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Department for the Economy

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2021

Department for the Economy
Annual Report and Accounts
For the year ended 31 March 2021

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9 March 2022

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CONTENTS

Purpose of the Overview Section

The purpose of the overview section is to provide information on the Department for the Economy (DfE), its purpose, the key risks to the achievement of its objectives and to show how the Department has performed throughout the year.

Permanent Secretary's Overview

I am pleased to present the DfE Annual Report for 2020-21. The Report provides information about the range of activities the Department has been engaged in over the past year, and its performance against key objectives and targets.

There is no doubt that 2020-21 has been one of the most challenging years for our economy in living memory. The devastating social and economic impacts of the public health crisis forced many workplaces to close; others had to seriously curtail their activities. Like all organisations, we had to put in place mechanisms to maintain business continuity, while at the same time, protecting the health and wellbeing of our people. Alongside this, we had to develop rapid interventions to limit the economic impact of the pandemic and support those businesses in the local economy, who had been most impacted by the restrictions the Executive put in place.

At the beginning of April, we set aside our draft business plan for the year ahead to reshape our approach and develop a new COVID-19 response plan. Our main priority was to lead the economic response to COVID-19. This included the development and delivery of a range of new grant schemes, designed specifically to support businesses through the crisis. Funding in the region of £460 million, was paid out to local businesses by the end of March 2021.

Alongside our response to COVID-19, we also had to focus considerable attention on our preparations for the end of the transition period of our departure from the EU and managing the impact of this. We worked to ensure as seamless a transition as possible, following the UK's exit from the EU. We provided advice and support to business and other key stakeholders, while engaging with UK Government officials to resolve any issues arising. All of this we did in the context of maintaining business as usual services as best we could, adapting to a 'new normal' of remote working, while managing vacancy rates in excess of 20% for the majority of the year.

We could not have delivered so much, without the remarkable commitment and dedication of our people, across the Department. The disruption brought about by COVID-19 has been felt right across society. The public sector, and this Department, has been no different in that respect. I am immensely proud of how well our people adapted to the changing environment and how agile they were, standing up so many new schemes, so quickly. I would like to take this opportunity to thank each and every one of them for their efforts throughout the year. They have been remarkable.

Mike Brennan

PURPOSE AND ACTIVITIES

Introduction

The Department for the Economy was established in May 2016 as one of the nine central government Departments in Northern Ireland.

Vision, Mission and Strategic Objectives

The vision, mission and strategic objectives of the Department are set out below.

Our Vision

A globally competitive economy that works for everyone.

Our Mission

To develop and implement agile policies and programmes which promote a competitive, sustainable and inclusive economy through investment in:

- skills;
- economic infrastructure;
- research and innovation; and,
- business development.

Strategic Objectives

The Department's business as usual strategic objectives are:

1. Accelerate innovation and research.
2. Enhance education, skills and employability.
3. Drive inclusive, sustainable growth.
4. Succeed in global markets.
5. Build the best economic infrastructure.
6. Deliver a regulatory environment that optimises economic opportunities for business and commerce, while also protecting consumers and workers.
7. Ensure the Department has effective governance, including programme and project management, and manages its resources, both financial and staff.

The Department's business as usual work continued to be guided by these objectives. However, for the duration of the year, work in relation to the COVID-19 public health crisis has been guided by the following temporary objectives:

1. Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of COVID-19 and the subsequent recovery, within the context of EU Exit.
2. Maintain and deliver our essential public facing services to the best of our ability in compliance with public health advice.
3. Assist our ALBs and other Delivery Partners in their management of the crisis.
4. Protect the safety and wellbeing of our people.

Organisational Structure

To deliver its mission and strategic objectives the Department was structured into five main business areas (Groups) during 2020-21 as follows:

- EU Exit Preparation and Transition Group;
- Economic Strategy Group;
- Management Services and Regulation Group;
- Skills and Education Group; and,
- Energy Group.

Operating under each of these Groups were a number of functionally independent Divisions, as outlined below[1]:

Mike Brennan – Permanent Secretary

- **Shane Murphy** – EU Exit Preparation and Transition Group – Grade 3 (Acting)
  - **Victor Dukelow** – Analytic Services – Grade 5
  - **Ryan Hill** – EU Exit International Trade & Migration – Grade 6 (Acting)
  - **June Ingram** – Covid-19 Restart – Grade 5
  - **Mary McIvor** – EU Exit Domestic Readiness – Grade 5
  - **Giulia Ni Dhulchaointigh** – EU Exit Trade Negotiations – Grade 5 (Acting)
- **Paul Grocott** – Economic Strategy Group – Grade 3
  - **Trevor Connolly** – Business Engagement – Grade 5
  - **Geraldine Fee** – Tourism and Telecoms – Grade 5
  - **Keith Forster** – Strategic Policy – Grade 5 (Acting)
  - **Jeremy Gardner** – NI Centenary – Grade 5
  - **Ciaran McGarrity** – City Deals Programme – Grade 5 (Acting)
  - **Nigel Robbins** – Project Stratum – Grade 5
  - **Michelle Scott** – Business Interventions – Grade 5
- **David Malcolm** – Management Services and Regulation Group – Grade 3
  - **Michelle Bell** – Central Services – Grade 5 (Acting)
  - **Maeve Hamilton** – EU Fund Management – Grade 5
  - **Sharon Hetherington** – Finance – Grade 5
  - **Colin Jack** – Business & Employment Regulation – Grade 5
  - **Richard Monds** – Insolvency Service – Grade 6
  - **Colin Woods** – Corporate Governance – Grade 5
- **Heather Cousins** – Skills and Education Group – Grade 3
  - **Trevor Cooper** – Higher Education – Grade 5
  - **Beverley Harrison** – Further Education – Grade 5
  - **Jamie Warnock** – Portfolio Management – Grade 6
  - **Lorna Warren** – Quality Improvement – Grade 6
  - **Graeme Wilkinson** – Skills – Grade 5
  - **Jim Wilkinson** – Apprenticeships, Careers and Vocational Education – Grade 5
- **Richard Rodgers** – Energy Group – Grade 3
  - **Thomas Byrne** – Energy Strategy Division – Grade 5
  - **Graham Miller** – Heat, Minerals and Operations Division – Grade 5 (Acting)
  - **Joe Reynolds** – Electricity Systems, Supply & Consumers Division – Grade 5 (Acting)

1 As normal run of business, there were a number of changes in staffing at senior levels during the year due to retirement, transfers etc. The chart reflects the position in March 2021.

ECONOMIC CONTEXT

COVID-19 Impact

The coronavirus pandemic has had a profound impact on the global economy, creating unprecedented economic challenges. This has significantly reduced market opportunities for Northern Ireland (NI) businesses to trade domestically and export. As a direct result of the pandemic, it is estimated that economic output fell by around 25% at the height of lockdown in spring 2020. Output levels improved markedly over the summer of 2020 as the NI Executive lifted many restrictions.

However, while the rebound was strong, the economy as a whole had not fully reverted back to pre-pandemic levels before rising infections meant new restrictions, beginning mid-October 2020. The trading restrictions have had a severe impact on the NI labour market. Since the start of the Coronavirus Job Retention Scheme (CJRS), a cumulative total of just over 280,000 jobs have been supported in Northern Ireland at various times.

A further 80,000 workers have availed of the Self-Employment Income Support Scheme (SEISS). Even with these unprecedented job support schemes in place, unemployment increased dramatically, with the March 2021 claimant count, at 58,100, being around twice that observed in the pre-pandemic months.

As we look forward, independent forecasters believe that 2021 overall will be a year of recovery in the Northern Ireland economy, with growth of around 4% to 6%. The continued roll-out of the coronavirus vaccine programme and the recent relaxation of restrictions is expected to have positive economic impacts as we move through the year.

Global/European/UK Economy

The International Monetary Fund World Economic Outlook increased its growth forecasts for the global economy to 6.0% in 2021, moderating to 4.4% in 2022. However, world output is still anticipated to be around 3% lower in 2024 than pre-pandemic projections. The Euro Area economy is projected to grow by 4.4% in 2021, and the UK economy by 5.3%.

Northern Ireland Economic Performance

The latest Labour Force Survey estimates for the period January-March 2021 shows the employment rate (69.1%) decreased over the quarter and year, the unemployment rate (3.6%) was unchanged over the quarter and increased over the year and the economic inactivity rate (28.3%) increased over both the quarter and year.

More up-to-date experimental Claimant Count and redundancies information relates to March 2021. The Claimant Count is around 58,100 people and remains almost double the number recorded in March 2020. Over the latest twelve month period (1 April 2020 to 31 March 2021) there were 5,780 confirmed redundancies, which was 89% higher than the previous year and one of the highest annual totals recorded since 2001.

