

# **Northern Ireland Office**

## **Resource Accounts 2008-09**

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# Northern Ireland Office

## 2008-09

(For the year ended 31 March 2009)

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## DIRECTORS' REPORT

### 1. Scope

The Northern Ireland Office (NIO) presents its annual report and accounts for the financial year ended 31 March 2009.

### 2. Ministers

The Secretary of State retains overall responsibility for the operation of the Northern Ireland Office and represents the interests of Northern Ireland at Cabinet level. He is assisted in this role by a Minister of State. This report relates to the Northern Ireland Office only and its handling of matters "excepted" and "reserved" to the United Kingdom Parliament as set out in the Northern Ireland Act 1998.

#### Secretary of State

The Rt Hon Shaun Woodward MP

#### Minister of State

The Rt Hon Paul Goggins MP

### 3. Departmental Board

The Secretary of State was also supported by the Permanent Secretary, other senior Departmental officials and two Non-Executive Directors who comprised the Departmental Board. During the financial year ending 31 March 2009 representation was as follows:

Sir Jonathan Phillips	Permanent Secretary (Chair)
Hilary Jackson	Director General, Political
Nick Perry	Director General, Policing and Security
Dennis Godfrey	Director of Communications
Stephen Leach	Director, Criminal Justice (until 18 January 2009)
Carol Moore	Director, Policing and Security (until 18 January 2009)
	Director, Criminal Justice (from 19 January 2009)
Anthony Harbinson	Director of Resources
Peter May	Director of Transition and Strategy (from 1 May 2008 until 18 January 2009)
	Director, Policing and Security (from 19 January 2009)
Chris Maccabe	Director, Political (Belfast) (until 30 April 2008)
Robin Masefield	Director, Northern Ireland Prison Service
James Conn	Crown Solicitor
Rotha Johnston	Non-Executive Director
John King	Non-Executive Director

The Permanent Secretary, as Accounting Officer, is accountable for the overall operation and performance of the Department.

### 4. Appointment of Senior Officials

The appointments of the Permanent Secretary and Directors have been made in terms consistent with the Civil Service Management Code. They were appointed by a variety of means, namely inter-departmental transfers, promotion and direct recruitment.

## 5. Departmental boundary

The accounts of the NIO comprise a consolidation of the income, expenditure, assets and liabilities of those entities falling within the Departmental resource accounting boundary as follows (see Note 35 for full details):

- NIO Core Department;
- Northern Ireland Prison Service (NIPS);
- Compensation Agency (CA);
- Forensic Science Northern Ireland (FSNI);
- Youth Justice Agency (YJA); and
- Commissions and Judicial Inquiries associated with the Department.

## 6. Bodies outside of the Departmental boundary

The following is a description of the bodies outside the Departmental boundary for which the NIO still retains lead policy responsibility. These entities are either analogous to, or classified as, Executive Non Departmental Public Bodies:

- Police Service of Northern Ireland;
- Probation Board Northern Ireland;
- Northern Ireland Policing Board;
- Office of the Police Ombudsman for Northern Ireland;
- Northern Ireland Police Fund;
- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Human Rights Commission; and
- RUC George Cross Foundation.

## 7. Departmental reporting cycle

Performance against Departmental aims, objectives and targets is formally reported in the Departmental Report and Autumn Performance Report.

The Departmental Report (DR) is compiled in the last month of the reporting year and is available from The Stationery Office (TSO) and on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk). This report provides a detailed explanation of the NIO's policies, priorities, objectives and the spending plans which support them, and the activities and achievements of the Department. The latest Departmental Report was published in June 2009.

The Department produces an annual Autumn Performance Report (APR) which contains more detailed information on the corporate performance against Public Service Agreement objectives and targets. This is available at TSO and on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk).

## 8. Register of Interests

As outlined in Note 33 there are no company directorships or significant interests held by Board members. A Register of Interests is maintained for all Board members.

## 9. Disclosure of Audit Information to the Comptroller and Auditor General (C&AG)

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

## MANAGEMENT COMMENTARY

### 1. Aim and Objectives

The Northern Ireland Office exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. In addition to supporting and fostering the political and democratic process in Northern Ireland, the Department has an overall policy responsibility for upholding law, order and security including the provision of criminal justice services such as policing, prisons and probation services.

#### *Public Service Agreements*

The Comprehensive Spending Review 2007 (CSR07) presented a renewed performance management framework in which the number of Public Service Agreements (PSAs) reduced from around 130 to just 30 new PSAs at a national level. The Northern Ireland Office's PSAs are not included within these 30. However the Department has two PSA outcomes which mirror the respective national PSAs and these are supported by published delivery agreements.

1. Justice for All - reducing time to trial in dealing with offenders, increasing public confidence and improving victim and witness satisfaction in the criminal justice system.
2. Make Communities Safer - tackling crime, reducing re-offending and increasing public confidence in policing to increase public perception of safety.

#### *Departmental Strategic Objectives*

In line with changes to the PSA framework in CSR07 the Department has developed a suite of Departmental Strategic Objectives (DSOs). These are high level objectives for the CSR07 period (2008-09 to 2010-11) and cover the totality of the Department's business and the use of resources over the CSR07 years as follows:

1. a stable devolved government in Northern Ireland with responsibility for policing and justice, and a society reconciled with its past;
2. to manage offenders securely, safely and humanely (contributes to PSA 2);
3. to deliver an independent, fair and effective criminal justice system which supports and protects the community (contributes to PSA 2);
4. to work with PSNI and other policing partners to deliver effective and accountable policing services that can secure the confidence of the whole community; and
5. to deliver value for money savings and to live within annual available funding.

#### *Comprehensive Spending Review 2007 (CSR07) Settlement*

The Department secured a three year funding envelope as part of its CSR07 settlement that allows it to deliver against its key strategic objectives over the period. The allocated funding levels in each of the three years are as follows:

	£ million			
	Baseline 2007-08	2008-09	Additions 2009-10	2010-11
Resource DEL	1,152	72	40	40
<i>of which near-cash</i>	929	0	0	0
<i>of which administration</i>	79	-2	-4	-6
Capital DEL	72	0	0	0
<b>Total DEL*</b>	<b>1,175</b>	<b>61</b>	<b>27</b>	<b>25</b>

\*full resource budgeting basis, net of depreciation

This table reflects the format prescribed by Treasury and further details are contained within the NIO Departmental Report 2009. This is available at TSO and on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk)

## 2. Service Delivery

Performance in 2008-09 against the principal targets contained within Spending Review 2004 (SR2004) and CSR07 is reported below. Further details of the measures and performance against all PSA targets are reported in the NIO Departmental Report 2009. This is available at TSO and on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk).

### ***Achievement against PSA associated with SR2004***

The Department met all the targets in its PSA with an end date within the SR2004 period including those relating to the SR2004 Efficiency Programme. The targets relating to increasing confidence in the police and Catholic representation in the Police Service, which had completion dates in 2010-11, have been subsumed into a CSR07 Departmental Strategic Objective and progress will continue to be reported in that context.

### ***Achievement against PSA associated with CSR07***

The NIO has two Public Service Agreement (PSA) outcomes and five Departmental Strategic Objectives (DSO). These represent the Department's high-level strategic objectives.



**PSA Outcome 1: Justice for All**

**Reducing time to trial in dealing with offenders, increasing public confidence and improving victim and witness satisfaction in the criminal justice system**

Key Performance Indicator		Priority areas (targets)
1	Increase confidence in the fairness and effectiveness of the criminal justice system	<ul style="list-style-type: none"> <li>to increase public confidence in the fairness and effectiveness of the criminal justice system by 2011</li> </ul>
2	Improve victim/witness satisfaction with criminal justice agencies and process	<ul style="list-style-type: none"> <li>to increase victim and witness satisfaction with criminal justice system by 2011</li> </ul>
3	Shorten time taken to progress criminal cases within average timescales	<p><b>Time to trial in Crown Court cases:</b></p> <ul style="list-style-type: none"> <li>charge to decision to prosecute – 140 days</li> </ul> <p><b>Time to trial in the Magistrates' Courts:</b></p> <ul style="list-style-type: none"> <li>charge cases: charged to PPS prosecution decision issued – 54 days</li> <li>summons cases: accused informed to first appearance at court – 146 days</li> </ul> <p><b>Time taken to trial in Youth Courts:</b></p> <ul style="list-style-type: none"> <li>charge cases: charged to decision to prosecution – 35 days</li> <li>summons cases: report to first appearance – 132 days</li> </ul>

**Latest outturn – Some progress**

Of the three KPIs associated with this PSA, there has been improvement regarding reducing avoidable delay (KPI 3) but data will not be available in relation to KPI 1 and 2 until the second quarter of 2009.

The NIO has sought to mirror as far as possible the approach to measuring confidence in the criminal justice system developed by the Ministry of Justice for England and Wales. Accordingly, identical new confidence questions were incorporated into both the British Crime Survey and the Northern Ireland Crime Survey to establish two confidence KPI baselines, one for effectiveness and one for fairness of the criminal justice system.

The initial Northern Ireland Victim and Witness Survey was carried out by Ipsos MORI between September and December 2008 to provide baseline statistics. Initial data based on 1,000 interviews were received in January 2009 for validation. Recommendations for targets based on this baseline information will be submitted to Ministers shortly. In parallel with work on the survey, progress has been made in associated areas, including in the victim and witness five year strategy, 'Bridging the Gap'.

As part of the multi-agency Delay Action Team's (DAT) strategic programme for reducing avoidable delay in case processing in the criminal justice system a number of performance standards were established covering the Crown, Magistrates' and Youth Courts in Northern Ireland. The objective is to achieve the desired performance standards, on an incremental basis, by 31 March 2011. In order to assess progress, annual performance milestones have also been set for the 2008-09 and 2009-10 financial years.

**PSA Outcome 2: Make Communities Safer****Tackling crime, reducing re-offending and increasing public confidence in policing to increase public perception of safety**

Key Performance Indicator		Priority areas (targets)
1	The level of more serious violent crime	<ul style="list-style-type: none"> <li>to reduce the level of more serious violent crime by 2012-13</li> </ul>
2	The level of harm caused by organised crime	<ul style="list-style-type: none"> <li>establish by 2009 a baseline and methodology; and reduce harm caused by organised crime by 2012-13</li> <li>by March 2010 to set a target for the reduction of harm caused by organised crime in 2010-11</li> <li>by June 2008 to have produced a Northern Ireland Assets Recovery Action Plan for 2008-10</li> <li>during 2008-09 recovery of criminal assets of at least £6.2m</li> <li>during 2009-10 recovery of criminal assets of at least £7.8m</li> </ul>
3	The level of anti-social behaviour incidents	<ul style="list-style-type: none"> <li>to reduce the level of anti-social behaviour incidents by 15% by 2011</li> </ul>
4	The level of proven re-offending	<ul style="list-style-type: none"> <li>a reduction in the level of proven re-offending of 10% between the 2005 and 2009 cohorts</li> </ul>
5	The level of serious re-offending	<ul style="list-style-type: none"> <li>to reduce the level of proven re-offending between the 2005 and 2009 cohorts</li> </ul>
6	Levels of confidence in policing in all communities	<ul style="list-style-type: none"> <li>to increase confidence in policing</li> </ul>
7	Levels of police engagement with people in local communities	<ul style="list-style-type: none"> <li>increase levels of police engagement with local people</li> </ul>

**Latest outturn - Some progress**

Of the seven KPIs associated with this PSA, there has been improvement in the level of harm caused by organised crime (KPI 2) and the level of anti-social behaviour incidents (KPI 3). For the remaining five KPIs there has been no improvement or no data available at present on which an assessment of improvement can be made.

Most serious violent incidents are woundings and the Department and its partners are seeking to identify the primary causes and circumstances of these to inform its strategy in reducing them. Alcohol continues to be a primary driver for serious violent crime and plays a significant factor behind domestic violence. Work is underway to ensure that the existing strategies to tackle alcohol-related crime and domestic violence are coordinated. Data for the 6-month period ending 28 February 2009 show that, at 1,762 offences, the level of serious violence recorded by the police is 25% higher than during the same period in the 2007-08 baseline year (1,406). The increase relates mainly to wounding offences. In contrast homicide levels have decreased.

Between April 2007 and February 2008 there were 91,716 anti-social behaviour incidents recorded by the police. Provisional figures for the same period in 2008-09 show that there were 80,232 such incidents - a 12.5% reduction. The Department continues to work at a regional and local level to address anti-social behaviour with a wide range of partner bodies including the PSNI, the Northern Ireland Housing Executive and local councils. Local Community Safety Partnerships bring a range of statutory, voluntary and

community organisations together to work towards making communities safer. Tackling anti-social behaviour is a priority for them as well as for the Department’s Community Safety Unit.

Work continues on developing a cross-cutting Northern Ireland strategy for reducing offending. A Learning and Skills Forum has been established and an International Literature Review has been published. A consultation was begun in February 2009 on a draft Strategy for the Management of Women Offenders in Northern Ireland and a pilot Women’s Centre (the INSPIRE Project) has been established.

Data for the 12 month period ending 31 December 2008 show that at 78.8%, confidence in policing has not shown a statistically significant change from the 2007-08 baseline (79.4%). The target is a statistically significant increase in the confidence rating by 31 March 2011. Data for the 12 month period ending 31 December 2008 show that at 41.6% the level of police engagement with the local community has not shown a statistically significant change from the baseline of 42.4%.

**DSO 1: A stable devolved government in Northern Ireland with responsibility for policing and justice, and a society reconciled with its past**

Key Performance Indicator		Priority areas (targets)
1	Devolution of policing and justice	<ul style="list-style-type: none"> <li>• agreement between the parties on modalities for devolving policing and justice</li> <li>• necessary practical arrangements to enable the devolution of policing and justice, when the Assembly requests this, to be ready by 31 May 2008</li> </ul>
2	An approach to the past capable of commanding cross-community support	<ul style="list-style-type: none"> <li>• report of the Consultative Group on the Past to be completed</li> </ul>
3	Stable and continuous operation of the Belfast (Good Friday) Agreement and St Andrews Agreement	<ul style="list-style-type: none"> <li>• continued effective operation of all institutions</li> </ul>

**Latest outturn - Strong progress**

There has been progress on all three KPIs associated with this DSO, although the devolution of policing and justice (KPI 1) has yet to take place.

## DSO 2: To manage offenders securely, safely and humanely (contributes to PSA 2)

Key Performance Indicator	Priority areas (targets)
1 Delivering regimes and reducing re-offending	<ul style="list-style-type: none"> <li>• to ensure that 87% of prisoners serving six months or more are working to a resettlement plan and that 97% of lifers work to a life sentence plan including preparations of the plan within the first six months of sentence</li> <li>• an average of at least 20 hours constructive activity per week for sentenced prisoners</li> <li>• an average of at least 10 hours constructive activity per week for remand prisoners</li> </ul>
2 Secure custody	<ul style="list-style-type: none"> <li>• no escapes for Category A prisoners</li> <li>• no more than 3 escapes per 1000 Categories B, C or D prisoners</li> </ul>
3 Safety and prisoner health	<ul style="list-style-type: none"> <li>• the number of staff assaulted by prisoners is less than a ratio of 3 per 100 prisoners</li> <li>• the numbers of prisoners assaulted by prisoners is less than a ratio of 4 per 100 prisoners</li> </ul>
4 Business improvement	<ul style="list-style-type: none"> <li>• to ensure the cost per prisoner place does not exceed £81,500 in 2008-09</li> </ul>

**Latest outturn - Strong progress**

There has been improvement against the KPIs associated with this DSO.

The constructive activity targets of 20 hours per week for sentenced prisoners and 10 hours per week for remand prisoners have been met cumulatively with respective outturns of 20 and 10.3 hours per week. 94.7% of prisoners serving six months or more were working to a resettlement plan and 98.9% of lifers work to a life sentence plan.

There have been no escapes for Category A prisoners and three escapes for the lower category prisoners, one from outside hospital and two from courts. All three prisoners were subsequently returned to custody within a few hours. Investigations have been carried out into all escapes and a number of resulting recommendations are being implemented.

Fourteen staff have been assaulted by prisoners (0.9 per 100 prisoners) and eight prisoners have been assaulted by prisoners (0.5 per 100 prisoners).

In terms of cost per prisoner place, effective financial management structures and processes have improved the Prison Service's final position within a challenging CSR07 environment. NIPS met the target after taking into account an adjustment to reflect in-year injury benefit payments.

**DSO 3: To deliver an independent, fair and effective criminal justice system which supports and protects the community (contributes to PSA 1 and 2)**

Key Performance Indicator		Priority areas (targets)
1	Monitor acquisitive crime	<ul style="list-style-type: none"> <li>to maintain acquisitive crimes i.e. domestic burglary and theft of and from vehicles at current reduced levels for 2007-08</li> </ul>
2	Improved range of options for the Judiciary (Sentencing Review)	<ul style="list-style-type: none"> <li>to implement by March 2011 a range of sentencing provisions developed out of the sentencing framework, subject to Ministerial policy priorities and available resources</li> </ul>

**Latest outturn - Some progress**

Combined levels of domestic burglary and theft of and from vehicles have increased by around 8% compared with levels for the same period in 2007-08. Multi-media campaigns are being delivered and carefully targeted at crime hotspots to address this increase.

On 15 May 2008 the NIO commenced legislative provisions for the new public protection sentences, within the Criminal Justice (Northern Ireland) Order 2008, creating indeterminate custodial sentences and extended custodial sentences based on a risk assessment of offenders. On 1 April 2009, the NIO commenced further provisions from the Criminal Justice (NI) Order 2008. This included new sentencing powers, extending the scope of post-custody supervision by a probation officer to all those who commit an offence after the date of commencement and received a sentence of 12 months or more.

In addition, the following Key Performance Indicators which form part of DSO3, also contribute to the PSA outcomes "Justice for All" and "Make Communities Safer" and are reported on separately in the PSA section of this commentary:

- Confidence in the fairness and effectiveness of the criminal justice system (Justice for All);
- Victims and witness satisfaction (Justice for All);
- Reduced 'Time to trial' for criminal cases brought to the Courts (Justice for All);
- Levels of anti-social behaviour incidents (Make Communities Safer); and
- Levels of re-offending (Make Communities Safer).

**DSO 4: To work with PSNI and other policing partners to deliver effective and accountable policing services that can secure the confidence of the whole community (contributes to PSA 2)**

Key Performance Indicator		Priority areas (targets)
1	A strategic vision for policing	<ul style="list-style-type: none"> <li>to agree a strategic vision for policing with PSNI and Policing Board by June 2008</li> <li>to review the strategic vision for policing by end June 2010</li> </ul>
2	Revised policing structures and numbers	<ul style="list-style-type: none"> <li>to carry out in 2009-10 a further value for money review of police numbers in preparation for SR2009</li> <li>by 2011 to have revised police structures in place in accordance with the timetable for implementation of RPA</li> </ul>
3	A more representative police service	<ul style="list-style-type: none"> <li>to achieve the Patten composition target of 30% Catholic officers by March 2011</li> </ul>
4	Parading/public order strategy implemented	<ul style="list-style-type: none"> <li>by December of each year 2008/09/10 to agree the military support required under Military Aid to the Civil Power (MACP) for each of the following parade seasons 2009/10/11</li> <li>to implement the agreed recommendations of the Strategic Review of Parading by end 2008</li> </ul>

**Latest outturn - Some progress**

In terms of the strategic vision for policing, work is progressing on a strategic framework that would help set the context for developing a long term vision within the devolved setting.

An independent value for money review of police numbers and structures is to be carried out in 2009-10.

On 12 March 2009, Catholic representation within PSNI Regular Officers stood at 26.14% against a target of 25.5% composition by 31 March 2009. 3,442 recruits have been selected for appointment under the temporary recruitment provisions.

The Interim Report of the Strategic Review of Parading was published in April 2008 and the Review Body is now in the process of finalising their recommendations.

In addition, the following Key Performance Indicators which form part of DSO4, also contribute to the PSA outcome "Make Communities Safer" and are reported on separately in the PSA section of this commentary:

- Levels of more serious violent crime;
- A reduction in the impact of organised crime; and
- Increased public confidence in policing.

**DSO 5: To deliver Value for Money savings and to live within annual available funding**

Key Performance Indicator		Priority areas (targets)
1	Delivering savings from eight Value for Money (VFM) reviews to total £108m over the CSR Period	<ul style="list-style-type: none"> <li>delivery of cash releasing savings as defined within each review – to be monitored by HM Treasury</li> </ul>
2	Implementation of a shared services programme to provide the Department's corporate services as efficiently and effectively as possible	<ul style="list-style-type: none"> <li>implementation of each shared service project in line with individual project plans</li> </ul>
3	Improved financial management including monthly forecasting procedures	<ul style="list-style-type: none"> <li>continued implementation of the recommendations from the Department's Financial Management Review (FMR), as monitored by HM Treasury</li> </ul>
4	Prioritisation of Departmental needs within CSR07 allocation	<ul style="list-style-type: none"> <li>live within annual available funding as reported in Annual Resource Accounts</li> </ul>

**Latest outturn - Strong progress**

Results for 2008-09 indicate that at this early stage of the CSR07 period the Department is on track to achieve the target VFM savings. An internal audit is in progress to ensure that structures are sufficiently robust to validate Value for Money savings and the Department continues to closely monitor VFM initiatives to ensure that all business areas will achieve savings in line with forecasts.

Work on shared services continues. During 2008-09, the Department's procurement unit was integrated into the NI Civil Service's (NICS) Central Procurement Directorate which will lead to more efficient and effective procurement services. Transactional human resources work was outsourced to the private sector as part of the wider NICS e-HR programme (HR Connect) and a project continued throughout 2008-09 to develop a financial shared services solution with the NICS Account NI Programme.

The majority of the FMR recommendations have been implemented including establishing an "embedded accountant" role in the main policy areas and plans are in place to implement the remaining recommendations during 2009-10.

