in accordance with the Education and Libraries (NI) Order 1986 and the Department of Education's directions made thereunder and for ensuring the regularity of financial transactions. The Board and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report in my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education and Libraries (NI) Order 1986 and the Department of Education's directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 168 reflects the Board's compliance with the Department of Finance and Personnel's guidance 'Corporate Governance: on the Statement on Internal Control'. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Boards corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Western Education and Library Board at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education and Libraries (NI) Order 1986 and directions made thereunder by the Department of Education; and
- in all material respects the expenditure and income have been applied for the purposes intended by the Northern Ireland Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them

Report

I have reported separately on Accounting to Parliament by Education and Library Boards in Northern Ireland in my General Report: Financial Auditing and Reporting 2003/04 (HC 96 Sessions 2004-05). The report deals with delays in finalising Board accounts and related matters.

J M Dowdall CB
Comptroller and Auditor General
12 August 2005

Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

Income	Notes	2003 £000s	2002 £000s
Grants from Departments	2	245,399	215,969
Other grant income	3	1,016	1,414
Other Operating Income	4	8,484	8,612
Total Income		<u>254,899</u>	<u>225,995</u>
Staff Costs	6 & 7	171,418	157,773
Depreciation	12	11,194	6,969
Other operating expenses	8 & 11	73,323	67,353
Notional Costs	9	12,026	11,221
Total Expenditure		<u>267,961</u>	<u>243,316</u>
(Deficit) for the year		(13,062)	(17,321)
Credit in respect of notional costs	9	12,026	11,221
Amount Transferred to Reserves	20	<u><u>(1,036)</u></u>	<u><u>(6,100)</u></u>

All amounts above relate to continuing activities

The notes on pages 176 to 199 form part of these accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £000s	2002 £000s
(Deficit) for the year		(13,062)	(17,321)
Net surplus/(deficit) on revaluation of fixed assets	21	10,025	23,826
Backlog Depreciation	21	86	(1,589)
Total recognised gains (losses) for the year		<u><u>(2,951)</u></u>	<u><u>4,916</u></u>

The notes on pages 176 to 199 form part of these accounts.

**BALANCE SHEET
AS AT 31 MARCH 2003**

	Notes	2003 £000s	2002 £000s
Fixed Assets			
Tangible Assets	12	202,584	190,365
Current Assets			
Stocks	13	260	246
Debtors	14	42,869	22,085
Cash at bank and in hand	23(v)	<u>1,687</u>	<u>(5,985)</u>
		<u>44,816</u>	<u>16,346</u>
Current Liabilities			
Creditors: amounts falling due within one year	15	<u>14,605</u>	<u>(9,443)</u>
Net Current Assets		30,211	6,903
Total Assets less Current Liabilities		232,795	197,268
Creditors: amounts falling due after more than one year	16	-	-
Provisions for Liabilities and Charges	18	3,106	3,345
Deferred Income	19	30,253	4,610
.			
Net Assets		<u>199,436</u>	<u>189,313</u>
Reserves			
Income and Expenditure Reserve	20	(6,829)	(6,164)
Other Reserves	21	<u>206,265</u>	<u>195,477</u>
		<u>199,436</u>	<u>189,313</u>

The Financial Statements on page 172-199 were approved by the Board on 22 June 2005 and were signed on its behalf by:

Chairman: B Mulholland Date: 22 June05

Chief Executive: H Faulkner Date: 22 June 05

The notes on pages 176 to 199 form part of these accounts.

**CASH FLOW STATEMENT
FOR YEAR ENDED 31 MARCH 2003**

	Notes	2003 £000s	2002 £000s
Net Cash inflow from operating activities	23 (i)	8,720	(14,046)
Returns on investments and servicing of finance	23 (ii)	17	17
Capital expenditure and financial investment	23 (iii)	(1,059)	508
Net cash inflow before financing		<hr/> 7,678	<hr/> (13,521)
Financing	23 (iv)	-	-
Increase in Cash and Net Funds		<hr/> <hr/> 7,678	<hr/> <hr/> (13,521)

The notes on pages 176 to 199 form part of these accounts.

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting Convention

These financial statements have been prepared in accordance with the Accounts Direction issued by the Departments on 26 November 1999 and in accordance with applicable Accounting Standards under the modified historical cost convention.

Without limiting the information given the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

1.2 Recognition of Income

The final approved resource allocation (recurrent) from the Department of Education is included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Where expenditure incurred exceeds cash received a Departmental debtor is created. Where expenditure incurred is less than the final approved resource allocation (recurrent) a funding commitment is disclosed. However, reference should be made to note 5 for further detail.

The annual recurrent allocations from the Department of Culture, Arts and Leisure, the Department for Employment and Learning and the Department of Health and Social Services and Public Safety are intended to meet recurrent costs, which are credited to the income and expenditure account.

Income from other grants received for specific purposes, that is, restricted income, are included in the income and expenditure account to the extent of matching the relevant expenditure incurred during the period. Restricted income received but not matched to relevant expenditure during the period is shown as deferred income on the balance sheet.