The number of (seasonally adjusted) employee jobs in December 2020 was estimated at 770,900. This was a decrease of 2,400 jobs (0.3%) over the quarter and a decrease of 9,070 jobs (1.2%) over the year. Decreases were seen over the year in the services (-9,870 jobs) and manufacturing (-830 jobs) sectors while jobs increased in the construction (+1,120 jobs) and other industries (+510 jobs) sectors. The private sector saw a decrease (-9,580 jobs) while there was a marginal rise in the public sector (+560 jobs) over the year.

The latest Northern Ireland Composite Economic Index (NICEI) estimates that economic activity in Northern Ireland in real terms decreased by 1.4% over Quarter 4 2020 and decreased by 2.8% over the year to Quarter 4 2020. On a rolling four quarter basis, output has decreased by 6.3% to December 2020. The NICEI is currently 9.5% below the maximum value recorded in Q2 2007. The slight fall over the last quarter follows the pronounced ‘V’ in the preceding two quarters where the Index achieved the lowest and then highest quarter on quarter growth in the series.

The latest BESES estimates show that in 2019, Northern Ireland businesses’ external sales (all sales outside of NI) increased by £745 million (3.3%) to £23.0 billion, while exports (sales outside the United Kingdom) rose by £45 million (0.4%) over the year to £11.7 billion.

Research & Development (R&D) results for 2019, published in December 2020, show that R&D expenditure by Businesses, Higher Education and Government in Northern Ireland was £881 million in 2019, an increase of 11.0% compared to 2018. Business expenditure on R&D (BERD) accounts for some 71.5% of total R&D. In-house BERD is equivalent to 1.4% of Gross Value Added (GVA), with Northern Ireland ranking 5th out of all 12 UK regions.

UK's Withdrawal from the EU

The UK's withdrawal from the EU has had a significant impact on the work of the Department. The Department continued to take forward work in key areas including: EU Exit contingency planning in a wide range of policy areas; research on the impacts of EU Exit on services and data, migration, access to skills and labour, trade, common UK frameworks and internal markets; business readiness; and stakeholder engagement.

From 1 January 2021, the Department has worked to provide advice and support to business and other key stakeholders while engaging with UK Government officials to resolve any issues arising.

The total DEL Resource expenditure associated with the delivery and preparation on EU Exit activities across the Department for the year end 2020-21 was £10.8m, which is 0.9% of the total DfE budget for the year.

In terms of staff resource, the total number of full time equivalent staff working on EU Exit activities was 111.7, which represents just over 9% of the total number of staff in the Department.

The Department continues to manage a range of work arising from EU Exit, including carrying out market research and providing relevant advice and guidance to businesses and other key stakeholders.

COVID-19 Public Health Crisis

The impact of the COVID-19 public health crisis dominated the work of many areas of the Department throughout 2020-21, as it led the economic response to the pandemic. As the business plan for the year was reshaped with the addition of temporary COVID-19 strategic objectives, various additional work-streams were undertaken to enable achievement of these objectives.

These included a number of financial support schemes which were rapidly developed and delivered as the Department sought to limit the impact of the pandemic on the economy.

Over £460 million has been paid to businesses through these schemes as at the end of March 2021. Further detail on the individual schemes and funding provided is contained in the Governance Report and Financial Statements.

Staffing in the Department

At the beginning of the COVID-19 crisis, the Department took the decision to close all buildings and move staff, as far as possible, to a remote working model. Although the vast majority of staff were IT enabled with Secure Remote Access to facilitate working from home, a small number of staff continue to use IT equipment in the office due to the nature of their roles.

Due to ongoing restrictions, the majority of DfE staff have continued to work from home throughout 2020-21. This remains under review, with consideration being given to how and when staff might begin to return to work in an office environment that is safe and takes account of social distancing requirements. Following completion of an exercise to replace any remaining desktop computers with laptops, the Department is preparing to adopt more flexible working arrangements. As business needs have been met by remote working, the Department is now giving consideration to a blended approach to both office and home based working arrangements.

The Pandemic has had a major impact on staffing and the staffing situation in the Department has been monitored closely throughout the year, with monthly reports provided to the Departmental Board by Northern Ireland Civil Service Human Resources (NICSHR) in relation to recruitment, performance and absence management. These were supplemented with the provision of Group level reports and analysis to Grade 3s.

To ensure that the Department was able to continue to deliver essential services across the Department and respond quickly to emerging needs, DfE Guiding Principles for Redeployment were developed and issued to all DfE staff on 15 April 2020. Since then, 81 staff have been redeployed through the formal redeployment process; 72 of the redeployments have now ended and 9 are ongoing. Some other staff throughout the Department have also been redeployed through informal mechanisms and some areas will have accessed staff through the Corporate Operational Personnel Redeployment Unit (COPRU).

Throughout 2020-21, efforts have centred on ensuring that resources are focused on priority areas. This included the temporary suspension of non-business critical activities; some of which have now resumed and the temporary redeployment of staff to ensure the continued delivery of business critical functions.

The Department has worked closely with NICS HR during 2020-21 to inform both current and future recruitment planning. This has included Departmental input into a number of resourcing exercises to review and confirm all approved and funded vacancies. Vacancy rates began to reduce steadily in the final quarter of the year. Work is ongoing in relation to progressing the prioritised recruitment activities and filling DfE vacancies in line with the priority agreed by the DfE Board, subject to COVID-19 restrictions.

Key Strategies

The strategic focus of the Department during the year remained the Outcomes Framework contained in the draft Programme for Government. DfE led on the development and implementation of Delivery Plans for Outcomes 1, 5 and 6 and contributed to several others.

With the return of the Northern Ireland Executive in January 2020, work began on a new strategic Programme for Government (PfG) to reflect the new focus for the NICS as outlined in the New Decade New Approach agreement. However, that work was temporarily suspended in March due to COVID-19.

Work on the new PfG Outcomes Framework resumed in July 2020 and a public consultation launched in January 2021. The consultation and associated equality impact assessment closed in March and April 2021 respectively, however ongoing competing priorities for departments and the Executive caused further delays in progress.

Underpinning the Department's contributions to the draft Outcomes Framework are a number of complementary Strategies which the Department continued to work towards developing / progressing in 2020-21, focussing on specific areas of the economy. These included the Energy Strategy, Skills Strategy and the Tourism Recovery Action Plan.

In February 2021, DfE published its Economic Recovery Action Plan. The plan sets out a range of decisive actions under four pillars to kick-start economic recovery as we emerge from the COVID-19 pandemic:

- Supporting a Highly Skilled & Agile Workforce;
- Stimulating Research & Development and Innovation;
- Promoting Investment, Trade and Exports; and,
- Building a Greener Economy.

Progress on all of these strategies and other work streams is outlined in more detail in the Performance Analysis section. As stated, progress in some areas has been delayed due to the need to re-focus resources on other pressures and priorities.

The Departmental Business Plan

The 2020-21 DfE Business Plan focussed on COVID-19 response and outlined the key work planned by the Department to limit the impact of the pandemic for our businesses and workforce alongside our pre-existing commitments to support the Northern Ireland economy. The Plan contained a total of 117 key actions which DfE set out to deliver during 2020-21. These were divided into two sections – one for COVID-19 actions and the other for business as usual actions.

As indicated in the performance summary table below, a significant proportion of the Department's business as usual commitments for the year as set out in the Business Plan were not achieved. This was not unexpected and, as will be shown in more detail in the Performance Analysis section in this report, COVID-19, EU Exit uncertainties and resourcing issues were major contributory factors in this regard.

	COVID-19 Actions	Business As Usual Actions	Total
Green	62	26	88
Amber	5	13	18
Red	0	11	11
Total	67	50	117

Key Corporate Issues and Risks

During the year, the Department identified and managed a number of key corporate risks to achieving its objectives. These included risks relating to:

- Delivering the requirements of the Clean Energy Package;
- Managing the non-domestic Renewable Heat Incentive (RHI) Scheme;
- Developing a new Energy Strategy;
- The HMS Caroline Project;
- Managing City/Growth Deals;
- The delivery of Project Stratum;
- Managing the closure of legacy COVID-19 business support schemes and delivery of new schemes;
- Delivering Executive and COVID-19 Recovery Skills Plans;
- Preparing for the UK's exit from the EU and the end of the transition period;
- Developing and securing funding for viable European Social Fund succession arrangements;
- Managing the financial sustainability of Ulster University;
- Ensuring relevant education and skills provision; and,
- The management of staffing capacity and capability.

