



Department of
Education

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Department of Education
RESOURCE ACCOUNTS



for the year ended 31 March 2006



INVESTOR IN PEOPLE

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NIA 310/03

£18.00

**Department of Education Resource Accounts
For the year ended 31 March 2006**

*Laid before the Houses of Parliament
by the Department of Finance and Personnel
in accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

8 November 2006

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

8 November 2006

Ordered by the House of Commons to be printed

8 November 2006

DEPARTMENT OF EDUCATION**Accounts for the year ended 31 March 2006**

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DEPARTMENT OF EDUCATION

ANNUAL REPORT

1. Ministerial responsibility

During the year, the following Minister had responsibility for the Department of Education:

Minister with responsibility for Education	Mr Barry Gardiner MP (to 5 May 2005)
	Mrs Angela Smith MP (from 17 May 2005)

2. Senior officers

The composition of the Departmental Management Board - the Senior Management Team - during the year was as follows:

Mr Gerry McGinn	Permanent Secretary (to 31 December 2005)
Mr Will Haire	Permanent Secretary (from 3 January 2006)
Dr Eddie Rooney	Deputy Secretary
Ms Marion Matchett	Chief Inspector, Education and Training Inspectorate

Heads of Divisions

Dr Mark Browne	Finance and Strategic Planning
Mrs Katrina Godfrey	Resource Allocation
Mrs June Ingram	Equality, Inclusion and Pupil Support (to 9 September 2005)
Mrs Dorothy Angus	Equality, Inclusion and Pupil Support (from 3 October 2005)
Mrs Maura McCusker	Corporate Services
Mrs Christine Jendoubi	Teachers and School Improvement Division (to 6 March 2006)
Mr Eugene Rooney	Development and Infrastructure
Mrs Louise Warde Hunter	Policy Research and Youth
Mr David Woods	Curriculum and Post-Primary Review
Mr Chris Stewart	Review of Public Administration (from 1 March 2006)

3. Senior official appointments

The Permanent Head of the Department of Education took up his present post on transfer from the Department for Employment and Learning. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Dorothy Angus and Chris Stewart took up their present posts on transfer from other departments. Their appointments are for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

4. Departmental accounting boundary

These accounts have been prepared in accordance with directions given by the Department of Finance and Personnel in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Special Education Needs Tribunal. All other associated education bodies are outside the accounting boundary defined within the *Government Financial Reporting Manual (FRM)*.

5. Associated bodies

The Department provides funding to a number of public and private sector bodies which are outside the Departmental Resource Accounting boundary. For resource accounts purposes, with the exception of the Special Education Needs Tribunal, all of the NDPBs fall outside the Departmental accounting boundary and their results are not therefore consolidated with those of the Department. Financial information in respect of the individual NDPBs may be obtained from their separately published annual report and accounts.

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

Executive NDPBs:-

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for Curriculum, Examinations and Assessment
North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals:-

Special Educational Needs Tribunal

Private sector bodies:-

Grant Maintained Integrated Schools *

Voluntary Grammar Schools *

Northern Ireland Council for Integrated Education

Comhairle na Gaelscolaíochta

Middletown Centre for Autism

* **Note:** Other schools, maintained and controlled, are funded via the Education and Library Boards.

6. Departmental reporting cycle

The Department's original Estimates for the year were included in the "*Northern Ireland Main Estimates 2005-2006*" publication. These Estimates were subject to in-year revision and revised Estimates were included in the "*Northern Ireland Spring Supplementary Estimates 2005-2006*" publication. Both these publications are available from The Stationery Office.

The Department's Estimates include provision for the Education and Library Boards; the Council for the Curriculum, Examinations and Assessment; the Council for Catholic Maintained Schools; Voluntary and Grant Maintained Integrated Schools; the Youth Council and Youth Services; EU Programme for Peace and Reconciliation funding; Executive Programme Funds, Departmental administration, miscellaneous education services and community relations.

Key non-financial targets are detailed in the Department's Public Service Agreement, published annually. Progress is monitored on a six monthly basis.

7. Payment of Suppliers

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

During the year 97.1 % of bills were paid within this standard. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

8. Pension Liabilities

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

9. Company directorships

There are no company directorships or other significant interests held by any members of the Departmental Management Board.

10. Auditor

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

The audit of the financial statements for 2005-06 resulted in a notional audit fee of £76,000 and is included in the administration costs in the operating cost statement. No remuneration was paid to the auditors for non-audit work during the year.

MANAGEMENT COMMENTARY

11. Nature, objectives and strategy of the Department

The Department's Vision: "To educate and develop the young people of Northern Ireland to the highest possible standards, providing equality of access to all".

The Department's Mission Statement: "We will work together as partners in education and youth services to ensure a high standard of education for all children and young people, which will put them at the centre of education, motivate them, build their confidence and enrich their lives, and provide the foundation for a strong and vibrant economy".

To meet this vision the Department has developed the following supporting objectives:

- ◆ Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society; and
- ◆ Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through

community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

The Department's main areas of responsibility are in pre-school, primary, post-primary and special education; the youth service; the promotion of community relations within and between schools; and teacher education and salaries. Its primary statutory duty is to promote the education of the people in Northern Ireland and to ensure the effective implementation of education policy. Its key functions include:

- ◆ advising ministers on the determination of education policy;
- ◆ framing legislation;
- ◆ accounting for the effectiveness of the education system;
- ◆ allocating, monitoring and accounting for resources; and
- ◆ through the Education and Training Inspectorate, evaluating and reporting on the quality of teaching and learning and teacher education.

The context in which we work

Formal and informal education is the key to preparing our young people to take their place in the world. Society has become increasingly complex, with technology supporting an increasingly globalised world. We need to ensure all our children and young people are properly prepared for the challenges they will face. As society has evolved, so too have the skills needed for the workplace. Future prosperity for individuals and society at large must be built on a high-quality education system that brings out the best in all.

Public expectations about services have also developed:

- ◆ the public expect essential services to be easily accessible;
- ◆ those using services want them to be of high quality; and
- ◆ taxpayers want cost effective delivery.

As a key public service, all in the education sector, both inside and outside classrooms, must focus on customer service, quality and value for money.

Key non-financial targets

Key non-financial targets for the period include the following:

Target	Performance*
1. To promote improvement in educational attainment so that:	
By 2008, 80 per cent of primary pupils will achieve level 4 or above in Key Stage 2 in English and 83 per cent in Maths (compared to 76% English and 78% Maths in 2002-03).	2004-05 English 77% Maths 79%
By 2008, 63 per cent of year 12 pupils will obtain 5 or more GCSEs (or equivalent) at grades A* to C (compared to 59% in 2002-03).	2004-05 61%
By 2008, 60 per cent of year 14 pupils will achieve 3+ A levels at grades A to C, or equivalent, (compared to 56% in 2002-03).	2004-05 61%
2. To reduce differentials in educational attainment so that:	
By 2008, 70 per cent of pupils in the most disadvantaged primary schools will achieve level 4 or above in Key Stage 2 in English and in Maths (compared to 63% English and 67% Maths in 2002-03).	2004-05 English 64% Maths 67%
By 2008, 83 per cent of year 12 pupils in secondary schools will obtain 5 or more GCSEs at grades A* to G, or equivalent (compared to 80% in 2002-03).	2004-05 82%
By 2008, 94 per cent of year 12 pupils in the most disadvantaged post-primary schools will gain 1 or more GCSEs at A* to G, or equivalent (compared to 89% in 2002-03).	2004-05 92%
3. To ensure equality of access to Youth Service, promote understanding and tolerance and complement broader education aspirations so that:	
By 2008, 42 per cent of youth population aged 4-18 years to participate in youth activities.	2004-05 34% 2005-06 36%

* For targets 1 and 2, the results for the academic year 2004-05 are the most recent available for publication.

Further details relating to the key non-financial targets and the progress against those targets can be found in the “*Priorities and Budget 2005-08*” and “*Progress in Implementing Priorities and Budget 2004-2006 - Annual Report for 2004-05*” available at www.pfgbudgetni.gov.uk

Planning framework

The Department’s Strategic Framework is designed to provide clear direction and guide planning.

In order to realise our Vision and Mission Statement, the Strategic Framework identifies five strategic themes:

- ◆ valuing education;
- ◆ fulfilling potential;
- ◆ promoting equality and inclusion;
- ◆ resourcing education; and
- ◆ organising for success.