Income from services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

1.3 Foreign Currency Transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.4 *Taxation*

The Board is exempt from corporation tax on income it receives.

Items in the Income and Expenditure account are net of recoverable VAT.

1.5 *Fixed Assets*

All spending on a fixed asset which yields a benefit for a period of more than one year, is treated as capital expenditure in the accounts. This excludes expenditure on repairs and maintenance of fixed assets which only maintains the value of the asset.

1.5.1 *Land and Buildings*

All land and buildings are capitalised and stated in the balance sheet at valuation on the basis of depreciated replacement cost. Full valuations are normally made by the Valuation and Lands Agency (VLA) every five years and in the intervening years these valuations are updated using appropriate indices. Land and buildings acquired during the year are included in the balance sheet. Completed building projects will be capitalised but not depreciated until commissioned. On going building projects are categorised as assets in the course of construction and shown separately. Project costs capitalised include design and related fees as well as construction costs. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a Government Grant Reserve and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis which is consistent with the depreciation policy.

1.5.2 *Maintained Schools*

Land and buildings shown in the financial statements do not include any maintained schools, the assets of which belong to their trustees. The Board, however, is responsible for buildings and grounds maintenance at these schools, as well as providing them with certain other services and with 100% funding for general running costs under LMS. These costs are reflected in the Board's Income and Expenditure Account.

1.5.3 *Donated Assets*

Donated tangible fixed assets are capitalised at their valuation on receipt. This value is credited to the donated asset reserve. Subsequent re-valuations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure Account.

1.5.4 *Assets other than Land and Buildings*

Assets other than land and buildings costing less than £3,000 per individual item are written off to the income and expenditure account in the period of acquisition. Assets are valued each year using appropriate indices or professional valuations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.5.5 Depreciation

Depreciation is provided for all fixed assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted prospectively over the revised economic life.

All assets are depreciated on a straight line basis over their expected useful lives. A full months depreciation is charged in the period of acquisition/commissioning and no depreciation charged in the month of disposal. Assets in the course of construction are not depreciated until brought into use. Depreciation will not normally be provided for on freehold land unless subject to depletion or on assets which are identified as surplus to requirements and held pending disposals.

Capitalised assets are depreciated over their useful economic lives. The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually.

Asset Class	Asset Sub-Class	Asset Life
Lands	Land	Not Depreciated
Buildings	Permanent Buildings	50 years
	Temporary Buildings	15 years
Computers	Hardware and Software	3 years
Plant and Equipment	Reprographics	7 years
	Machinery	15 years
	Music	10 years
	Grounds Maintenance	7 years
	General and Other	10 years
	Cleaning	7 years
Vehicles	Small Mini-buses	5 years
	33 Seater Mini-buses	10 years
	>33 Seater Mini-buses	14 years
	Vans	5 years
	Grounds Maintenance	7 years
	Mobile Libraries	10 years
	Cars	4 years
Miscellaneous	Valuable Book Collection	Not Depreciated

Where these assets are acquired with the aid of specific grants the asset is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Government Grant Reserve and released to the income and expenditure account over the expected useful economic life of the related asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

1.6 *Stocks*

It is policy to carry stock for the meals service, vehicle maintenance and central depots.

Stocks are stated at the lower of current replacement cost and net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks.

1.7 *Pension Scheme*

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC)

The Teachers' Superannuation Scheme is a contributory scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme. The scheme is presently notionally funded. The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance and Personnel. The scheme is administered by the Department of Education, Balloo Road, Bangor.

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is of the defined benefits type, the assets of the schemes being held in separate trustee administered funds. The Board's contribution to the Northern Ireland Local Government Pension Scheme is determined by the fund's actuary based on a triennial Valuation. The scheme is administered by NILGOSC, Holywood Road, Belfast.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method.

1.8 *Nature of substantial reserves*

- The **Income and Expenditure Reserve** balance represents the surplus of revenue income over expenditure. It can be used to supplement income in future years.

Other Reserves

- The Schools Reserve is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management in Schools arrangements required by the Education Reform Northern Ireland Order 1989.
- The Grant Consolidated Revenue Account balance represents the surplus of grant income over expenditure.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd...)

- The introduction of a Revaluation Reserve will depend on the application of the accounting guidance for Non Departmental Public Bodies, issued on 18 January 2001, to appropriate circumstances.
- The introduction of a Donated Asset Reserve will depend on the application of the accounting guidance for Non Departmental Public Bodies, issued on 18 January 2001, to appropriate circumstances.
- The Government Grant Reserve represents the movement of fixed assets in line with the accounting guidance for Non Departmental Public Bodies issued on 18 January 2001.
- The General Reserve represents the proceeds of the sale of non-property assets, in line with the accounting guidance for Non Departmental Public Bodies issued on 18 January 2001.
- The Special Book Reserve represents the valuation of the local library collection.