The highest rated risk managed during the year was the risk relating to staffing capacity and capability and the associated impact on the department's ability to achieve its objectives. Whilst staffing issues were already reflected as key causes for the majority of risks in the corporate risk register, the Departmental Board agreed that the staffing challenges facing the Department were so critical, that a dedicated risk should be added to the register to give it greater visibility and consolidate corporate activities to manage it, as well as prompting more regular formal consideration of the issue by the Board.

The risk of failing to deliver key corporate objectives due to staffing capacity and capability was added to the corporate risk register in September 2020. It was given an extreme rating and the department's Audit & Risk Assurance Committee subsequently carried out a deep dive of the risk. Various controls were put in place and actions carried out to mitigate the risk. The issue remains a significant challenge for the department and as such continues to be closely monitored.

Further information on the Department's risk management process is contained in the Governance Report.

Purpose of the Performance Analysis

The purpose of the performance analysis is to provide a detailed summary of how the Department measured its performance during 2020-21. This will include a detailed overview of performance against the commitments in the Department's 2020-21 Business Plan.

Business Plan Performance

Given the focus on COVID-19 related work activities in 2020-21, the draft Departmental Business Plan was re-shaped to become a COVID-19 Response Business Plan 2020-21, and temporary COVID-19 related objectives were developed. Whilst much of the business as usual work continued, the main focus had to be on COVID-19 response and as such this took priority in our business planning. Business as usual activities were reported on quarterly during 2020-21 but not against strategic objectives.

The 2020-21 DfE Business Plan contained 117 specific actions/ commitments divided into two sections. The 'COVID-19' section contained sixty-seven actions and the 'business as usual' section contained fifty actions. The tables below provide an end-year position for each of them, i.e. the position as at 31 March 2021. A RAG (Red, Amber or Green) status has been provided to indicate where actions/commitments have been achieved, partially achieved or not achieved. Where actions were not fully achieved, explanations are provided.

COVID-19 RESPONSE ACTIONS

Strategic Objective 1 – Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of the COVID-19 pandemic and the subsequent recovery, within the context of EU Exit.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
1. Establish, run and staff the Departmental Operations Centre (DOC) and NI Hub as part of COVID-19 C3 arrangements.	March 2021	Green	
2. Oversee business continuity arrangements in relation to the Pandemic – includes working in and resourcing the DOC and providing secretariat and support to Pandemic Incident Management Team (PIMT), including collation of staffing returns and reporting to PIMT and DOC.	March 2021	Green	
3. Oversee a new Department for the Economy (DfE) COVID-19 Coordination Unit to coordinate, analyse and prioritise all external COVID-19 correspondence to ensure DfE responds promptly to queries and alleviate pressures on particular business areas given the current limited resources available within the Department.	March 2021	Green	
4. Develop economic mitigations to support the NI economy to recover from the pandemic in the medium term.	September 2020	Green	
5. Conduct business engagement to gather regular intelligence on issues businesses are facing in responding to COVID-19 and EU Exit.	March 2021	Green	
6. Design, implement and process applications for the Microbusiness Hardship Fund.	August 2020	Green	

Strategic Objective 1 – Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of the COVID-19 pandemic and the subsequent recovery, within the context of EU Exit.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
7. Undertake extensive research and develop the evidence base around the economic impact of COVID-19 and EU Exit, including macroeconomic and sectoral impacts as well as around approaches to recovery and renewal.	December 2020	**Green**	
8. Design and implement the £10,000 Small Business Grant Scheme.	June 2020	**Amber**	There remains a small number of applications subject to ongoing appeal/ complex cases requiring legal advice which are being actively worked through.
9. Design, implement and process applications for the £25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme.	June 2020	**Amber**	There remains a small number of applications subject to ongoing appeal/ complex cases potentially requiring legal advice which are being actively worked through.
10. Develop an Economic Recovery Strategy - based on a strategic review of current economic interventions.	March 2021	**Green**	
11. Repurpose the Matrix Panel planned work programme for 2, 6 and 12 month period in 2020-21 post-COVID-19 to advise on immediate and medium term planning for reviving and renewing the high tech economy, notably in areas such as ICT-Digital, Life Sciences, and Advanced Manufacturing & Engineering.	March 2021	**Green**	
12. Introduce a Legislative Consent Motion at Westminster to allow amendments to Northern Ireland's insolvency legislation aimed at assisting businesses in difficulty as a result of the COVID-19 pandemic.	May 2020	**Green**	

Strategic Objective 1 – Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of the COVID-19 pandemic and the subsequent recovery, within the context of EU Exit.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
13. Support the Minister, Executive and the NI Assembly by ensuring that NI interests are fully reflected in UK consumer protection law policy and legislation which are being prepared in response to consumer issues arising from COVID-19 outbreak.	March 2021	**Green**	
14. Bring forward a range of statutory rules to amend employment legislation, as necessary, in response to the COVID-19 pandemic.	March 2021	**Green**	
15. Develop further education interventions to minimise the impact of the economic shock of COVID-19 and support economic recovery.	March 2021	**Green**	
16. Work collaboratively with the Further Education sector to manage the impact of campus closures and support ongoing delivery of FE provision, whilst maintaining good governance and oversight.	March 2021	**Green**	
17. Develop advice and guidance to apprentices and businesses impacted by COVID-19 crisis.	June 2020	**Green**	
18. Engage with stakeholders to understand the sector specific impact of the COVID-19 crisis with a view to developing medium term interventions to support employers, training providers and apprentices in the rebuilding of the apprenticeship system.	September 2020	**Green**	

Strategic Objective 1 – Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of the COVID-19 pandemic and the subsequent recovery, within the context of EU Exit.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
19. Support and guide those who are unemployed or have recently been made redundant in job search, and support those who are furloughed by providing advice on online training to enhance employability for both temporary and full-time employment.	March 2021	**Green**	
20. Develop a Tourism Recovery Action Plan including the creation and servicing of a Ministerial led Tourism Recovery Steering Group supported by a Tourism NI led Working Group. This will require on-going work with Tourism Ireland, with UK Government, Devolved Administrations (DAs) and Republic of Ireland (ROI) both at official and Ministerial level as to how best we address recovery for our tourism sector including key tourism markets.	July 2020	**Amber**	Tourism Recovery Steering Group was established in May 2020 and a draft Phase One Tourism Recovery Action Plan was presented to the Group in September 2020. Work is currently underway to develop a Phase Two Plan.
21. Develop short and medium term measures and mitigations to support the tourism industry, including the identification of potential interventions and undertaking economic impact analysis.	March 2021	**Green**	
22. Oversee the monitoring round processes to ensure easements are identified for possible COVID-19 related interventions and to present Minister with suitable options for consideration.	June/ September 2020 and January 2021	**Green**	
23. Identify for Future Skills Academies the skills that will be in greatest demand in the next 2 years to support business recovery, in anticipation of the possible economic impact arising from COVID-19.	March 2021	**Green**	

Strategic Objective 1 – Deliver a strong, competitive and regionally balanced economy with more people working in better jobs through all phases of the COVID-19 pandemic and the subsequent recovery, within the context of EU Exit.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
24. Co-ordinate the NI skills response to the economic impact of Coronavirus, collaborating on cross-departmental initiatives and liaising with Department for Communities (DfC), UK Government, other Devolved Administrations (DA) as necessary.	March 2021	**Green**	
25. Continue to progress a skills strategy for the period 2021-2030, accounting for response of government to economic recovery and emerging priorities.	March 2021	**Amber**	The draft Skills Strategy consultation document is drafted. Subject to Ministerial clearance, the consultation should be taken forward to early in 2021-22.
26. Provide assessment of rapid interventions to support individuals impacted by COVID-19 in key areas including digital and leadership and management.	March 2021	**Green**	

Strategic Objective 2 – Maintain and deliver our essential public facing services to the best of our ability in compliance with public health advice.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
27. Work with Department of Finance (DoF), Department for Infrastructure (DfI), Department for Transport (DfT), Northern Ireland Office (NIO) and Her Majesty's Treasury (HMT) to maintain NI air connectivity with GB mainland.	March 2021	**Green**	
28. Seek to secure a UK-wide approach to the UK higher education admissions issue to protect local prospective students and the local higher education sector.	May 2020	**Green**	
29. Assess the implications of the COVID-19 pandemic on higher education as an export including the loss of international students to NI Higher Education Institutions (HEIs).	March 2021	**Green**	
30. Consider the impact of the changes to the way 'A' level and equivalent vocational grades are awarded and implement appropriate changes to the system of awarding Scholarships for 2020.	September 2020	**Green**	
31. Identify and develop temporary changes to current further education student support policies, in light of COVID-19 and agree any revised policy approach.	March 2021	**Green**	
32. Review and develop support for further education students who have barriers to education in light of COVID-19.	July 2020	**Green**	
33. Establish a Working Group to take forward preparations for the Safe Resumption of on-site vocational provision at both the Northern Ireland Further Education Colleges and the wider Training Network.	August 2020	**Green**	