The first four themes relate to the education service as a whole, while the fifth sets out how the Department will organise itself to deliver the preceding four educational themes.

12. Current and future development and performance

To strengthen strategic business planning and accountability processes across the education sector the Department has developed a three year strategic plan for 2005-2008 in collaboration with our education partners. The plan sets out within the Strategic Framework, the actions required over the period 2005-06 to 2007-08 to make progress towards the associated strategic aims and outcomes. The annual business plans of all funded education bodies have been aligned to the Strategic Plan, embedding its use as a planning document and promoting coherence across the sector.

The Department has also established a Programme Board to take forward, as a coherent programme, four related strands of modernisation and reform:

- ◆ the recommendations of the Costello Report on Post-Primary education;
- ◆ the review of the curriculum;

- ◆ the development of ICT; and
- ◆ the modernisation of the schools' estate.

The budget allocation will support the capacity of young people to learn and will produce significant benefits through enhanced educational standards – including improved literacy and numeracy – for the pupil population as a whole. It will be accompanied by a particular focus on the disadvantaged and tackling the growing requirements of those with special educational needs. The implementation of a more relevant and flexible curriculum that better meets the varying needs and abilities of children, and the development of co-operation and collaboration among schools and with the further education sector, will increase the range of options open to young people and support them in reaching their full potential. The enhanced curriculum will be delivered harnessing the full potential of ICT in a modernised schools' estate.

In recognition of the need to ensure best possible use of available resources the Department will be working to develop programmes and time tabled actions to reduce over capacity and duplication of education provision and administration.

On 22 November 2005 the Secretary of State announced a fundamental reform of public services in Northern Ireland. The Review of Public Administration (RPA) will place the future administration of education with a new Education and Skills Authority which will bring together all the direct support functions currently undertaken by the Education and Library Boards and the range of other organisations funded by Government. The RPA will result in significant change to the Department of Education enabling a greater focus on policy development and on the translation of policy into improved outcomes at the front line. As such, the Department will be transferring functions to the Education and Skills Authority. It is planned that the new Education and Skills Authority will be operational from April 2008.

The proposed transfer of responsibility for early years services from the Department of Health, Social Services and Public Safety to the Department of Education will support the Government's aim that every child shall have the best possible start in life. The transfer is consistent with the aims of the Children and Young People Fund and will help ensure more coherent support for pre-school children and their families. New models providing a greater range of pre-school services will be developed. The two main policy areas for children aged 0-4 in Northern Ireland are Sure Start and the Pre-School Expansion Programme. The transfer, which will take place in 2006-07 will enable the development of a seamless link between the two, building on their success and further promoting the physical, intellectual and social development of pre-school children to ensure they are well prepared for school and later life.

The Investment Strategy for Northern Ireland recognises the substantial investment needs of the education sector and will contribute to the removal of surplus places and the re-shaping of the schools' estate in the coming years.

13. Resources

A key resource available to the Department is its employees.

Equal opportunities

The Department of Education is an equal opportunities employer and fully endorses the Northern Ireland Civil Service (NICS) Equal Opportunities Policy Statement. It is Departmental policy that people shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for work. Everyone has the right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all workers are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. In order to provide a high quality service the Department needs to recruit, retain and promote the best available people. We aim to foster a culture which encourages every member of staff to develop his or her full potential and which rewards achievement. Creating a working environment where individual differences are valued and respected enables all staff to give of their best and helps us to respond more effectively to the needs of the people we serve.

Full details can be found in the NICS Equal Opportunities Guide for Staff.

Awareness of equal opportunities best practice is promoted throughout the Department by the Personnel and Development Services Branch.

Employment of people with disabilities

The Department of Education follows the Northern Ireland Civil Service Code of Practice concerning the employment of people with disabilities. The Northern Ireland Civil Service is committed to providing equality of opportunity as stated in the Service's Equal Opportunities Policy Statement. The policy states that "all eligible persons shall have equal opportunity for employment and advancement in the Northern Ireland Civil Service on the basis of their ability, qualifications and aptitude for work". The Department aims to provide access to the full range of recruitment and career opportunities for all people with disabilities, to establish working conditions which encourage the full participation of disabled people and seek to ensure the retention of existing staff who are affected by disability through rehabilitation, training and reassignment. As part of this overall policy the Department is committed to ensuring that its policies and practice comply with the requirements of the Disability Discrimination Act.

Full details can be found in the NICS Code of Practice.

Provision of information to employees

Information on matters of interest to employees is provided to them by a number of means such as the internal Intranet, the in-house magazine, issue of circulars and regular team briefings.

The Department has agreed consultation arrangements with the recognised trade union, the Northern Ireland Public Service Alliance (NIPSA), with formal meetings taking place at least six times per year and bi-annual meetings on matters such as equal opportunities and health and safety. In addition, trade union side is regularly consulted on matters relating to employees' terms and conditions.

As well as the formal consultation arrangements with trade union side, the Department seeks to obtain the views of all staff by staff surveys and focus groups. The results of these are published on the internal Intranet and staff are consulted about and contribute to the resultant action.

14. Risks and uncertainties

The Statement on Internal Control (page 23) outlines the system of internal control operated by the Department to manage risk. The statement identifies any significant internal control problems faced by the Department.

15. Relationships

The Department provides funding to a number of executive Non-Departmental Public Bodies and Private Sector Bodies (detailed in paragraph 5), which have responsibility for the delivery of Educational and Youth Services. The performance of these bodies directly influences the ability of the Department to achieve its objectives.

16. Financial Position

Comparison of outturn against Estimate

The Department's Net Resource Outturn for the year was £1,680m compared to a total of £1,794m authorised by Parliament. The main factors causing this variance were:

A-3 Voluntary and Grant Maintained Integrated Schools

Slippage on a number of infrastructure projects, mainly due to vesting complexities, planning and site difficulties and design issues.

A-4 Miscellaneous Educational Services

Work to determine the most appropriate arrangements for the Middletown Centre of Excellence for Autism resulted in slippage in the associated infrastructure project.

A-5 EU Programme for Peace and Reconciliation

Projects have not been able to achieve their forecast expenditure, and therefore fewer claims have been vouched by the Department.

A-7 Repayment of Loan Interest

The amount of loan interest payments reflects the latest borrowing requirements.

A-10 Education and Library Boards

Schools spent less than their delegated budgets under Local Management of Schools arrangements. In addition there was slippage on infrastructure projects and lower than expected grant requirements.

A-11 CCEA

Grant in respect of certain 2004-05 expenditure was not required until the 2005-06 financial year.

B-3 Youth Services

Slower than expected progress on voluntary youth infrastructure projects, mainly due to delays in drawing up leases and deeds of covenant.

B-5 EU Programme for Peace and Reconciliation

Projects have not been able to achieve their forecast expenditure, and therefore fewer claims have been vouched by the Department.

B-6 Executive Programme Funds

Expenditure on certain infrastructure projects was less than originally anticipated.

B-8 Education and Library Boards

Carry forward of resource provision for youth service budgets, and slippage on infrastructure projects.

Going concern

The balance sheet at 31 March 2006 shows negative taxpayers equity of £30.1m. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the Department of Education's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent moneys, including those derived from the Department's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Department of Education's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2006-07 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Contingent liabilities included for Parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

17. Environmental, social and community issues

The Department of Education will contribute to the overall Government objectives on sustainable development in a number of ways. Sustainable development is one of the key themes to be developed through all parts of the planned revised curriculum at primary and post-primary level. Pupils will address issues such as environmental change, bio-diversity and managing the human impact on the environment. The investment in schools will be designed to meet the best practice in sustainable construction and waste management and the Department will be implementing, with its education partners, best practice on recycling, printing, publishing and promoting policies on sustainable consumption and production.

The Department has an important role to play in relation to various social and community issues. A key theme of the three year "*Strategic Plan for Education*" (www.deni.gov.uk) is the promotion of Equality and Inclusion, which aims to ensure equality of access to education and youth service provision and promote respect for, and value of, diversity, equality and human rights. The achievement of other aims within the Strategic Plan will address a range of other social and community issues.