The Department lived within its available funding during 2008-09.



### 3. Financial Performance

In order to achieve the Department's financial objectives for 2008-09 business planning, budgetary monitoring and control systems operated throughout the Core Department and its Agencies. Other organisations within the Departmental boundary are subject to financial control and accountability arrangements as set down in the relevant Accounting Officer designations, Management Statements and Financial Memorandums. Cost pressures during the year were met by the reprioritisation of budget allocations, effective cost control at directorate level and recycling of efficiency savings into front line programmes.

The NIO continues to develop further its risk management approach to business planning, which incorporates financial and other risks into the planning and performance management framework. The risk management arrangements are described more fully in the Statement on Internal Control (SIC) which forms part of these Accounts.

#### **Supply**

As a government department, the NIO is financed directly from the Consolidated Fund through the Supply process. This funding is notified by Treasury to the NIO in the Spending Review Settlement, which is available at TSO and on the Treasury website [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

Each year the NIO is given Parliamentary approval for its expenditure when Parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the Estimates may be amended during the year at one of the Supplementary Estimates stages (Summer Supply, Winter Supply and Spring Supply). The Estimates are published by TSO and contain details of voted monies for all government departments. These are also available on the Treasury website [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

#### **Request for Resources**

The Department's Estimate for 2008-09 of £12,944m (2007-08: £11,642m) is contained within two Requests for Resources:

##### *Request for Resources 1 - £1,381m (2007-08: £1,308m)*

Playing a full part in implementing the Good Friday Agreement and representing the interests of Northern Ireland in the UK Government; supporting and developing an efficient, effective and responsive Criminal Justice System; upholding and sustaining the rule of law and preventing crime; maintaining a secure and humane prison service and reducing the risks of re-offending.

##### *Request for Resources 2 - £11,563m (2007-08: £10,334m)*

Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the Northern Ireland Act 1998 and the Northern Ireland Act 2000.

#### **Statement of Parliamentary Supply**

The outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of the Department's financial objectives and an effective financial management performance for the year. The net resource outturn for 2008-09 was £12,718 m (2007-08: £11,602m). This represents a saving of £226m (2007-08: £40m) compared to the Estimate of £12,944m (2007-08: £11,642m).

Note 2 provides a detailed commentary and explanation of the variance between Estimate and Outturn for each Request for Resources.

The reconciliation of resources to net cash requirement (Note 4) highlights a saving of £200m (2007-08: £146m) in terms of Net Total Outturn compared with Estimate. The main reason for this is due to funds requested by the Northern Ireland Consolidated Fund (RfR 2) that were not drawn by the Northern Ireland Departments during the financial year. This also explains the increase in Bank balances held by the Northern Ireland Office at 31 March 2009 as disclosed in Note 19.



**Operating Cost Statement**

The Operating Cost Statement represents the total net administration and programme resources consumed during the year by Request for Resources. Net Operating Costs during 2008-09 were £12,716m (2007-08: £11,599m) as follows:

*Request for Resources 1 - Northern Ireland Office - £1,296m (2007-08: £1,265m) analysed between:*

- Staff Costs £164m (2007-08: £164m)
- Other Administration Costs £30m (2007-08: £35m)
- Programme Costs £1,124m (2007-08: £1,083m)
- Income £22m (2007-08: £17m)

Where relevant, the Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information Guidance and therefore adheres to the guidelines on fees and charges contained within Managing Public Money.

*Request for Resources 2 - Northern Ireland Consolidated Fund - £11,420m (2007-08: £10,334m)*

**Reconciliation of resource expenditure between Estimates, Accounts and Budgets**

	2008-09	2007-08 £000 (restated)
<b>Net Resource Outturn (Estimates)</b>	<b>12,943,649</b>	<b>11,642,008</b>
<i>Adjustments to additionally include:</i>		
Other adjustments	(227,410)	(42,680)
<b>Net Operating Cost (Accounts)</b>	<b>12,716,239</b>	<b>11,599,328</b>
<i>Adjustments to remove:</i>		
European Union income and related adjustments	36,884	81,462
Voted expenditure outside budget	(11,456,884)	(10,415,462)
<i>Adjustments to additionally include:</i>		
Resource consumption of non departmental public bodies	284,424	311,910
<b>Resource Budget Outturn (Budget)</b>	<b>1,580,663</b>	<b>1,577,238</b>
<i>of which:</i>		
Departmental Expenditure Limits (DEL)	1,315,322	1,340,796
Annually Managed Expenditure (AME)	265,341	236,442

**Balance Sheet**

The Department held net assets at 31 March 2009 worth £274 million (2007-08: £266 million) comprising fixed assets £378 million (2007-08: £386 million) and net liabilities and provisions of £104 million (2007-08: £120 million). The figures quoted exclude any balances for the National Loan Fund that are on-lent by the NIO to the Northern Ireland Consolidated Fund (Notes 1.10 and 16). During the year, investments were made in IT infrastructure and other capital projects amounting to £32 million (2007-08: £37 million). Under the Comprehensive Spending Review 2007 (CSR07), an Asset Management Strategy for 2008-09 to 2010-11 has been developed and this includes a survey of the Department's asset base together with asset disposal and forward investment plans over the period. This is available on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk).

The Department had no significant remote contingent liabilities during 2008-09 that require disclosure. Note 21 provides further details regarding the significant provisions for liabilities and charges that are included within the financial statements.

#### 4. Corporate Governance

The Department continues to keep its corporate governance practice under on-going review and over the past year improvements have included:

- a review of governance arrangements for a number of Arm's Length Bodies;
- a review of the stewardship statement process in light of requirement for additional assurances on information security; and
- regular update reports from Audit Committee Chair to Departmental Board.

The key organisational structures which support the delivery of effective corporate governance in the NIO are:

- Departmental Board;
- Audit Committee;
- Finance Committee; and
- Remuneration Committees.

The NIO Departmental Report 2009 provides more detail on the Departmental Board, Audit Committee and Remuneration Committees. This is available on the NIO website [www.nio.gov.uk](http://www.nio.gov.uk).

##### ***Departmental Board***

The Secretary of State is supported by the staff of the Department, led by the Permanent Secretary and a Departmental Board. The Departmental Board is a team which provides corporate leadership to the organisation as a whole, takes ownership of the Department's performance and provides support for the Secretary of State. The Board is made up of executive members, independent non-executive members and senior officials from those larger agencies and bodies that conduct business for the Department. The Board leads the management of the Department in the delivery of Ministers' objectives.

The Departmental Board is the senior tier of decision making by officials in the NIO and is responsible for the establishment and monitoring of the corporate governance arrangements of the Department. The Board operates as a collegiate forum under the leadership of the Permanent Secretary to manage the running of the Department. It is not the principal policy making body of the NIO - policy is determined by Ministers. This does not mean that the Board does not discuss policy, but it does so in the context of setting and directing the strategic planning that ensures delivery of Ministerial policy decisions and the operational management of their implementation. Subject to Ministerial agreement the Board prioritises the allocation of resources to match development and delivery requirements, and is accountable for Departmental performance.

The Departmental Board meets monthly. In addition, it holds periodic planning days in order to facilitate more in-depth discussion of particular issues. Matters covered in Departmental Board meetings during the year included:

- Strategic and business planning for the Department including performance against Departmental Strategic Objectives and PSA outcomes;
- Preparations for the devolution of justice and policing;
- Financial planning and management;
- Information security and records management;
- Human resource policy including performance management and sickness absence;
- Risk management; and
- Training and development.

### ***Independent Board Members***

The Department has two independent non-executive board members which is considered appropriate in the context of a small department. Their role is to provide strategic advice to the Board, contribute to decision making and support good governance of the Department. They provide constructive challenge to the Board's business, an external objective perspective and a different range of experience to complement the executive Board members.

### ***Audit Committee***

As Accounting Officer, the Permanent Secretary has a responsibility to assure himself that there are appropriate arrangements in place within the NIO and bodies funded by the NIO to ensure effective corporate governance, risk management and internal controls (including financial control) and that they are operating properly. Such bodies include agencies, NDPBs and smaller statutory bodies. The Departmental Audit Committee (DAC) supports the Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) in the Department. The DAC also oversees the performance and work of internal audit in those bodies funded by the NIO.

The primary function of the DAC is to test and challenge the assurances provided to the Accounting Officer, the way in which these assurances are developed and the systems and approaches on which the assurances are based. In order to enhance the objectivity of the advice, the DAC is chaired by an independent non-executive board member. The Audit Committee is constituted as a sub-committee of the Departmental Board and acts in an advisory capacity, having no executive powers. The Audit Committee meets at least four times a year. The Chair of the DAC reports to the Departmental Board following DAC meetings and provides a written annual report on the work of the Committee throughout the year.

Part of the Internal Audit work programme includes assessing the completeness and effectiveness of the Department's corporate governance arrangements. Following a review of its effectiveness the Audit Committee has embarked on a process to expand its terms of reference as an Audit and Risk Committee. This will ensure that the committee will maintain its focus on audit and include a more rigorous risk focussed remit.

### ***Finance Committee***

The purpose of this Committee is to assist and enhance financial decision making and strategic financial management within the NIO. It is a sub committee of the NIO Board and is responsible and accountable at all times and in all decisions to the Board as a whole. The main roles carried out during the year were to:

- analyse, discuss, and reach agreement on strategic funding issues facing the Department and to bring forward relevant recommendations on key financial strategies and decisions to the Departmental Board for discussion and, where appropriate, recommendation to Ministers;
- assist the Accounting Officer in judging strategic funding priorities in the face of financial and operational difficulties;
- ensure a consistent approach to financial management across the NIO and to enable standards to be agreed and applied within the Department and its arm's length bodies; and
- enhance the quality, standard and accuracy of financial plans, projections and management within the Department and its arm's length bodies.

### ***Remuneration Committees***

The Department has three remuneration committees which consider the pay of all staff in the Senior Civil Service cadre. The committees are chaired by one of the Board's non-executive board members.

***Arrangements with Arm's Length Bodies***

The Board ensures that there are robust governance arrangements with the Arm's Length Bodies (ALBs), setting out the terms of their relationship, in order to promote high performance and safeguard propriety and regularity. These governance arrangements are contained in written agreements with each of the Department's ALBs which define how the relationships work. These documents reflect the increased emphasis on departments conducting business with and through partnership organisations. Each Departmental agreement with an ALB is drawn up to reflect the ALB's legal standing and the environment in which it operates.

The agreement documents are reviewed and updated periodically and include clear information about;

- shared aims and performance targets;
- arrangements for reporting and consultation in order to ensure that the Departmental Board receives information enabling it to monitor corporate governance controls, risk controls and internal controls; and
- where relevant, the process of board and senior management appointments in the ALB.

The controls and corporate governance arrangements within ALBs are reviewed at each DAC meeting.

The Departmental Accounting Officer places reliance on relevant Departmental officials to ensure that the bodies they sponsor operate sound governance arrangements. Directors responsible for ALBs must also provide an assurance that they have reviewed the extent to which the governance requirements of the ALBs have been met and report any variances in their bi-annual stewardship statements.

## 5. Information Assurance

During the past year, the Department has made information assurance (IA) a priority. In particular, the Department has successfully implemented the mandatory measures required under the Cabinet Office Data Handling Review to ensure that the basic level of assurance is in place. The Board has overseen the development of the necessary structures, policies and training to ensure the Department meets its requirements and that the right culture for information assurance is developed. Specific measures include:

- continued development of the role of the Senior Information Risk Owner, the appointment of Information Asset Owners and the continued work of the Information Risk Owners Council;
- introduction into the regular assurance statements of an information assurance element and the addition of IA to the internal audit programme;
- development and delivery of a range of user friendly policy statements setting out the Department's IA approach;
- rollout of the National School of Government (NSG) supported IA training for the Department and the ongoing delivery of awareness raising material and information.

During the past year there have been ten information assurance security incidents reported and six near misses. Four of these incidents involved personal data. All of these incidents have been thoroughly considered both in terms of their impact and for lessons to be learnt more widely. Specific action has been taken to increase the awareness of the Department's Arms Length Bodies of IA issues. These measures have included a review of the data handling and information security procedures in place within the Independent Public Inquiries and a follow-up exercise to test the level of implementation from the recommendations made.

The Department completed in May 2009 the Information Assurance Maturity Model for 2008-09. This confirmed that the Department had met the mandatory minimum requirements.

The following information is disclosed in accordance with guidance issued by Cabinet Office in respect of the reporting of personal data incidents. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

<b>SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE (ICO) IN 2008-09 - CORE DEPARTMENT</b>				
<b>Date of Incident (month)</b>	<b>Nature of Incident</b>	<b>Nature of data involved</b>	<b>Number of people potentially affected</b>	<b>Notification steps</b>
May 2008	Loss of Rosemary Nelson Inquiry unencrypted CD. Investigation concluded data would not become publicly available as a consequence.	Details of witnesses to the Inquiry and a summary of a number of documents which have been made available to the Inquiry.	Up to 330	PSNI, senior members of NIO staff and ICO informed.
June 2008	Due to a technical error a number of individuals received two Access NI disclosure certificates, one of which belonged to a third party.	Disclosure information includes the name, address and criminal history of the applicant.	60 individual cases	Access NI notified all the individuals involved and apologised to them. Ministers, Senior NIO staff and ICO informed.
<b>Further action on information risk</b>	The Department is committed to deliver the Cabinet Office Data Handling Review Mandatory Requirements, monitor and assess its information risks, in light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.  NIO is implementing processes to manage the effectiveness of information risk management.			

<b>SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2008-09 - CORE DEPARTMENT</b>		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
<b>Category</b>	<b>Nature of Incident</b>	<b>Total</b>
<b>I</b>	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
<b>II</b>	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	1
<b>II</b>	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
<b>IV</b>	Unauthorised disclosure	1
<b>V</b>	Other	0

## 6. Sustainable Development

The NIO has aligned itself with the Northern Ireland Sustainable Development Strategy, and where appropriate will work with the NI Departments to ensure that the sustainability agenda is taken forward. At a strategic level the NIO, through its PSA targets and working towards fully devolved government in Northern Ireland, is contributing to the wider goal of sustainable communities. Sustainable development informs the Department's operational decisions and it is actively committed to reducing energy consumption, improving energy efficiency, and reducing waste going to landfill.

In the past year the NIO has continued to promote awareness of sustainability issues through a series of presentations to staff, regular issue of advice and information to staff through the Department's intranet and through the availability of sustainable development awareness training. In cooperation with other NI Departments the Department has pursued a sustainability agenda through recycling and promoting the use of recycled paper and through the production of a workplace travel plan. It has continued to offset its carbon emissions from air travel and has phased out the use of bottled water. The Department has sought to improve its energy efficiency through the development of a Green ICT Strategy. In addition it has ensured compliance with the new Energy Performance of Buildings Regulations.

Looking forward to 2009-10 the NIO's main commitments will include input to the revised NI Sustainable Development Strategy and the implementation plan which supports it. It will continue to work closely with colleagues in the Northern Ireland Civil Service (NICS) to take forward sustainability and to help prepare the future Department of Justice to meet its statutory duty on sustainability. The Department will continue to empower staff to contribute to the sustainability agenda, by providing them with the information and opportunity to make a difference.

## 7. Corporate Social Responsibility

The Departmental Report contains more detail on the NIO's Corporate Social Responsibility policy which has been developed with the assistance of Business in the Community (BiTC). This reinforces the Department's commitment to making a positive impact in the community in which it operates.

The NIO is committed to delivering a range of obligations through:

- Community Involvement – mobilising and engaging staff to support and enrich the wider community;
- Workplace – addressing the needs and aspirations of our existing and potential employees through the development of a diversity strategy and commitment to health and well-being; and
- Environment – developing social and environmental practices that minimise waste and maximise efficiencies, and position the NIO as a responsible employer in this area.

Both the Community Involvement and Workplace commitments have been delivered by the Department through its partnership with BiTC. To this end, the NIO has provided practical advice and support to a range of local communities, charities and schools during 2008-09.

The Department has also worked with BiTC to take forward Business Action on Health and is planning to arrange various health and well-being at work events. It is anticipated that this key partnership will support the Department's absence management strategy. A number of other business areas across the Department have also organised events for spring 2009.

## 8. Health and Safety

The NIO is fully committed to the implementation and continuing development of an effective health and safety regime. The Department's Health and Safety Policy, which was originally produced in 2004, has undergone an extensive review. The revised policy was published in June 2008, and is available at [www.nio.gov.uk](http://www.nio.gov.uk). The new policy underscores the Department's commitment to health and safety, supported by guidance for managers and staff for each identified risk category.

The Department has also taken cognisance of the Corporate Manslaughter Act. Although the legislation imposes no additional burdens, the Department has used this opportunity to examine its health and safety systems and the Department's relationship with its sponsored bodies to ensure robust arrangements are in place and accountability is clear.

The Department is focused on ensuring that staff have the skills and training they require to work safely. An e-learning programme on health and safety awareness will be completed by June 2009 and further specialist training will be provided on an ongoing basis for those with specific needs.

A total of seventeen incidents were recorded for 2008. Cuts, burns and slip, trips and falls were the most common category of accident. None of the accidents recorded were reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).



## 9. Employees

### *Employment of Disabled Persons*

The NIO follows the Civil Service Code of Practice on the Employment of Disabled People which aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement in the NIO is based solely on ability, qualifications and suitability for the post. The Department also produced a Disability Equality Scheme and Action Plan to meet the new disability duties under the Disability Discrimination (Northern Ireland) Order 2006.

### *Equal Opportunities*

The NIO is an equal opportunities employer. The NIO's Equal Opportunities Policy states that "all eligible persons shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for the work". Policies are in place to guard against discrimination on grounds of gender, marital status, colour, race, nationality, ethnic or national origin, disability, religious belief, age, responsibility for children or dependants, sexual orientation or political opinion. These policies aim to ensure that there are no unfair or illegal discriminatory barriers to employment and advancement in the NIO.

The Department has an Equal Opportunities Officer who is responsible for developing and promulgating equal opportunities policies and acting as an inter-departmental liaison officer with the Department of Finance and Personnel (DFP) and the Cabinet Office.

The Department aims to foster a culture which encourages every member of staff to develop to his or her full potential and seeks to create a working environment where the diversity of staff is valued, respected and utilised to improve performance. The Department launched its third NIO diversity delivery plan during the year supporting the commitment of "Promoting Equality and Valuing Diversity". The plan describes the Department's vision and strategy to address under-representation of women, ethnic minority and disabled people within the workforce.

### *Training and Development*

The Department is committed to the concept of continuous improvement in order to build on its strengths by improving communications, developing the leadership and management skills of its senior people and developing a culture in which staff at all grades are enabled to perform to their full potential and contribute to the delivery of the business requirements.

There has been a strong focus on the design and delivery of learning and development opportunities to meet Professional Skills for Government (PSG) skills gaps for all grades. These are accredited with the Institute of Leadership and Management. The Department also continues to offer Apprenticeships to staff providing an opportunity for individuals to attain nationally recognised and transferrable qualifications in Literacy, Numeracy, ICT and Business Administration.

The NIO undertakes considerable consultation on its policies with its staff and staff representative groups (Trade Union side). A variety of arrangements are in place to facilitate this.

### *Managing Attendance*

Stringent targets have been set to reduce the sickness absence rate for Departmental staff. The target for 2008-09 was 8.5 days (2007-08: 9.4 days) absence per whole-time member of staff and the Northern Ireland Statistical Research Agency (NISRA) has provided a provisional outturn of 8.6 days for 2008-09 (2007-08: 10.2 days). Whilst the sickness absence targets are challenging, there is a range of policies and procedures in place, which reflect best practice in both the public and private sector to ensure that staff are afforded every opportunity of getting back to good health and into the workplace as quickly as possible.



### ***Pay and Workforce Planning***

The Department agreed a multi-year pay settlement with the trade unions covering the period from 1 August 2006 to 31 July 2009 which resulted in a reduction in the number of existing pay scales and overlapping pay bands, faster progression for lower paid staff, and equalisation of annual leave entitlements, taking account of equal pay and age legislation considerations. The restructuring of pay scales also allowed the Department to improve transparency and reduce the costs of progression year on year.

Pay and workforce planning is supported by new Human Resources (HR) business partnering arrangements for directorates alongside the wider NICS e-HR programme (HR Connect). The outsourcing of transactional HR work to the private sector has provided departmental HR increased capacity to focus on strategic HR issues. The new arrangements have facilitated improved workforce and succession planning, talent management and have helped to create a closer connection between business planning and the deployment of people.

### ***Pensions and Early Departure Costs***

Present and past employees of the Department and its Agencies are covered by either the Principal Civil Service Pension Scheme (PCSPS) or the PCSPS (NI) Scheme. Those entities within the boundary covered by each scheme meet the costs of pensions provided for the staff they employ by the payment of charges called Accrued Superannuation Liability Charges (ASLC). This is charged to the Operating Cost Statement on an accrued basis annually.

The Department is also required to meet the additional cost of benefits beyond the normal PCSPS and PCSPS (NI) benefits in respect of employees who retire early. The Department provides in full for this cost, charged against the Operating Cost Statement when the early retirement programme has been announced.

In addition to information contained within the Remuneration Report, Notes 1.16, 1.17, 9.1 and 21 to the accounts provide further detail on how the Department's pension liabilities are calculated.

## **10. Payment of Suppliers**

### ***Payment within 30 calendar days***

The NIO, including its agencies, seeks to comply with the "The Better Payments Practice Code" for achieving good payment performance in commercial transactions. Further details regarding this are available on the website [www.payontime.co.uk](http://www.payontime.co.uk). Under this Code, the policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The prompt payment results for 2008-09 showed that 90% (2007-08: 92%) of invoices were paid in accordance with the terms of the standard.