Strategic Objective 2 – Maintain and deliver our essential public facing services to the best of our ability in compliance with public health advice.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
34. Develop guidance for delivery of digital/ blended learning to take account of lessons learned for the new learning environment.	June 2020	**Amber**	Original target of June 2020 did not allow exercise to capture lessons learned and how to share and integrate best practice developed during lockdown. Action plan was then developed to include this and Sector Working Group have progressed with latest progress report received in April 2021. This will be assessed to determine the extent to which objectives have been achieved when resources are available.
35. Develop a monitoring system to track the revised delivery processes/ learner support processes in Training Organisations in relation to Training for Success (TfS), Apprenticeships NI (AppsNI) and European Social Fund programmes, and develop an associated and revised quality monitoring model.	July 2020	**Green**	
36. Establish how a revised version of the Bridge to Employment programme could be piloted to better meet the needs of companies at this time. This may include remote/on-line training.	March 2021	**Green**	
37. Manage security of energy supply risks with energy industry related to COVID-19.	March 2021	**Green**	
38. Make interim payment in respect of HMS Caroline (HMSC) in advance of completion of Price Waterhouse Cooper (PWC) audit to assist the National Museum of the Royal Navy (NMRN) with cashflow issues arising from closure of the attraction.	May 2020	**Green**	

Strategic Objective 2 – Maintain and deliver our essential public facing services to the best of our ability in compliance with public health advice.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
39. Produce an options paper in relation to the future of HMS Caroline with added urgency due to the impact of COVID-19.	May 2020	**Green**	
40. Provide greater consumer protection in the travel; caravans; subscription services; price gouging; weddings and events sectors as a result of the impacts of COVID-19. This includes providing an increased consumer/ business advice service and liaising with relevant stakeholders such as the Competition and Markets Authority (CMA) and Civil Aviation Authority (CAA) to monitor these areas and take enforcement action, where necessary.	March 2021	**Green**	
41. Following temporary closure of HMSC to provide advice to Minister on options for the future of the Historic Visitor Attraction (HVA).	December 2020	**Green**	

Strategic Objective 3 – Assist our ALBs and Delivery Partners in their management of the crisis.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
42. Establish and oversee the ongoing operation of Chemicals Policy Cell to report to the DfE DOC (as part C3 structures) on issues surrounding supply of key chemicals to Critical National Infrastructure (CNI) sectors.	March 2021	**Green**	
43. Engage with EU Exit stakeholder network to provide information, advice and reassurance, where possible, to all DfE stakeholders throughout the phases of COVID-19.	December 2020	**Green**	
44. Provide ongoing capability to monitor the impacts of COVID-19 on the economy, using daily and weekly data insofar as is possible.	March 2021	**Green**	
45. Use the specialist skills of our Statisticians and Economists to support wider corporate needs, including helping support with statistical support to Council for the Curriculum, Examinations & Assessment (CCEA) in its work on grading, and assist with issues relating to state aid and competition law and NI financial assistance programmes.	July 2020	**Green**	
46. Work with Invest NI (INI), DoF, EU Exit Group and British Business Bank on Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CBLILS) schemes in NI.	March 2021	**Green**	

Strategic Objective 3 – Assist our ALBs and Delivery Partners in their management of the crisis

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
47. Announce funding for NI participation in Science Foundation Ireland (SFI) COVID-19 Rapid Response Research & Innovation Funding Call (pending approval of funding and business case).	June 2020	**Green**	
48. Work closely with the Student Loans Company (SLC) and Education Authority (EA) regarding relevant aspects related to the COVID-19 pandemic its potential impact on NI students and mitigating actions.	March 2021	**Green**	
49. Seek additional funding from the Executive for Support Funds for University Students facing genuine financial hardship.	March 2021	**Green**	
50. Assess the impact of the COVID-19 Pandemic on the international student mobility agenda and engage with relevant stakeholders.	July 2020	**Green**	
51. Provide briefing on the pandemic outbreak on Further Education Major Capital Project Business Case approvals, 19-20 and 20-21 capital funding profiles and the major capital projects respectively.	April 2020	**Green**	
52. Consult with Further Education major project stakeholders on site closures and implications of delay on funding, programme and operational aspects, liaising with college project teams to identify, assess, manage and where possible mitigate the main risks and extended use of existing premises.	March 2021	**Green**	

Strategic Objective 3 – Assist our ALBs and Delivery Partners in their management of the crisis.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
53. Engage on an ongoing basis with Further Education major capital works' Project Directors and Construction & Procurement Delivery (CPD) to discuss impacts on contractual & financial aspects, programme, and fit-out supply chains.	March 2021	**Green**	
54. Develop interim policy and response to need for new assessment and award arrangements for Essential Skills in summer 2020. Further work will then be required to support detailed design of agreed delivery model.	May 2020	**Green**	
55. Revise quality monitoring of delivery model in relation to Department for Communities (DfC) Steps to Success provision.	March 2021	**Green**	
56. Maintain Skills Infrastructure Project (financial support for training suppliers impacted by COVID-19 restrictions)	March 2021	**Green**	
57. Ensure the stability & continuation of the non-statutory training sector and maintain training delivery to young people by extending contracts to deliver the Department's Training for Success programme.	March 2021	**Green**	

Strategic Objective 3 – Assist our ALBs and Delivery Partners in their management of the crisis.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
58. Identify in light of exams cancellations alternative assessment/awards measures for vocational qualifications in conjunction with Department of Education (DE), Council for the Curriculum, Examinations and Assessment (CCEA)/Awarding Organisations and other key stakeholders (Further Education / schools /training organisations).	September 2020	**Green**	
59. Ensure appropriate learner support for Training for Success participants (including support to those trainees with a disability or learning difficulty) by supporting Contractors to adapt to current circumstances.	March 2021	**Green**	
60. Lead the Electricity Market Confidence Monitoring Group with key stakeholders, Utility Regulator, System Operator (SONI), Single Electricity Market Operator (SEMO) and Department for Business, Energy & Industrial Strategy (BEIS). Also lead the Energy Retail Market Forum to monitor COVID-19 impacts with key stakeholders including Utility Regulator, Consumer Council, Northern Ireland Electricity (NIE) Networks, Gas Network Operators and all energy suppliers.	March 2021	**Green**	

Strategic Objective 4 – Protect the safety and wellbeing of our people

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
61. Coordinate Services related special exercises – including priority laptop users, desktop Secure Remote Access (SRA) exercise, essential testing, and WebEx Conferencing and Collaboration Licences.	March 2021	**Green**	
62. Develop DfE Redeployment Principles and ongoing assessment of allocation of resources to priority areas to support COVID-19 response and address any emerging pressures.	March 2021	**Green**	
63. Develop and introduce pulse surveys to gather information on how staff are adapting to home working, identify lessons learnt and provide additional support where possible.	March 2021	**Green**	
64. Develop further Health and Safety Advice related to home working, in consultation with Departmental Trade Union Side (TUS).	March 2021	**Green**	
65. Work with HR Business Partner and NICS HR in relation to redeployment, provision of support and advice on health and well-being, guidance on remote working and advice on broader HR matters arising.	March 2021	**Green**	
66. Work with the Staff Engagement Forum (SEF) to develop an appropriate approach to staff engagement in the current context of COVID-19 and home working.	March 2021	**Green**	
67. Develop a range of communications to keep staff updated on Departmental activities in response to COVID-19.	March 2021	**Green**	

Whilst work clearly had to be focussed around the response to the public health crisis as outlined above, the Department strived to maintain as much of its business as usual work as possible during the year. All of this business as usual work continued to be guided by the following seven departmental strategic objectives:

1. Accelerate innovation and research;
2. Enhance education, skills and employability;
3. Drive inclusive, sustainable growth;
4. Succeed in global markets;
5. Build the best economic infrastructure;
6. Deliver a regulatory environment that optimises economic opportunities for business and commerce, while also protecting consumers and workers;
7. Ensure the Department has effective governance, including programme and project management arrangements, and manages its resources, both financial and staff.

Our performance against our business as usual activities is set out in the tables below.