18. Disclosure of information to auditors

The Management Board are not aware of any relevant audit information of which the Department's auditors are unaware. The Board have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

REMUNERATION REPORT

19. Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- ◆ the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- ◆ regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- ◆ Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- ◆ the funds available to departments as set out in the Government's departmental expenditure limits; and
- ◆ the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Staff are appraised annually against a set of competencies and individually targeted objectives. Bonuses, which form only a small percentage of total salaries, are the only form of remuneration subject to

performance conditions. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

20. Service Contracts

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

All officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

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

21. Salary and pension entitlements

The salary, pension entitlements and the value of any taxable benefits in kind of the Minister and the most senior officials of the Department of Education were as follows:

	Salary	Benefits in kind (rounded to nearest £100)	Real increase in pension at age 65	Total accrued pension at age 65 at 31 March 2006
	£000	£	£000	£000
2005-06 Minister				
Mrs Angela Smith MP (from 17 May 2005)	-	-	-	-
Mr Barry Gardiner MP (to 5 May 2005)	-	-	-	-
2004-05 Minister				
Mr Barry Gardiner MP	-	-	-	-

Ministers' Salaries

From 1 April 2005 to 5 May 2005 the Department of Education was under the direction and control of Mr Barry Gardiner MP. From 17 May 2005 to 31 March 2006 the Department was under the direction and control of Mrs Angela Smith MP. Their salary and allowances were paid by the NI Office or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Cost Statement in the same way as devolved Minister's salaries. Details of Mr Barry Gardiner and Mrs Angela Smith's salary and allowances, will be provided in the NI Office Resource Accounts.

Ministerial Pensions

Pension benefits for Westminster Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an "average salary" basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2006 and related lump sum	Column 5 CETV at 31 March 2005 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2006 or at date of leaving (nearest £000)	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover - to nearest £100
	£000	£	£000	£000	£000	£000	£000	£
2005-06 Officials								
Mr Will Haire Permanent Secretary From 3 January 2006	20-25 <i>(95-100 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	30-35 plus 95-100 lump sum	479	483	3	-
Mr Gerry McGinn Permanent Secretary To 31 December 2005	85-90 <i>(110-115 full year equivalent)</i>	-	0-2.5 plus 2.5-5 lump sum	5-10 plus 15-20 lump sum	67	84	13	-
Dr Eddie Rooney Deputy Secretary	85-90	-	0-2.5 plus 5-7.5 lump sum	20-25 plus 65-70 lump sum	307	350	27	-
Ms Marion Matchett Chief Inspector, Education and Training Inspectorate	90-95	-	0-2.5 plus 2.5-5 lump sum	35-40 plus 115-120 lump sum	656	714	29	-
Dr Mark Browne Finance and Strategic Planning	60-65	-	0-2.5 plus 2.5-5 lump sum	15-20 plus 45-50 lump sum	189	218	18	-
Mrs Dorothy Angus Equality, Inclusion and Pupil Support From 3 October 2005	30-35 <i>(60-65 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	20-25 plus 60-65 lump sum	345	356	6	-
Mrs June Ingram Equality, Inclusion and Pupil Support To 9 September 2005	25-30 <i>(60-65 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	142	156	6	-

	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2006 and related lump sum	Column 5 CETV at 31 March 2005 or at date of joining (nearest £000)	Column 6 CETV at 31 March 2006 or at date of leaving (nearest £000)	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover - to nearest £100
	£000	£	£000	£000	£000	£000	£000	£
2005-06 Officials								
Mrs Christine Jendoubi Teachers and School Improvement Division To 6 March 2006	60-65 <i>(70-75 full year equivalent)</i>	-	0-2.5 plus 2.5-5 lump sum	25-30 plus 75-80 lump sum	404	446	20	-
Mr Eugene Rooney Development and Infrastructure	65-70	-	0-2.5 plus 2.5-5 lump sum	15-20 plus 50-55 lump sum	226	253	15	-
Mrs Louise Warde Hunter Policy Research and Youth	50-55	-	0-2.5	0-5	5	15	8	-
Mr David Woods Curriculum and Post-Primary Review	85-90	-	0-2.5 plus 0-2.5 lump sum	35-40 plus 110-115 lump sum	639	666	5	-
Mrs Maura McCusker Corporate Services	60-65	-	0-2.5 plus 2.5-5 lump sum	25-30 plus 80-85 lump sum	420	461	19	-
Mrs Katrina Godfrey Resource Allocation	55-60	-	0-2.5 plus 2.5-5 lump sum	10-15 plus 30-35 lump sum	118	137	12	-
Mr Chris Stewart Review of Public Administration	0-5 <i>(55-60 full year equivalent)</i>	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 40-45 lump sum	163	164	-	-

	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2005 and related lump sum	Column 5 CETV at 31 March 2004 (nearest £000)	Column 6 CETV at 31 March 2005 (nearest £000)	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover - to nearest £100
	£000	£	£000	£000	£000	£000	£000	£
2004-05 Officials								
Mr Gerry McGinn Permanent Secretary			Consent to disclosure withheld					
Dr Eddie Rooney Deputy Secretary	70-75	-	0-2.5 plus 2.5-5 lump sum	20-25 plus 60-65 lump sum	277	307	15	-
Dr Mark Browne Finance and Strategic Planning			Consent to disclosure withheld					
Mrs June Ingram Equality, Inclusion and Pupil Support			Consent to disclosure withheld					
Mrs Christine Jendoubi Teachers and School Improvement Division			Consent to disclosure withheld					
Mr Eugene Rooney Development and Infrastructure			Consent to disclosure withheld					

	Column 1 Salary, including performance pay	Column 2 Benefits in kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60	Column 4 Total accrued pension at age 60 at 31 March 2005 and related lump sum	Column 5 CETV at 31 March 2004 (nearest £000)	Column 6 CETV at 31 March 2005 (nearest £000)	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)	Column 8 Employer contribution to partnership pension account including risk benefit cover - to nearest £100
	£000	£	£000	£000	£000	£000	£000	£
2004-05 Officials								
Mr Terry Smyth Equality, Rights and Youth Services Retired on 30 June 2004				Consent to disclosure withheld				
Mrs Louise Warde Hunter * Policy Research and Youth From 4 October 2004	25-30 (50-55 full year equivalent)	-	0-2.5 plus 0-2.5 lump sum	0-5 -	-	5	5	-
Mr David Woods Curriculum and Post-Primary Review				Consent to disclosure withheld				
Mrs Maura McCusker Corporate Services				Consent to disclosure withheld				
Mrs Katrina Godfrey Resource Allocation	45-50	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 30-35 lump sum	105	118	5	-

* Member started Premium Scheme on 27 September 2004. No lump sum is payable.

22. NOTES

Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

DEPARTMENT OF EDUCATION

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

The Department of Finance and Personnel has appointed the Permanent Head of the Department as Accounting Officer of the Department of Education. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department of Education's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Government Accounting Northern Ireland*.

DEPARTMENT OF EDUCATION
STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

This includes ensuring that there are appropriate financial and management controls in place within the Department's Non-Departmental Public Bodies (NDPBs).

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Education for the year ended 31 March 2006 and up to the date of approval of the accounts, and accords with Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high-level risks recorded in the corporate risk register and for receiving reports on significant risks arising from divisional risk registers. The Board have procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

Staff within the Department, in particular Heads of Branches, have received training to ensure they understand the purpose and context of the risk management process and their responsibilities within it. Personal responsibility for risk management is emphasised through risk ownership at the appropriate level and a system of stewardship reporting.

4. The risk and control framework

The Department has set out its attitude to risk in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the departmental objectives are identified and evaluated. We have carried out appropriate procedures to ensure that risks associated with the Department's key objectives have been assessed, and determined a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in divisional risk registers and, for higher-level or overarching risks, in the corporate risk register. The Department's Risk Management Framework includes guidance which helps ensure consistent evaluation of risk.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. 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 Department 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The risk management arrangements currently in place have been assessed by Internal Audit against HM Treasury guidance. This review has confirmed a high level of compliance with the guidance and also indicated some areas for improvement and consolidation, including enhancing the integration of risk management with business planning and improved monitoring arrangements.

My review of the effectiveness of the system of internal control is also informed by:

- ◆ regular performance information provided by managers with executive responsibilities;
- ◆ the subsidiary statements of internal control presented by Heads of Branch and Heads of Division within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas;

- ◆ the statements of internal control, and associated documentation, submitted by the Accounting Officers of the Department's NDPBs; and
- ◆ comments made by the external auditors in their management letters and other reports.