### ***Payment within 10 workings days***

The Prime Minister's statement of 8 October 2008 set a challenge to Government Departments to pay suppliers as soon as possible, with the aim of bringing forward all payments to within 10 days. Following the guidance issued by the Cabinet Office on 17 November 2008, the Department and Agencies revised internal timescales for the processing and payment of invoices with effect from 1 December 2008. The performance for the 4 months to 31 March 2009 showed that 82% of invoices were paid within 10 working days following receipt of a properly rendered invoice.

In addition the former Department for Business Enterprise and Regulatory Reform, now Department for Business Innovation and Skills, launched a new code of practice in December 2008 to help increase the speed of payments between customers and their suppliers. The prompt payment code was developed in partnership with the Institute of Credit Management and aims to establish a clear and consistent policy in the payment of business bills. The Northern Ireland Office has shown its support and commitment to the principles of the code by becoming a signatory. Further details regarding this are available at [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk).

## 11. Departmental Auditor

These accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed by statute and reports to Parliament on the audit examination. His certificate and report is produced at pages 35 and 36. The notional audit fee for the work performed by his staff during the reporting period was £199k (2007-08: £162k). The figure for 2008-09 includes £28,500 (2007-08: £Nil) in respect of audit work undertaken for International Financial Reporting Standards (see Note 12 below).

The C&AG may also undertake other statutory activities that are not related to the audit of the Department's accounts such as value for money reports. No reports were published during the year relating to the Core Department or Agencies.

## 12. The Future

### *Devolution*

In order to prepare for the devolution of policing and justice the Northern Ireland Office established a programme to manage and co-ordinate the wide ranging work needed to deliver that outcome. Key elements of the programme in 2008-09 involved:

- assisting the Assembly and Executive Review Committee (AERC) which was tasked with considering the devolution of policing and justice;
- preparing the legislation required to bring about devolution of policing and justice and passing interim legislation to facilitate the devolution process;
- preparing all the organisational and administrative arrangements required to ensure the effective operation of the future NIO and new 'Department of Justice' from the point of devolution; and
- establishing a wide range of projects to deliver different aspects of the programme and a small team to manage the overall programme delivery.

The announcement by First Minister and Deputy First Minister on 18 November 2008 set out a clear process for taking forward devolution of policing and justice functions and though it did not specify a timeframe the work was to be taken forward without undue delay. The new department will be called the Department of Justice and it will have a single Minister.

Building on this progress the Secretary of State remains committed to working with political parties to complete the process of devolution at the earliest possible date. The programme of work in place to deliver this will maintain its readiness so that the transfer of powers can take place without delay when the Assembly makes the necessary request.

### *International Financial Reporting Standards (IFRS)*

The Department currently prepares its Resource Accounts in line with UK Generally Accepted Accounting Practice (UK GAAP) contained within the Government Financial Reporting Manual (FReM) prepared by Treasury. From 2009-10 onwards, Treasury has determined that all departments, agencies and non-departmental bodies must prepare accounts in accordance with IFRS.

The NIO put in place appropriate measures to ensure a smooth transition from reporting under UK GAAP to IFRS and has successfully met all the outputs required to comply with the trigger points set by Treasury. The main adjustments expected to impact the Department's Accounts are leave entitlement regarded as employee benefits and the capitalisation of a Public Private Partnership (PPP) contract. The Causeway Programme was established to deliver significant improvements to the effectiveness and efficiency of criminal justice in Northern Ireland and a PPP contract was let with Fujitsu Services in August 2003 to deliver a managed service over a 10 year period with an option to extend for a further 5 years. This contract has an estimated value of approximately £34m of which £13.2m is estimated to be the capital value and is currently accounted for off-balance sheet (Note 28) but will move on-balance sheet under IFRS. It is also expected that there will be a number of presentational and disclosure adjustments required to comply with IFRS.

## REMUNERATION REPORT

### 1. Remuneration committee

The Permanent Secretary has his salary considered by the Permanent Secretaries' Remuneration Committee, which requires approval from the Prime Minister.

The NIO Senior Pay Committee, which is comprised of the Permanent Secretary and two Non-Executive Directors, considers Board members' pay in line with the Government's response to the recommendations of the Senior Salaries Review Body.

The NIO Main Pay Committee is comprised of the Director of Resources, one Non-Executive Director, the Director General Policing and Security and the Director General Political, and considers SCS PB1 general service pay in line with the parameters of the Senior Salaries Review Body. In the same way, the NIO Legal Pay Committee considers the pay of SCS Legal staff, and consists of the Director of Resources, the Crown Solicitor, the Deputy Director of Public Prosecutions and one Non-Executive Director.

### 2. Remuneration policy

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

In reaching its recommendations, the Review Body considers the following:

- 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. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

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.

### 3. Performance appraisal

The performance of senior managers is assessed through annual reports, as directed by Cabinet Office, in the same manner as all other staff. A performance group recommendation is made by the line manager and passed to the relevant remuneration committee, which determines the consolidated and non-consolidated pay for all senior staff.

### 4. Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

The officials (other than Non-Executive Directors) covered by this report hold appointments which are open-ended until they reach the normal retirement age. The default retirement age is 65. Whilst staff retain the option to retire at age 60, they also have the right to remain in post up to age 65. In addition, they may request to work beyond their 65<sup>th</sup> birthday, subject to the agreement of the Permanent Secretary.

Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Both the Non-Executive Directors took up their appointments on a part-time basis on 1 June 2006 for an initial period of three years. These contracts have been renewed for a maximum period of two further years. The Department and the Non-Executive Directors may terminate the appointments before the expiry of the fixed period by giving one month's notice in writing.

## 5. Salary and pension entitlements

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

*[Audited information]*

### A Remuneration:

Ministers	2008-09		2007-08	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Shaun Woodward MP – Secretary Of State	-	-	-	-
The Rt Hon Paul Goggins MP – Minister Of State	41,134	-	37,555	-

Only those Ministers who were in post on 31 March 2008 need be included in the 2007-08 comparative figures.

As in 2007-08, the Rt Hon Shaun Woodward MP has chosen not to take a salary for his role as Secretary of State. However if a salary had been paid, the cost in 2008-09 would have been £79,754 (2007-08: £76,904).

[Audited information]

Officials	2008-09		2007-08 <i>Restated</i>	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Sir Jonathan Phillips Permanent Secretary	175-180	5,800 (Note a)	175-180	7,600 (Note a)
Hilary Jackson Director General, Political	125-130	-	115-120	-
Nick Perry Director General, Policing and Security	115-120	-	115-120	-
Dennis Godfrey Director of Communications	85-90	-	0-5 (80-85 full year equivalent)	-
Stephen Leach Director, Criminal Justice (until 18 January 2009)	90-95 (110-115 full year equivalent)	9,400	105-110	11,100
Carol Moore Director, Policing and Security (until 18 January 2009) Director, Criminal Justice (from 19 January 2009)	100-105	-	95-100	-
Anthony Harbinson Director of Resources	95-100	-	85-90	-
Peter May Director of Transition and Strategy (from 1 May 2008 until 18 January 2009) Director, Policing and Security (from 19 January 2009)	80-85 (90-95 full year equivalent)	-	-	-
Chris Maccabe Director, Political (Belfast) (until 30 April 2008)	10-15 (95-100 full year equivalent)	-	90-95	-
Robin Masefield Director, Northern Ireland Prison Service	110-115	6,800	105-110	7,300
James Conn Crown Solicitor	90-95	-	90-95	-

Only those Officials who were in post on 31 March 2008 need be included in the 2007-08 comparative figures.

The remuneration payable to a Non-Executive board member is currently £13,750 per annum.

Note:

- a. During 2008-09, a benefit-in-kind was assessed by Her Majesty's Revenue and Customs in respect of this Director covering the period 2005-06 to 2008-09. The 2007-08 comparative figures have been restated accordingly.

**Salary**

*[Audited Information]*

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the costs of the additional ministerial remuneration; the salary for their services as an MP (£63,291 from 1 April 2008) and various allowances to which they are entitled are borne centrally.

**Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by Her Majesty’s Revenue and Customs as a taxable emolument. The net benefits in kind shown above are in respect of detached duty allowances and expenses, on which the tax payable is met by the Department.

**B Pension Benefits:***[Audited information]*

Ministers	Real increase in pension at age 65 £000	Accrued pension at age 65 at 31/03/09 £000	CETV at 31/03/09 £000	CETV at 31/03/08* £000	Real increase in CETV £000
The Rt Hon Shaun Woodward MP – Secretary Of State	-	-	-	-	-
The Rt Hon Paul Goggins MP – Minister Of State	0-2.5	5-10	74	57	10

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

**Ministerial pensions**

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in under Statutory Instrument SI 1993 No 3253, as amended).

The Rt Hon Shaun Woodward MP has chosen not to take a salary for his role as Secretary of State and accordingly there are no associated pension contributions payable.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis taking account of all service as a Minister. The accrual rate has been 1/40<sup>th</sup> since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with other members of the PCPF, can opt for a 1/50<sup>th</sup> accrual rate and a 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 from 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 1/50<sup>th</sup> accrual rate or 10% if they have opted for the 1/40<sup>th</sup> accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

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

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

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



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

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

*[Audited information]*

Officials	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31/03/09 and related lump sum	CETV at 31/03/09	CETV at 31/03/08*	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Jonathan Phillips Permanent Secretary	0-2.5 plus 0-2.5 lump sum	70-75 plus 215-220 lump sum	1,561	1,416	7	-
Hilary Jackson Director General, Political	2.5-5 plus 0-2.5 lump sum	50-55 plus 120-125 lump sum	1,039	915	46	-
Nick Perry Director General, Policing and Security	0-2.5 plus 0-2.5 lump sum	35-40 plus 110-115 lump sum	668	607	7	-
Dennis Godfrey Director of Communications	2.5-5 plus 7.5-10 lump sum	20-25 plus 60-65 lump sum	475	373	71	-
Stephen Leach Director, Criminal Justice (until 18 January 2009)	0-2.5 plus 0-2.5 lump sum	40-45 plus 130-135 lump sum	1,048	936	2	-
Carol Moore Director, Policing and Security (until 18 January 2009) Director, Criminal Justice (from 19 January 2009)	0-2.5 plus 0-2.5 lump sum	45-50 plus 135-140 lump sum	986	905	7	-
Anthony Harbinson Director of Resources	0-2.5 plus 2.5-5 lump sum	20-25 plus 70-75 lump sum	397	349	15	-
Peter May Director of Transition and Strategy (from 1 May 2008 until 18 January 2009) Director, Policing and Security (from 19 January 2009)	2.5-5 plus 5-7.5 lump sum	20-25 plus 45-50 lump sum	325	249	51	-
Chris Maccabe Director, Political (Belfast) (until 30 April 2008)	0-2.5 plus 0-2.5 lump sum	40-45 plus 135-140 lump sum	1,067	1,066	0	-
Robin Masefield Director, Northern Ireland Prison Service	0-2.5 plus 0-2.5 lump sum	40-45 plus 130-135 lump sum	971	881	9	-
James Conn Crown Solicitor	2.5-5 plus 10-12.5 lump sum	20-25 plus 70-75 lump sum	476	370	72	-

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008



All the senior managers of the Department are members of the Classic Scheme with the exception of one who is a member of the Classic Plus Scheme.

No pension benefits are provided to Non-Executive Board members.

The information given above relates to the Ministers and senior managers of the Northern Ireland Office. Equivalent information relating to the Department's on-vote Agencies consolidated into the Departmental Resource Accounts, which are the Compensation Agency, Northern Ireland Prison Service, Forensic Science Northern Ireland and Youth Justice Agency, is given in their separate accounts.

The Department is also responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the Classic Scheme in both the PCSPS and PCSPS (NI). The Department and members are obliged to make contributions in line with the PCSPS scheme. Further details regarding this scheme are contained in Note 21 to the Accounts.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 panel of three providers. 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).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

**Cash Equivalent Transfer Values**

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

**Real Increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Compensation for Loss of Office**

There were no compensation benefits paid to any current or previous member of senior staff during the financial year 2008-09 (2007-08: £Nil).

**Sir Jonathan Phillips**  
Accounting Officer

**18 June 2009**

**STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

1. Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Northern Ireland Office to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
2. 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 HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
  - prepare the accounts on a going concern basis.
3. HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Northern Ireland Office. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

## 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 Northern Ireland Office's (NIO'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 *Managing Public Money*.

The Designated Accounting Officer of each agency or other self-accounting unit falling within the Departmental boundary is responsible for the maintenance and operation of the system of internal control in that body, and has signed a statement relating to that system which is reproduced in the accounts of the body.

The Department reviews the accountability framework with its NDPBs as required. This includes reviewing Accounting Officer designations and Management Statements. The Department has reviewed the internal control arrangements within NDPBs and other satellite bodies (including self accounting bodies) listed in the Boundary statement of these Accounts and will continue to implement any necessary improvements.

Identification and management of risk is part of the process of development and review of policy in the Department. Policy decisions are taken by the Secretary of State and Ministers in the full knowledge of the risks involved and the arrangements for managing them. The Secretary of State also approves the Department's Public Service Agreement and its Business Plan, and reports on progress to the Chief Secretary to the Treasury, drawing on the delivery plans which include risk identification and management.

### 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 NIO for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle risk

Corporate governance and risk management in the NIO continued to develop over the past year, led by myself as Accounting Officer and supported by the Board. Corporate governance responsibilities have been delegated to the appropriate level throughout the Department. Risk management is fully embedded into the business planning process at both strategic and operational levels. The Public Service Agreements (PSAs) negotiated as part of the 2007 Comprehensive Spending Review fully incorporated risk management into the delivery, planning and monitoring mechanisms. Departmental staff have been trained in business planning techniques which incorporate risk management as an integral part of the planning and monitoring process. The Departmental Plan incorporates a high-level risk register, endorsed at Board level, and each risk has a risk owner who is a Board Director. Risk is cascaded down from the Departmental register through Directorate and Divisional plans each of which has an associated risk register.

A comprehensive risk policy document and a practical guide to risk management have been made available to all staff along with a risk management website page on the NIO staff intranet site. The Department continued its representation on HM Treasury's Risk Improvement Group.

#### 4. The risk and control framework

The Departmental Board has developed a systematic approach to monitoring the financial and business performance of the Department and its risk management arrangements. The Board also reviews progress against Departmental Strategic Objectives (DSO) and Public Service Agreement (PSA) outcomes throughout the year.

The Department's directorates and agencies identify and evaluate risk as an integral part of constructing their business plans, and they develop strategies to minimise or mitigate identified risks as part of that process. The Departmental Risk Register identifies the highest level risks and is informed by the overall business planning process and by Directors in relation to their Directorate-specific risks. Corporate level risks are considered by the Board as a whole in the context of overall corporate risk tolerance levels and are reviewed, at least, quarterly by the Departmental Board. The organisation's risk priorities are in the areas of political development, DSO and PSA reporting. The Board has agreed a Departmental risk appetite framework which sets a Departmental profile for any category of risk within the Department.

Risk is considered as part of policy formulation and implementation from unit level to Board level. This means that factors that might affect delivery are integrated into the Department's operational procedures. There are a number of interlocking mechanisms such as the Criminal Justice Board on which partner bodies sit with the NIO to consider, among other things, the delivery of joint objectives and management of the associated risks.

In respect of the Department's arm's length bodies (ALBs) I rely on Directors in the Core Department to ensure that the bodies which they sponsor operate sound governance arrangements. Directors must also provide an assurance that they have reviewed the extent to which the governance requirements for our ALBs have been met.

#### 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 *"Report to those charged with Governance"* 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 and Audit Committee, and plans to address weaknesses and ensure continuous improvement of the system are in place.

The Departmental Board, led by me, has a corporate role in objective setting, agreeing priorities and implementing Ministerial policy. This is conducted within the Public Service Agreement framework, and the monitoring and review of progress and management of the key risks associated with the delivery of the Department's objectives and targets is a regular item on the Board agenda.

The Audit Committee, which is chaired by a Non-Executive Director, has monitored the Department's risk management and internal controls on a regular basis during the financial year. The Committee met five times during the 2008-09 financial year to consider internal control and risk arrangements. It endorses Internal Audit plans and reviews reports from both Internal and External Auditors.

Details of the Department's Corporate Governance arrangements are contained within section 4 of the Management Commentary for these Accounts. Internal Audit will continue to monitor and review the internal controls and corporate governance arrangements in place within each Directorate.

Financial controls have been further developed throughout the Department during 2008-09 to strengthen the control framework and reduce risk. An updated policy on the provision of Hospitality and Gifts was issued during 2008-09. I continue to give priority to the detection and investigation of fraud and a fraud response plan is in place. Work continues on developing the financial forecasting and budget management arrangements within the Department.

During the past year, the Department has made information assurance a priority. In particular, the Department has successfully implemented the mandatory measures required under the Cabinet Office Data Handling Review to ensure that the basic level of assurance is in place. The Board has overseen the development of the necessary structures, policies and training to ensure the Department meets its requirements and that the right culture for information assurance is developed.

An Internal Audit Unit operating to the Government Internal Audit Standards covers the Core Department and its four agencies (NI Prison Service, Compensation, Forensic Science and Youth Justice). The Head of Internal Audit (HIA) in the Department acts separately in that capacity for each organisation. Internal Audit submit regular reports to the respective Audit Committees and the Accounting Officers. These include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Department's system of internal control, corporate governance and risk management, together with recommendations for improvement. At least annually the HIA provides each Accounting Officer with a report on Internal Audit activity for his/her specific organisation. Each organisation has its own Audit Committee. Internal Audit work programmes, informed by risk assessments, are given direction by the respective Audit Committees which also approve Internal Audit's annual plans. The HIA receives Internal Audit reports from satellite bodies and reports significant internal control issues to the Departmental Audit Committee.

For each of the Department's arm's length bodies, I rely principally on the Statement on Internal Control that each body's Accounting Officer makes as part of its annual accounts. These are supplemented by assurance statements provided by Directors in the Department responsible for sponsoring each body.

The Northern Ireland Prison Service has taken action during the year to tighten the system of control in the area of contractor payments following the identification of a control weakness as previously reported in 2007-08. The Service used 'Day Works contracts' for minor works and building contractors were paid on the basis of time spent at each job. Following an internal review NIPS identified over-claiming by three contractors against these types of contracts. NIPS then switched immediately to Measured Term contracts through Defence Estates, effectively removing the weakness, and actively sought to recover any overpayments. Recovery negotiations are taking place with two contractors and the third is currently being formally pursued through the contracting arbitration process. NIPS introduced its own 'Measured Term Contract' arrangements in March 2009 to remove this risk permanently. Further refinement work continues to strengthen the internal control arrangements in this area as part of the Improving Internal Controls project which has just completed the revised final procedures for approval at the Agency's Corporate Compliance Committee.

As Accounting Officer, I have carefully considered these control arrangements and satisfied myself that I can rely on their effectiveness throughout the 2008-09 year. I will continue to develop and strengthen the control arrangements in the Department during the coming year.

**Sir Jonathan Phillips**  
Accounting Officer

**18 June 2009**



## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Northern Ireland Office for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury 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 and the part of the Remuneration Report to be audited 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Director's Report and the Management Commentary (excluding the section titled 'Reconciliation of resource expenditure between Estimates, Accounts and Budgets'), included in the Annual Report, is consistent with the financial statements. 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.

In addition, I report to you 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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 the unaudited part of the Remuneration Report. I consider the implications for my certificate 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 opinions

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.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Director's Report and the Management Commentary (excluding the section titled 'Reconciliation of resource expenditure between Estimates, Accounts and Budgets') included within the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

In my opinion, 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.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
**Date: 10 July 2009**

**National Audit Office**  
**151 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SS**



## Statement of Parliamentary Supply

## Summary of Resource Outturn 2008-09

CONSOLIDATED								2008-09 £000	2007-08 £000
Estimate				Outturn				Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total			
Request for Resources 1	2	1,400,676	(20,028)	1,380,648	1,317,594	(20,028)	1,297,566	83,082	1,268,040
Request for Resources 2	2	11,563,001	-	11,563,001	11,420,000	-	11,420,000	143,001	10,334,000
<b>Total Resources</b>	<b>3</b>	<b>12,963,677</b>	<b>(20,028)</b>	<b>12,943,649</b>	<b>12,737,594</b>	<b>(20,028)</b>	<b>12,717,566</b>	<b>226,083</b>	<b>11,602,040</b>
<b>Non Operating - cost A in A</b>							<b>2,300</b>		<b>68,561</b>

## Net cash requirement 2008-09

CONSOLIDATED				2008-09 £000	2007-08 £000
Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/(excess)	Outturn	
Net cash requirement	4	12,934,492	12,734,267	200,225	11,510,882

The notes on pages 44 to 101 form part of these accounts

### Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to Consolidated Fund (cash receipts being shown in italics):

CONSOLIDATED	Note	2008-09 Forecast		2008-09 Outturn	
		Income	£000 <i>Receipts</i>	Income	£000 <i>Receipts</i>
Total	5	-	-	1,698	1,687

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

## Operating Cost Statement

for the year ended 31 March 2009

		2008-09 £000				2007-08 £000 <i>Restated</i>			
		Staff Costs	Other Costs	Core Department Income	Staff Costs	Consolidated Other Costs	Core Department Income	Consolidated	
<b>Administration costs</b>									
Staff costs	9	28,765			37,326		29,106	44,005	
Other administration costs	10		26,127			30,291	26,215	34,781	
Operating income	12			(5,118)		(5,263)	(4,809)	(13,954)	
<b>Programme costs</b>									
<b>Request for Resources 1:</b>									
Staff costs	9	20,675			126,423		22,538	119,642	
Programme costs	11		1,016,935			1,123,684	986,301	1,084,130	
Income	12			(4,192)		(16,222)	(870)	(3,276)	
<b>Request for Resources 2:</b>									
Programme costs	11		11,563,119			11,563,119	10,529,761	10,529,761	
Income	12			(106,235)		(106,235)	(114,299)	(114,299)	
EU income	12			(36,884)		(36,884)	(81,462)	(81,462)	
<b>Totals</b>		<b>49,440</b>	<b>12,606,181</b>	<b>(152,429)</b>	<b>163,749</b>	<b>12,717,094</b>	<b>(164,604)</b>	<b>11,392,481</b>	<b>11,599,328</b>
<b>Net Operating Cost</b>	3,13			<b>12,503,192</b>		<b>12,716,239</b>	<b>11,392,481</b>	<b>11,599,328</b>	

All income and expenditure is derived from continuing operations.