Business as Usual Actions – Non COVID-19 Related

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
1. Ensure Northern Ireland interests in terms of access to skills and labour are clearly defined and understood as UK Immigration Policy takes shape.	March 2021	**Amber**	NI position has been articulated to UK Government (UKG) however no NI derogations have been implemented by UKG. Officials continue to monitor developments and advise Minister accordingly.
2. Ensure NI interests are clearly defined and understood as UK Trade Policy takes shape including in the context of UK trade negotiations with the European Union and trading partners across the globe.	March 2021	**Red**	The volume of Free Trade Agreement (FTA) legal text being shared at official level is significant with short windows for input. With competing pressures across the EU Exit Group, meeting this objective within often tight timeframes is challenging. By way of remedial actions the following are ongoing: (1) an internal reprioritisation of activities, (2) restructuring of the EU Exit Group and (3) recruitment of additional staff to fill vacancies across the Group. Engagement with UKG on International Trade policy continues at both Ministerial and official level.
3. Protect NI's place in the UK Internal Market by influencing UK Government (UKG) policy on the delivery of legislation on 'unfettered access' and measures to strengthen the UK Internal Market.	December 2020	**Amber**	With the UKG postponing Phase 2 of Unfettered Access from July to Sept/Oct in line with border changes, ongoing engagement is underway to ensure a settlement which is operable for NI businesses across various sectors. Early clarity and education around this is vital for NI businesses to prepare and promote their businesses for any change to requirements for qualifying status. In addition, officials and Minister are continuing to engage with UKG on the implementation of the UK Internal Market Act. This activity has the aim of seeking to ensure arrangements protect NI business competitiveness in the UKIM and manage the risk of regulatory divergence between GB and NI, arising from the Protocol, impacting on NI trade.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
4. Analyse reserved policies relating to the Ireland/NI Protocol and identify impacts on the NI economy.	December 2020	**Amber**	Officials and Minister are continuing to monitor the economic impact of Protocol, engaging with industries to identify emerging issues and seeking resolution through engagement with UKG. Work is continuing on consumer impacts, particularly on the e-commerce issues that have arisen in respect of parcels from GB. We will continue to seek easements and longer term mitigation of the frictions particularly to GB-NI trade i.e. customs requirements, supplementary declarations, tariffs/at risk. It is essential that the grace periods are used to ensure that suitable arrangements are in place to ensure free flowing internal UK trade when those periods end.
5. Co-ordinate and monitor the development of UK common frameworks across the range of Departmental business areas and contribute to the development of UK internal market.	December 2020	**Amber**	In addition, officials and Minister continuing to engage with UKG on the implementation of the UK Internal Market Act. This activity has the aim of seeking to ensure arrangements protect NI business competitiveness in the UKIM and manage the risk of regulatory divergence between GB and NI, arising from the Protocol, impacting on NI trade. While some aspects remain to be completed, the risks are not adjudged to be high.
6. Co-ordinate and monitor legislative preparations by the Department and its Arm's Length Bodies to deliver operable legislation in advance of the end of the EU exit transition period.	December 2020	**Amber**	By end of December 2020, 7 of 12 DfE EU Exit Statutory Rules (SRs) were in place, with five incomplete as a result of uncertainty associated with the NI Protocol and unanticipated legal issues. 16 of 20 Statutory Instruments were in place, with the remaining four deprioritised by UKG into 2021 following Parliamentary pressures. Work is ongoing to address residual EU exit legislative requirements. No significant practical impacts were anticipated regarding the outstanding legislation and none, to date, have emerged. While some aspects remain to be completed, the risks are not adjudged to be high.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
7. Manage Programme Management Office (PMO) function to provide assurance on the Department's preparations for the end of the EU Exit transition period; co-ordination of Contingency Planning & Preparedness preparations across all DfE policy areas; and planning effective Stakeholder Engagement and Communications.	December 2020	**Green**	
8. Ensure that the aspects of City Deals which fall within DfE's remit are progressed in alignment with DfE's processes for business case approvals and payments.	March 2021	**Amber**	Supply challenges in filling approved posts has resulted in delays in developing the full suite of new processes and procedures for progressing City Deals. Resource plan has been developed and progress is being made to fill vacant posts.
9. Capitalise on strategic opportunity to grow the Cyber Security sector as part of the rebuilding on the NI economy. This includes the development of a NI cyber cluster, new innovative online aptitude and training resources and the commissioning of MATRIX to undertake a foresight study to identify the most appropriate market niches to focus investment including research and development (R&D).	December 2020	**Amber**	Online Aptitude Learning: Industry support for pilot confirmed, Capita appointed and contract signed March 2021. A Project Implementation Plan (PIP) was submitted to Project Board on 19 March. Capita working towards the public launch of media campaign w/c 17 May 2021. Matrix Foresight Study - DfE understands that the Centre for Secure Information Technologies (CSIT) will issue a dedicated Northern Ireland sectoral study during April 2021.
10. Manage the agreement between the Department and Social Enterprise NI (SENI) to design and deliver the Social Economy Work Programme for 2020-21.	March 2021	**Green**	
11. Award contract for Project Stratum.	September 2020	**Green**	
12. Review Petroleum Licensing and Mineral Licensing policy and legislation.	March 2021	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
13. Continue to work closely with the National Museum of the Royal Navy (NMRN) and other relevant stakeholders on the controls, operation and structures of the HMS Caroline (HMSC) visitor attraction. Review and update internal controls and procedures accordingly.	March 2021	**Red**	Discussions are continuing with the National Museum of the Royal Navy (NMRN) and the National Lottery Heritage Fund (NLHF) regarding the future of HMS Caroline in Belfast. This is being taken forward through a series of 'tripartite' meetings. The attraction remains closed and this has been agreed with the NLHF and NMRN.
14. Develop a Mobile Action Plan to support connectivity for NI's economy, in partnership with other Departments and key stakeholders, as a first stage in a Digital Infrastructure Plan.	March 2021	**Red**	Delayed due to resource issues and other work pressures including COVID-19 and EU Exit. The cross sector working group has now been established to develop the Mobile Action Plan by December 2021.
15. Manage year 3 delivery of the 66 live European Social Fund supported projects which aim to combat poverty and enhance social inclusion by reducing economic inactivity and to increase the skills base and employability of potential participants in the workforce.	March 2021	**Green**	
16. Effectively perform the role of Managing Authority for the delivery of European Regional Development (ERDF) and European Social Fund (ESF) Programmes, to ensure appropriate governance and compliance with European Commission rules and regulations, to safeguard financial allocations in excess of €1 billion.	March 2021	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
17. Develop in conjunction with Department of Finance (DoF) the NI element of the UK Shared Prosperity Fund (SPF), with a focus on replacement funding for the ESF and ERDF programmes.	March 2021	**Red**	Announcements have now been made by the UK Government. Funds are to be delivered directly by Ministry of Housing, Communities and Local Government (MHCLG) and funding will be competitive. They will potentially duplicate current DfE provision. Organisations will be able to apply directly for funding. No role is currently envisaged for the NI Executive.
18. Deliver effective administration and investigation of insolvent estates, take enforcement action to protect the public in appropriate cases, and publish performance details in an Annual Report.	March 2021	**Green**	
19. Deliver effective front line services to support positive employment relations: in particular Industrial Tribunals and the Fair Employment Tribunal and the Redundancy Payments Service (**reduced level of delivery due to postponing of Tribunal hearings and limited availability of staff with remote working facilities**).	March 2021	**Amber**	Office due to re-open in mid April with reduced capacity. Conferencing facilities are at an advanced stage of implementation and the Department has made available two hearing rooms in Adelaide House to be utilised for in person hearings with effect from 26 April. The backlog in registering all new claims and responses (with the exception of holiday pay cases which are stayed) has been addressed and they are now being dealt with within normal timeframes. Reduced staff capacity due to stress related illness and inexperienced staff. Additional pressures due to increasing claims and tandem systems (electronic and hard copy). A business case has been drafted for additional staffing resources to support tribunal business, with a high priority in the area of conducting hearings.
20. Maintain the business, consumer protection and health & safety legislative frameworks for which we are responsible, especially in the light of BREXIT.	March 2021	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
21. Deliver a front line public protection function for the benefit of consumers, businesses and the Northern Ireland Economy through an efficient and effective Trading Standards Service (TSS) and Consumerline - ensuring that all enforcement activity undertaken is targeted at illegal and unfair trading activities and consistent with the principles of better regulation.	March 2021	**Amber**	TSS continues to progress complaint investigations and prosecutions in line with its prioritisation principles and has a number of cases in court on car crime, doorstep crime/scams and intellectual property offences. However, continued loss of experienced TSS staff, sick leave and delays in recruitment have all impacted on the Service's ability to deliver its statutory functions. Two recruitment competitions have now been completed and vacancies are being filled. A continuous and extensive professional qualification training plan is in place to ensure that the requisite training is provided to new TSS staff although this creates an additional drain on already depleted resources.
22. In partnership with key stakeholders (Department for Business, Energy & Industrial Strategy (BEIS), Office for Product Safety & Standards (OPSS) and the Competition & Markets Authority (CMA)), ensure effective arrangements are in place to support potential changes to the consumer protection regime in NI after the implementation period, in particular – the future relationship with the EU, cross border enforcement/ cooperation and specific enforcement and inspection regimes arising out of EU Exit and outlined in the Northern Ireland Protocol.	March 2021	**Amber**	In the absence of the required funding being confirmed by HM Treasury beyond 2021-22, TSS continues to plan for the eventuality that funding will be confirmed and become available. In order to meet the expectations placed upon Trading Standards Service as a result of the NI Protocol, plans are continuing to fill new posts on an 'at risk' basis, and to have a training plan and appropriate structure in place to enable TSS to deal effectively with the new regulatory arrangements since exit. TSS continues to engage with the CMA on fair trading matters and OPSS in developing a legal metrology market surveillance programme for NI.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
23. Introduce Parental Bereavement Leave and Pay in NI, including the drafting, consultation and finalisation of policy proposal and commencement of initial drafting of primary legislation.	March 2021	**Green**	
24. Develop policy proposals in respect of references to protecting workers' rights in the New Decade New Approach (NDNA) document and other Ministerial priorities for employment rights – including the need for any legislative changes.	March 2021	**Red**	The impact of the COVID-19 pandemic made it necessary to prioritise those policy and legislative actions which would protect those workers immediately affected by the pandemic, including legislation which ensured that statutory family-related payments and various statutory entitlements connected with redundancy or the termination of employment are based on normal pay rather than furlough pay. Legislation was also brought in to provide some flexibility in respect of annual leave carry over.
25. Ensure that provisional non ring-fenced outturn for each of Conventional Capital and Resource is at least 99%, but does not exceed 100%, of the final Budget.	March 2021	**Green**	
26. Continue to closely monitor the delivery of the Joint Supervisors Business Plan with regards to the Presbyterian Mutual Society (PMS) Scheme of Arrangement, in order to maximise returns on the Executive loan by the facilities expiry date of 30 November 2020.	November 2020	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
27. Progress the Review of Financial Processes for: - Dry run 20-21 Main Estimates - Dry run 20-21 Spring Supplementary Estimates	March 2021	**Green**	
28. Oversee and promote good governance and accountability arrangements across all of the Department's Arm's Length Bodies (ALBs) and other delivery partners, including through: ensuring adherence to Framework Documents; implementing the new partnership approach to working with Arm's Length Bodies; approval of business plans; formal assurance reporting; and regular accountability meetings.	March 2021	**Red**	The vast majority of sponsorship work has proceeded as planned during the year, however continued pressure on Sponsor Teams and ALBs has meant that the objective regarding new Partnership Agreements will not be achieved within the business year. The Department of Finance is aware of the delay in implementing the approach, which is common across all Departments.
29. Oversee an effective system of internal controls for the Accounting Officer, Board and Minister, including formal assurance reporting, project and risk management arrangements, and supporting the work of internal and external audit.	March 2021	**Green**	
30. Put measures in place to enable ALBs to make their respective board appointments on a timely basis and in accordance with the Commissioner for Public Appointments Northern Ireland Code of Practice (Partially paused due to COVID-19).	September 2020	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
31. Manage the NI Horizon 2020 Contact Point network to support local Universities to increase participation in, and maximise drawdown of funding from Horizon 2020.	December 2020	**Red**	As at October 2020, €95.7m had been drawn down from Horizon 2020 against the NI Executive target of €145m. Horizon 2020 ended in January 2021 and it is unlikely that the Executive target will be met, however, final drawdown from the Programme will not be known for many months to come. From UK left EU in January 2021, full access to EC data has not been available to retrieve up to date figures. Confirmation on data access is still pending.
32. In the context of the possibility that NI is not able to participate in the EU's next Erasmus+ programme, work with DfE(Wales) and the other Devolved Administrations (DAs)to co-design a Domestic Alternative Programme for international mobility opportunities which protects the best interest of NI's Higher Education (HE) and Further Education (FE) sectors.	December 2020	**Green**	
33. Act as Investment Decision Maker for the delivery of six new Further Education campuses and the Further Education sector Systems Technology and Services (STS) IT project to; provide assurance, strategic oversight and to manage the annual funding allocation for projects with a combined value of circa £225m.	March 2021	**Green**	
34. Review and update the Further Education Essential Skills Policy.	March 2021	**Red**	Due to staff shortages and competing priorities as a result of COVID-19 the original target for completion of the review by March 2021 was not achievable. However, Strand 1 of the review is now underway, with the next strands of work due to start in early 2021-22.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
35. Develop Northern Ireland policy on English for Speakers of Other Languages (ESOL).	March 2021	**Red**	Due to staff shortages and competing priorities as a result of COVID-19 the original target for completion of the ESOL Policy by March 2021 was not achievable. This review will now commence in 2021-22.
36. Deliver in excess of 370 InnovateUS projects across 6 Further Education colleges within the agreed expected budget and in accordance with the programme parameters.	March 2021	**Green**	
37. Develop and deliver 16 Assured Skills Academies via Further Education/Higher Education, in response to industry demand.	March 2021	**Green**	
38. Re-skill up to 320 people through the Assured Skills pre-employment training Academies.	March 2021	**Green**	
39. Deliver a minimum of 1900 qualifications at level 2 and above through the six Further Education colleges within an agreed budget.	March 2021	**Green**	
40. Support up to 1,500 participants who are suitable to avail of the Peace4Youth offer during 2020-21. (Subject to review in light of monitoring and reporting impact of COVID-19 restrictions on programme occupancy).	March 2021	**Green**	
41. Work in partnership with stakeholders to support the effective introduction of the planned reforms to NI's vocational education and training system in September 2021 including working with FE Colleges to enable the new NI Traineeship to commence and with FE Colleges and the non-statutory training sector to allow introduction of Skills for Life and Work (the interim Entry Level / Level 1 programme).	March 2021	**Green**	