In regard to Job Evaluation Schemes in Education and Library Boards (ELBs), an accredited Job Evaluation Scheme in line with a UK agreed process was undertaken by ELBs to address a major risk, ie to stem the flow of the growing number of expensive equal pay claims arising in the public sector and to ensure fairness and objectivity in the treatment of staff. To address the risk of affordability we have asked Boards to keep the Department fully informed of the potential costs of any Job Evaluation Schemes and to seek both the Department's and the Department of Finance and Personnel's approval before they conclude a deal with the Trade Unions.

6. Significant internal control problems

There remains a continuing risk that Education and Library Boards will be unable to remain within budget and that they do not have in place effective financial management and control arrangements. In order to address this issue, the Department closely monitors the Belfast Education and Library Board and South Eastern Education and Library Board expenditure through monthly accountability review meetings. There is increased scrutiny of financial information from all Education and Library Boards and greater focus on the requirement of Education and Library Boards to manage school surpluses and deficits along with the provision of clearer guidance to Education and Library Boards on accounting and finance issues.

Efficiency savings identified for home to school transport are unlikely to be achieved thereby putting pressure on ELB budgets. A research project has been commissioned and has determined the cost drivers associated with home to school transport and identified potential scope for savings. Home to school transport has also been identified as a zero-based review exercise, providing an opportunity for a review of costs and delivery models. Liaison will take place with Education and Library Boards, Translink and other key interests on the report findings and alternative efficiency measures. Ministers have been engaged at an early stage and this will continue in order to secure agreement to proceed with any necessary policy or legislative changes.

An internal audit of the branch responsible for Teachers' Pay recorded that there was a significant level of residual risk and a follow-up review of audit recommendations has highlighted that a substantial number of audit recommendations had not yet been fully implemented. In addition, a significant teacher salary overpayment occurred during the year. Internal controls have been strengthened to reduce the risk of significant overpayments of

teachers' pay. Work is underway to implement all the audit recommendations and the residual risk is being managed as reflected in the Branch and Divisional Risk Register.

The Department has set a target of a 20% reduction in teacher sick absence over a three year period to bring absence levels down from an average of 8 days per full-time teacher to an average of 6 days, in line with England and Wales. However, initial data for the 2005-06 financial year suggest that the average has increased. The Department is working with the main employing authorities to establish improved benchmarking information and to improve the quality of information available. The employing authorities have renewed their commitment to monitoring levels of absence and to investigation and support of those schools with the worst absence records. Having considered the results of research in England and Wales, Scotland and the Republic of Ireland, they are currently progressing a number of measures that may be expected to have a positive impact on absenteeism. These include the development of a strategy to improve teacher health and well being; and a major revision of the Managing Attendance policy to close loopholes in the management of both casual and long-term sick absence.

Implementation of the revised curriculum, assessment and other associated reforms, has slipped. To address this issue, the Department will continue to liaise closely with the Northern Ireland Council for the Curriculum, Examinations and Assessment and Partnership Management Board (PMB) to monitor progress on implementation arrangements and resource requirements and will progress the timely drafting of, and consultation on, necessary subordinate legislation.

The European Union (EU) has recently categorised expenditure under the C2K programme as a major project under Article 25 of the EU regulation 1260/99, with the result that the Department must apply for EU Commission approval for the expenditure, otherwise it will be deemed ineligible under the Building Sustainable Prosperity Programme Measure 2.5. Failure to receive EU Commission approval may result in the Department being required to refund the EU proportion of expenditure claimed. The Department, in conjunction with the Department of Finance and Personnel are liaising with the EU Commission to agree a suitable way forward.

The Review of Public Administration will involve significant changes to the Department and the administration of education in Northern Ireland, with the development of a new single education authority by April 2008. There remains concern relating to the implementation of the new structures due to insufficient resources, insufficient staff with appropriate skills and insufficient time for the production of required policy and legislation. In order to address these concerns, the Department has submitted a business case to the Department of Finance and Personnel for additional resources, implemented Project Management methodology to ensure that correct processes are applied, and reviewed the scope of the legislation in light of the available time.

The Department is also Scheme Manager for the Teachers' Superannuation Scheme (TSS) NI. The Statement on Internal Control for TSS draws attention to certain matters, which the Department will address in the coming year.



Signed: _____

Date: 9 October 2006

Accounting Officer

DEPARTMENT OF EDUCATION

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 of the Department of Education for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 23 to 27 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's

statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

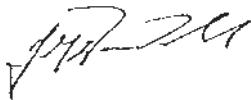
Opinion

In my opinion:

- ◆ the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;

- ◆ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- ◆ in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



J M Dowdall CB
Comptroller and Auditor General

16 October 2006

Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

DEPARTMENT OF EDUCATION
STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2005-06

	2005-06							2004-05
	Estimate			Outturn			Net total outturn compared with Estimate: saving/ (excess)	Outturn
	Gross expenditure	Accruing Resources	Net total	Gross expenditure	Accruing Resources	Net total		Net total
	£000	£000	£000	£000	£000	£000	£000	
Request for Resources A (Note 2)	1,765,004	(11,326)	1,753,678	1,653,372	(6,019)	1,647,353	106,325	1,576,893
Request for Resources B (Note 2)	40,847	(375)	40,472	32,854	-	32,854	7,618	34,828
Total resources (Note 3)	1,805,851	(11,701)	1,794,150	1,686,226	(6,019)	1,680,207	113,943	1,611,721
Non-operating cost Accruing Resource	-	-	-	-	-	-	-	1

Net Cash Requirement 2005-06

	Note	2005-06			2004-05
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	1,791,435	1,686,068	105,367	1,602,324

Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2005-06		Outturn 2005-06	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	26,996	<i>28,907</i>	7,476	<i>14,846</i>

Explanations of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary.

DEPARTMENT OF EDUCATION

Operating Cost Statement

for the year ended 31 March 2006

	Note	2005-06			2004-05		
		Staff costs £000	Other costs £000	Income £000	Staff costs £000	Other costs £000	Income £000
Administration costs:							
Staff costs	7	21,092	-	-	19,132	-	-
Other administration costs	8	-	5,406	-	-	5,371	-
Operating income	10	-	-	(3)	-	-	(2)
Programme costs:							
Request for resources A							
Staff costs	7	330	-	-	594	-	-
Programme costs	9	-	1,627,577	-	-	1,558,358	-
Less: Income from EU (DE principal)	10	-	-	(4,994)	-	-	(23,912)
Less: Income	10	-	-	(6,179)	-	-	(5,784)
Request for resources B							
Programme costs	9	-	31,821	-	-	33,880	-
Less: Income from EU (DE principal)	10	-	-	(2,305)	-	-	-
Less: Income	10	-	-	(14)	-	-	-
Totals		21,422	1,664,804	(13,495)	19,726	1,597,609	(29,698)
Net operating cost	3, 11			1,672,731			1,587,637

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2006

	Note	2005-06	2004-05
		£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	12	11	36
Net gain on revaluation of intangible fixed assets	13	4	4
Recognised gains and losses for the financial year		15	40

DEPARTMENT OF EDUCATION

Cash Flow Statement

for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	21a	(1,670,865)	(1,588,718)
Capital expenditure and financial investment	21b, 21c	(135)	(2,030)
Payments of amounts due to the Consolidated Fund		(14,705)	(11,534)
Financing	21d	<u>1,694,093</u>	<u>1,603,770</u>
Increase/(decrease) in cash in the period	21e	<u>8,388</u>	<u>1,488</u>

DEPARTMENT OF EDUCATION

Consolidated Statement of Operating Costs by Departmental Aims and Objectives

for the year ended 31 March 2006

Aim: To educate and develop the young people of Northern Ireland to the highest possible standards, providing equality of access to all.

	2005-06			2004-05		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1	1,653,372	(11,176)	1,642,196	1,582,521	(29,698)	1,552,823
Objective 2	32,854	(2,319)	30,535	34,814	-	34,814
Net operating costs	1,686,226	(13,495)	1,672,731	1,617,335	(29,698)	1,587,637

The Department's objectives were as follows:

Objective 1

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

Objective 2

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

See Note 22.