1.9 Finance and Operating Leases

Operating lease rentals are charged to the Income and Expenditure account in Equal annual amounts over the lease term. Leasing agreements which transfer to the Board substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

1.10 Private Finance Initiative

The Board follows HM Treasury's 'Technical Note 1 (Revised) How to Account for PFI Transactions' which provides guidance for the application of the FRS 5 Amendment.

The Western Education and Library Board has responsibility on behalf of all five Boards for the Classroom 2000 project. This is a PFI scheme, the purpose of which is to design, develop and operate an ICT infrastructure to support the curriculum, management and information needs of the major bodies within the Education Service in Northern Ireland.

The North Eastern Education and Library Board has responsibility for the Electronic Libraries for Northern Ireland (ELFNI) Project. This is a PFI Scheme to deliver public access to electronic information through the public library network and to provide new Library management systems.

The South Eastern Education and Library Board has responsibility on behalf of all 5 Board for the Board's Oracle financial IT system. This is a PFI scheme, the purpose of which is to provide an IT system to support the financial and management needs of the Boards in light of the requirements of Resource Accounting.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2003**

2. GRANT FROM DEPARTMENTS

**DEPARTMENT OF EDUCATION, DEPARTMENT OF CULTURE, ARTS AND
LEISURE AND DEPARTMENT FOR EMPLOYMENT AND LEARNING**

	2003	2002
	£000s	£000s
<i>Recurrent Grant</i>		
-Grant-in-Aid	227,664	205,625
- Higher Education Bursaries	3,000	-
- Mandatory Awards	629	1,700
- Premature Retirement Compensation Pensions	1,077	913
- Premature Retirement Compensation Lump Sums	502	360
- Release of Government Grant Reserve	12,156	7,039
	<u>245,028</u>	<u>215,637</u>

**DEPARTMENT OF HEALTH, SOCIAL
SERVICES AND PUBLIC SAFETY**

Recurrent Grant

- Mandatory Awards	371	332
	<u>245,399</u>	<u>215,969</u>

3. OTHER GRANT INCOME

	2003	2002
	£000s	£000s
European Funds	86	38
New Opportunities Fund	859	1,376
Other Funds	71	-
	<u>1,016</u>	<u>1,414</u>

4. OTHER OPERATING INCOME

	2003	2002
	£000s	£000s
Catering operations	5,693	5,277
Other income generating activities	770	780
Interest Receivable	49	58
Miscellaneous	1,972	2,497
	<u>8,484</u>	<u>8,612</u>

5. FUNDING COMMITMENT

The following funding commitments from the Departments have not been accrued as income:

	2003	2002
	£000s	£000s
Amount of Grant formally committed:		
Department of Education	3,343	14,661
Department of Employment and Learning	-	-

The funding commitment or end year flexibility represents a guaranteed resource which will be added to the Board's approved spending limit in the next financial year. In establishing whether the Board has achieved financial targets set, this funding commitment or end year flexibility is added to the reserves position reported in these accounts.

6. STAFF COSTS

The average number of persons (including Senior Post-holders employed by the Board during the year expressed as Full-Time Equivalents (FTE) and staff costs are as follows:-

Staff costs:	2003	2002
	£000s	£000s
<i>Teaching</i>		
Gross Pay	95,889	90,849
NIC	6,829	7,086
Pension Costs	7,275	7,088
Other Employee Expenses	2,686	2,067
	<u>112,679</u>	<u>107,090</u>
<i>Non-Teaching (including Board Members)</i>		
Gross Pay	53,518	46,328
NIC	2,552	2,422
Pension Costs	1,792	1,643
Other Employee Expenses	877	290
	<u>58,739</u>	<u>50,683</u>
	<u>171,418</u>	<u>157,773</u>
<i>Average Staff Numbers:</i>	2003	2002
	Number	Number
Teaching	3,824	3,783
Non-Teaching	6,041	5,866
TOTAL	<u>9,865</u>	<u>9,649</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

	*Age	Salary including benefits in kind £	Real increase in pension at 65 £	Total accrued pension at 65 at 31/03/03 £
Mr P J Martin <i>Chief Executive</i>		86,818	1,313	40,403
Mrs S McCaul <i>Head of Curriculum Services</i>		63,503	2,336	28,482
Mr C P Doran <i>Chief Finance Officer</i>		62,159	1,548	13,702
Mr J A Stewart <i>Director of Services-Classroom 2000</i>		59,470	3,679	23,274
Mr R Beattie <i>Central Support Manager-Classroom 2000</i>		59,470	3,617	23,875
Mr S A Rainey <i>Head of Services</i>		59,470	3,963	24,617
Ms H Osborn <i>Chief Librarian</i>		58,126	822	1,793

* Consent for disclosure of age has been withheld

For each of these members of the NILGOSC Pension Scheme, a lump sum equal to 3 times the total Accrued Pension at 31 March 2003 is also payable on retirement. Where the requirements of a post include the use of a car, the Board offers a loan. Interest is payable at 4.45% on the initial amount of capital borrowed. Repayments of capital and interest are deducted from pay on a monthly basis. Loans to the value of £11,500 were made to senior post holders in the year.

EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS - BOARD MEMBERS

The total emoluments (incl. honoraria) of the Chairman for the year ended 31 March 2003 were £6,612

The highest payment for any other Board member was £3,419

The aggregate amount of Board members emoluments was £32,795

No members waived emoluments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS (cont'd)

The number of Board members who received emoluments falling within the range below:

	2002/03	2001/02
	Number	Number
Nil	7	-
£1 - £4999	27	35
£5000 - £5999	-	-
£6000 - £6999	1	-

8. OTHER OPERATING EXPENSES

	2003	2002
	£000s	£000s
DEPARTMENTS		
Premises, Fixed Plant & Grounds	18,341	18,972
Supplies & Services	33,197	29,350
Transport	9,638	9,055
Establishment	2,451	3,369
Grants to Persons/Bodies	5,660	3,804
Permanent Impairment of Fixed Assets	-	-
Profit/(Loss) on disposal of Fixed Assets	963	70
Miscellaneous	<u>2,702</u>	<u>2,401</u>
	72,952	67,021

DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND PUBLIC SAFETY

Grants to Persons/Bodies	371	332
	<u>73,323</u>	<u>67,353</u>

Miscellaneous expenses include:

	2003	2002
	£000s	£000s
Operating leases - hire of plant and machinery	126	144
Operating leases - Property	<u>-</u>	<u>-</u>
	<u>126</u>	<u>144</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

9. NOTIONAL COSTS

	2003	2002
	£000s	£000s
Auditors Remuneration	35	44
Teacher's Payroll	292	300
Land & Buildings Valuation	36	-
Use of Capital*	11,663	10,877
	<u>12,026</u>	<u>11,221</u>

* The use of capital has been calculated at 6% of the average Net Book Value of the assets less Liabilities

10. INTER BOARD TRADING

During the year the Board earned £NIL from the selling of services and purchased £NIL of services from the other Boards.

11. INTEREST PAYABLE

	2003	2002
	£000s	£000s
On Finance Leases	1	1
Other	31	40
	<u>32</u>	<u>41</u>

These expenses are included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS

	Land & Buildings	Vehicles	Computers	Plant, Equipment & Misc	Valuable Books	Assets in Course of Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
*Cost or Valuation							
At 1 April 2002	197,520	6,686	364	1,948	1,356	3,756	211,630
Additions	4,813	-	220	584		8,876	14,493
Asset Transfers	4,502	1,312				(5,814)	-
Disposals	(1,563)	(16)	-	-			(1,579)
Revaluation	(17,274)	(91)	(17)	46	83		(17,253)
Impairment of Value							
*At 31 March 2003	187,998	7,891	567	2,578	1,439	6,818	207,291
Depreciation							
At 1 April 2002	17,809	2,561	203	692			21,265
Disposals	(371)	(17)	-	-			(388)
Backlog Depreciation	-	(87)	(18)	19			(86)
Charge for Period	6,754	910	88	299			8,051
Deficit on Revaluation	3,088	50	6	(1)			3,143
Revaluation	(27,278)						(27,278)
At 31 March 2003	2	3,417	279	1,009	0	0	4,707
Net Book Value at 31 March 2003	187,996	4,474	288	1,569	1,439	6,818	202,584
Net Book Value at 1 April 2002	179,711	4,125	161	1,256	1,356	3,756	190,365

Costs include building in the course of construction at 31 March 2003 of £4,904,249 and at 01 April 2002 of £2,006,278.

The valuations as at 31 March 2003 were by way of a revaluation provided by VLA.

Should fixed assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Department of Education.

The net book value of tangible fixed assets includes an amount of £2,023,849 (2002: £1,972,540) in respect of assets held in Reversionary Trusts i.e. if properties cease to be used as specified in the deeds they will revert to the ownership of the trustees.

As described in note 1.5.2, the amount of land and buildings noted does not include voluntary maintained schools. In 2002/2003 there were 146 such schools in the Board's area.

Fixed assets include £1,438,925 in relation to a special collection of library books which were originally valued by Mr Jack Gamble FRGS of Emerald Isle Books, 539 Antrim Road, Belfast on 9 May 2000 and subsequently indexed at 31 March 2003.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

12. TANGIBLE FIXED ASSETS (cont'd...)

The net book value of tangible fixed assets includes an amount of £5269 in respect of assets held under finance leases.