The 2007-08 figures have been restated to exclude expenditure of £5,719,379 relating to the transfer of Prisoner Healthcare for the Northern Ireland Prison Service from the Northern Ireland Office to the Department of Health, Social Services and Public Safety (see Note 1.2)

The 2007-08 figures have also been restated to reflect the change in accounting policy relating to Northern Ireland Prison Service Home Loans and Income from Trading Activities (Note 1.28). The effect of these changes in accounting policies on the Operating Cost Statement for 2007-08 is to increase expenditure by £523,394.

The impact of the above adjustments on the Operating Cost Statement, Balance Sheet and Cash Flow Statement for 2007-08 has been disclosed in Note 36. Comparative figures in the Statement of Parliamentary Supply have not been restated as, for the purposes of Parliamentary Control, these figures are indelible.

The notes on pages 44 to 101 form part of these accounts

## Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008-09 £000		2007-08 £000 <i>Restated</i>	
		Core Department	Consolidated	Core Department	Consolidated
Net gain /(loss) on actuarial valuation of pension scheme liabilities	21	(572)	(2,801)	-	1,548
Net gain /(loss) on revaluation of tangible fixed assets	23	5,306	15,505	3,265	14,806
Net gain/(loss) on revaluation of intangible fixed assets	23	-	3	-	1
<b>Recognised gains and losses for the financial year</b>		<b>4,734</b>	<b>12,707</b>	<b>3,265</b>	<b>16,355</b>

See also Note 36 for further details of the restated balances for 2007-08.

## Balance Sheet

as at 31 March 2009

		2008-09 £000		2007-08 £000 <i>Restated</i>	
	Note	Core Department	Consolidated	Core Department	Consolidated
<b>Fixed assets:</b>					
Tangible assets	14	116,752	377,149	124,381	384,437
Intangible assets	15	956	1,284	1,258	1,573
Financial Assets	16	<u>1,366,489</u>	<u>1,366,489</u>	<u>1,469,204</u>	<u>1,469,204</u>
		<b>1,484,197</b>	<b>1,744,922</b>	<b>1,594,843</b>	<b>1,855,214</b>
Debtors falling due after more than one year	18	-	<b>2,473</b>	-	<b>2,837</b>
<b>Current assets:</b>					
Stocks	17	95	1,780	116	1,902
Debtors	18	131,337	133,708	135,278	135,755
Cash at bank and in hand	19	<u>202,544</u>	<u>201,912</u>	<u>72,632</u>	<u>69,878</u>
		<b>333,976</b>	<b>337,400</b>	<b>208,026</b>	<b>207,535</b>
Creditors (amounts falling due within one year)	20	<u>(149,677)</u>	<u>(362,011)</u>	<u>(175,817)</u>	<u>(269,515)</u>
<b>Net current assets/(liabilities)</b>		<b>184,299</b>	<b>(24,611)</b>	<b>32,209</b>	<b>(61,980)</b>
<b>Total assets less current liabilities</b>		<b>1,668,496</b>	<b>1,722,784</b>	<b>1,627,052</b>	<b>1,796,071</b>
Creditors (amounts falling due after more than one year)	20	(1,367,410)	(1,367,431)	(1,470,599)	(1,470,611)
Provisions for liabilities and charges	21	<u>(8,356)</u>	<u>(81,741)</u>	<u>(7,779)</u>	<u>(59,844)</u>
		(1,375,766)	(1,449,172)	(1,478,378)	(1,530,455)
		<b>292,730</b>	<b>273,612</b>	<b>148,674</b>	<b>265,616</b>
<b>Taxpayers' equity:</b>					
General fund	22	265,789	196,424	114,616	164,147
Revaluation reserve	23a	26,941	77,188	34,058	101,469
		<b>292,730</b>	<b>273,612</b>	<b>148,674</b>	<b>265,616</b>

Sir Jonathan Phillips  
Accounting Officer

18 June 2009

## Cash Flow Statement

for the year ended 31 March 2009

CONSOLIDATED	2008-09 £000	2007-08 £000 <i>Restated</i>
Note		
Net cash outflow from operating activities	24a (12,699,020)	(11,538,812)
Capital expenditure and financial investment	24b, 24c 69,701	53,806
Receipts due to Consolidated Fund which are outside the scope of the Department's activities	56	313
Payments of amounts due to the Consolidated Fund	(1,219)	(622)
Financing	24d 12,762,516	11,511,470
<b>Increase in cash in the period</b>	<b>24e 132,034</b>	<b>26,155</b>

See also Note 36 for further details of the restated balances for 2007-08.

## Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

CONSOLIDATED	2008-09			2007-08		
	£000			£000		
				<i>Restated</i>		
Aim	Gross	Income	Net	Gross	Income	Net
<b>Request for Resources 1</b>						
Objective 1	112,334	(1,070)	111,264	101,420	(1,171)	100,249
Objective 2	139,756	(2,331)	137,425	130,417	(2,114)	128,303
Objective 3	131,105	(13,884)	117,221	138,965	(12,624)	126,341
Objective 4	934,529	(4,200)	930,329	911,756	(1,321)	910,435
<b>Request for Resources 2</b>						
Objective 1	11,563,119	(143,119)	11,420,000	10,529,761	(195,761)	10,334,000
<b>Net Operating Costs</b>	<b>12,880,843</b>	<b>(164,604)</b>	<b>12,716,239</b>	<b>11,812,319</b>	<b>(212,991)</b>	<b>11,599,328</b>

### ***Request for Resources 1***

In line with changes to the PSA framework in CSR07 the Department has developed a suite of Departmental Strategic Objectives (DSOs). These are high level objectives for the CSR07 period (2008-09 to 2010-11) and cover the totality of the Department's business and the use of resources over the CSR07 years as follows:

1. a stable devolved government in Northern Ireland with responsibility for policing and justice, and a society reconciled with its past;
2. to manage offenders securely, safely and humanely (contributes to PSA 2);
3. to deliver an independent, fair and effective criminal justice system which supports and protects the community (contributes to PSA 2);
4. to work with PSNI and other policing partners to deliver effective and accountable policing services that can secure the confidence of the whole community; and

Departmental Strategic Objective 5, Value for Money, is not included in the schedule above because as an efficiency target, there were no separate resources allocated against it.

### ***Request for Resources 2***

The Northern Ireland Consolidated Fund (RfR2) is a cash grant paid to the Northern Ireland Executive. It is included within the NIO's estimate as a means of gaining Parliamentary approval only and therefore, is not included within the NIO's Departmental Plan and does not contribute to the Department's own Aim and Objectives.

See also Note 25 for further details.

The notes on pages 44 to 101 form part of these accounts



## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. 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 Net Operating Cost by Departmental Strategic 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.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, 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 those entities which fall within the Departmental boundary as defined in the FReM (Chapter 1). Transactions between entities included in the consolidation are eliminated. A list of the entities within the Departmental boundary is given at Note 35.

#### *Machinery of Government transfer*

On 1 April 2008, responsibility for Prisoner Healthcare for the Northern Ireland Prison Service transferred to the Department of Health, Social Services and Public Safety. The transfer has been accounted for using merger accounting principles in accordance with FReM. Accordingly, the results relating to the transferred service have been excluded from the start of the financial year and prior year comparative figures have also been restated.

The impact of this adjustment on the 2007-08 Financial Statements has been disclosed in Note 36.

#### 1.3 Tangible fixed assets

Tangible fixed assets comprise heritage assets (including antiques), land and buildings, plant and machinery, computer equipment, assets under construction and assets awaiting disposal.

The Department's heritage assets comprise Hillsborough Castle and its surrounding Estate. The contents of Hillsborough Castle represent the Department's antiques.

The Secretary of State for Communities and Local Government holds title to the freehold land and buildings and properties leased by the Department.

In addition to the above the NIO occupies a number of properties within the Northern Ireland Government Office Estate. These are managed by the Department of Finance and Personnel (DFP). The costs of occupancy of such properties are recovered in cash from the NIO by DFP. Terms of occupancy of these

buildings are outlined in an agreement known as the 'Memorandum of Terms of Occupancy (MOTO)'. Similar arrangements exist for properties occupied by the NIO as part of the Civil Estate in Great Britain. The costs of occupancy are recovered in cash from the NIO by the major occupier of such buildings.

#### 1.4 Valuation of fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. All tangible fixed assets are restated to current value each year by reference to indices compiled by the Office for National Statistics (ONS).

Land and buildings are restated to current value using professional valuations, in accordance with FRS 15, every 5 years and in the intervening years by the use of indices provided by Land and Property Services (LPS), specific to the Northern Ireland property sector. In addition, a number of properties owned by the Department have been valued by LPS and an independent estate agent for the purposes of these accounts. Properties are valued on the basis of open market value existing use, unless they are deemed to be specialised, in which case they are valued on a depreciated replacement cost basis.

This basis of valuation is also applied to land and buildings occupied by the Department under the terms of finance leases, which are also capitalised. Operating leases are not capitalised.

Assets under construction are shown at cost, and relate to assets which are incomplete but for which the Department has incurred a liability.

Expenditure on tangible fixed assets of over £1,000 is capitalised. Within the core Department the grouping of a range of fixed assets has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

In compliance with FRS 15, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is treated as revenue.

Upward revaluations are credited to the Revaluation Reserve and permanent reductions in the value of fixed assets are charged to the Operating Cost Statement.

#### 1.5 Depreciation

Freehold and leasehold land is not depreciated.

All other categories of fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Estimated useful lives, which are reviewed regularly, are:

<b>Asset category</b>	<b>Useful Life</b>
Heritage Assets	50 years
Land and Buildings (including temporary buildings)	10 - 55 years
Plant and Machinery	3 - 25 years
Computer Equipment	3 - 16 years
Intangibles (Software Licenses)	2 - 10 years

Depreciation is not charged on assets awaiting disposal or assets under construction (until brought into use).

## 1.6 Consolidation of asset categories

The fixed asset note requires the amalgamation of asset categories under the Plant and Machinery heading. The asset categories represented by the Plant and Machinery heading include:

- Plant and Machinery
- Motor Vehicles
- Furniture and Fittings
- Office Equipment
- Security Equipment

## 1.7 Donated assets and assets on loan

The Department does not have any donated assets.

The Department does hold a number of “works of art”. These are on loan from the Northern Ireland Civil Service Art Collection, Government Art Collection of Great Britain and local museums. These items are checked regularly, for condition and verification that they are still located in government buildings, by each organisation from which they are on loan.

## 1.8 Intangible fixed assets

Expenditure on computer software licenses lasting more than one year and costing more than £1,000 is capitalised and classified as intangible fixed assets. Computer software licences do not have a readily ascertainable market value and consequently are not revalued by the core Department. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

The Compensation Agency and Forensic Science Northern Ireland revalue software licences annually using indices provided by the ONS.

## 1.9 Research and development

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the *FReM* which are adapted from SSAP 13 to take account of the not-for-profit context.

Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development, are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

### 1.10 Investments (See Notes 12 and 16)

The NIO administers loans from the National Loan Fund (NLF), as required by the Northern Ireland (Loans) Acts 1975 and 1985, on behalf of the Secretary of State for Northern Ireland. During 2008-09 the NIO on-lent £16,600,000 (2007-08: £97,605,000) to DFP for further distribution, and a repayment of £119,918,856 (2007-08: £116,765,243) principal and £106,234,641 (2007-08: £114,298,508) interest was received. The outstanding principal balance on the NLF as at 31 March 2009 was £1,485,804,327 (2007-08: £1,589,123,183) and has been included within the NIO's account. A separate account is produced, audited and published in respect of loans under the Northern Ireland (Loans) Act.

The Department does not hold any other investments.

### 1.11 Stocks and work in progress

Stocks and work in progress are valued as follows:

- Stocks shown on the balance sheet relate mainly to essential stocks held at HM Prisons and are valued at the lower of cost or net realisable value. Stocks held by other entities within the boundary which are deemed consumable, are written off in the year of purchase; and
- Work in progress relates only to the provision of professional services provided by the Crown Solicitor's Office (CSO). A number of costs incurred in relation to this work are invoiced on completion of cases, rather than on an on-going basis. Consequently an estimated work in progress figure is included in the resource account to reflect work completed to date. Outstanding balances at the year-end are represented in the debtors figure on the balance sheet.

### 1.12 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises monies received in respect of EU grants (Note 1.21 refers) and National Loans Fund interest (Note 1.10 refers). This income is netted off gross expenditure in the Statement of Parliamentary Supply. Operating income also includes charges for staff attendance at Court and fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

In addition, the Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid (Note 32 refers). Recovery is not normally sought from earnings or assets of an offender. However, recovery is sought from an offender who subsequently becomes entitled to State compensation and any amounts so recovered are included as programme income.

Operating income includes not only income appropriated in aid of the estimate but also income to the Consolidated Fund which in accordance with the FReM is treated as operating income. Operating income is stated net of VAT.

Operating income is split under the following headings on the Operating Cost Statement depending on its classification:

- Administration costs
- Programme costs

It excludes funding from Parliamentary Vote, loans made from the National Loans Fund and advances from the Contingencies Fund.

Income and expenditure in respect of Forensic Science Northern Ireland is classified as Programme from 2008-09 onwards rather than Administration.

### 1.13 Administration and Programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department. These include both those administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and compensation, and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

### 1.14 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:

- (a) cash balances with the Office of the Paymaster General, where the charge is nil;
- (b) liabilities in respect of advances outstanding from Contingencies Fund, where the charge is nil; and
- (c) assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund, where the charge is nil.

### 1.15 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

### 1.16 Pension costs

Past and present employees of the Northern Ireland Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the PCSPS (NI). Each of these schemes is a defined benefit scheme. The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS and the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and the PCSPS (NI).

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the Classic Scheme in both the PCSPS and PCSPS (NI). The Department and members are obliged to make contributions in line with the PCSPS scheme.

The Youth Justice Agency makes employer contributions to the Northern Ireland Local Government Officers Superannuation Committee Scheme (NILGOSC). As disclosed in the 2006-07 Accounts, NILGOSC is now able to identify the Agency's share of the assets and liabilities of the scheme and as a result a liability must be recognised for the Agency's share of the deficit in the scheme.

Further details regarding the above schemes are contained in Note 21 to the Accounts.

### 1.17 Early departure costs

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

### 1.18 Leases

The Department leases a number of properties in addition to office equipment and motor vehicles. These 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. Those properties which are occupied under the terms of a MOTO either within the Northern Ireland Government Office Estate or the Civil Estate of Great Britain, are regarded, for accounting purposes, as having the status of an operating lease. Commitments in respect of these properties, for which there is a cash transfer, are included within the disclosure at Note 27.

### 1.19 Public Private Partnership (PPP) transactions

PPP transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled *How to Account for PPP Transaction* as required by FReM. Where the risks and rewards of ownership of the PPP property are borne by the PPP operator, the PPP payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PPP contract. Commitments in respect of this PPP contract are included within the disclosure at Note 28.

### 1.20 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period, usually a financial year, are recorded as expenditure for that period.

### 1.21 Government grants receivable

The Department acts as an agent in transferring funds from HM Treasury to the Northern Ireland Consolidated Fund, in respect of European Union (EU) grants and NI Consolidated Fund grant in aid. The Northern Ireland Consolidated Fund is managed by DFP. DFP has responsibility for distributing such funds to Northern Ireland Departments, which account for grants received. The income and expenditure in respect of such EU grants and NI Consolidated Fund grant in aid is shown in the consolidated account under Request for Resources 2.

### 1.22 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 3.5 per cent).

### 1.23 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 *Managing Public Money*.

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.

### 1.24 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not 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.



### 1.25 Insurance

Only insurance costs in respect of motor vehicles are charged to the Operating Cost Statement.

Departments do not generally insure. No insurance is affected against the following: fire, explosion, common law, third party and similar risks. Notional insurance premiums are not charged to the Operating Cost Statement. Instead, expenditure in connection with uninsured risks is charged as incurred.

### 1.26 Notional charges

Notional charges, in respect of services received from other government departments/agencies, are included to reflect the full economic cost of services.

### 1.27 Third-party assets (Note 34 refers)

The Northern Ireland Prison Service holds as custodian certain assets belonging to third parties. These are not recognised in the accounts since neither the Agency nor the Government more generally has a direct beneficial interest in them.

The Crown Solicitor's Office holds restitution monies, which have been received for subsequent payover to other departments. These are not regarded as a Departmental asset.

The Youth Justice Agency holds a private cash facility for young people in custody.

The Compensation Agency administers bank accounts for minors, under the Criminal Injuries Compensation (Northern Ireland) Order 2002, until they reach the age of 18.

### 1.28 Change in Accounting Policies

The impact of the following adjustments on the 2007-08 Financial Statements has been disclosed in Note 36.

#### ***Northern Ireland Prison Service Home Loans***

Comparative figures for 2007-08 have been restated following a change in accounting policy in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* in respect of Northern Ireland Prison Service Home Loans as detailed in Note 18. These balances are stated in the Balance Sheet at their amortised cost, being the carrying amount discounted to present value at the effective rate of interest of 3.5%.

The effect of this change in policy on the Operating Cost Statement for 2007-08 is to increase expenditure by £523,394.

#### ***Northern Ireland Prison Service Income from Trading Activities***

Comparative figures for 2007-08 have been restated to reflect a change in accounting policy concerning Trading Activities in relation to prisoners. In prior years the related income and programme expenses were netted off in the Balance Sheet and not shown on the face of the Operating Cost Statement. From 1 April 2008, these costs are no longer netted off in line with FRS 5 *Substance of Transactions*.

Overall there is a nil effect on the Operating Cost Statement for 2007-08 resulting from this change in policy as Income and Expenditure have both been increased by £1,922,449.



## 1.29 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

The Department has financial instruments in the form of trade receivables, cash and cash equivalents. In accordance with FRS 26 *Financial Instruments: Recognition and Measurement*, these are classified as “loans and receivables” that are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any impairment.

The Department also has financial instruments in the form of trade payables that are classified in accordance with FRS 26 as “other financial liabilities”. These are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

The Department assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. The Department measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

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

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

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

## 2. Analysis of net resource outturn by section

CONSOLIDATED							2008-09 £000	2007-08 £000	
						Outturn	Estimate		
						Net Total	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Prior-year Outturn
Admin	Other current	Grants	Gross Resource expenditure	A in A					
<b>Request for Resources 1</b>									
<b>Spending in Departmental Expenditure Limits (DEL)</b>									
<b>Central government spending</b>									
Central Administration	28,337	784	-	29,121	(3,755)	25,366	48,229	22,863	33,841
Ministers	2,745	-	-	2,745	-	2,745	2,857	112	3,233
Political Directorate	11,254	35,200	-	46,454	(278)	46,176	47,730	1,554	30,734
Bloody Sunday	657	3,650	-	4,307	-	4,307	4,255	(52)	4,269
Public Prosecution Service	2,094	31,738	-	33,832	(360)	33,472	35,960	2,488	32,002
Forensic Science Northern Ireland	-	10,732	-	10,732	(9,222)	1,510	1,545	35	1,024
Criminal Justice	4,931	17,834	3,606	26,371	(480)	25,891	26,584	693	27,851
Compensation Agency	-	1,620	51,791	53,411	(171)	53,240	54,246	1,006	55,892
Policing and Security	4,875	8,608	2,932	16,415	(3,377)	13,038	13,620	582	15,061
Policing—Non severance	-	37	2,039	2,076	-	2,076	2,706	630	2,133
Northern Ireland Prison Service	12,724	126,749	282	139,755	(2,311)	137,444	133,867	(3,577)	133,501
Youth Justice Agency	-	21,323	-	21,323	(74)	21,249	21,644	395	21,626
<b>Non-budget</b>									
Police Service of Northern Ireland	-	-	804,600	804,600	-	804,600	849,014	44,414	799,260
Police Pensions	-	-	89,557	89,557	-	89,557	99,370	9,813	72,508
Police Ombudsman for Northern Ireland	-	-	8,807	8,807	-	8,807	8,922	115	8,726
Probation Board for Northern Ireland	-	-	16,986	16,986	-	16,986	18,801	1,815	15,490
Northern Ireland Human Rights Commission	-	-	1,650	1,650	-	1,650	1,631	(19)	1,680
Northern Ireland Policing Board	-	-	8,073	8,073	-	8,073	8,288	215	8,009
Criminal Justice Inspectorate Northern Ireland	-	-	1,379	1,379	-	1,379	1,379	-	1,200
<b>Total</b>	<b>67,617</b>	<b>258,275</b>	<b>991,702</b>	<b>1,317,594</b>	<b>(20,028)</b>	<b>1,297,566</b>	<b>1,380,648</b>	<b>83,082</b>	<b>1,268,040</b>
<b>Request for Resources 2</b>									
<b>Non-budget</b>									
Grants to the Northern Ireland Consolidated Fund	-	-	11,420,000	11,420,000	-	11,420,000	11,563,000	143,000	10,334,000
European Institutions (net)	-	-	-	-	-	-	1	1	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11,420,000</b>	<b>11,420,000</b>	<b>-</b>	<b>11,420,000</b>	<b>11,563,001</b>	<b>143,001</b>	<b>10,334,000</b>
<b>Resource Outturn</b>	<b>67,617</b>	<b>258,275</b>	<b>12,411,702</b>	<b>12,737,594</b>	<b>(20,028)</b>	<b>12,717,566</b>	<b>12,943,649</b>	<b>226,083</b>	<b>11,602,040</b>

**Explanation of the variation between Estimate and Outturn for each Request for Resources**

A saving of £226.083m was made on the net total outturn as compared to estimate with regard to the consolidated figures. The main reasons for this saving are outlined below.