DEPARTMENT OF EDUCATION
ANNUAL REPORT AND ACCOUNTS 2005-06

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2005-06 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Parliamentary/Assembly Grant to match current liabilities recorded within the balance sheet. Under FRS 18, such a closing balance sheet position which shows a surplus of liabilities over assets requires the Accounting Officer to make an assessment of the viability of the Department as a going concern. However, no material uncertainties affecting the Department's ability to continue as a going concern have been assessed and these accounts have therefore been prepared under the going concern principle.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and the Special Educational Needs Tribunal which falls within the Departmental boundary as defined in the *FReM* (chapter 1.5) issued by the Department of Finance and Personnel. Transactions between entities included in the consolidation are eliminated.

As the results of the Core Department are not materially different from those of the Consolidated Department, the results of the Special Educational Needs Tribunal have not been separately disclosed on the Operating Cost Statement, Balance Sheet and supporting notes.

A list of all those entities within the Departmental boundary is given at Note 32.

1.3 Tangible fixed assets

Tangible fixed assets are initially recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use.

At each annual reporting date, tangible fixed assets are stated at valuation, determined as follows:

- ◆ Land and Buildings excluding Dwellings

Title to land and buildings excluding dwellings shown in the accounts is held by the Department of Education. Land and buildings are restated to current value using a professional valuation, which is provided every five years and appropriate indices in intervening years.

- ◆ Other Tangible Fixed Assets

Transport equipment and information technology have been stated at current cost using appropriate indices. The minimum level for capitalisation is £1,000. PCs (including laptops) and network equipment are grouped for all assets utilised in connection with the Departmental Local Area Network.

1.4 Depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis by reference to current values and to the remaining economic useful lives of assets and their estimated residual value. Freehold land is not depreciated.

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

Buildings excluding dwellings	25 years
Information Technology	3 to 10 years
Transport Equipment	4 years

Tangible fixed assets, other than land and buildings excluding dwellings are re-valued annually on the basis of the latest available indices. Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment as per FRS 11 and charged in full to the Operating Cost Statement.

Impairment reviews of fixed assets are performed annually and additionally where there is an indication of an impairment as defined by FRS 11.

1.5 Intangible fixed assets

Purchased computer software licenses are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped fixed asset. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the shorter of the term of the licence and their useful economic life.

1.6 Investments

In 2004-05 the Department invested in the “Middletown Centre for Autism (Holdings) Limited”, which is a company registered in Northern Ireland and limited by guarantee. The Company is a joint venture between the Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland and is funded equally by each department.

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

An Oversight Committee of four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland each appoint two members to the committee.

Although categorised as a joint venture in line with FRS 9, the company is deemed by the Department in agreement with the Department of Finance and Personnel to fall outside the Departmental boundary and has therefore been treated as an investment in the Departmental

Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

1.7 Stocks

The accounting policy in respect to recognition of stocks is that they are not deemed to be material, and are expensed to the Operating Cost Statement as purchased.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises, contributions from the European Union but also includes other income such as that from the sale of tangible fixed assets. It includes both operating Accruing Resources and income to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of VAT.

1.9 Administration and programme expenditure

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

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for liabilities for amounts to be surrendered to the Consolidated Fund, where the charge is nil. Supply monies have been made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). In this case, the interest which would have been charged had the supply monies been made available by loan rather than through supply is added to the cost of capital charge on the basis the interest charge exceeds what would otherwise have been charged under the standard cost of capital calculation.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency and which are covered by a related forward contract are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at

the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.12 Pensions

The Department is covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The scheme is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Department meets the cost of pension cover provided for staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

1.13 Early departure costs

DE Employees

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

Teachers

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

1.14 Leases

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

1.15 Grants payable

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

- ◆ The extent of the grant liability in relation to the Education and Library Boards (ELBs) and other Non Departmental Public Bodies (NDPBs) for both recurrent and capital expenditure is equal to their expenditure to the extent that the latter has been properly incurred. Expenditure in this context is when the ELBs/NDPBs make the payments which are due to be funded by the Department. This is equivalent to grant issued by the Department.
- ◆ Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding as at 31 March each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.
- ◆ Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of capital project funding is recognised based on the payments actually made plus accruals for valid grant claims in the possession of the Department.
- ◆ Other grant payments are recognised on an accruals basis where such information is available or on the basis of the extent of the grant issued or approved for payment as at 31 March each year.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of *Government Accounting Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.18 Value Added Tax

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

1.19 Third party assets

The Department holds as custodian or trustee certain assets belonging to third parties. These are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

2. Analysis of net resource outturn by section

	Outturn						2005-06 Estimate		2004-05
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Net total	Net total outturn compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A									
Departmental Expenditure in DEL:									
Section 1 Education and Library Boards - Departmental overheads	14,880	134	-	15,014	-	15,014	15,858	844	13,299
Section 2 Non-Departmental Public Bodies - Departmental overheads	720	7	-	727	-	727	794	67	668
Section 3 Voluntary and Grant Maintained Integrated Schools	6,307	70	301,643	308,020	(2,999)	305,021	331,645	26,624	303,767
Section 4 Miscellaneous Educational Services	676	1,098	3,708	5,482	-	5,482	7,494	2,012	6,874
Section 5 EU Programme for Peace and Reconciliation	-	-	2,512	2,512	-	2,512	3,518	1,006	2,879
Section 6 Executive Programme Funds	-	93	219	312	-	312	350	38	689
Section 7 Repayment of Loan Interest	-	231	-	231	-	231	928	697	66
Annually Managed Expenditure (AME):									
Section 8 Education Maintenance Allowance Scheme - School Support	-	-	481	481	-	481	510	29	500
Non-Budget:									
Section 9 Notional Charges - Department of Education	2,568	-	-	2,568	-	2,568	2,777	209	2,194
Section 10 Education and Library Boards	-	-	1,277,131	1,277,131	(3,020)	1,274,111	1,349,206	75,095	1,211,412
Section 11 Council for the Curriculum, Examinations and Assessment (CCEA)	-	-	14,966	14,966	-	14,966	13,219	(1,747)	12,430
Section 12 Council for Catholic Maintained Schools (CCMS)	-	-	3,765	3,765	-	3,765	4,088	323	3,238
Section 13 Staff Commission for Education and Library Boards	-	-	335	335	-	335	348	13	309
Section 14 Executive Programme Funds	-	-	21,804	21,804	-	21,804	22,921	1,117	18,568
Section 15 E-Government Fund	-	-	24	24	-	24	22	(2)	-
Total	25,151	1,633	1,626,588	1,653,372	(6,019)	1,647,353	1,753,678	106,325	1,576,893

	Outturn						2005-06 Estimate		2004-05
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Net total	Net total outturn compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources B									
Departmental Expenditure in DEL:									
Section 1									
Education and Library Boards - Departmental overheads	343	3	-	346	-	346	365	19	269
Section 2									
Youth Council - Departmental overheads	73	1	-	74	-	74	83	9	65
Section 3									
Youth Services	207	2	1,143	1,352	-	1,352	3,201	1,849	1,768
Section 4									
Voluntary Bodies and Other Services supporting Community relations	297	2	1,592	1,891	-	1,891	1,958	67	1,784
Section 5									
EU Programme for Peace and Reconciliation	-	-	3,072	3,072	-	3,072	4,496	1,424	4,249
Section 6									
Executive Programme Funds	-	-	403	403	-	403	996	593	1,029
Non-Budget:									
Section 7									
Notional Charges - Department of Education	105	-	-	105	-	105	108	3	87
Section 8									
Education and Library Boards	-	-	21,284	21,284	-	21,284	24,434	3,150	21,089
Section 9									
Youth Council	-	-	3,472	3,472	-	3,472	3,535	63	3,485
Section 10									
Executive Programme Funds	-	-	855	855	-	855	1,296	441	1,003
Total	1,025	8	31,821	32,854	-	32,854	40,472	7,618	34,828
Resource Outturn	26,176	1,641	1,658,409	1,686,226	(6,019)	1,680,207	1,794,150	113,943	1,611,721

Explanation of variance between Estimate and outturn

Request for Resource A

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards, lower than expected grant requirements in respect of Education and Library Boards, and carry forward of capital provision in respect of Voluntary and Grant Maintained Integrated Schools.

Request for Resource B

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards, carry forward of voluntary youth capital provision, and lower than expected grant claims under the EU Programme for Peace and Reconciliation.

Detailed explanations of the variances are given in the Management Commentary.