The depreciation charge for the period is analysed as follows:

	2003	2002
	£000s	£000s
Owned assets	8,047	6,965
Assets held under finance leases and hire purchase arrangements	4	4
Deficit on revaluation of assets	3,143	
	<u>11,194</u>	<u>6,969</u>

13. STOCK

	2003	2002
	£000s	£000s
Catering	95	86
Maintenance and central depots	165	160
	<u>260</u>	<u>246</u>

14. DEBTORS

	2003	2002
	£000s	£000s
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	609	586
Amount owed by Boards	22	17
Departmental debtors	0	0
Prepayments and accrued income	19,640	16,990
Recoverable VAT	5,524	4,334
	<u>25,795</u>	<u>21,927</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Trade debtors	190	158
Prepayments	16,884	0
	<u>17,074</u>	<u>158</u>
	<u>42,869</u>	<u>22,085</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£000s	£000s
Obligations under finance leases	0	4
Trade Creditors	4,916	4,869
Amount owed to Boards	177	161
Other taxation and social security	1,019	738
Accruals	7,507	3,019
Other Creditors	986	652
	<u>14,605</u>	<u>9,443</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£000s	£000s
Obligations under finance leases	-	-
PFI Commitment	-	-
	<u>-</u>	<u>-</u>

17. ANALYSIS OF BORROWINGS OF THE BOARD: FINANCE LEASES

The net finance lease obligations to which the Board is committed are:

	2003	2002
	£000s	£000s
In one year or less	-	5
Between one and two years	-	-
Between two and five years	-	-
	<u>-</u>	<u>5</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employer & Public Liability Claims	Pensions	Job Evaluations	Total
	£000s	£000s	£000s	£000s
At 1 April 2002	956	1,351	1,038	3,345
Transferred from I&E Account	216	455	107	778
Expenditure in the Period	<u>(258)</u>	<u>(105)</u>	<u>(654)</u>	<u>(1,017)</u>
At 31 March 2003	<u>914</u>	<u>1,701</u>	<u>491</u>	<u>3,106</u>

As directed by the Department of Education, with the consent of the Department of Finance and Personnel a provision has not been included in Board accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teacher's Superannuation Account (part of the Departmental Accounting structure). The in-year charge in respect of such cases as well as requisite employer superannuation contributions is charged to the Board's income and expenditure account. In that respect the number of teacher Premature retirement compensation cases is as follows:

	No.
2002/03	76
Cumulative	905

Employer and Public Liability Claims

These are claims against the board submitted by members of staff and or the public in relation to accidents or incidents which have happened before the balance sheet date. Claims which are not considered dormant or statute barred by the passage of time since being lodged, but have progressed sufficiently to allow an estimated "settlement" figure to be calculated, are included in the provision. Estimates are calculated by reference to; analysis of previous claims of a similar type, the previous history of successful settlements and professional judgement.

The possible timing of payments in settlement of such cases is uncertain; it is plaintiff driven and the case's progress is dependant on the individual circumstances of that case. As a case progresses and more information becomes available the amount of the estimated "settlement" figure may in subsequent years be revised up or down.

Pension Provision

This provision refers to previous employees of the board who have retired and are in receipt of current pension benefits. The provision is calculated by reference to their current age at the balance sheet date, an actuarial indexation factor which anticipates future life expectancy, and the actual current pension being paid in the current year. The product of this calculation is an estimate of the future liability of the board in respect of these former employees. Payments in relation to this provision will be ongoing on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

18. PROVISIONS FOR LIABILITIES AND CHARGES (Con't...)

Job Evaluation

This provision refers to employees, whose posts are due to be evaluated under the job evaluation scheme. As a result employees may be regraded to a higher grade and therefore entitled to a higher salary from the date additional duties were undertaken. The provision is made only in respect of those employee categories, whose job evaluations have progressed to the stage of agreed revised job descriptions, where the board is able to make a reasonable estimation of the arrears liability.

The timing of such payments is likely to vary for the different categories of staff. However, the board makes every effort to process payments as soon as possible, once union and individual agreement has been formally reached.

The level of information available on which to base estimates for arrears, increases the closer a staff category is to completion of the job evaluation process.

19. DEFERRED INCOME - DEFERRED GRANTS

	2003	2002
	£000s	£000s
EU and NOF Projects	176	155
Other	30,077	4,455
	<u>30,253</u>	<u>4,610</u>

20. INCOME AND EXPENDITURE RESERVE

	2003	2002
	£000s	£000s
At 1 April 2002	(6,164)	(64)
Amount transferred from Income and Expenditure Account	(1,036)	(6,100)
Transfer to School Reserve	371	-
Transfer from Grant Reserve	-	-
At 31 March 2003	<u>(6,829)</u>	<u>(6,164)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

21. OTHER RESERVES

	Government Grant Reserve	Special Book Reserve	General Reserve	Schools Reserve	Grant Reserve	Total
	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2002	190,091	1,356	10	4,076	(56)	195,477
Capitalisation Buildings	879					879
Capital Receipts	12,552					12,552
Revaluation of Tangible Fixed Assets	9,942	83				10,025
Release of Grants (Depreciation)	(8,051)					(8,051)
Release of Grants (Deficit on Revaluation)	(3,143)					(3,143)
Backlog Depreciation	86					86
Disposal of Fixed Assets	(1,191)					(1,191)
Transfer to/from General Reserve			2			2
Transfer to/ from I&E Reserve				(371)		(371)
At 31 March 2003	201,165	1,439	12	3,705	(56)	206,265

22. PENSION AND SIMILAR OBLIGATIONS

The Board's employees belong to two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officer's Superannuation Committee Scheme (NILGOSC).