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
42. Support the delivery of vocational training for up to 4,000 places across our youth training programmes. (subject to review in light of monitoring and reporting impact of COVID 19 restrictions on programme occupancy).	March 2021	**Green**	
43. Support training delivery for circa 9,000 apprentices. (subject to review in light of monitoring and reporting impact of COVID-19 restrictions on programme occupancy).	March 2021	**Green**	
44. Offer careers guidance interviews to all Year 12 pupils with the aim of accessing at least 95% of pupils in their final year of compulsory education; and deliver at least 12,000 careers guidance interventions to adults through the delivery channel which best meets their needs including interviews, webchat, telephony and email.	March 2021	**Red**	Continued suspension of face to services and early closure of schools in March 2020 has greatly affected the ability to meet Year 12 pupil and adult targets. **Year 12 Pupils:** Careers guidance interviews were delivered to 19,668 (86%) Year 12 pupils during 2019-20 academic year (1 Sept 19 – 31 Aug 2020). The Careers Service has worked intensively with all schools since September 2020 to agree delivery methods best suited to the needs of pupils. The use of 'live' video calls has been introduced to ensure the continued and safe delivery of careers guidance services. Currently 97% of post primary schools are availing of services through a combination of digital channels. **Adults:** At 31 March 2021, a total of 7,551 (63%) guidance interventions were delivered to adult clients. Delivery of careers services to all clients continues through digital channels, including video calls, email and telephony.
45. Review of Education Maintenance Allowance (EMA).	March 2021	**Red**	This work was paused as staff were redeployed (in both DfE and DE who are a partner in the work) to COVID-19 response activity. The review is being planned for 2021-22.