Key to Request for Resources

Request for Resource A

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

Request for Resource B

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

3. Reconciliation of outturn to net operating cost and against administration budget

3(a) Reconciliation of net resource outturn to net operating cost

	Note	2005-06			2004-05
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
		£000	£000	£000	£000
Net resource outturn (Note a)	2	1,680,207	1,794,150	113,943	1,611,721
Non-supply income (CFERs)	5	(7,476)	(26,996)	(19,520)	(24,084)
Net operating cost (Note a)		1,672,731	1,767,154	94,423	1,587,637

Note a - Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate.

3(b) Outturn against final administration budget

	2005-06		2004-05
	Budget	Outturn	Outturn
	£000	£000	£000
Gross administration budget	24,154	23,503	22,076
Income allowable against the administration budget	(1)	-	(1)
Net outturn against final administration budget	24,153	23,503	22,075

4. Reconciliation of resources to cash requirement

	Note	2005-06			2004-05
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Prior -year outturn
		£000	£000	£000	£000
Resource outturn	2	1,794,150	1,680,207	113,943	1,611,721
Capital:					
Acquisition of fixed assets	12,13	554	135	419	471
Investments		-	-	-	1,560
Non-operating ARs					
Proceeds of fixed asset disposals		(26)	-	(26)	(1)
Accruals Adjustments					
Non-cash items	8	(2,998)	(2,673)	(325)	(2,376)
Changes in working capital other than cash		-	8,323	(8,323)	(9,305)
Changes in creditors falling due after more than one year	17	-	-	-	-
Use of provision	18	66	76	(10)	254
Other adjustment		(311)	-	(311)	-
Net cash requirement		1,791,435	1,686,068	105,367	1,602,324

Explanation of variance between Estimate and net cash requirement

This mainly represents carry forward of resource and capital provision in respect of Education and Library Boards, lower than expected grant requirements in respect of Education and Library Boards, carry forward of capital provision in respect of Voluntary and Grant Maintained Integrated Schools, lower than expected grant claims under the EU Programmes for Peace and Reconciliation, and movements on amounts due to the Consolidated Fund.

5. Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2005-06		Outturn 2005-06	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Other operating income and receipts not classified as ARs	6	26,996	<i>28,907</i>	7,476	<i>14,846</i>
Total income payable to the Consolidated Fund	19	26,996	<i>28,907</i>	7,476	<i>14,846</i>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06	2004-05
		£000	£000
Operating income	10	13,495	29,698
Gross income		13,495	29,698
Income authorised to be Accruing Resource		(6,019)	(5,614)
Operating income payable to the Consolidated Fund	5	7,476	24,084

7. Staff numbers and related costs

Staff costs comprise:

	2005-06					2004-05
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	17,429	16,202	1,227	-	-	16,687
Social security costs	1,232	1,232	-	-	-	1,152
Other pension costs	2,889	2,889	-	-	-	1,996
Sub total	21,550	20,323	1,227	-	-	19,835
Less recoveries in respect of outward secondments	128	128	-	-	-	109
Total net costs*	21,422	20,195	1,227	-	-	19,726
These costs are shown in the Operating Cost Statement as:						
Administration Costs	21,092	19,907	1,185	-	-	19,132
Programme Costs	330	288	42	-	-	594
Total net costs	21,422	20,195	1,227	-	-	19,726
Analysis by Objective						
Objective 1	20,580	19,353	1,227	-	-	18,952
Objective 2	842	842	-	-	-	774
Total	21,422	20,195	1,227	-	-	19,726

* No staff costs have been charged to capital.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department of Education is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005-06, employers' contributions of £2,889,577.54 were payable to the PCSPS(NI) (2004-05: £1,995,751.56) at one of four rates in the range of 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates for 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions which are age-related and range from 3 to 12.5 per cent of pensionable pay will be paid to one or more of a panel of four appointed stakeholder pension providers. The employer will also match

employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, will be payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to partnership pension providers at the balance sheet date were £61.93 (2004-05: £63.40). Contributions prepaid at that date were £nil (2004-05: £nil).

Five persons (2004-05: four persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £7,254.85 (2004-05: £5,021.07).

Average number of persons employed

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

Objective	2005-06					2004-05
	Number	Number	Number	Number	Number	Number
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
1	700	671	29	-	-	680
2	26	26	-	-	-	29
Total	726	697	29	-	-	709

8. Other administration costs

	Note	2005-06		2004-05	
		£000	£000	£000	£000
Rentals under operating leases			41		63
Non-cash items (Note a)					
Depreciation		233		233	
Amortisation		99		79	
Profit on disposal of fixed assets		-		(1)	
Loss on revaluation of fixed assets		13		41	
Cost of capital charges		(58)		(328)	
Auditors' remuneration and expenses		76		93	
Accommodation and other notional charges		2,597		2,188	
Provisions provided for in-year	18	(65)	2,895	115	2,420
Other expenditure (Note b)			2,470		2,888
Total			5,406		5,371

Note a - the total of non-cash transactions included in the reconciliation of resources to net cash requirement in Note 4 and in the reconciliation of operating costs to operating cashflows in Note 21 comprises:

	2005-06	2004-05
	£000	£000
Other administration costs - non-cash items (as above)	2,895	2,420
Total non-cash transactions (Note 21)	2,895	2,420
Less interest paid to the NI Consolidated Fund for RRI loans	(222)	(44)
Total non-cash transactions (Note 4)	2,673	2,376

Note b - "Other expenditure" comprises:

	2005-06	2004-05
	£000	£000
Travel and subsistence	436	424
DRC - Telephone, printing and stationery	732	711
DRC - Accounting and information technology	501	565
DRC - Other general	801	1,188
Total	2,470	2,888

9. Programme costs

	Note	2005-06	2004-05
		£000	£000
Current grants and other current expenditure		1,653,813	1,585,806
EU expenditure		5,585	6,432
Staff costs		330	594
		1,659,728	1,592,832
Less: Programme income	10	(13,492)	(29,696)
Total		1,646,236	1,563,136

10. Income

	2005-06			2004-05
	RfRA	RfRB	Total	Total
	£000	£000	£000	£000
Administration income:				
Administration fees	3	-	3	2
	<u>3</u>	<u>-</u>	<u>3</u>	<u>2</u>
Programme income:				
Contribution from European Union - DE acting as principal for EU	4,994	2,305	7,299	23,912
Sale of land and buildings (NDPBs)	6,019	-	6,019	5,613
Other income	160	14	174	171
	<u>11,173</u>	<u>2,319</u>	<u>13,492</u>	<u>29,696</u>
Total operating income	<u>11,176</u>	<u>2,319</u>	<u>13,495</u>	<u>29,698</u>

11. Analysis of net operating cost by spending body

	2005-06		2004-05
	Estimate	Outturn	Outturn
	£000	£000	£000
Spending body:			
Core department	1,766,941	1,672,605	1,587,519
Other bodies	213	126	118
	<u>1,767,154</u>	<u>1,672,731</u>	<u>1,587,637</u>
Net operating cost	<u>1,767,154</u>	<u>1,672,731</u>	<u>1,587,637</u>

12. Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Transport Equipment	Information Technology	Plant & Machinery	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2005	146	47	1,126	64	1,383
Additions	-	-	65	7	72
Donations	-	-	-	-	-
Disposals	-	-	(118)	-	(118)
Revaluations	12	-	(40)	(2)	(30)
At 31 March 2006	158	47	1,033	69	1,307
Depreciation					
At 1 April 2005	1	35	636	51	723
Charged in year	4	4	219	6	233
Disposals	-	-	(118)	-	(118)
Revaluations	-	-	(27)	(1)	(28)
At 31 March 2006	5	39	710	56	810
Net book value at 31 March 2006	153	8	323	13	497
Net book value at 31 March 2005	145	12	490	13	660
Asset financing					
Owned	153	8	323	13	497
Finance leased	-	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-	-
PFI residual interests	-	-	-	-	-
Net book value at 31 March 2006	153	8	323	13	497

Note a - Land and Buildings excluding Dwellings are usually revalued on a quinquennial basis by the Valuation and Lands Agency for Northern Ireland (VLA). During intervening years, they are revalued on the basis of the latest available indices. For the purpose of the 2005-06 resource accounts land was revalued at 31 December 2005 (2004-05 land and buildings were both revalued at 31 December 2004). Land was revalued on the basis of existing use value by the VLA and buildings on the basis of depreciated replacement cost by the VLA. Other tangible assets were revalued on the basis of the latest available indices.