For 2002/2003 the contribution rates to the Teachers' Superannuation Scheme were 7.85% employers and 6% employees.

For 2002/2003 the employers contribution rate to the Northern Ireland Local Government Pension Scheme was 4.6%.

The total pension cost was £9,067,515 in relation to 2 schemes.

The latest actuarial valuation of the scheme was at 31 March 2001 (NILGOSC). The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

	TSS	NILGOSC
Rate of return on investment :		
After Retirement	N/A	5.30%
Before Retirement	N/A	6.30%
Long Term	N/A	6.55%
Rate of increase in salaries	N/A	3.80%
Rate of increase in pensions	N/A	2.30%
Rate of dividend growth	N/A	2.30%
Market value of the assets at the date of last valuation	N/A	£2,293.7m

23. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating surplus/(deficit) to cash flow from operating activities

	2003 £000s	2002 £000s
Deficit for the year	(13,062)	(17,321)
Adjust for:		
Depreciation (Note 11)	11,194	6,969
Government grant release	(12,156)	(7,039)
Impairment on assets		0
Government grant impairment release		0
(Gain)/Loss on disposal of assets	963	70
Interest Payable	32	41
Interest receivable	(49)	(58)
Notional Costs	12,026	11,221
Decrease/(Increase) in Stocks	(14)	(17)
Decrease/(Increase) in debtors	(1,250)	1,147
(Increase)/Decrease in Prepayments and accrued income	(19,534)	(12,752)
(Decrease)/Increase in creditors	397	3,081
Increase/(Decrease) in accruals	4,488	(1,867)
Increase/(Decrease) in other taxation and social security	281	(757)
Increase/(Decrease) in provisions	(239)	(939)
Increase / Decrease in Deferred Income/EU Projects	25,643	4,232
Reduction in Grant Reserve	<u>0</u>	<u>(57)</u>
Net cash inflow from operating activities	<u><u>8,720</u></u>	<u><u>(14,046)</u></u>

(ii) Returns on investment and servicing of finance

Interest received	49	58
Interest paid on finance leases	(1)	(1)
Other interest paid	<u>(31)</u>	<u>(40)</u>
	<u><u>17</u></u>	<u><u>17</u></u>

(iii) Capital expenditure and financial investment

Purchase of tangible fixed assets	(13,614)	(6,591)
Capital grants received	12,552	7,092
Proceeds from disposal of tangible fixed assets	3	7
	<u><u>(1,059)</u></u>	<u><u>508</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

23. NOTES TO THE CASH FLOW STATEMENT

(iv) Financing

	2003	2002
	£000s	£000s
Capital element of Finance lease payments	-	-
Issue of loans	-	-
Receipt of loan payments	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

(v) Analysis of Net Debt

	2003	2002
	£000s	£000s
Cash	1,687	(5,985)
Debt due within one year	-	-
Finance Leases	-	(5)
	<u>1,687</u>	<u>(5,990)</u>
	<u>1,687</u>	<u>(5,990)</u>

(vi) Reconciliation of Net Cash Flow to Movement in Net Funds

	2003	2002
	£000s	£000s
Increase/(Decrease) in cash	7,678	(13,521)
Cash Inflow/(Cash Outflow) From ncrease/(Decrease) in debt.	-	4
Change in net debt resulting from cash flows	<u>7,678</u>	<u>(13,517)</u>
Movement in net funds	7,678	(13,517)
Net Funds at 1 April 2002	(5,990)	7,527
Net Funds at 31 March 2003	<u>1,688</u>	<u>(5,990)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

24. CAPITAL COMMITMENTS	2003	2002
	£000s	£000s
Contracted	3,712	9,559
Authorised but not contracted	9,236	1,189
	12,948	10,748

25. FINANCIAL COMMITMENTS

At 31 March 2003 the Board had annual commitments under non-cancellable operating leases as follows:

	2003	2002
	£000s	£000s
Expiring within one year	2	26
Expiring between 1 and 5 years inclusive	271	256
	273	282

26. CLASSROOM 2000 EXPENDITURE

Expenditure incurred during the year on the Classroom 2000 project is as follows:

	WELB	BELB	NEELB	SEELB	SELB	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Classroom 2k Spend	2,222	1,305	2,633	1,874	2,497	10,531
Support Grants Lot 1	137					137
Support Grants Lot 2	174					174
Classroom 2k Lot 1	1,163	308	1,506	791	1,203	4,971
Classroom 2k Lot 2	744	770	820	897	998	4,229
Classroom 2k Lot 3	124	109	124	107	136	600
TOTAL	4,564	2,492	5,083	3,669	4,834	20,642

Private Finance Transactions

Lot 1 Contract

Lot 1 relates to the provision of local area managed service network systems in primary schools with an enrolment of less than 190 pupils. Procurement of this service was through the BECTA NGfl Managed Services arrangements: with a mini competition involving BECTA accredited service providers. On 29 October 2001 the Western Education and Library Board, on behalf of all Boards, entered into a Public Private arrangement with Viglen Ltd (with Sx3 as sub-contractors) for the

provision of this service following approval of the FBC by DE/DFP and by the Western Education and Library Board. The contract value is £16.8m plus £3.4m for curriculum software licensing and £3.8m for Microsoft regional licensing. The service will be delivered to each school for a period of 3 years. The last school was installed in December 2002.