**(i) Request for Resources 1 - £83.082m****Spending in Departmental Expenditure Limits**

Central Administration – the underspend was largely because funding held centrally as a contingency was not required.

Political Directorate – the underspend was largely due to slippage in expenditure for three public inquiries into the 2009-10 financial year.

Public Prosecution Service - the underspend was largely because expenditure from incentivisation funds has been deferred until 2009-10. There was also slippage in accommodation costs for regional offices.

Forensic Science Northern Ireland – the underspend relates to delays in recruitment and reduced capital charges as a result of capital slippages.

Criminal Justice – the underspend is due to slippage in programmes across a range of areas within the Criminal Justice Directorate.

Compensation Agency – the underspend is due to the timing and value of claims received.

Policing and Security – the underspend is largely due to additional receipts in 2008-09, along with reduced costs for Access NI.

Policing - Non severance – the underspend is mainly due to slippage in research projects.

Northern Ireland Prison Service – the overspend is largely due to an increase in injury in duty costs, increased utility prices and higher capital charges.

Youth Justice Agency – the underspend is largely due to the release of a pension provision offset by increased impairment costs.

**Non-Budget**

Police – the underspend is largely due to £22m slippage in profile of full time reserve leavers from 2008-09 to future years, £11m adjustment to working capital requirements, £7m switch from cash to non cash costs and £4m due to the reprofiling of capital expenditure into future years.

Police Pensions – the underspend is due to slippage in the profile of pension leavers into 2009-10.

Probation Board for Northern Ireland – the underspend is mainly due to a delay in estates projects.

NI Policing Board – the underspend is due to slippage in projects.

**(ii) Request for Resources 2 - £143.001m****Non-Budget**

Underspend in funding requirement of the Northern Ireland Consolidated Fund which is used to fund expenditure for the Northern Ireland Executive.

Further details regarding financial performance are contained within section 3 of the Management Commentary.

### 3. Reconciliation of outturn to net operating cost and against Administration Budget

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

CONSOLIDATED	Note	Outturn	Supply Estimate	2008-09	2007-08
				£000	£000
				Outturn compared with Estimate: saving/(excess)	Restated
					Outturn
Net Resource Outturn	2	12,717,566	12,943,649	226,083	11,602,040
Reclassification	36	-	-	-	3,103
Machinery of Government changes	36	-	-	-	(5,719)
Prior period adjustments	36	-	-	-	523
Operating Income payable to CF (Note a)	6	(1,457)	-	1,457	(747)
Non-supply Expenditure (Note b)	11	130	-	(130)	128
<b>Net Operating Cost</b>		<b>12,716,239</b>	<b>12,943,649</b>	<b>227,410</b>	<b>11,599,328</b>

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. The outturn against Estimate is shown in the Summary of Resource Outturn (Statement of Parliamentary Supply). Net operating cost is the total expenditure and income appearing in the Operating Cost Statement.

See also Note 36 for further details of the restated balances for 2007-08.

#### Notes:

- Operating Income payable to Consolidated Fund is included as income in the Operating Cost Statement.
- Non-supply expenditure comprises costs in respect of the Chief Electoral Officer and election expenses, funded directly by the Consolidated Fund and expenditure from non-supply funding.

#### 3(b) Outturn against final Administration Budget

	2008-09				2007-08	
	£000				£000	
	Core Department		Consolidated		Core Department	Consolidated
	Budget	Outturn	Budget	Outturn	Outturn	Outturn
Gross Administration Budget	66,160	54,892	80,458	67,617	55,320	78,786
Income allowable against the Administration Budget	(4,280)	(5,118)	(4,433)	(5,263)	(4,808)	(13,954)
<b>Net outturn against final Administration Budget</b>	<b>61,880</b>	<b>49,774</b>	<b>76,025</b>	<b>62,354</b>	<b>50,512</b>	<b>64,832</b>

## 4. Reconciliation of resources to cash requirement

CONSOLIDATED				2008-09 £000
	Note	Estimate	Outturn	Net Total Outturn compared with estimate: saving/(excess)
Resource Outturn	2	12,943,649	12,717,566	226,083
<i>Capital:</i>				
Acquisition of fixed assets:	14,15	38,187	31,644	6,543
<i>Non-operating A in A:</i>				
Proceeds of fixed asset disposals		(2,300)	(2,300)	-
<i>Accruals adjustments:</i>				
Non-cash items	10b	(97,768)	(88,946)	(8,822)
Changes in working capital other than cash		-	36,875	(36,875)
Changes in other creditors falling due after more than one year	20	-	474	(474)
Use of provision	21	52,724	38,479	14,245
Machinery of government	22	-	475	(475)
<b>Net cash requirement</b>		<b>12,934,492</b>	<b>12,734,267</b>	<b>200,225</b>

See also Note 36 for further details of the restated balances for 2007-08.

Further details regarding financial performance are contained within section 3 of the Management Commentary.

## 5. Analysis of income payable to the Consolidated Fund

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

CONSOLIDATED	Note	Forecast 2008-09 £000		Outturn 2008-09 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A in A	6	-	-	1,457	1,457
Non-operating income and receipts – excess A in A	7	-	-	174	174
		-	-	1,631	1,631
Other non-operating income not classified as A in A	8	-	-	67	56
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>1,698</b>	<b>1,687</b>

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

CONSOLIDATED	Note	2008-09	2007-08
		£000	£000 <i>Restated</i>
		Consolidated	Consolidated
Operating income – RfR 1	12	21,485	17,230
Adjustments for transactions between RfRs		-	-
Gross income		21,485	17,230
Prior period adjustment	36	-	(1,922)
Income authorised to be appropriated-in-aid	2	(20,028)	(14,561)
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>1,457</b>	<b>747</b>

### 7. Non-operating income – Excess A in A

CONSOLIDATED		2008-09	2007-08
		£000	£000
		Consolidated	Consolidated
Proceeds on disposal of fixed assets	5	174	251
<b>Non-operating income – excess A in A</b>		<b>174</b>	<b>251</b>

### 8. Non-operating income not classified as A in A

CONSOLIDATED		2008-09		2007-08	
		£000		£000	
		Consolidated	Consolidated	Consolidated	Consolidated
		Income	Receipts	Income	Receipts
Consolidated Fund Extra Receipts	5	67	56	172	313

Consolidated Fund Extra Receipts which do not fall to be treated as operating income are payable directly to the Consolidated Fund. These amounts comprise sundry receipts, which have not been incorporated into the Estimate due to their irregular nature and/or uncertainty of receipt.

## 9. Staff numbers and related costs

## 9.1 Staff costs

Staff costs consist of:

CONSOLIDATED						2008-09 £000	2007-08 £000 <i>Restated</i>
	Total	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	
<b>Administration staff costs</b>							
Wages and salaries	29,908	28,867	875	41	125	35,109	
Social security costs	2,342	2,317	6	5	14	2,685	
Other pension costs	5,015	4,988	1	-	26	6,139	
<b>Sub Total</b>	<b>37,265</b>	<b>36,172</b>	<b>882</b>	<b>46</b>	<b>165</b>	<b>43,933</b>	
Inward Secondments	61	61	-	-	-	72	
<b>Total</b>	<b>37,326</b>	<b>36,233</b>	<b>882</b>	<b>46</b>	<b>165</b>	<b>44,005</b>	
<b>Programme staff costs</b>							
Wages and salaries	99,901	98,687	1,214	-	-	89,522	
Social security costs	7,653	7,649	4	-	-	7,180	
Other pension costs	18,869	16,963	1,906	-	-	22,914	
<b>Sub Total</b>	<b>126,423</b>	<b>123,299</b>	<b>3,124</b>	<b>-</b>	<b>-</b>	<b>119,616</b>	
Inward Secondments	-	-	-	-	-	26	
<b>Total</b>	<b>126,423</b>	<b>123,299</b>	<b>3,124</b>	<b>-</b>	<b>-</b>	<b>119,642</b>	
<b>Total net costs*</b>	<b>163,749</b>	<b>159,532</b>	<b>4,006</b>	<b>46</b>	<b>165</b>	<b>163,647</b>	
Of which:							
<b>Core Department</b>	<b>49,440</b>	<b>48,373</b>	<b>856</b>	<b>46</b>	<b>165</b>	<b>51,644</b>	

\*Of the total, £Nil (2007-08: £Nil) has been charged to capital

See also Note 36 for further details of the restated balances for 2007-08.



The Principal Civil Service Pension Scheme, PCSPS, and PCSPS(NI) are unfunded multi-employer defined benefit schemes but the Northern Ireland Office is unable to identify its share of the underlying assets and liabilities. Full actuarial valuations of both the PCSPS and PCSPS(NI) were carried out as at 31 March 2007. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). Details of the PCSPS(NI) can be found in the resource accounts of the Department of Finance and Personnel; Superannuation and Other Allowances (Principal Civil Service Pension Scheme (Northern Ireland)).

For 2008-09, total employers' contributions of £20,553,859 (2007-08: £20,307,117) were payable to the PCSPS (NI) and PCSPS at rates in the range 17.1 to 26.5 per cent of pensionable pay for PCSPS and 16.5 to 23.5 per cent of pensionable pay for PCSPS(NI), based on salary bands. The difference between this amount and the amount disclosed above relates to pension costs recouped on seconded staff. The PCSPS actuary reviews employer contributions every four years following a full scheme valuation. Employer contribution rates are to be reviewed every four years for PCSPS(NI) following full scheme valuations by the Government Actuary. 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 of £26,854 (2007-08: £28,146) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2007-08: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent (2007-08: 0.8 per cent) of the individuals pensionable earnings were 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 the partnership pension providers at the balance sheet date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

As 27 persons (2007-08: 18 persons) retired early on ill-health grounds, the total additional accrued pension liabilities in the year amounted to £34,243 (2007-08: £31,820).

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the Classic Scheme in both the PCSPS and PCSPS(NI). A review of the existing Departmental pension arrangements was completed during 2007-08 and this identified a requirement to account for the liability arising from BBA schemes which had not previously been included within the Department's Resource Accounts but which it had an obligation to meet. The scheme liabilities were calculated by the Government Actuary's Department (GAD) in April 2009 and amount to £5.008m at 31 March 2009.

In relation to the Youth Justice Agency, the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2008-09 the contribution rates were 15% employers and 6% employees (2007-08: 13% employers and 6% employees). For manual workers previously paid on a weekly basis the contribution rates were 4.6% employer and 5% employee. The total employer pension cost under the Scheme was £1,132k (2007-08: £1,440k).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the Scheme were at 31 March 2007.

## Pensions provisions included within Note 9 – Staff Costs

CONSOLIDATED	2008-09	2007-08
	£000	£000
	Consolidated	Consolidated
Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC)	1,132	1,440
Broadly By Analogy (BBA) pension schemes	162	4,430
Pensionable Staff Allowances	-	999
<b>Total pension provisions – Notes 10a &amp; 10b</b>	<b>1,294</b>	<b>6,869</b>

Further details are contained in Note 21.

## 9.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in agencies and other bodies included within the consolidated Departmental resource account (including senior management, ministers, special advisors, staff on secondment or loan into the Department and agency/temporary staff, but excluding staff on secondment to other organisations).

CONSOLIDATED								2008-09	2007-08
	Total	Ministers	Special Advisors	Senior Management	Officials	Staff on inward secondment	Agency, temporary and contract staff	Number	Number Restated
								Total	
<b>RfR1</b>									
Objective 1	236	1	2	7	218	1	7	241	
Objective 2	2,290	-	-	1	2,258	-	31	2,154	
Objective 3	1,481	-	-	1	1,428	-	52	1,493	
Objective 4	219	1	-	1	188	-	29	175	
Staff engaged on capital projects	-	-	-	-	-	-	-	-	
<b>RfR2</b>									
Objective 1	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>4,226</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>4,092</b>	<b>1</b>	<b>119</b>	<b>4,063</b>	

Of which:

<b>2008-09</b>									
Core Department	1,281	2	2	9	1,224	1	43		
<b>2007-08</b>									
Core Department	1,251	2	2	10	1,222	2	13		

See also Note 36 for further details of the restated balances for 2007-08.

## 10. Other Administration Costs

	Note	2008-09 £000		2007-08 £000 <i>Restated</i>	
		Core Department	Consolidated	Core Department	Consolidated
<b>Rentals under operating leases:</b>					
Hire of plant and machinery		91	91	96	126
Other operating leases		3,252	3,263	2,381	2,558
		<b>3,343</b>	<b>3,354</b>	<b>2,477</b>	<b>2,684</b>
<b>Non-cash items (Notes a &amp; b):</b>					
Depreciation and amortisation of fixed assets:					
Other tangible fixed assets	14	3,905	3,905	3,827	4,363
Intangible fixed assets	15	867	867	677	707
Loss/(Profit) on disposal of fixed assets	7,14,15	77	77	(1,624)	(1,622)
Permanent diminution	14,15	72	72	241	248
Cost of capital charge	22	3,050	3,050	4,004	4,174
Auditor's remuneration and expenses	22	96	150	81	135
Provisions:					
Provided in year	21	266	266	312	357
Written back in year	21	-	-	(131)	(131)
Other notionals	22	199	199	307	307
		<b>8,532</b>	<b>8,586</b>	<b>7,694</b>	<b>8,538</b>
<b>Other expenditure</b>		14,252	18,351	16,044	23,559
<b>Total</b>		<b>26,127</b>	<b>30,291</b>	<b>26,215</b>	<b>34,781</b>

- a. The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in the Statement of Parliamentary Supply and in the Reconciliation of Operating Costs to Operating Cash flows in Note 24(a) comprises:

	2008-09 £000		2007-08 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Other administration costs - non-cash items (as above)	8,532	8,586	7,694	8,538
Pension provision - non-cash item (Note 9 and 21)	162	1,294	4,430	6,870
Programme costs - non-cash (Note 11)	3,850	79,196	3,557	75,545
<b>Total non-cash transactions (Note 24a)</b>	<b>12,544</b>	<b>89,076</b>	<b>15,681</b>	<b>90,953</b>

- b. The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement (Note 4) comprises:

	2008-09 £000		2007-08 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Administration non-cash (as above)	8,532	8,586	7,694	8,538
Pension provision non-cash item (Note 9)	162	1,294	4,430	6,870
Programme non-cash (Note 11)	3,850	79,196	3,557	75,545
Less non-cash charges in respect of Consolidated Fund Standing Services (Note 11a)	(130)	(130)	(128)	(128)
<b>Total non-cash transactions (Note 4)</b>	<b>12,414</b>	<b>88,946</b>	<b>15,553</b>	<b>90,825</b>

## 11. Programme Costs

	Note	2008-09 £000		2007-08 £000 <i>Restated</i>	
		Core Department	Consolidated	Core Department	Consolidated
Current grants and other expenditure – RfR 1		1,003,859	1,034,191	973,570	998,574
Northern Ireland Consolidated Fund – RfR 2		11,563,119	11,563,119	10,529,761	10,529,761
		<b>12,566,978</b>	<b>12,597,310</b>	<b>11,503,331</b>	<b>11,528,335</b>
<b>Rentals under operating leases:</b>					
Hire of plant and machines		94	148	85	105
Other operating leases		5,282	6,299	5,492	6,309
		<b>5,376</b>	<b>6,447</b>	<b>5,577</b>	<b>6,414</b>
<b>PFI service charges:</b>					
Off-balance sheet contracts		3,850	3,850	3,597	3,597
<b>Non-cash items:</b>					
Cost of capital charge	22	331	6,805	619	6,615
Depreciation and amortisation of fixed assets:					
Other tangible fixed assets	14	2,106	14,935	1,629	12,315
Intangible fixed assets	15	287	444	72	223
Permanent Diminution	14,15	90	211	83	262
Impairment of fixed assets	14,15	-	684	-	(795)
Write-off of fixed assets	14,15	-	5	-	-
Loss on disposal of fixed assets	7,14,15	36	35	6	114
Provisions:					
Provided in year	21	685	59,452	1,020	57,238
Unwinding of discounts on provision	21	230	441	-	41
Written back in year	21	(45)	(3,879)	-	(1,146)
Notional interest on loans		-	(116)	-	523
Consolidated Fund Standing Services ( <i>Note a</i> )		130	130	128	128
Auditor's remuneration and expenses	22	-	49	-	27
		<b>3,850</b>	<b>79,196</b>	<b>3,557</b>	<b>75,545</b>
<b>Programme costs (see below)</b>		<b>12,580,054</b>	<b>12,686,803</b>	<b>11,516,062</b>	<b>11,613,891</b>
Less: programme income	12.2	(147,311)	(159,341)	(196,631)	(199,037)
<b>Total</b>		<b>12,432,743</b>	<b>12,527,462</b>	<b>11,319,431</b>	<b>11,414,854</b>

Programme costs analysed by Request for Resources	2008-09 £000		2007-08 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Request for Resources 1	1,016,935	1,123,684	986,301	1,084,130
Request for Resources 2	11,563,119	11,563,119	10,529,761	10,529,761
<b>Total Programme Costs</b>	<b>12,580,054</b>	<b>12,686,803</b>	<b>11,516,062</b>	<b>11,613,891</b>

- a. By statute the remuneration and associated employers earnings-related National Insurance Contributions of the Chief Electoral Officer are met directly from the Consolidated Fund, rather than Parliamentary Supply. For the year ended 31 March 2009 the amount paid for the CEO's remuneration was £92,728 (2007-08: £90,467), the employer's national insurance contributions were £9,865 (2007-08: £9,789) and the pension costs were £27,402 (2007-08: £27,402). These costs are included under Other Programme Costs and are referred to as Consolidated Fund Standing Services. As the cash does not pass through the Department's accounts, the expenditure is accounted for as a non-cash item.

Pension benefits for the CEO for Northern Ireland are on a broadly by-analogy to the Principal Civil Service Pension Scheme (PCSPS) basis. This provides for benefits on a final salary basis accruing at 1/80<sup>th</sup> of pensionable salary for each year of service and an automatic lump sum of 3 times the pension. The CEO for NI pays contributions of 1.5% of pensionable earnings. Death benefits include a lump sum of two times pensionable pay to a nominated beneficiary. In addition a widow's/widower's pension is payable to the spouse. Medical retirement is possible in the event of ill-health with enhancement based on length of service. Once in payment the pension increases in line with the movement in the All Items Retail Price Index (RPI). The actual payments come from the Consolidated Fund under section 14(8) of the Electoral Law Act (NI) 1962.

## 12. Income

### 12.1 Analysis of income recorded in the Operating Cost Statement, net of transfers between Requests for Resources (see Note 6)

	2008-09 £000						2007-08 £000 <i>Restated</i>	
	Core Department			Consolidated			Core Department	Consolidated
	RfR 1	RfR 2	Total	RfR 1	RfR 2	Total	Total	Total
Income source 1	9,310	143,119	152,429	21,485	143,119	164,604	201,440	212,991
Income source 2	-	-	-	-	-	-	-	-
	<b>9,310</b>	<b>143,119</b>	<b>152,429</b>	<b>21,485</b>	<b>143,119</b>	<b>164,604</b>	<b>201,440</b>	<b>212,991</b>

## 12.2.1 Operating Income

Operating income not appropriated in aid (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2008-09, all operating income not classified as A in A was within public expenditure.