Note b - During the year the Department benefited from additional supply monies of £3,851,000 (2004-05: £1,997,000) which were made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). These monies were not used to fund any grants to bodies to support infrastructure additions etc.

13. Intangible Fixed Assets

Intangible fixed assets comprise purchased software licences for the Department.

	2005-06	2004-05
	£000	£000
Cost or valuation		
At 1 April 2005	646	467
Additions	63	163
Donations	-	-
Disposals	-	-
Revaluation	13	16
At 31 March 2006	722	646
Amortisation		
At 1 April 2005	437	346
Charged in year	99	79
Disposals	-	-
Revaluation	9	12
At 31 March 2006	545	437
Net book value at 31 March 2006	177	209
Net book value at 31 March 2005	209	121

14. Investments

	Middletown Centre for Autism (Holdings) Limited	
	£000	
Balance at 1 April 2005	1,560	
Additions	-	
Disposals	-	
Revaluations	-	
Balance at 31 March 2006	<u>1,560</u>	

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

Although categorised as a joint venture in line with FRS 9, the company is deemed by the Department, in agreement with the Department of Finance and Personnel, to fall outside the departmental boundary and therefore has been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

The Department's share of the net assets and results of the above body for the year ended 30 June 2005 are summarised below.

	Middletown Centre for Autism (Holdings) Limited	
	£000	
Net Assets at 30 June 2005	15	
Turnover	89	
Surplus for the year	14	

15. Debtors

15(a) Analysis by type

	2005-06	2004-05
	£000	£000
Amounts falling due within one year:		
Trade debtors	26,453	32,910
Other debtors	54	53
Prepayments and accrued income	133	117
	<u>26,640</u>	<u>33,080</u>

Included within trade debtors is £22,358,912.63 (2004-05: £29,728,523.74) that will be due to the Consolidated Fund once the debts are collected.

EU grant income is recognised by the department in the Operating Cost Statement but as it is CFER income, it is not reflected in the Statement of Parliamentary Supply with EU receipts remitted to the Consolidated Fund. The department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to 1999. This has resulted in a reduction in debtors of £6,787,813.31, which is reflected in the 2005-06 debtor balance.

The Department of Finance and Personnel have advised that an amount of £2,781,774.24 due to the department in respect of 1994-1999 ERDF programmes has been received and paid to the Northern Ireland Consolidated Fund by other departments.

15(b) Intra-government balances

	Amounts falling due within one year	
	2005-06	2004-05
	£000	£000
Balances with other central government bodies	1,352	345
Balances with local authorities	-	-
Sub total: intra-government balances	1,352	345
Balances with bodies external to government	25,288	32,735
Total debtors at 31 March	<u>26,640</u>	<u>33,080</u>

16. Cash at bank and in hand

	2005-06	2004-05
	£000	£000
Balance as at 1 April	4,345	2,857
Net change in cash balances	<u>8,388</u>	<u>1,488</u>
Balance at 31 March	<u>12,733</u>	<u>4,345</u>
The following balances at 31 March were held at:		
Office of HM Paymaster General	-	-
Commercial banks and cash in hand	<u>12,733</u>	<u>4,345</u>
Balance at 31 March	<u>12,733</u>	<u>4,345</u>

17. Creditors

17(a) Analysis by type

	2005-06	2004-05
	£000	£000
Amounts falling due within one year		
Other taxation and social security	15,829	16,460
Trade creditors	19,343	24,729
Other creditors	299	369
Accruals and deferred income	1,100	2,406
Amounts issued from the Consolidated Fund for supply but not spent at year end	12,591	4,344
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	142	1
receivable	22,359	29,729
	<u>71,663</u>	<u>78,038</u>

17(b) Intra-government balances

	Amounts falling due within one year	
	2005-06	2004-05
	£000	£000
Balances with other central government bodies	51,451	51,065
Balances with local authorities	3	5
Balances with public corporations and trading funds	10	-
Sub total: intra-government balances	51,464	51,070
Balances with bodies external to government	20,199	26,968
Total creditors at 31 March	<u>71,663</u>	<u>78,038</u>

18. Provisions for liabilities and charges

	Early departure costs	Legal claims	Total
	£000	£000	£000
Balance at 1 April 2005	25	203	228
Provided in the year	40	23	63
Provisions not required written back	-	(128)	(128)
Provisions utilised in the year	(58)	(18)	(76)
Balance at 31 March 2006	7	80	87

18.1 Early departure costs

The Department is required to meet the costs of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age, and must provide in full for the cost of meeting pensions resulting from such early retirement schemes. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote.

18.2 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 27.

19. General fund

The general fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2005-06	2004-05
	£000	£000
Balance at 1 April	(38,475)	(30,989)
Net parliamentary funding		
drawn down	1,694,093	1,603,770
Year end adjustment		
Supply creditor - current year	(12,591)	(4,344)
Settlement of supply creditor - prior year	4,344	2,855
Net transfer from operating activities		
Net operating cost	(1,672,731)	(1,587,637)
CFERS repayable to Consolidated Fund	(7,476)	(24,084)
Non-cash charges		
Cost of capital	(58)	(328)
Accommodation and other charges	2,597	2,188
Auditors' remuneration	76	93
Transfer from revaluation reserve	5	1
Balance at 31 March	<u>(30,216)</u>	<u>(38,475)</u>

Under the Reinvestment and Reform Initiative, loans were made available to the Northern Ireland Block. These loans were paid to Departments as increased supply via the NI Consolidated Fund. In order to make interest repayments on these loans the NI Consolidated Fund must annually retain an amount of supply that would otherwise be issued to Departments. For 2005-06 a further £221,733.98 (2004-05: £43,665.96) was due to the Department but was not actually issued in order to pay for the interest on loans applicable to this Department. This interest charge has been included in the net cash requirement of the Department.

20. Reserves

20(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2005-06	2004-05
	£000	£000
Balance at 1 April	63	24
Arising on revaluation during the year (net)	15	40
Transferred to General Fund in respect of realised element of Revaluation Reserve	(5)	(1)
	<hr/>	<hr/>
Balance at 31 March	73	63
	<hr/>	<hr/>

20(b) Donated Asset Reserve

The Department does not have any Donated Assets.

21. Notes to the consolidated cash flow statement

21(a) Reconciliation of operating cost to operating cash flows

	Note	2005-06	2004-05
		£000	£000
Net operating cost	11	(1,672,731)	(1,587,637)
Adjustments for non-cash transactions	8	2,895	2,420
Decrease/(increase) in debtors		6,440	(11,233)
(Decrease)/increase in creditors		(6,375)	22,025
<i>less movements in creditors relating to items not passing through the OCS</i>		(1,018)	(14,039)
Use of provisions	18	(76)	(254)
Net cash outflow from operating activities		(1,670,865)	(1,588,718)

21(b) Analysis of capital expenditure and financial investment

	Note	2005-06	2004-05
		£000	£000
Tangible fixed assets additions	12	(72)	(308)
Intangible fixed assets additions	13	(63)	(163)
Investment additions	14	-	(1,560)
Proceeds of disposal of fixed assets		-	1
Net cash outflow from investing activities		(135)	(2,030)

21(c) Analysis of capital expenditure and financial investment by request for resources

	Capital expenditure	Loans etc.	AR	Net total
	£000	£000	£000	£000
Request for resources A	135	-	-	135
Total 2005-06	135	-	-	135
Total 2004-05	471	-	-	471

21(d) Analysis of financing

	Note	2005-06	2004-05
		£000	£000
From the Consolidated Fund (supply) - current year	19	1,694,093	1,603,770
Net financing		1,694,093	1,603,770

21(e) Reconciliation of net cash requirement to increase/(decrease) in cash

	Note	2005-06	2004-05
		£000	£000
Net cash requirement	4	(1,686,068)	(1,602,324)
From Consolidated Fund (supply) - current year	21(d)	1,694,093	1,603,770
Amounts due to the Consolidated Fund - received in a prior year and paid over		(1)	(3)
Amounts due to the Consolidated Fund received and not paid over	17	142	1
Interest on RRI loans paid by the Consolidated Fund on behalf of the Department		222	44
Increase/(decrease) in cash in the period		8,388	1,488

The amount of grant actually issued to support the net cash requirement was £1,694,093,000.00 (2004-05: £1,603,770,000.00). In addition, a further amount of £221,733.98 (2004-05: £43,665.96) of grant due to the Department has not actually been issued to the Department. Instead this amount has been used by the NI Consolidated Fund to pay for interest on loans made under the Reinvestment and Reform Initiative (RRI). These loans were used to increase the supply monies available to the Department for investment in this year and in prior years.