Lot 2 Contract

Lot 2 relates to the provision of local area managed service network systems in primary schools with an enrolment of more than 190 pupils. Procurement of this service was through the BECTA NGfl Managed Services arrangements: with a mini competition involving BECTA accredited service providers. On 27 March 2002 the Western Education and Library Board, on behalf of all Boards entered into a Public Private Partnership arrangement with Viglen Ltd (with Sx3 as sub-contractors) for the provision of this service following approval of the FBC by DE/DFP and by the Western Education and Library Board. The contract value is £26.4m. The service will be delivered to each school for a period of three years. The last school was installed in March 2003. Under the arrangement the Western Education and library Board has made a service prepayment to the Service Provider of £10m (of which the accrued spend for 2001/2002 is £0.145m) and this service prepayment will be utilised over the first two years of the contract against invoices raised by the Service Provider for services delivered until the value of the prepayment is reduced to zero.

Lot 3 Contract

Lot 3 (referred to in the OJEC notice as Category B Services) relates to the provision of local area managed service network systems in all post primary and special schools in Northern Ireland. The procurement of this service was initiated by publication of a contract notice in OJEC in May 2001 and followed the Negotiated Procedure. The contract was awarded to Sx3 (with RM as sub-contractors) on 3 February 2003, following approval of the FBC by DE/DFP and by the Western Education and Library Board. The contract value is £62.4m. The contract is for a period of 5 years, with the option to extend for a further 2 years. The contract provided for payment of Service Prepayments, £10m payable on contract award in February 2003 and a further £10m payable on successful implementation of the service in a prescribed number of schools. In addition, a monthly unitary charge for each school is payable on satisfactory implementation of the service at the school until the service expiry date.

Lot 5 Contract

Lot 5 (referred to in the OJEC notice as Category A Services) relates to the provision of a wide area network service for all schools in Northern Ireland. The procurement of this service was initiated by publication of a contract notice in OJEC in May 2001 and followed the Negotiated Procedure. The contract was awarded to HP on 14 February 2003, following approval of the FBC by DE/DFP and by the Western Education and Library Board. The contract value is £75.6m. The contract is for a period of 5 years, with the option to extend for a further 2 years. The contract provided for payment of Service Prepayments, £10m payable on contract award in February 2003 and a further £7m payable on availability of 6 prescribed service elements. In addition a monthly unitary charge for each school is payable when all service elements are available to all schools (such full service commencement due in February 2004) and until the service expiry date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

26. CLASSROOM 2000 EXPENDITURE (Con't....)

The Board is committed to make the following payments during the next year in respect of PFI Schemes which expire:

	<u>Lot 1</u> £000s	<u>Lot 2</u> £000s	<u>Lot 3</u> £000s	<u>Lot 5</u> £000s
Within one year	-	-	-	-
2 to 5 years inclusive	5,623	9,201	3,491	1,689
Total	5,623	9,201	3,491	1,689
Estimated Capital Value of PFI Payments	<u>9,429</u>	<u>15,724</u>	<u>28,593</u>	<u>12,472</u>

27. CONTINGENT LIABILITIES

Teacher Salary award agreement 2000: The Board expects a liability may arise for teachers who qualify for assessment for upgrade to the second point on the upper pay spine (Cohort 1 Threshold). Until the report from the independent inquiry into teachers' pay and conditions is received and negotiations with Unions are concluded, we cannot estimate, with any certainty, the value of the liability to the Board.

Job Evaluation - Headquarters' staff and classroom assistants: Whilst the Board expects liability will arise, until the relevant job descriptions and evaluations have been agreed, we cannot estimate with any certainty, the value of the liability to the Board.

Legal cases public and employers' liability: Proceedings against the Board have been initiated in a number of public and employer liability cases. The likelihood of the Board being found liable and the amount of the resulting settlements cannot yet be estimated as the cases concerned have not progressed sufficiently to allow assessment by the Board's solicitors.

Those amounts which are probable and ascertainable have been accrued within provisions for liabilities and charges.

28. POST BALANCE SHEET EVENTS

There were no significant post Balance Sheet events.

29. RELATED PARTY TRANSACTIONS

The Western Board is a Non-Departmental Public Body (NDPB) sponsored by the Department of Education, the Department of Culture, Arts and Leisure and the Department for Employment and Learning.

The Departments are regarded as related parties. During the year, the Western Board has had various material transactions with the Departments and with other entities for which the Departments are regarded as the parent Department. These include;

- Belfast ELB;
- North Eastern ELB;
- Southern ELB;
- South Eastern ELB;
- Staff Commission for Boards;
- CCMS;
- Voluntary Grammar Schools;
- Grant Maintained Integrated Schools;
- CCEA; and
- Colleges of Further Education.