CORE DEPARTMENT	2008-09					Operating Cost Statement Income £000
	Resource Outturn	Reconciliation to Operating Cost Statement				
	A in A £000	Request for Resources 2 £000	Prior Period Adjustment £000	Payable to Consolidated Fund £000		
<b>Administration income:</b>						
<i>RfR 1</i>						
Fees and charges to external customers	87	-	-	-		87
Fees and charges to other departments	1,161	-	-	-		1,161
Estimate cover A in A	2,678	-	-	-		2,678
Other	-	-	-	1,192		1,192
	3,926	-	-	1,192		5,118
<b>Programme income:</b>						
<i>RfR 1</i>						
Recovery of court and conference costs	897	-	-	-		897
Other	3,295	-	-	-		3,295
	4,192	-	-	-		4,192
<i>RfR 2</i>						
National Loans Fund interest	-	106,235	-	-		106,235
Income from EU for NI programmes	-	36,884	-	-		36,884
	-	143,119	-	-		143,119
<b>Total</b>	<b>8,118</b>	<b>143,119</b>	<b>-</b>	<b>1,192</b>		<b>152,429</b>

CORE DEPARTMENT	2007-08					Operating Cost Statement Income £000
	Resource Outturn	Reconciliation to Operating Cost Statement				
	A in A £000	Request for Resources 2 £000	Prior Period Adjustment £000	Payable to Consolidated Fund £000		
<b>Administration income:</b>						
<i>RfR 1</i>						
Fees and charges to external customers	140	-	-	-		140
Fees and charges to other departments	1,910	-	-	-		1,910
Estimate cover A in A	2,012	-	-	-		2,012
Other	-	-	-	747		747
	4,062	-	-	747		4,809
<b>Programme income:</b>						
<i>RfR 1</i>						
Recovery of court and conference costs	370	-	-	-		370
Other	500	-	-	-		500
	870	-	-	-		870
<i>RfR 2</i>						
National Loans Fund interest	-	114,299	-	-		114,299
Income from EU for NI programmes	-	81,462	-	-		81,462
	-	195,761	-	-		195,761
<b>Total</b>	<b>4,932</b>	<b>195,761</b>	<b>-</b>	<b>747</b>		<b>201,440</b>

CONSOLIDATED	2008-09					Operating Cost Statement Income £000
	Resource Outturn	Reconciliation to Operating Cost Statement				
	A in A £000	Request for Resources 2 £000	Prior Period Adjustment £000	Payable to Consolidated Fund £000		
<b>Administration income:</b>						
<i>RfR 1</i>						
Fees and charges to external customers	232	-	-	-		232
Fees and charges to other departments	1,161	-	-	-		1,161
Estimate cover A in A	2,678	-	-	-		2,678
Other	-	-	-	1,192		1,192
	4,071	-	-	1,192		5,263
<b>Programme income:</b>						
<i>RfR 1</i>						
Fees and charges to other departments	9,222	-	-	-		9,222
Recovery of Compensation	171	-	-	-		171
Recovery of court and conference costs	897	-	-	-		897
Other	5,667	-	-	265		5,932
	15,957	-	-	265		16,222
<i>RfR 2</i>						
National Loans Fund interest	-	106,235	-	-		106,235
Income from EU for NI programmes	-	36,884	-	-		36,884
	-	143,119	-	-		143,119
<b>Total</b>	<b>20,028</b>	<b>143,119</b>	<b>-</b>	<b>1,457</b>		<b>164,604</b>

CONSOLIDATED	2007-08 <i>Restated</i>					Operating Cost Statement Income £000
	Resource Outturn	Reconciliation to Operating Cost Statement				
	A in A £000	Request for Resources 2 £000	Prior Period Adjustment £000	Payable to Consolidated Fund £000		
<b>Administration income:</b>						
<i>RfR 1</i>						
Fees and charges to external customers	171	-	-	-		171
Fees and charges to other departments	10,993	-	-	-		10,993
Estimate cover A in A	2,012	-	-	-		2,012
Other	-	-	31	747		778
	13,176	-	31	747		13,954
<b>Programme income:</b>						
<i>RfR 1</i>						
Recovery of compensation	205	-	-	-		205
Recovery of court and conference costs	370	-	-	-		370
Other	810	-	1,891	-		2,701
	1,385	-	1,891	-		3,276
<i>RfR 2</i>						
National Loans Fund interest	-	114,299	-	-		114,299
Income from EU for NI programmes	-	81,462	-	-		81,462
	-	195,761	-	-		195,761
<b>Total</b>	<b>14,561</b>	<b>195,761</b>	<b>1,922</b>	<b>747</b>		<b>212,991</b>



An analysis of income from services provided to external and public sector customers is as follows:-

	2008-09 £000				2007-08 £000		
	Income	Full Cost	Surplus/ (deficit)		Income	Full Cost	Surplus/ (deficit)
FSNI	9,599	(10,760)	(1,161)	FSNI	9,090	(10,142)	(1,052)
Crown Solicitor's Office	4,829	(4,829)	-	Crown Solicitor's Office	4,202	(4,202)	-
Access NI	2,823	(2,206)	617	Access NI	-	-	-
<b>Total</b>	<b>17,251</b>	<b>(17,795)</b>	<b>(544)</b>		<b>13,292</b>	<b>(14,344)</b>	<b>(1,052)</b>

Forensic Science Northern Ireland is working towards the financial aim of full cost recovery and to this end is currently renegotiating contracts with customers on a transactional pricing basis. Whilst there is a deficit of £1,161k (2007-08: £1,052k) on its Operating Cost Statement, this is offset by non-operating income of £360k and a further £801k in respect of research and development non-cash charges. The non-cash funding is provided by NIO to reflect the fact that the current pricing arrangement with customers was agreed prior to the introduction of resource accounting and therefore did not include depreciation and cost of capital charges.

The Crown Solicitor's Office generates income through the issue of hard charges to other departments for work carried out on their behalf. The balance required to facilitate full cost recovery is met by the Northern Ireland Office, within which the CSO is a core directorate. The majority of this recovery relates to work carried out by the CSO on behalf of the NIO, and for which no charges are raised. However, costing and charging procedures within the CSO do not facilitate an exact calculation to be made. In 2008-09 income generated from work carried out on behalf of other departments amounted to £4,001k (2007-08: £3,675k) resulting in a balance funded by the NIO of £828k (2007-08: £527k).

Access NI commenced operations on 1 April 2008, delivering a criminal history disclosure service for Northern Ireland under powers legislated in Part V of the Police Act 1997. The Access NI Business Model requires for the organisation to operate on a Full Cost Recovery Basis, in doing so, generating sufficient income to recover non-capital set up costs over the first 5 years of operations.

The above information is provided for fees and charges purposes, and not for SSAP 25 purposes.

## 13. Analysis of net operating cost by spending body

	2008-09 £000				2007-08 £000 <i>Restated</i>	
	Core Department		Consolidated		Core Department	Consolidated
	Estimate	Outturn	Estimate	Outturn		Outturn
<b>Request for Resources 1</b>						
<b>Spending body:</b>						
Core Department	174,096	143,563	174,096	143,563	143,873	143,873
Northern Ireland Prison Service	-	-	133,867	137,426	-	128,305
Compensation Agency	-	-	54,246	53,239	-	55,892
Forensic Science Northern Ireland	-	-	1,545	1,134	-	1,024
Youth Justice Agency	-	-	21,644	21,248	-	21,626
<b>Non-departmental public bodies:</b>						
Probation Board for Northern Ireland	18,801	16,986	18,801	16,986	15,490	15,490
Northern Ireland Policing Board	8,288	8,073	8,288	8,073	8,009	8,009
Police Service of Northern Ireland	948,384	894,157	948,384	894,157	871,768	871,768
Northern Ireland Human Rights Commission	1,631	1,650	1,631	1,650	1,680	1,680
Office of the Police Ombudsman for Northern Ireland	8,922	8,807	8,922	8,807	8,726	8,726
Office of the Chief Inspector of Criminal Justice in NI	1,379	1,379	1,379	1,379	1,200	1,200
Northern Ireland Police Fund	1,849	1,849	1,849	1,849	1,700	1,700
RUC George Cross Foundation	154	150	154	150	150	150
<b>Voluntary Bodies:</b>						
Extern	342	342	342	342	325	325
NIACRO	483	483	483	483	465	465
Victim Support	2,012	1,972	2,012	1,972	2,042	2,042
NSPCC	361	359	361	359	363	363
Police Rehabilitation and Retraining Trust	2,254	2,932	2,254	2,932	2,650	2,650
Widows Association	40	40	40	40	40	40
Northern Ireland Womens Aid Federation	250	350	250	350	-	-
Northern Ireland Alternatives	50	50	50	50	-	-
Community Restorative Justice Ireland	50	50	50	50	-	-
	<b>1,169,346</b>	<b>1,083,192</b>	<b>1,380,648</b>	<b>1,296,239</b>	<b>1,058,481</b>	<b>1,265,328</b>
<b>Request for Resources 2</b>						
Northern Ireland Consolidated Fund	11,563,001	11,420,000	11,563,001	11,420,000	10,334,000	10,334,000
	<b>12,732,347</b>	<b>12,503,192</b>	<b>12,943,649</b>	<b>12,716,239</b>	<b>11,392,481</b>	<b>11,599,328</b>

## 14. Tangible fixed assets

	Heritage Assets & Antiques £000	Freehold Land & Buildings £000	Long Leasehold Land & Buildings £000	Temporary Buildings £000	Vehicles Plant & Machinery £000	Computer Equipment £000	Assets Under Const- ruction £000	Assets Awaiting Disposal £000	Total £000
<b>Cost or valuation</b>									
At 1 April 2008	84,610	254,450	20,126	1,055	53,720	29,074	32,595	375	<b>476,005</b>
Additions ( <i>Note c</i> )	-	-	(41)	-	2,291	2,681	25,720	-	<b>30,651</b>
Disposals	-	-	(2,505)	-	(1,758)	(975)	-	-	<b>(5,238)</b>
Transfer to assets awaiting disposal	-	-	(1,312)	-	-	-	-	1,312	-
Completed assets under construction	-	31,059	5,278	-	1,573	7,423	(45,333)	-	-
Transfers	-	-	-	-	-	-	(116)	-	<b>(116)</b>
Impairment	-	(1,045)	-	-	-	-	-	-	<b>(1,045)</b>
Write off of fixed assets	-	-	-	-	(1)	(4)	-	-	<b>(5)</b>
Permanent diminution	-	-	-	(10)	(2)	(397)	-	-	<b>(409)</b>
Revaluation ( <i>Note a &amp; b</i> )	(3,506)	(11,546)	(2,042)	(279)	568	(292)	-	-	<b>(17,097)</b>
<b>At 31 March 2009</b>	<b>81,104</b>	<b>272,918</b>	<b>19,504</b>	<b>766</b>	<b>56,391</b>	<b>37,510</b>	<b>12,866</b>	<b>1,687</b>	<b>482,746</b>
<b>Depreciation</b>									
At 1 April 2008	2,694	44,258	1,541	240	26,642	16,193	-	-	<b>91,568</b>
Opening balance adjustment	-	-	60	23	(53)	(30)	-	-	-
Charged in year	1,347	8,110	805	74	3,702	4,803	-	-	<b>18,841</b>
Disposals	-	-	(57)	-	(1,712)	(965)	-	-	<b>(2,734)</b>
Transfer to assets awaiting disposal	-	-	(52)	-	-	-	-	52	-
Impairment	-	(360)	-	-	-	-	-	-	<b>(360)</b>
Permanent diminution	-	-	-	-	(110)	(16)	-	-	<b>(126)</b>
Revaluations	(210)	(1,141)	29	(294)	319	(295)	-	-	<b>(1,592)</b>
<b>At 31 March 2009</b>	<b>3,831</b>	<b>50,867</b>	<b>2,326</b>	<b>43</b>	<b>28,788</b>	<b>19,690</b>	<b>0</b>	<b>52</b>	<b>105,597</b>
<b>Net book value at 31 March 2009</b>	<b>77,273</b>	<b>222,051</b>	<b>17,178</b>	<b>723</b>	<b>27,603</b>	<b>17,820</b>	<b>12,866</b>	<b>1,635</b>	<b>377,149</b>
<b>Net book value at 31 March 2008</b>	<b>81,916</b>	<b>210,192</b>	<b>18,585</b>	<b>815</b>	<b>27,078</b>	<b>12,881</b>	<b>32,595</b>	<b>375</b>	<b>384,437</b>
<b>Asset financing:</b>									
Owned	77,273	222,051	17,178	723	27,603	17,820	12,866	1,635	377,149
<b>Net book value at 31 March 2009</b>	<b>77,273</b>	<b>222,051</b>	<b>17,178</b>	<b>723</b>	<b>27,603</b>	<b>17,820</b>	<b>12,866</b>	<b>1,635</b>	<b>377,149</b>

**Analysis of tangible fixed assets**

The net book value of tangible fixed assets comprises:

2008-09 Core Department	116,752
2008-09 Agencies	260,397
<b>TOTAL</b>	<b><u>377,149</u></b>
2007-08 Core Department	124,381
2007-08 Agencies	260,056
<b>TOTAL</b>	<b><u>384,437</u></b>

**Notes:**

- a. The Core Department's land and buildings were externally valued, by the Valuation and Lands Agency, at 1 April 2006 on the basis of existing use value. All assets, including land and buildings, were revalued on the basis of the latest available indices as at 28 February 2009. In addition, the properties owned by the Department have been valued by the Land and Property Services (LPS) and an independent estate agent for the purposes of these accounts. The next valuation of land and buildings by the LPS will be effective from 1 April 2011.
- b. The Northern Ireland Prison Service value properties regarded as operational on the basis of existing use, or where this could not be assessed because there is no market value for the property, its depreciated replacement cost. Properties regarded as non-operational are valued on the basis of open market value. A full valuation of land and buildings was last carried out by the LPS at 1 April 2006, in accordance with the RICS Appraisal and Valuation Manual. The next full valuation of land and buildings will be 1 April 2011.
- c. During the year assets to the value of £278k (2007-08: £572k) were funded from the Core Department to its agencies.
- d. The value of non-depreciable land at 31 March 2009 is £26,320k (31 March 2008: £30,431k).

**15. Intangible fixed assets**

The Department's intangible assets comprise purchased software licences.

CONSOLIDATED	Total £000
	<u>Consolidated</u>
<b>Cost or valuation</b>	
At 1 April 2008	5,275
Additions	993
Disposals	(684)
Transfers	116
Revaluation ( <i>Note a</i> )	(14)
<b>At 31 March 2009</b>	<u><b>5,686</b></u>
<b>Amortisation</b>	
At 1 April 2008	3,702
Charged in year	1,311
Disposals	(600)
Permanent diminution	-
Revaluation ( <i>Note a</i> )	(11)
<b>At 31 March 2009</b>	<u><b>4,402</b></u>
<b>Net book value at 31 March 2009</b>	<u><b>1,284</b></u>
<b>Net book value at 31 March 2008</b>	<u><b>1,573</b></u>

*Note:*

- a. Intangible fixed assets are adjusted to their current value each year by reference to appropriate indices compiled by the Office for National Statistics.

**Analysis of intangible fixed assets**

The net book value of intangible fixed assets comprises:

2008-09 Core Department	956
2008-09 Agencies	328
<b>TOTAL</b>	<u><b>1,284</b></u>
2007-08 Core Department	1,258
2007-08 Agencies	315
<b>TOTAL</b>	<u><b>1,573</b></u>

**16. Financial Assets**

CONSOLIDATED	2008-09	2007-08
	£000	£000
	Consolidated	Consolidated
Balance at 1 April 2008	1,589,123	1,608,283
Additions	16,600	97,605
Disposals	-	-
Repayment of principal	(119,919)	(116,765)
Revaluations	-	-
	<b>1,485,804</b>	<b>1,589,123</b>
Loans repayable within 12 months transferred to debtors	(119,315)	(119,919)
<b>Balance at 31 March 2009</b>	<b>1,366,489</b>	<b>1,469,204</b>

The above balances include only the principal element of NLF advances, whereas the schedule of repayments also includes interest. Interest has been excluded from the disclosure due to the disproportionate amount of work required to calculate an accurate figure, which has an overall nil net impact on the balance sheet.

**17. Stocks and work in progress**

CORE DEPARTMENT AND CONSOLIDATED	2008-09		2007-08	
	£000		£000	
			<i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	95	1,780	116	1,902
	<b>95</b>	<b>1,780</b>	<b>116</b>	<b>1,902</b>

## 18. Debtors

## 18(a) Analysis by type

CORE DEPARTMENT AND CONSOLIDATED	2008-09 £000		2007-08 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
<b>Amounts falling due within one year:</b>				
Trade debtors	2,532	4,620	2,373	3,785
Work in progress	2,001	2,001	1,173	1,173
Other debtors	3,999	3,632	8,451	6,934
Prepayments and accrued income	2,437	2,869	2,016	2,395
Current part of NLF loans	119,315	119,315	119,919	119,919
VAT	1,053	1,271	1,346	1,549
	<b>131,337</b>	<b>133,708</b>	<b>135,278</b>	<b>135,755</b>
<b>Amounts falling due after more than one year:</b>				
Other debtors	-	2,473	-	2,837
	-	<b>2,473</b>	-	<b>2,837</b>
<b>Total</b>	<b>131,337</b>	<b>136,181</b>	<b>135,278</b>	<b>138,592</b>

In previous years the VAT liability for Forensic Science Northern Ireland was disclosed separately within Trade Creditors (Note 20). This creditor has been accounted for within the VAT receivable balance for the Consolidated Department in 2008-09 and 2007-08 figures restated accordingly (Note 36).

Included within other debtors is £26,806 (2007-08: £16,084) that will be due to the Consolidated Fund once the debts are collected. Of this amount £26,806 (2007-08: £16,084) is in relation to the recovery of Northern Ireland Prison Service Home Loans. The amount due to the Consolidated Fund relating to the Core Department is £Nil (2007-08: £ Nil).

**Financial Instruments – Loans and Receivables**

In accordance with FRS 26 *Financial Instruments: Recognition and Measurement* the Department is required to measure financial assets and liabilities in accordance with fair value accounting rules. Further details regarding these changes are contained in Notes 1.29 and 30. This is a change in accounting policy (Note 1.28) that is effective from 1 April 2008 and therefore 2007-08 comparatives have been restated accordingly (Note 36).

The Northern Ireland Prison Service Home Loans are classified as Loans and Receivables and are included in the balance sheet at their amortised cost, being the carrying value amount discounted to present value at the effective rate of interest of 3.5%.

The following amounts for Loans and Receivables are included within Other Debtors in Note 18(a):

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b> <b>Restated</b>
	<b>Consolidated</b>	<b>Consolidated</b>
Balance at 1 April	3,253	3,630
Additions	7	-
Disposals	(7)	-
Repayments	(503)	(498)
Revaluations	113	121
<b>Balance at 31 March</b>	<b>2,863</b>	<b>3,253</b>
<b>(i) Amounts falling due within one year</b>	<b>411</b>	<b>430</b>
<b>(ii) Amounts falling due after more than one year</b>	<b>2,452</b>	<b>2,823</b>
<b>Balance at 31 March comprises:</b>		
Carrying value	3,318	3,821
Less Discount	(429)	(545)
Less Impairment	(26)	(23)
<b>Amortised amount (Fair value)</b>	<b>2,863</b>	<b>3,253</b>



## 18(b) Intra-Government Balances

CORE DEPARTMENT	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	127,989	132,288	-	-
Balances with NHS Trusts	107	-	-	-
<b>Subtotal: Intra-government balances</b>	<b>128,096</b>	<b>132,288</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	3,241	2,990	-	-
<b>Total Debtors at 31 March</b>	<b>131,337</b>	<b>135,278</b>	<b>-</b>	<b>-</b>

  

CONSOLIDATED	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
		<i>Restated</i>		<i>Restated</i>
Balances with other central government bodies	128,676	131,841	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	829	66	-	-
Balances with public corporations and trading funds	-	11	-	-
<b>Subtotal: Intra-government balances</b>	<b>129,505</b>	<b>131,918</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	4,203	3,837	2,473	2,837
<b>Total Debtors at 31 March</b>	<b>133,708</b>	<b>135,755</b>	<b>2,473</b>	<b>2,837</b>

The above table details the debtors shown in Note 18(a) and the balance sheet. Balances between the core Department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £1,642k (2007-08: £2,055k) – being Northern Ireland Prison Service £45k (2007-08: £31k), Youth Justice Agency £339k (2007-08: £184k), Compensation Agency £183k (2007-08: £330k), and Forensic Science Northern Ireland £1,075k (2007-08: £1,510k).

## 19. Cash at bank and in hand

CORE DEPARTMENT AND CONSOLIDATED	2008-09 £000		2007-08 £000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	72,632	69,878	48,742	43,723
Net change in cash balance	129,912	132,034	23,890	26,155
<b>Balance at 31 March</b>	<b>202,544</b>	<b>201,912</b>	<b>72,632</b>	<b>69,878</b>
The following balances at 31 March are held at:				
Office of HM Paymaster General	203,999	203,999	78,696	78,696
Commercial banks and cash in hand	(1,455)	(2,087)	(6,064)	(8,818)
<b>Balance at 31 March</b>	<b>202,544</b>	<b>201,912</b>	<b>72,632</b>	<b>69,878</b>
The balance at 31 March comprises:				
Issues due from the Consolidated Fund	201,161	200,225	72,410	68,659
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	1,234	1,513	222	968
Other payments due to be paid to the Consolidated Fund	149	174	-	251
	<b>202,544</b>	<b>201,912</b>	<b>72,632</b>	<b>69,878</b>

## 20. Creditors

## 20(a) Analysis by type

CORE DEPARTMENT AND CONSOLIDATED	2008-09 £000		2007-08 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
<b>Amounts falling due within one year:</b>				
Other taxation and social security	-	1,835	-	255
Trade creditors	4,097	5,908	25,229	31,588
Other creditors	742	344	689	5,191
Accruals and deferred income	21,701	26,290	25,482	31,827
Tangible fixed asset accruals	2,439	6,385	3,317	10,847
Intangible fixed asset accruals	-	16	-	5
Amounts issued from the consolidated fund for supply but not yet spent at year end	-	200,225	-	68,658
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	1,234	1,513	968	968
Receivable	-	6	-	5
Current part of NLF loans	119,315	119,315	119,919	119,919
Excess Appropriations in Aid	149	174	213	252
	<b>149,677</b>	<b>362,011</b>	<b>175,817</b>	<b>269,515</b>
<b>Amounts falling due after more than one year:</b>				
Other Creditors	921	921	1,395	1,395
Consolidated Fund Extra Receipts received and receivable and due to be paid to the Consolidated Fund	-	21	-	12
NLF loans	1,366,489	1,366,489	1,469,204	1,469,204
	<b>1,367,410</b>	<b>1,367,431</b>	<b>1,470,599</b>	<b>1,470,611</b>
<b>Total</b>	<b>1,517,087</b>	<b>1,729,442</b>	<b>1,646,416</b>	<b>1,740,126</b>

In previous years the VAT liability for Forensic Science Northern Ireland was disclosed separately within Trade Creditors. This creditor has been accounted for within the VAT receivable balance for the Consolidated Department (Note 18) in 2008-09 and 2007-08 figures restated accordingly (Note 36).

2007-08 figures have also been restated to reclassify £21.778m from Other Creditors to Trade Creditors for both Core Department and Consolidated.