22. Notes to the consolidated statement of operating costs by departmental aim and objectives

Net operating costs have been allocated as follows:

	2005-06			2004-05		
	Objective 1	Objective 2	Total	Objective 1	Objective 2	Total
	£000	£000	£000	£000	£000	£000
Programme grants and other current expenditure	1,627,577	31,821	1,659,398	1,558,358	33,880	1,592,238
Staff costs	20,580	842	21,422	18,952	774	19,726
Other administration costs	5,215	191	5,406	5,211	160	5,371
Income	(11,176)	(2,319)	(13,495)	(29,698)	-	(29,698)
Net operating cost	1,642,196	30,535	1,672,731	1,552,823	34,814	1,587,637

The Department of Education's capital is deemed to be employed exclusively for the achievement of Objective 1, on the basis of materiality.

Administration costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

Notional costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

The cost of capital charge is apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

23. Capital commitments

	2005-06	2004-05
	£000	£000
Contracted capital commitments at 31 March 2006 for which no provision has been made	-	-

24. Commitments under leases

24.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06	2004-05
	£000	£000
Obligations under operating leases comprise:		
Land and Buildings		
Expiry within 1 year	13	-
Expiry after 1 year but not more than 5 years	-	55
Expiry thereafter	-	-
	<u>13</u>	<u>55</u>
Other		
Expiry within 1 year	-	2
Expiry after 1 year but not more than 5 years	21	3
Expiry thereafter	-	-
	<u>21</u>	<u>5</u>

24.2 Finance leases

The Department has a finance lease which has not been capitalised, as such capitalisation would not have a material effect on these accounts. Such treatment is permissible under SSAP 21. Rental obligations for the lease have been included in the table above.

25. Other financial commitments

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

The payments to which the Department is committed during 2006-07, analysed by the period during which the commitment expires are as follows.

	2005-06	2004-05
	£000	£000
Expiry within 1 year	48	205
Expiry within 2 to 5 years	43	191
Expiry thereafter	-	-
	<u>91</u>	<u>396</u>

26. 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 government departments are financed, the Department of Education is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited 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.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months from the balance sheet date have been omitted from the currency profile.

26.1 Liquidity risk

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

26.2 Interest rate risk

One hundred per cent of the Department's financial assets and liabilities carry nil or fixed rates of interest and the Department of Education is not therefore exposed to interest rate risk.

26.3 Interest rate profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.

Financial liabilities

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Fixed rate financial liabilities		Non-interest bearing financial liabilities
					Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
					£000	£000	£000
At 31 March 2006							
Sterling	-	-	-	-	-	-	-
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2005							
Sterling	8	-	-	8	-	-	1.3
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>1.3</u>
Gross financial liabilities	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>1.3</u>

Financial assets

Currency	Total	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets (Note a)	Fixed rate financial assets		Non-interest bearing financial assets
					Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average term
					£000	£000	£000
At 31 March 2006							
Sterling	12,733	-	-	12,733	-	-	Note a
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	12,733	-	-	12,733	-	-	-
At 31 March 2005							
Sterling	4,345	-	-	4,345	-	-	-
US Dollar	-	-	-	-	-	-	-
Euro	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	4,345	-	-	4,345	-	-	-

Note a - The Department's non-interest bearing financial assets comprise cash at bank and in hand (£12,733,103.15). Cash at bank and in hand is available on demand.

26.4 Foreign currency risk

The Department's exposure to foreign currency risk is not significant. There is no foreign currency income and foreign currency expenditure at less than 1 per cent of total expenditure is not significant.

26.5 Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets as at 31 March 2006.

	Book Value	Fair Value	Basis of Fair Valuation
	£000	£000	
Primary financial instruments			
Financial assets			
Cash at bank	12,733	12,733	Note a

Note a - Will be cleared as cash is drawn from the Consolidated Fund on an ongoing basis, and fair value is not different to book value.

27. Contingent liabilities disclosed under FRS 12 and contingent assets

27.1 Contingent liabilities

The following contingent liabilities at 31 March 2006 have not been accrued.

Nature	No of cases	Value £000
Personal injury claims	1	Unable to quantify
Cases relating to discrimination	1	20
Cases relating to school entry conditions	1	100
Comhairle na Gaelscolaíochta (CnaG) - Membership of NILGOSC Pension Scheme	1	60

27.2 Contingent assets

The following contingent assets at 31 March 2006 have not been accrued.

Nature	No of cases	Value £000
Probable recoupment of monies from insurance companies in respect of staff injured in road traffic accidents	5	4
Probable recoupment of monies from school trustees following closure	7	1,453

28. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

29. Losses and special payments

29(a) Special Payments

	2005-06	2004-05
	£000	£000
Total [15 cases (2004-05: 16 cases)]	8	362

29(b) Losses incurred by managing agents

The Department of Education uses managing agents to distribute funds of public monies to final recipients. Had these funds been distributed directly by the Department no additional losses would have been recognised.

29(c) Other notes

Details of any losses and special payments made by the Education and Library Boards, the Northern Ireland Council for the Curriculum, Examinations and Assessment, the Youth Council for Northern Ireland, the Council for Catholic Maintained Schools and the Staff Commission for Education and Library Boards will be reported in the Accounts of those bodies.

30. Related party transactions

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

Executive NDPBs:-

Belfast Education and Library Board
 Council for Catholic Maintained Schools
 Northern Ireland Council for Curriculum, Examinations and Assessment
 North Eastern Education and Library Board
 Southern Education and Library Board
 South Eastern Education and Library Board
 Staff Commission for Education and Library Boards
 Western Education and Library Board
 Youth Council for Northern Ireland

Tribunals:-

Special Educational Needs Tribunal

Private sector bodies:-

Grant Maintained Integrated Schools *

Voluntary Grammar Schools *

Northern Ireland Council for Integrated Education

Comhairle na Gaelscolaiochta

Middletown Centre for Autism

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

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

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

31. Third party assets

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

	31 March 2005	Gross inflows (Note a)	Gross outflows (Note a)	31 March 2006
	£000	£000	£000	£000
Monetary assets such as bank balances	2	24	(24)	2
Listed securities	514	-	-	595

Note a - The inflow and outflow figures do not equal the change in the value of listed securities over the year, because movements caused by revaluation to 31 March prices are not reflected in the inflows and outflows figures.

The Department also holds legal title to a number of Turbary rights (the right to extract peat) and associated land which is held in Trust.

In accordance with FRS 5 *Reporting the substance of transactions*, these assets are not included within the Departmental accounts on the grounds that the legal basis of the trusts involved ensures that the Department cannot obtain economic benefit from these assets.

32. Entities within the departmental boundary

The entities within the boundary during 2005-06 were as follows:

Supply-financed agencies:	None
Non-executive NDPBs:	Special Education Needs Tribunal
Other entities:	None

33. Post balance sheet events

There were no post balance sheet events relating to the financial year 2005-06.

34. Premature retirement compensation

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs are borne by the scheme and are therefore not included as a cost within the Departmental resource accounts.

The Department is responsible as compensating authority for Voluntary Grammar Schools, Grant Maintained Schools and a number of smaller bodies.

The number of compensation cases, for which the Department is compensating authority, for the current year and in total broken down by employer group are:

Total number of teachers retiring on grounds of premature retirement in the year to 31 March 2006

	Efficient discharge	Redundancy
Voluntary Grammar Schools	2	67
Other Grant Maintained Schools	-	1
Other Bodies	-	3
Total	2	71

Total number of teachers retired on grounds of premature retirement as at 31 March 2006

	Efficient discharge	Redundancy
Voluntary Grammar Schools	162	438
Other Grant Maintained Schools	5	5
Other Bodies	31	74
Total	198	517

The Combined Financial Statements of the Teachers' Pension Scheme for Northern Ireland and the Teachers' Premature Retirement Scheme for Northern Ireland provides complete information on premature retirement compensation. The statements are available on request from the Department.

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