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
46. Following analysis of responses to the Call for Evidence issue a consultation on “Options for a new Energy Strategy”.	March 2021	**Green**	
47. Ensure effective arrangements are in place to support the continuation of the Single Electricity Market in the (SEM) context of the NI protocol.	December 2020	**Amber**	Residual items pertaining to SEM within scope of the Protocol remain post 31 December 2020. An assessment of the project tasked with SEM in the context of Protocol (NI MOT) is ongoing, and it is intended that those workstreams requiring further consideration and resolution will transfer to a new project (Post transition project) which will include new Trade & Cooperation Agreement workstreams alongside residual Protocol matters. Remedial Action being taken includes: • Continued commitment to engage with BEIS/ EU Commission to find solutions/ agreement on outstanding issues. Engagement on NI representation on EU bodies may need to be escalated to Joint Committee. • Inability to transpose all relevant articles of Electricity Directive by 31 December deadline, policy development within remit of Energy strategy underway to allow remaining Articles to be transposed. • Post IP planning underway to incorporate outstanding items in new project

ACTIONS	TARGET DATE	RAG STATUS	EXPLANATION OF AMBER/ RED RAG STATUS
48. Deliver the requirements of the Clean Energy Package (CEP) within the Implementation Period.	December 2020	**Amber**	Residual items of those CEP files which are 'caught' under NI Protocol remain post 31 December. One of the files, Energy Performance of Buildings Directive (EPBD) is outwith DfE control and is the responsibility of DoF. They have received a formal Article 258 letter of infraction. There remains a technical risk of infraction and third party challenge on other files due to non-transposition by date of EU Exit. Project management was paused due to lack of resources. Remedial action being taken includes: • Project management had to be paused in November due to Energy Markets & European (EMER) Division resourcing issues however progress on files continued via File Leads. • The last CEP Checkpoint will be in April 2021 to close the project with post IP planning underway to incorporate outstanding items in a singular new energy project
49. Consult on options for the future of non-domestic Renewable Heat Incentive (RHI) Scheme	December 2020	**Green**	
50. Establish a project to take forward development of (European Social Fund (ESF) succession proposals from April 2022 (in anticipation of funding via UK Social Prosperity Fund (SPF)) as EU funding for 66 ESF projects will have ended.	March 2021	**Amber**	Governance and set up continues and 3 meetings of Project Board have taken place. EY are providing support to the Project Management Office (PMO) to ensure best practice is followed. SIB scoping paper has been received and will be published on the ESF Section of the DfE website. Engagement with ESF Users Group at their meetings in November, December and February. Successful two day Innovation Lab held in February with over 30 Stakeholders participating. Final report will be published on the DfE Website. Funding extension has been obtained in the January monitoring round. Future UK SPF still uncertain.

Key Performance Measures

The following measures are those that are used to measure our performance against our business as usual objectives 1, 2, 3, 4, 5 and 7. While data for the 2020-21 period is not yet available for most of these indicators, the most recent performance data available is presented in the tables below.

Strategic Objective 1 – Accelerate Innovation and Research

Indicator	Performance	Description
Rate of Innovation Activity	% of companies engaging in innovation activity.	Latest data is 2016-2018 which shows that 32% of firms engaged in innovation activity. This has declined from 2014-2016, when 39% of businesses engaged in innovation.
UK Regional Innovation Ranking	NI Innovation Survey is subset of UK wide Innovation Survey based on proportion of innovative firms for the 12 UK regions.	NI Innovation ranking was 12th out of the 12 UK regions in 2014-2016 and remained 12th in 2016-18.
Northern Ireland Research and Development Survey	Total expenditure on Research and Development in Northern Ireland.	Total expenditure on R&D in NI in cash terms was £881.4 million (m) in 2019. This was an increase of £87.7m (11.0%) in cash terms in total NI R&D expenditure between 2018 and 2019. Specifically, Business R&D spend rose by £81.3m (14.8%), with Government R&D spend also increasing by £6.9m (30.3%) while Higher Education fell by £0.5m (-0.2%).
Knowledge Economy Jobs	Supports direct, indirect and induced jobs locally.	In 2018, NI remained the 2nd fastest growing knowledge economy in the UK, for the fifth consecutive year. NI knowledge economy employment has grown at an annual average of 2% from 2009 to 2017, the 3rd fastest growth rate of the UK regions.
Business Start Up rates	The number of new businesses formed in NI	In 2019, 4,805 new businesses were formed in NI a decrease of 18.6% compared to the previous year.

Strategic Objective 2 – Enhance Education, Skills and Employability

Indicator	Description	Performance
Economic Inactivity Rate excluding students	The economic inactivity rate excluding students from NISRA's Labour Force Survey.	Latest figures show that the inactivity rate excluding students has decreased from 2018 to 2019, standing at 19.7%.
Proportion of Workforce in Employment qualified to level 1 and above, level 2 and above, level 3 and above and level 4 above	Proportion of Workforce in Employment qualified to level 1 and above, level 2 and above, level 3 and above and level 4 above according to NISRA's Labour Force Survey.	Proportions of the employed workforce qualified remain broadly unchanged in 2019 from the previous year. Level 1 & above – 91% (+1pps) Level 2 & above – 80% (+1pps) Level 3 & above – 65% (+1pps) Level 4 & above – 44% (+2pps)
Proportion of local graduates from local institutions in professional or management occupations or further study 6 months after graduation	Percentage of local graduates employed in professional/ management jobs or enrolled in further study 6 months after graduation	75.5% of NI domiciled students who left NI HE Institutions in 2016/17 were in professional or management occupations or further study 6 months after graduating, an increase on the baseline year 71.9% in 2014/15)
Proportion of graduates qualifying from NI Higher Education Institutions with an economically relevant STEM qualification	The number of students graduating from Northern Ireland Higher Education Institutions with Narrow STEM qualifications, as a percentage of overall qualifiers.	3,730 students in 2019-20 graduated with Narrow STEM qualifications, a decrease of 3.3% relative to the previous academic year. This accounted for 23.3% of total qualifiers in 2019-20.

Strategic Objective 3 – Drive Inclusive, Sustainable Growth

Indicator	Description	Performance
Employment Rate by Council Area	Employment rates in Local Council Areas.	Latest estimates show that in 2019, Lisburn and Castlereagh had the highest employment rate (81.1%) while Fermanagh and Omagh had the lowest rate (65.0%), compared to an overall NI average of 71.9%. This was a rise from the overall NI employment rate of 70.0% in 2018, with the rate ranging from 61.6% in Derry City & Strabane to 77.7% in Antrim & Newtownabbey.
Employment rate of 16-64 year olds by deprivation quintile	Employment rates of working age individuals by multiple deprivation quintiles.	Rates have increased in 2019 compared to 2018. The employment rate in 2019 varied from 58.7% in the most deprived quintile to 80.2% in the least deprived quintile. By comparison, the employment rate in 2018 varied from 55.1% in the most deprived quintile to 77.3% in the least deprived quintile
Seasonally Adjusted Employment Rate (16-64)	Results for seasonally adjusted employment rates for NI.	Rate has increased slightly to 71.9% in 2019 compared to 70.0% in 2018.
Jobs promoted via business start programme	RSI target of jobs promoted via the business start programme.	Over the 2019-20 period, 7 of the 11 councils exceeded their RSI target. In total, 1,726 jobs were promoted against a target of 1,625. In 2018-19, 1 council met its target while 7 councils exceeded their target. In total, 1,805 jobs were promoted against a target of 1,625.
Annual Turnover of Businesses	Total turnover of NI businesses.	According to the latest Annual Business Inquiry the total turnover of NI businesses in 2019 was £71.9bn, an increase of 4.6% from 2018.
Total Early Stage Entrepreneurial Activity Rate	Northern Ireland's Total Early Stage Entrepreneurial Activity Rate according to the Global Entrepreneurship Monitor.	Rate was 6.6% in 2019, up 0.1% from the previous year and there has been relatively little sustained change in this Indicator over time.

Strategic Objective 4 – Succeeding in Global Markets

Indicator	Description	Performance
External Sales	External sales to markets outside Northern Ireland.	According to NI latest Broad Economy Sales and Exports Statistics (BESES) results, external sales to markets outside Northern Ireland rose by £745 million (3.3%) to £23.0 billion in 2019.
Total External Spend by Visitors	Expenditure by external visitors in Northern Ireland.	Expenditure stood at £731 million in 2019, a 9% increase compared to 2018 (£669m).
Nation Brand Index	Northern Ireland's score on the GfK Nation Brand Index.	On a scale of 1 to 100, Northern Ireland's score was 59.38 in 2019, an increase of 0.67 points from the previous year.
Broad Economy Exports measure	Broad Economy Exports measure for NI.	Exports from NI in 2019 were valued at £11.7 billion, a 0.4% increase from the previous year and an increase of 28% compared to 2011.

Strategic Objective 5 – Building the Best Economic Infrastructure

Indicator	Description	Performance
Proportion of premises with access to broadband services at speeds at or above 30 Mbps	Proportion of premises in Northern Ireland with access to superfast broadband.	The proportion in Northern Ireland was 89% in 2020, the same as last year and the lowest of the four UK nations.