## 20(b) Intra-Government Balances

CORE DEPARTMENT	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	125,187	144,226	1,367,410	1,470,599
Subtotal: Intra-government balances	125,187	144,226	1,367,410	1,470,599
Balances with bodies external to government	24,490	31,591	-	-
<b>Total Creditors at 31 March</b>	<b>149,677</b>	<b>175,817</b>	<b>1,367,410</b>	<b>1,470,599</b>

  

CONSOLIDATED	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
	<i>Restated</i> Amounts falling due within one year		<i>Restated</i> Amounts falling due after more than one year	
Balances with other central government bodies	327,960	224,743	1,367,431	1,470,611
Balances with local authorities	12	3	-	-
Balances with NHS Trusts	115	-	-	-
Balances with public corporations and trading funds	96	-	-	-
Subtotal: Intra-government balances	328,183	224,746	1,367,431	1,470,611
Balances with bodies external to government	33,828	44,769	-	-
<b>Total Creditors at 31 March</b>	<b>362,011</b>	<b>269,515</b>	<b>1,367,431</b>	<b>1,470,611</b>

The above table details the creditors shown in Note 20(a) and the balance sheet. Balances between the core Department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £1,642k (2007-08: £2,055k) – being Northern Ireland Prison Service £45k (2007-08: £31k), Youth Justice Agency £339k (2007-08: £184k), Compensation Agency £183k (2007-08 : £330k), and Forensic Science Northern Ireland £1,075k (2007-08: £1,510k).

## 21. Provisions for liabilities and charges

CORE DEPARTMENT						2008-09	2007-08
						£000	£000
	Early Departure Costs	Compen- sation Payments	Provision for Litigation Claims	Pensions	Others	Total	Total
Balance at 1 April	434	-	908	4,430	2,007	7,779	2,798
Provided in the year	266	-	335	162	350	1,113	5,762
Actuarial loss/(gain)	-	-	-	572	-	572	-
Provisions not required written back	-	-	-	-	(45)	(45)	(131)
Provisions utilised in the year	(374)	-	(471)	(386)	(62)	(1,293)	(650)
Unwinding of discount	-	-	-	230	-	230	-
<b>Balance at 31 March</b>	<b>326</b>	<b>-</b>	<b>772</b>	<b>5,008</b>	<b>2,250</b>	<b>8,356</b>	<b>7,779</b>

  

CONSOLIDATED						2008-09	2007-08
						£000	£000
	Early Departure Costs	Compen- sation Payments	Provision for Litigation Claims	Pensions	Others	Total	Total
Balance at 1 April	1,844	41,679	5,585	8,569	2,167	59,844	51,620
Provided in the year	5,913	51,550	1,600	1,294	655	61,012	64,419
Actuarial loss/(gain)	-	-	-	2,801	-	2,801	(1,548)
Provisions not required written back	-	-	(2,834)	(1,000)	(45)	(3,879)	(1,230)
Provisions utilised in the year	(890)	(34,318)	(1,596)	(1,527)	(147)	(38,479)	(53,458)
Unwinding of discount	-	-	-	441	-	441	41
<b>Balance at 31 March</b>	<b>6,867</b>	<b>58,911</b>	<b>2,755</b>	<b>10,578</b>	<b>2,630</b>	<b>81,741</b>	<b>59,844</b>

The balances at 1 April have been restated to reflect the following reclassifications:

Core and Consolidated - £4.430m (Core) and £8.569m (Consolidated) transferred from Others and separately disclosed under Pensions.

Consolidated - £1.008m transferred from Compensation Payments to Early Departure Costs and £0.032m Staff Reduction Programme provisions now included under Others rather than disclosed separately.

All provisions represent the best estimate of the expenditure required to settle the obligation at the date of approval of the financial statements.

**Early Departure Costs - £6.867m (2007-08: £1.844m)**

The Department meets the additional costs of benefits beyond the normal PCSPS and PCSPS (NI) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS and PCSPS (NI) over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments.

Included within this provision is a balance of £6.028m (2007-08: £1.008m) in respect of the estimated cost of injury benefits payable to former Northern Ireland Prison Service (NIPS) staff who have retired early as a result of injuries sustained in the workplace. These benefits are payable for life. Analysis work will be undertaken during 2009-10 to provide statistical base data for life expectancy of Prison Officers. The Northern Ireland Prison Service has provided for the costs payable during the period from when the allowance was awarded and the individual reaches 70 years of age, discounted by the real interest rate of 3.2% and inflation rate of 2.75%.

**Compensation Payments - £58.911m (2007-08: £41.679m)**

The Compensation Agency provides for future obligations arising from all claims for compensation held at the Balance Sheet date. All such claims will either be allowed or denied (including abandoned/withdrawn claims). The Agency estimates the likely ratio of allowances to denials and also estimates the potential average value of each allowed claim. It then calculates the total expected future liability for each of the compensation schemes that it operates.

**Provision for Litigation Claims £2.755m (2007-08: £5.585m)**

The litigation provision relates to claims against the Department and Agencies by staff, prisoners and third parties for injuries and other damages including fair employment and industrial tribunal cases. The provision reflects all known claims where it is considered that it is probable that the claim will be successful and the amount can be reliably estimated. The timing of the settlement of claims depends on the circumstances of each case.

**Pensions - £10.578m (2007-08: £8.569m)****(j) NILGOSC Pension Deficit £5.570m (2007-08: £3.139m)**

The Youth Justice Agency makes employer contributions to the Northern Ireland Local Government Officers Superannuation Committee Scheme (NILGOSC) which is a funded scheme of the defined benefit type.

Previously the Agency took advantage of the multi employer provisions within FRS 17 and accounted for pension costs in line with the employer contributions paid. However, since 2006-07 it has been possible to define the Agency's share of the funds assets/liabilities and as a result the following disclosures are provided in line with FRS 17. The latest actuarial valuation of the scheme was carried out at 31 March 2009, the liability and cost calculations based on assumptions carried forward from the latest valuation are shown below:

Assets and Liabilities of the scheme	Long term rate of return expected at 31/03/09	Value at 31/03/09	Long term rate of return expected at 31/03/08	Value at 31/03/08	Long term rate of return expected at 31/03/07	Value at 31/03/07
	%	£'000	%	£'000	%	£'000
Equities	5.80	10,937	6.50	12,685	6.80	12,135
Property	5.30	1,157	6.00	1,586	6.30	1,517
Gilts	3.80	1,100	4.50	1,269	4.80	1,213
Cash	0.50	1,273	5.25	317	5.25	303
Total value of scheme assets		14,467		15,857		15,168
Present value of funded scheme liabilities		(20,037)		(18,996)		(19,291)
<b>Funded scheme surplus/(deficit)</b>		<b>(5,570)</b>		<b>(3,139)</b>		<b>(4,123)</b>
Irrecoverable surplus		-		-		-
Unfunded liabilities		-		-		-
<b>Total surplus/deficit</b>		<b>(5,570)</b>		<b>(3,139)</b>		<b>(4,123)</b>
Related deferred tax (liability)/asset		No allowance		No allowance		No allowance
<b>Net asset/(liability)</b>		<b>(5,570)</b>		<b>(3,139)</b>		<b>(4,123)</b>

In line with the amended provisions of FRS 17, quoted securities have been measured at their bid-values at 31 March 2009. Prior year amounts at 31 March 2007 and 2008 have not been restated as the difference is not considered to be material.

Assumptions	2008-09 £000	2007-08 £000	2006-07 £000
Rate of increase in salaries	4.30%	5.00%	4.70%
Rate of increase in pensions in payment	2.80%	3.50%	3.20%
Discount rate	6.70%	6.30%	5.30%
Inflation assumption	2.80%	3.50%	3.20%

Assumptions – average expected future life at age 65 for:	2008-09 £000	2007-08 £000	2006-07 £000
Male officers currently aged 65	21.4	18.5	18.5
Female officers currently aged 65	24.4	21.4	21.4
Male manual staff currently aged 65	18.7	16.0	18.7
Female manual staff currently aged 65	22.5	19.7	19.7

<b>Analysis of movement in scheme liabilities</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Scheme liabilities at the beginning of year	18,996	19,291
Movement in the year:		
Service cost	1,132	1,440
Member contributions	457	434
Interest on scheme liabilities	1,244	1,072
Actuarial losses/(gains)	(1,707)	(3,230)
Benefits paid	(85)	(11)
<b>Scheme liabilities at the end of year</b>	<b>20,037</b>	<b>18,996</b>

<b>Analysis of movement in scheme assets</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Scheme assets at the beginning of year	15,857	15,168
Movement in the year:		
Expected return	1,033	1,031
Actuarial gains/(losses)	(3,936)	(1,682)
Employer contributions	1,141	917
Member contributions	457	434
Benefits paid	(85)	(11)
<b>Scheme assets at the end of year</b>	<b>14,467</b>	<b>15,857</b>

<b>Return on scheme assets</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Actual return on scheme assets was	(2,903)	652

The overall expected return on scheme assets have been derived as the weighted average of the expected returns on the categories of assets held by the scheme at the balance sheet date. The asset allocation used has been based on the most recent information available and the notional assets at the balance sheet date.

<b>Expense to be recognised in the Operating Cost Statement</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Current Service Cost	1,132	1,440

<b>Analysis of amount charged to other finance costs</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	1,033	1,031
Interest on pension scheme liabilities	(1,244)	(1,072)
<b>Net Return</b>	<b>(211)</b>	<b>(41)</b>

<b>Actuarial (gain)/loss to be recognised in the Statement of Recognised Gains and Losses</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Actuarial gain/(loss)	(2,229)	1,548
<b>Cumulative gain recognised in the SRGL</b>	<b>12</b>	<b>2,241</b>



History of liabilities/assets and experience (gains)/losses	2008-09 £000	2007-08 £000	2006-07 £000	2005-06 £000
Scheme liabilities	(20,037)	(18,996)	(19,291)	(17,616)
Scheme assets	14,467	15,857	15,168	13,251
<b>Surplus/(deficit)</b>	<b>(5,570)</b>	<b>(3,139)</b>	<b>(4,123)</b>	<b>(4,365)</b>
Experience adjustment on liabilities – gain/(loss)	(2,374)	12	8	46
Experience adjustment on assets – gain/(loss)	(3,936)	(1,682)	(29)	1,992

#### Employer contribution

Over the coming year, the Agency expects to contribute 16% of pensionable salaries from 1 April 2009.

#### (ii) Broadly By Analogy Pension Schemes £5.008m (2007-08: £4.430m)

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the Classic Scheme in both the PCSPS and PCSPS (NI). The Department and members are obliged to make contributions in line with the PCSPS and the Department is responsible for paying accrued benefits.

A review of the existing Departmental pension arrangements was completed during 2007-08. This identified a requirement to account for the liability arising from BBA schemes which had not previously been included within the Department's Resource Accounts but which it had an obligation to meet. This was a change in accounting estimate but was not so fundamental as to result in a prior period adjustment.

The 2007-08 financial year was the first year of the liability being recognised and the increase in provision of £4,430k was deemed to reflect current service costs of the scheme that were charged in full to the Operating Cost Statement. The comparative figures below have been restated to reflect the full disclosures that would have been applicable under FRS 17.

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the Department for service provided. The scheme liabilities at 31 March 2009 were £5,008k as calculated by the Government Actuary's Department (GAD).

Present value of scheme liabilities	2008-09 £000	2007-08 £000
Liability in respect of		
Active members	1,936	2,536
Deferred Pensioners	751	1,394
Current Pensioners	2,321	500
<b>Total present value of scheme liabilities</b>	<b>5,008</b>	<b>4,430</b>

Liabilities are valued on an actuarial basis using the Projected Unit Method.

Assumptions	2008-09	2007-08
Inflation assumption	2.75% pa	2.75% pa
Rate of increase in salaries	4.29% pa	4.29% pa
Rate of increase for pensions in payment and deferred pensions	2.75% pa	2.75% pa
Rate used to discount scheme liabilities	6.04% pa	5.32% pa

**Assumptions - Life expectancy at Retirement**

<b>Current Pensioners</b>	<b>As at 31 March 2009</b>		<b>As at 31 March 2008</b>	
	Men (years)	Women (years)	Men (years)	Women (years)
Exact Age				
60	29	32	29	32
65	24	27	23	27
<b>Future Pensioners</b>	<b>As at 31 March 2009</b>		<b>As at 31 March 2008</b>	
	Men (years)	Women (years)	Men (years)	Women (years)
Exact Age				
60	30	33	30	33
65	26	29	25	29

<b>Analysis of movement in scheme liability</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Scheme liability at the beginning of year	4,430	4,319
Movement in the year:		
Current service cost (net of employee contributions)	140	102
Interest Cost	230	200
Employee contributions	22	6
Actuarial (gain)/loss	572	(138)
Benefits paid	(386)	(59)
<b>Scheme liability at the end of year</b>	<b>5,008</b>	<b>4,430</b>

<b>Expense to be recognised in the Operating Cost Statement</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Current service cost (net of employee contributions)	140	102
Interest Cost	230	200
<b>Total expense/(income)</b>	<b>370</b>	<b>302</b>

<b>Actuarial (gain)/loss to be recognised in the Statement of Recognised Gains and Losses</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Experience (gain)/loss arising on the scheme liabilities	1,075	36
Changes in assumptions underlying the present value of the scheme liabilities	(503)	(174)
<b>Total actuarial (gain)/loss</b>	<b>572</b>	<b>(138)</b>

<b>History of experience (gains)/losses</b>	<b>2008-09</b>	<b>2007-08</b>
Experience (gain)/loss arising on the scheme liabilities		
Amount (£000)	1,075	36
Percentage of scheme liabilities at the end of year	21.5%	0.8%

**Estimate of contributions expected to be paid into the scheme over the year 1 April 2009 to 31 March 2010**

During the financial year 2009-10 it is estimated that total contributions to the scheme will be £127,412 analysed between Employee £15,914 and Employer £111,498.

***(iii) Pensionable staff allowances £Nil (2007-08: £0.999m)***

This provision represents a liability owing to the NILGOSC pension scheme at 31 March 2009 as a result of certain allowances payable to staff in the Youth Justice Agency being incorporated within their pensionable pay, and is due to the increase in future pension liabilities arising from higher pensionable salaries. This has been released during the year as it is now included within the actuarial valuations of the NILGOSC pension liability at 31 March 2009.

**Others - £2.630m (2007-08: £2.167m)*****(i) Miscarriages of Justice Provision £2.250m (2007-08: £2.008m)***

When a person has been convicted of a criminal offence and when subsequently their conviction has been reversed or they have been pardoned on the ground that a new or newly discovered fact shows beyond reasonable doubt that there has been a miscarriage of justice, the Secretary of State shall pay compensation for the miscarriage of justice under section 133 of the Criminal Justice Act 1988, to the person who has suffered punishment as a result of such conviction or, if that person is dead, to their personal representatives, unless the non-disclosure of the unknown fact was wholly or partly attributable to the person convicted. If the Secretary of State determines that there is a right to such compensation, the amount shall be assessed by an assessor appointed by the Secretary of State.

***(ii) Staff Reduction Programme £0.005m (2007-08: £0.032)***

The provision for the Staff Reduction Programme arises from the downsizing of the Prison Service following the Good Friday Agreement and the closure of the Maze Prison. The provision primarily consists of additional pension costs due to the Department of Finance and Personnel, payable through to 2010-11.

***(iii) Other Provisions £0.375m (2007-08: £0.127m)***

This provision includes £347k for the Northern Ireland Prison Service in respect of a pension liability for part-time teachers and a tax provision of £10k. The pension liability arises from payments due to DFP concerning the addition of part-time teachers onto the NIPS payroll. The tax provision relates to an estimated HM Revenue and Customs liability arising from the additional housing cost payments to prison officers under the Assisted Home Removals Scheme. In addition there is a further £18k contractor provision.

## 22. 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.

CORE DEPARTMENT AND CONSOLIDATED	2008-09		2007-08	
	£000		£000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	114,616	164,147	120,635	186,119
Opening balance adjustment – Note 23	-	37	-	-
Net Parliamentary Funding:				
Drawn Down	12,651,022	12,865,835	11,323,405	11,530,630
Deemed	-	68,658	-	43,191
Consolidated Fund for Standing Services	130	130	128	128
Year end adjustment				
Supply Creditor/(Debtor) – current year	-	(200,225)	-	(68,658)
Net Transfer from Operating Activities:				
Net Operating Cost	(12,503,192)	(12,716,239)	(11,392,481)	(11,599,328)
CFERs repayable to Consolidated Fund	(1,192)	(1,457)	(747)	(747)
Non-Cash Charges:				
Cost of Capital	3,381	9,855	4,625	10,790
Auditors' remuneration	96	199	81	162
Other Notionals	199	198	307	307
Transfer from Revaluation Reserve	1,811	8,736	59,448	59,878
Actuarial (loss)/gain on pension deficit	(572)	(2,801)	-	1,548
Excess Appropriations-in-Aid	(149)	(174)	(213)	(251)
Machinery of Government	-	(475)	-	378
Assets funded on behalf of Agencies	(278)	(278)	(572)	(572)
Assets funded by Parent Department	-	278	-	572
Other items funded on behalf of Agencies	(83)	(83)	-	-
Other items funded by Parent Department	-	83	-	-
<b>Balance at 31 March</b>	<b>265,789</b>	<b>196,424</b>	<b>114,616</b>	<b>164,147</b>

**23. Reserves****23(a) Revaluation Reserve**

CORE DEPARTMENT AND CONSOLIDATED	2008-09		2007-08	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	34,058	101,469	90,241	146,540
Opening balance adjustment – Note 22	-	(37)	-	-
Arising on revaluation during the year (net)	(5,306)	(15,508)	3,265	14,807
Transfer to general fund in respect of realised element of revaluation reserve	(1,811)	(8,736)	(59,448)	(59,878)
<b>Balance at 31 March</b>	<b>26,941</b>	<b>77,188</b>	<b>34,058</b>	<b>101,469</b>

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

**23(b)** The Department has no donated assets.

## 24. Notes to the Consolidated Cash Flow Statement

## 24(a) Reconciliation of operating cost to operating cash flows

CONSOLIDATED	2008-09		2007-08
		£000	£000
			<i>Restated</i>
	Note	Consolidated	Consolidated
Net operating cost	13	(12,716,239)	(11,599,328)
Adjustments for non-cash transactions	10a	89,076	90,953
Decrease/(Increase) in Stock	17	122	(275)
Decrease/(Increase) in Debtors	18	2,411	(6,002)
less movements in debtors relating to items not passing through the OCS		(488)	3,825
Increase in Creditors	20	92,022	57,638
less movements in creditors relating to items not passing through the OCS	20	(126,970)	(32,165)
Machinery of Government	4	(475)	-
Use of provisions	21	(38,479)	(53,458)
<b>Net cash outflow from operating activities</b>		<b>(12,699,020)</b>	<b>(11,538,812)</b>

## 24(b) Analysis of capital expenditure and financial investment

CONSOLIDATED	2008-09		2007-08
		£000	£000
			<i>Restated</i>
	Note	Consolidated	Consolidated
Tangible fixed asset additions		(35,111)	(110)
Intangible fixed asset additions		(981)	(34,057)
Proceeds of disposal of fixed assets		2,474	68,813
Loans to other bodies	16	(16,600)	(97,605)
(Repayment) of loans to other bodies	16	119,919	116,765
<b>Net cash outflow from investing activities</b>		<b>69,701</b>	<b>53,806</b>

## 24(c) Analysis of capital expenditure and financial investment by Request for Resources

CONSOLIDATED	Capital expenditure	Loans etc	A in A	Net total
	£000	£000	£000	£000
	Request for Resources 1	(31,641)	103,319	2,474
Request for Resources 2	-	-	-	-
Net movement in debtors/creditors	(4,451)	-	-	(4,451)
<b>Total 2008-09</b>	<b>(36,092)</b>	<b>103,319</b>	<b>2,474</b>	<b>69,701</b>
<b>Total 2007-08</b>	<b>(34,167)</b>	<b>19,160</b>	<b>68,813</b>	<b>53,806</b>

**24(d) Analysis of financing**

CONSOLIDATED	2008-09 £000		2007-08 £000 <i>Restated</i>
	Note	Consolidated	Consolidated
From the Consolidated Fund (Supply) - current year		(12,934,493)	(11,573,821)
From the Consolidated Fund (Supply) - prior year	22	68,658	43,191
Advances from the Contingencies Fund		340,309	-
Repayments to the Contingencies Fund		(340,309)	-
Loans received from the National Loans Fund	16	(16,600)	(97,605)
Repayments of loans from the National Loans Fund	16	119,919	116,765
<b>Net financing</b>		<b>(12,762,516)</b>	<b>(11,511,470)</b>

Due to the timing of Parliamentary approval for Spring Supplementary Estimates in 2008-09, the Northern Ireland Consolidated Fund required an advance of £340,309,000 from HMT's Contingencies Fund to meet financial obligations to suppliers and staff during an interim period in March 2009. The advance was repaid immediately after the formal approval by Parliament and there were no financial penalties incurred.

**24(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

CONSOLIDATED	2008-09 £000		2007-08 £000 <i>Restated</i>
		Consolidated	Consolidated
Net cash requirement		(12,734,267)	(11,510,882)
Machinery of Government		-	5,719
From the Consolidated Fund (Supply) - current year (*1)		12,934,493	11,573,821
From the Consolidated Fund (Supply) - prior year (*2)		(68,658)	(43,191)
Loans received from National Loans Fund (NLF)		16,600	97,605
Repayments of loans from NLF		(119,919)	(116,765)
<i>Amounts due to the Consolidated Fund - received in a prior year and paid over:-</i>			
Consolidated Fund Extra Receipts		(969)	(103)
Other amounts due to the Consolidated Fund		(252)	(430)
<i>Amounts due to the Consolidated Fund - received and not paid over:-</i>			
Consolidated Fund Extra Receipts		1,513	969
Other amounts due to the Consolidated Fund		174	252
NLF loans – loans made to other bodies		(16,600)	(97,605)
NLF loans – principal repayments received from other bodies		119,919	116,765
NLF loans – interest received from other bodies		106,235	114,299
NLF loans – interest paid to the NLF		(106,235)	(114,299)
<b>Increase/(Decrease) in cash</b>		<b>132,034</b>	<b>26,155</b>

## 25. Notes to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditure have been allocated as follows:

CONSOLIDATED	2008-09	2007-08
	£000	£000 <i>Restated</i>
	<u>Consolidated</u>	<u>Consolidated</u>
<b>RfR1</b>		
Objective 1	94,696	91,889
Objective 2	127,031	117,067
Objective 3	103,597	94,042
Objective 4	924,653	900,647
<b>RfR2</b>		
Objective 1	11,563,119	10,529,761
<b>Total</b>	<b>12,813,096</b>	<b>11,733,406</b>

The Northern Ireland Office's capital is employed for both administration and programme purposes. Its distribution amongst objectives is not markedly different from the proportion of the related gross operating costs and for the Core Department, capital employed has been allocated to objectives in proportion to gross operating costs. Capital employed for the Compensation Agency has been allocated to Objective 1, Northern Ireland Prison Service to Objective 2, and Forensic Science Northern Ireland and Youth Justice Agency to Objective 3. No capital is employed in respect of RfR 2.