In addition, the Western Board has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the:

- (a) Department of Health and Social Services and Public Safety;
- (b) Health and Social Services Boards which are sponsored by the Department of Health and Social Services and Public Safety;
- (c) Probation Board for Northern Ireland, a body sponsored by the Northern Ireland Office;

Included within debtors at note 14 are loans to 41 employees with a value of £164,125. Apart from the above mentioned loans to employees, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the Western Board during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

30. EUROPEAN UNION FUNDING

	2003	2003	2002	2002
	Income	Expenditure	Income	Expenditure
	£000s	£000s	£000s	£000s
Received via Department of Education				
Applicant:				
(a) Board	61	61	38	38
(b) Schools	25	25	-	-
(c) Other Services	-	-	-	-
	<u>86</u>	<u>86</u>	<u>38</u>	<u>38</u>
Received from Other Sources:				
(a) Milk Subsidy	156	156	188	188
(b) Others	-	-	-	-
	<u>156</u>	<u>156</u>	<u>188</u>	<u>188</u>

31. NEW OPPORTUNITIES FUND

	2003	2003	2002	2002
	Income	Expenditure	Income	Expenditure
	£000s	£000s	£000s	£000s
(a) Schools	755	755	1,365	1,365
(b) Public Libraries	99	99	11	11
(c) Other Services	5	5	-	-
	<u>859</u>	<u>859</u>	<u>1,376</u>	<u>1,376</u>

32. STATEMENT OF LOSSES

	2003	2002
	£000s	£000s
(a) Cash Losses	7	13
(b) Claims Abandoned	1	3
(c) Fruitless Payments	-	-
(d) Stores Losses	134	202
	<u>142</u>	<u>218</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

33. STATEMENT OF SPECIAL PAYMENTS

	2003 £000s	2002 £000s
(a) Ex-Gratia Payments	20	12
(b) Extra Statutory Payments	-	-
	<u>20</u>	<u>12</u>

34. FINANCIAL TARGET

The Board's only financial target for 2002-2003 was to contain expenditure within the accrued limits for the Department of Education and Department for Employment and Learning and within the cash limits approved by the Department of Culture, Arts and Leisure. These targets have been achieved.

35. FINANCIAL INSTRUMENTS

FRS 13, (Derivatives and Other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Western Education and Library Board is not exposed to the degree of financial risk faced by business entities.

Liquidity Risk

The Board's net revenue resource requirements are largely financed by grants from its sponsoring Departments, just as its capital expenditure is. The Board is not therefore exposed to significant liquidity risks.

Interest Rate Risk

The Board's financial assets and liabilities carry Nil or fixed rates of interest. The Board is not, therefore, exposed to significant interest rate risk.

Foreign Currency Risk

The Board's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

Accounts Direction given by the Department of Education for Northern Ireland (DENI) with the approval of the Department of Finance and Personnel (DFP) in accordance with Article 119 of the Education and Libraries (NI) Order 1986.

1. The Western Education and Library Board (“the Board”) shall prepare accounts for the financial year ended 31 March 2000 and subsequent years, comprising:-

- a. a foreword;
- b. an income and expenditure account;
- c. a balance sheet;
- d. a cash flow statement; and
- e. a statement of total recognised gains and losses,

including such notes as may be necessary for the purposes referred to in the following paragraphs.

Date of Submission

2. The accounts shall be submitted to the Comptroller and Auditor General by the 30 June immediately following the end of the financial year.

Presentation of Accounts

3. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.

4. Except where otherwise specified in this Direction, the accounts shall be prepared in accordance with:-

- a. generally accepted accounting practice in the United Kingdom (UK GAAP);
- c. the disclosure and accounting requirements contained in the “Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of services provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
- d. the accounting and disclosure requirements given in “Government Accounting Northern Ireland”, and in “Executive NDPBs: Annual Reports and Accounts Guidance”, as amended or augmented from time to time;

insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order, and the accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of :-

- c. fixed assets at their value to the business by reference to current costs; and
- d. stock at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Accounting Policies

7. In preparing its accounts, the Board shall comply with the agreed statement of Accounting Policy approved by DENI and DFP, and adopted collectively by the Boards.

8. This Direction shall be reproduced as an Appendix to the accounts.

Signed by authority of the Department of Education for Northern Ireland.

D Woods

Dated 26 November 1999

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order

The disclosure exemptions permitted by the Companies (Northern Ireland) Order shall not apply to the Board unless specifically approved by DFP.

The Companies (Northern Ireland) Order requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.

When preparing its income and expenditure account, the Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order.

When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order. The balance sheet totals shall be struck at "Total assets less current liabilities".

The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order.

The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

The Board is not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword to the accounts shall, inter alia:-

State that the Accounts have been prepared in a form directed by the Department with the consent of DFP in accordance with Article 119 of the Education and Libraries (Northern Ireland) Order 1986, and in accordance with this Direction;

Include a brief history of the Board and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.