### Capital Employed by Departmental Strategic Objectives at 31 March 2009

CONSOLIDATED	2008-09	2007-08
	£000	£000 <i>Restated</i>
	<u>Consolidated</u>	<u>Consolidated</u>
<b>RfR1</b>		
Objective 1	(38,842)	(36,956)
Objective 2	224,646	210,532
Objective 3	42,611	33,529
Objective 4	45,197	58,511
<b>Total</b>	<b>273,612</b>	<b>265,616</b>



**26. Capital commitments**

CORE DEPARTMENT AND CONSOLIDATED	2008-09		2007-08	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	410	1,718	230	13,573
Authorised capital commitments at 31 March for which no provision has been made	6,649	6,649	11,700	11,700

**27. Commitments under leases****27.1 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.

CORE DEPARTMENT AND CONSOLIDATED	2008-09		2007-08	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Obligations under operating leases comprise:</b>				
<i>Land and buildings:</i>				
Expiry within 1 year	3,332	3,368	2,178	2,495
Expiry after 1 year but not more than 5 years	2,839	3,518	3,528	4,293
Expiry thereafter	1,684	1,991	2,276	2,694
	<b>7,855</b>	<b>8,877</b>	<b>7,982</b>	<b>9,482</b>
<i>Photocopiers and vehicles:</i>				
Expiry within 1 year	64	71	70	91
Expiry after 1 year but not more than 5 years	71	93	21	47
Expiry thereafter	-	-	-	-
	<b>135</b>	<b>164</b>	<b>91</b>	<b>138</b>
<b>Total</b>	<b>7,990</b>	<b>9,041</b>	<b>8,073</b>	<b>9,620</b>

**27.2 Finance leases**

The Department has no obligations under finance leases.

## 28. Commitments under PPP contracts

### 28.1 Off-balance sheet

The Causeway Programme was established to deliver significant improvements to the effectiveness and efficiency of criminal justice in Northern Ireland through improved integration of information systems. Following a tendering process advertised in the Official Journal of European Communities (OJEC), a PPP contract was let with Fujitsu Services in August 2003 to deliver a managed service for information exchange and storage over a 10 year period with an option to extend for a further 5 years. This contract has an estimated value of approximately £34m of which £13.2m is estimated to be the capital value. Amounts relating to prepayments totalling £0.8m at 31 March 2009 (2007-08: £1.0m) are released over the estimated life of the project - these are accounted for in Note 18.

### 28.2 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PPP transactions was £3,850,470 (2007-08: £3,597,338); and the payments to which the Department is committed during 2008-09, analysed by the period during which the commitment expires, is as follows:

CORE DEPARTMENT AND CONSOLIDATED	2008-09 £000	2007-08 £000
Expiry within 1 year		-
Expiry within 2 to 5 years	3,144	-
Expiry within 6 to 10 years		3,110
	<b>3,144</b>	<b>3,110</b>

## 29. Other financial commitments

The Department has no non-cancellable contracts as at 31 March 2009.

### 30. Financial Instruments

FRS 29 *Financial Instruments: Disclosures* requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the non-trading nature of its activities and the way in which Government Departments are financed, the Northern Ireland Office is not exposed to the degree of financial risk faced by business entities.

The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change risks facing the Department in undertaking its activities.

#### ***Classification of financial instruments***

All departmental financial instruments are measured at amortised cost. The Department's financial assets are classified as loans and receivables and comprise trade and other debtors (Note 18) and cash at bank and in hand (Note 19). The Department's financial liabilities comprise creditors excluding tax assets, accruals and deferred income (Note 20). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. The Department recognises the components of net gain/loss through the Operating Cost Statement. Interest on financial instruments is recognised in finance costs (Note 11).

#### ***Risk Management***

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

#### ***Credit risk***

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

#### ***Liquidity risk***

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

#### ***Currency Risk***

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

The Department acts as an agent in transferring funds from HM Treasury to the Northern Ireland Consolidated Fund in respect of European Union (EU) grants. However payments are only made by the Department based on the sterling value of funding received and there was therefore no exposure to currency risk. The Department does not have the authority to manage currency risk through hedging.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

**Northern Ireland Prison Service Home Loans**

Comparative figures for 2007-08 have been restated following a change in accounting policy in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* in respect of Northern Ireland Prison Service Home Loans as detailed in Notes 1.28 and 18. These balances are stated in the Balance Sheet at their amortised cost, being the carrying amount discounted to present value at the effective rate of interest of 3.5%. The effect of this change in policy on the Operating Cost Statement for 2007-08 is to increase expenditure by £523,394.

These financial assets represent 1.2% of the agency's total asset value on the Balance Sheet. They have not been affected by current credit risk as repayments are deducted directly from payroll and are not considered a significant medium or long-term risk to the Northern Ireland Prison Service.

**30.1 Financial Guarantees, Indemnities and Letters of Comfort**

The Department has entered into the following unquantifiable guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

The Department has indemnified members of the public inquiries and commissions against any civil liability which is incurred in the execution of their functions, unless they acted recklessly and provided that they have acted in good faith.

The Department has not entered into any quantifiable guarantees, indemnities or provided letters of comfort that fall to be measured under FRS 26.

**31. Contingent liabilities disclosed under FRS 12**

Listed below are the Department's contingent liabilities that have not been recognised as provisions because their existence will only be confirmed by the occurrence of one or more uncertain future events, not wholly within the Department's control.

- (i)**
- Description of liability: Supplier contracts, employment and personnel cases outstanding against the NIO Core Department.
- Expected date of Settlement: Settlement dates are unknown.
- Uncertainties and major assumptions: These claims have not been provided for in the Department's financial statements as they are considered unlikely to be successful.
- (ii)**
- Description of liability: Litigation claims against the Northern Ireland Prison Service that are expected to be unsuccessful.
- Expected date of Settlement: 2009 onwards (considerable number of individual cases).
- Uncertainties and major assumptions: At year-end the NI Prison Service has estimated contingent liabilities of £587,000 (2007-08: £535,000) in respect of litigation claims against the Agency. These claims have not been provided for in the financial statements as the Prison Service believes it unlikely that they will be successful.
- (iii)**
- Description of liability: A claim against the Compensation Agency in respect of potential future care costs for an applicant under the Criminal Injuries Compensation (Northern Ireland) Order 1998.
- Expected date of Settlement: Settlement date unknown.
- Uncertainties and major assumptions: This arises from a formal legal agreement entered into as part of the resolution of a claim, which would otherwise have had to be paid in anticipation of potential future care costs for an applicant under the Criminal Injuries Compensation (Northern Ireland) Order 1988. The health authority does not at present envisage seeking reimbursement of costs; however should that circumstance arise the Compensation Agency would be liable for 20% of the care costs incurred on an annual basis. This contingent liability is currently estimated at £40k per annum.
- (iv)**
- Description of liability: The Youth Justice Agency is currently contesting a number of personal injury or industrial tribunal claims brought by staff or young people.
- Expected date of Settlement: Settlement date unknown.
- Uncertainties and major assumptions: These cases are being defended by the Youth Justice Agency. The possible cost to the Agency has been estimated at £148k. These claims have not been provided for in the financial statements as the Youth Justice Agency believes it unlikely that they will be successful. If payments materialise, they will do so during the 2009-10 financial year.

## 32. Losses and special payments

### 32(a) Losses Statement

CORE DEPARTMENT AND CONSOLIDATED	2008-09	2007-08
	£000	£000
<b>Total (641 cases)</b>	<b>8,502</b>	<b>5,508</b>
121 cases amounting to £3,189,380 in relation to sundry write-offs and special payments	3,189	483
524 cases amounting to £5,313,922 for Compensation Payments	5,313	5,025

The Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid. Amounts not received are treated as a loss. There were 524 cases (2007-08: 532) cases amounting to £5,313,922 (2007-08: £5,024,706) where final compensation payments were made in 2008-09 and offenders identified but it was not considered economic to pursue recovery.

During 2008-09, final compensation payments were made in 2,563 cases (2007-08: 3,156) (this includes the 524 cases mentioned above). The total amount of compensation paid in these cases was £32,016,688 (2007-08: £42,488,638). This figure incorporates interim payments made in previous years.

Overpayments to a single building contractor, estimated at around £1.0m, have been identified over a five year period since 2002 by the Northern Ireland Prison Service. This overclaiming was identified in 2007 and remedial action taken immediately. The case is currently the subject of arbitration proceedings and the Service is confident that this process will result in recovery of monies. Further overpayments amounting to £700,000 have been made to two other building contractors on a similar basis since 2002. Following discussions with legal representatives both contractors have agreed to repay overclaimed amounts. Whilst NIPS expect to recover the monies involved, these 3 cases are being reported as losses in accordance with *Managing Public Money* until such time as the funds have been received.

The review of Departmental pension arrangements during 2007-08 (Note 21) identified payments of £511,000 which had been paid to Cabinet Office in respect of contributions for members in Broadly By Analogy pension schemes. Under the terms of these schemes, the payments should have been retained by the Department but following discussion with Treasury, it was agreed that these amounts would not be reimbursed by Cabinet Office. Consequently these payments have been reported as a loss within the parameters of this note.

### 33. Related-party transactions

The Northern Ireland Office is the parent Department of a number of entities. During the year the NIO has had a number of material transactions with these entities and with other entities which, for financial reporting purposes, are regarded as related parties. These include:

Executive Agencies:

- Northern Ireland Prison Service
- Compensation Agency
- Forensic Science Northern Ireland
- Youth Justice Agency

Non-departmental public bodies:

- Probation Board for Northern Ireland
- Northern Ireland Policing Board
- Police Service of Northern Ireland
- Northern Ireland Human Rights Commission
- Office of the Police Ombudsman for Northern Ireland
- Northern Ireland Police Fund
- Criminal Justice Inspection Northern Ireland
- RUC George Cross Foundation

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies. Most of these transactions have been with the Department of Finance and Personnel.

The Public Prosecutions Service (PPS) paid professional fees of £201k to a barrister who is related to an Assistant Director in the PPS.

The Core Department paid consultancy fees of £8k to a consultant engineer who is related to a Senior Legal Advisor in the Crown Solicitor's Office.

A non executive board member of the Northern Ireland Prison Service is a board member of Business in the Community. During the year, amounts totalling £2k were paid to Business in the Community in respect of subscription fees for the publication 'Opportunity Now'.

A Governor in Northern Ireland Prison Service is a board member of 'Opportunity Youth'. During the year, a total of £310k was paid to 'Opportunity Youth' in respect of the Young Offenders Centre at Hydebank.

A non executive board member of Northern Ireland Prison Service is also a non executive board member of Northern Ireland Water. Amounts totalling £678k were paid to Northern Ireland Water in respect of monthly water and sewage charges for all prison establishments.

The Director of Youth Services in the Youth Justice Agency is married to an individual who was involved in the design of training courses delivered by the University of Ulster to Youth Justice Agency staff. Amounts paid to the University totalled £27k.

A former Director of Youth Services in the Youth Justice Agency is a member of NIACRO and 'Include Youth'. The former Director of Youth Services left the Youth Justice Agency on 31 March 2009 to take up the post of Director of Services at NIACRO. NIACRO received £225k and 'Include Youth' received £6k during the year from the Youth Justice Agency. The Youth Services Agency also received £25k from NIACRO for the reimbursement of salary costs.

An Assistant Director of Community Services is married to a manager in Glenmona Resource Centre. During 2008-09, the Agency paid £10k to the Centre for the rental of premises. The individual played no part in the award of the contracts and all transactions were conducted on a commercial basis at arm's length.

An Assistant Director of Community Services is married to the owner of Unicorn Consultancy which received £4k for training services to the Youth Justice Agency during the year.

The Head of Human Resources in the Youth Justice Agency is a member of the fund raising committee of the charitable organisation 'The Amy Biel Foundation', along with the owner of Jenkinson Consulting. During the year the Agency paid £38k to Jenkinson Consulting for training and consultancy services.

With the exception of the above, none of the board members, key managerial staff or other related parties has undertaken any other material transactions with the NIO during the year.

### 34. Third-party assets

Crown Solicitor's Office restitution monies, received for subsequent payover to other departments, are not regarded as a Departmental asset. The balance held by the Department as at 31 March 2009 amounted to £nil (31 March 2008: £nil). In 2008-09 the CSO paid out more than it recovered in respect of restitution monies, resulting in a balance owing at 31 March 2009 of £55,006 (2007-08: £143,522). This amount is wholly recoverable by CSO and is therefore included within the primary statements.

All prisoners have a private (Prisoners' Private Cash – PPC) account into which prison earnings and cash received from visits or through the post are lodged. These accounts are also used by prisoners to fund all purchases from the prison tuckshop. When prisoners are finally discharged they are paid the full balance of their PPC account.

Young people in custody have a private cash facility for the lodgement of their pocket money and funding of tuckshop purchases. When the young people are discharged they are paid in full the balance on their account.

Bank balances for minors under the Criminal Injuries Compensation (Northern Ireland) Order 2002 are held and attract compound interest until the minors reach the age of 18.

The combined movement of the above third party assets is summarised in the table below:

	<b>31 March 2008 £000</b>	<b>Gross Inflows £000</b>	<b>Gross Outflows £000</b>	<b>31 March 2009 £000</b>
Monetary assets such as bank balances and monies on deposit	2,903	3,481	(3,008)	3,376



**35. Entities within the Departmental boundary**

The entities within the boundary during 2008-09 were as follows:

**Executive Agencies:** Northern Ireland Prison Service  
Compensation Agency  
Forensic Science Northern Ireland  
Youth Justice Agency

The annual reports and accounts of these Executive Agencies are published separately.

**Non-Executive NDPBs:** Parades Commission\*  
Boundary Commission for Northern Ireland  
Independent Assessor for PSNI Recruitment Applications

**Other entities:***Commissions*

Independent International Commission for Decommissioning  
Office of the Surveillance Commissioner  
Parole Commission  
Life Sentence Review Commissioners  
Civil Service Commissioners  
Remission of Sentences Commissioners  
Independent Monitoring Commission\*  
Commission for the Location of Victims' Remains  
Commissioner for Hearings under Prison Rule 109B  
Chief Electoral Office  
Northern Ireland Law Commission\*

*Other Judicial Bodies/Reviews*

Bloody Sunday Inquiry  
Billy Wright Inquiry  
Robert Hamill Inquiry  
Rosemary Nelson Inquiry  
Consultative Group on the Past

*Others*

Boards of Visitors, HMPs Maghaberry and Magilligan  
Visiting Committee, Young Offenders Centre, Hydebank  
Prisoner Ombudsman  
Prison Service Trust\*  
Northern Ireland Prison Service Sports Association\*  
Police Rehabilitation and Retraining Trust\*  
Security Industry Authority  
Strategic Review of Parades  
NIPS Central Benevolent Fund

\*Separate accruals accounts are produced for these entities.

## 36. Corresponding amounts

During the financial year 2008-09, the following changes took place:

### **(i) Machinery of Government transfer – Note 1.2**

On 1 April 2008, responsibility for Prisoner Healthcare for the Northern Ireland Prison Service transferred to the Department of Health, Social Services and Public Safety. The transfer has been accounted for using merger accounting principles in accordance with FReM. Accordingly, the results relating to the transferred service have been excluded from the start of the financial year and prior year comparative figures have also been restated.

The 2007-08 figures have been restated to exclude expenditure of £5,719,379 relating to the transfer of Prisoner Healthcare for the Northern Ireland Prison Service from the Northern Ireland Office to the Department of Health, Social Services and Public Safety (see Note 1.2)

### **(ii) Change in accounting policies – Note 1.28**

#### *Northern Ireland Prison Service Home Loans*

Comparative figures for 2007-08 have been restated following a change in accounting policy in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* in respect of Northern Ireland Prison Service Home Loans as detailed in Note 18. These balances are stated in the Balance Sheet at their amortised cost, being the carrying amount discounted to present value at the effective rate of interest of 3.5%.

The effect of this change in policy on the Operating Cost Statement for 2007-08 is to increase expenditure by £523,394.

#### *Northern Ireland Prison Service Income from Trading Activities*

Comparative figures for 2007-08 have been restated to reflect a change in accounting policy concerning Trading Activities in relation to prisoners. In prior years the related income and programme expenses were netted off in the Balance Sheet and not shown on the face of the Operating Cost Statement. From 1 April 2008, these costs are no longer netted off in line with FRS 5 *Substance of Transactions*.

Overall there is a nil effect on the Operating Cost Statement for 2007-08 resulting from this change in policy as Income and Expenditure have both been increased by £1,922,449.

### **(iii) Reclassification**

The Statement of Recognised Gains and Losses and Note 3 have been restated to consolidate the accounting policy and machinery of government changes that occurred during 2007-08. There is no impact on the overall Net Operating Cost disclosed for 2007-08 and this will ease the understanding of the prior period adjustments noted in (i) and (ii) above that occurred during 2008-09. Debtor and Creditor balances for 2007-08 have also been restated by £110,000 to consolidate the VAT liability for Forensic Science Northern Ireland within the debtor balance for the overall Department.

### **Impact on Financial Statements**

The tables below summarise the impact of the above on corresponding amounts in the Consolidated Operating Cost Statement, Balance Sheet and Cash Flow Statement. Comparative figures in the Statement of Parliamentary Supply and Note 2 have not been restated as, for the purposes of Parliamentary Control, these figures are indelible. The figures for the Core Department are not affected by these changes and have therefore not been restated.

CONSOLIDATED	2007-08 Published Resource Accounts £000	Machinery of Government Transfer £000	Change in Accounting Policies £000	Reclassifi- cation £000	2007-08 <i>Restated</i> £000
<b><u>Operating Cost Statement</u></b>					
<b>Administration costs</b>					
Staff costs	44,005	-	-	-	44,005
Other administration costs	34,749	-	32	-	34,781
Operating Income	(13,923)	-	(31)	-	(13,954)
<b>Programme costs</b>					
<b>Request for Resources 1</b>					
Staff costs	122,817	(3,175)	-	-	119,642
Programme costs	1,084,261	(2,544)	2,413	-	1,084,130
Less: income	(1,385)	-	(1,891)	-	(3,276)
<b>Request for Resources 2</b>					
Programme costs	10,529,761	-	-	-	10,529,761
Less: income	(114,299)	-	-	-	(114,299)
EU income	(81,462)	-	-	-	(81,462)
<b>Net Operating Cost</b>	<b>11,604,524</b>	<b>(5,719)</b>	<b>523</b>	<b>-</b>	<b>11,599,328</b>

CONSOLIDATED	2007-08 Published Resource Accounts £000	Machinery of Government Transfer £000	Change in Accounting Policies £000	Reclassifi- cation £000	2007-08 <i>Restated</i> £000
<b><u>Balance Sheet</u></b>					
Tangible Assets	384,437	-	-	-	384,437
Intangible Assets	1,573	-	-	-	1,573
Investments	1,469,204	-	-	-	1,469,204
Stock	1,908	(6)	-	-	1,902
Debtors	139,227	(2)	(523)	(110)	138,592
Cash at bank and in hand	69,878	-	-	-	69,878
Creditors	(1,740,718)	482	-	110	(1,740,126)
Provision for liabilities and charges	(59,844)	-	-	-	(59,844)
	<b>265,665</b>	<b>474</b>	<b>(523)</b>	<b>-</b>	<b>265,616</b>
<b>Taxpayers' equity:</b>					
General Fund	164,196	474	(523)	-	164,147
Revaluation Reserve	101,469	-	-	-	101,469
	<b>265,665</b>	<b>474</b>	<b>(523)</b>	<b>-</b>	<b>265,616</b>

CONSOLIDATED	2007-08 Published Resource Accounts	Machinery of Government Transfer	Change in Accounting Policies	Reclassifi- cation	2007-08 <i>Restated</i>
<b><u>Cash Flow Statement</u></b>					
Net cash outflow from operating activities	(11,544,532)	5,720	-	-	(11,538,812)
Capital expenditure and financial investment	53,806	-	-	-	53,806
Receipts due to Consolidated Fund which are outside the scope of the Department's activities	313	-	-	-	313
Payments of amounts due to the Consolidated Fund	(622)	-	-	-	(622)
Financing	11,517,190	(5,720)	-	-	11,511,470
<b>Increase in cash in the period</b>	<b>26,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,155</b>

CONSOLIDATED	2007-08 Published Resource Accounts	Machinery of Government Transfer	Change in Accounting Policies	Reclassifi- cation	2007-08 <i>Restated</i>
<b><u>Average numbers of staff employed</u></b>					
Objective 1	241	-	-	-	241
Objective 2	2,231	(77)	-	-	2,154
Objective 3	1,493	-	-	-	1,493
Objective 4	175	-	-	-	175
	<b>4,140</b>	<b>(77)</b>	<b>-</b>	<b>-</b>	<b>4,063</b>

### 37. Events after the balance sheet date

There were no events occurring after the balance sheet date that require disclosure. The financial statements were authorised for issue by the Accounting Officer on 10 July 2009.



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