Strategic Objective 7 - Ensure the Department has effective governance, including programme and project management arrangements, and manages its resources, both financial and staff

Indicator	Description	Performance
DfE Staff Engagement Index	The weighted average of the responses to the five employee engagement questions.	2017-18 : 50% 2018-19: 52%; 2019-20: 54% 2020-21: 59%
EU Drawdown Error Rates	Reducing the risk that funding is wasted and restricting the risk of error within a tolerable level.	2018-19: ESF: 0.82% ERDF: 0.22% 2019-20: ESF: 0.23% ERDF: 0.08% 2020-21: ESF : 0.00% ERDF: 0.04%
Outturn as a percentage of budget	The amount the department has spent as a percentage of its budget.	2017-18: Non Ring Fenced Resource DEL: 99.5% Conventional Capital: 99.7% 2018-19 Non RF RDEL: 99.9% Conventional Capital: 99.9% 2019-20 Non RF RDEL: 99.8% Conventional Capital: 99.2%

Link between Performance Indicators, Risk and Uncertainty

The above performance indicators are 'population level' indicators, relating to the population of Northern Ireland, and it must be acknowledged that the work of the Department is not the only influencing factor on their movements. A wide range of organisations – including other Departments, the Department's ALBs, local Councils, and Voluntary and Community organisations – undertake important work to drive improvements in these areas.

These indicators can also be heavily influenced by wider external developments, risks and uncertainties, many of which lie largely outside of the Department's control. The public health crisis experienced during 2020-21 is a case in point and will inevitably have a significant impact on a large number of these indicators when more up-to-date data is available. Significant risks to performance against these indicators are identified and, where possible, managed as part of the Department's risk management processes.

Information on Social Matters, Anti-Corruption and Anti-Bribery

Rural Needs

The Rural Needs (NI) Act 2016 introduced a new statutory duty on Northern Ireland departments, district councils and other specified public bodies to have due regard to rural needs when developing, adopting, implementing or revising policies, strategies and plans and when designing and delivering public services.

The Act became operational for government Departments and district councils from 1 June 2017 and covers two main duties. The first is a duty to have due regard to rural needs (referred to as the 'due regard duty') and the second relates to monitoring and reporting on how the due regard duty has been exercised. The latter duty requires that public authorities publish this information in their annual reports, and provide a copy of this information to the Department of Agriculture, Environment and Rural Affairs (DAERA) on an annual basis.

The Department has due regard to rural needs when undertaking new or revised policies/ activities by subjecting them to rural needs impact assessments, in accordance with guidance issued by DAERA. Between 1 April 2020 and 31 March 2021, the following policies were subject to a rural needs impact assessment.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Challenge Fund Incentive – Development of a policy to maintain and grow supply the of apprenticeships	Jobs or Employment	In response to the COVID-19 pandemic and subsequent economic downturn the Department developed, a Challenge Fund Incentive, as part of a broader package of measures. This incentive aimed to maintain and grow the supply of apprenticeship opportunities. It was a new policy, developed to aid the development of new and innovative solutions to mitigate risk, promote collaboration and increase employer confidence to engage with the apprenticeship system to achieve the overall aim of maintaining the skills pipeline and preventing short term economic shock resulting in long term damage to businesses/ sectors. The Challenge Fund Incentive and the wider package of measures was developed to mitigate against the effects of the COVID-19 pandemic on the Apprenticeships and Youth Training Systems. The challenge fund aimed to promote collaboration and encourage new models of recruitment and apprenticeship delivery including, but not limited to: Shared Apprenticeship Models; Apprenticeship brokerage Service; Employers and organisations with an interest in the NI apprenticeship system to provide Apprenticeship Mentoring Programmes for managers. Successful applicants could receive one- off awards of up to £50,000 (with an option to increase for proposals with multiple partners or features). The Challenge Fund Incentive was available to all Employers to support Apprentices across NI, irrespective of location, and it is not considered that recipients in rural areas and urban areas will benefit differently.
Recruit An Apprentice– Development of a policy to maintain and grow supply the of apprenticeships	Jobs or Employment	In response to the COVID-19 pandemic and subsequent economic downturn, the Department introduced, as part of a package of measures, an Apprenticeship Recruitment Incentive. This aimed to assist with the continued provision of employment and training to ensure a highly skilled and available workforce across all sectors as we move towards recovery. The Recruit an Apprenticeship initiative is part of a package of measures developed by the Department to mitigate against the effects of the COVID-19 pandemic on the Apprenticeships and Youth Training Systems.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
		By providing a financial incentive for each apprentice employed, the Department aims to: encourage and support employers to create apprenticeship opportunities (jobs) for both new apprentices and apprentices who have been displaced by other employers; ensure businesses continue to have access to the skills needed to respond to recovery and are able to increase productivity and aid in the rebuilding of the economy; and reduce the major risk and associated economic scarring that could arise as a result of a significant increase in unemployment and the number of those not in education, employment or training (NEET). As part of this scheme, employers were offered £3,000 for each new apprenticeship opportunity created between 1 April 2020 and 31 March 2021. This incentive applied to all new apprenticeship opportunities created during this period, and the payment applied equally to apprenticeships created for 'new' apprentices, or 'displaced' apprentices. Payments were scheduled as £2,000 after 90 days retention, and £1,000 after 200 days retention from first employment. The Recruit an Apprentice scheme was available to all Employers to support Apprentices across NI, irrespective of location, and it is not considered that recipients in rural areas and urban areas will benefit differently.
Skills for Life and Work - development of a revised vocational training provision	Education or Training	Skills for Life and Work is aimed at those who leave school with very low or no qualifications. Economies of scale may mean that access to a particular area of vocational training at a provider within travelling distance may not be possible. However, the skills gained at Level 1 will be fully portable to Level 2 no matter what the discipline chosen. The programme will provide for travelling expenses and for taxis where public transport is not available. Availability of training provision is the same for rural areas and urban areas. The main issue considered is accessibility. The training programme therefore allows providers to make arrangements to get trainees to their training or work experience and to reimburse them for the expense involved. In addition to the comprehensive provision of Professional and Technical disciplines available from the Regional Colleges, contracts with Training Providers in the public sector are based in council areas in an attempt to ensure that training is available on as widespread basis as possible.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
		It has been concluded that provision of training in rural areas has not been adversely affected by the introduction of this policy. Rural dwellers will continue to be catered for by the transport arrangements made for them.
Going Dutch Programme	Jobs or Employment	The 'Going Dutch' programme is an Export Capability Development programme for first time exporters. The programme is specifically designed to help companies to develop the skills, knowledge and confidence required to sell into a new export market. The objective of the programme is to help first-time / early stage exporters to achieve their first international sales, specifically in the Dutch market. The programme is promoted throughout Invest NI's Regional Office Network, in order to attract companies from all regions in Northern Ireland. Our Client Facing teams within Invest NI's Regional Offices, in turn promote the benefits of the programme to their Customers, and nominate suitable companies to attend a programme Recruitment Seminar. Interested companies are screened and selected on the basis of their export readiness / suitability for the programme, regardless of their geographical location. No specific rural needs were, therefore, identified.
Energy Efficiency Capital Grant	Jobs or Employment	The Energy and Resource Efficiency Programme (EREP) aims to deliver support to Northern Ireland businesses to identify and implement cost savings in the use of energy, water, material and waste through advisory support in Technical Consultancy and Industrial Symbiosis resource matching support. Within this, the team have recently developed a new programme the Energy Efficiency Capital Grant scheme developed as an interim scheme following the closure of the Invest NI funded Carbon Trust Loan Fund in 2018. A broad geographical spread of interventions, including a 45.18% uptake in rural areas, demonstrates there are no barriers to delivery in rural areas. The only potential additional cost for delivery in rural areas may be further mileage expenses incurred by the programme team, whilst all procurements ask for contractors to account for this in their pricing.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Update to Standards within the Local Government (Performance Indicators & Standards) Order (NI) 2015	Jobs or Employment	This is an update of a policy intervention/ incentive that will be available to all potential entrepreneurs to start a new business, irrespective of location. In light of this it is not considered that recipients in rural areas will be more affected than those in non-rural areas.
Market Intelligence Worldwide	Jobs or Employment	The main objective of the proposed activity is to access an export market focused market intelligence platform that has the granular level of detail required for Food and Drink companies, and product launch case studies and trend analysis to inform New Product Development (NPD). Food and Drink companies are located across Northern Ireland and are not disproportionately located in rural areas. However, where businesses in this sector are located in these areas, InvestNI would anticipate a positive impact. The delivery of the service to Clients, using the Market Intelligence Worldwide Database, will be online via a digital platform so it does not require attendance at the Client premises or attendance at events. No specific rural needs were, therefore, identified.
Procurement of Syndicated Consumer Panel Data	Jobs or Employment	The main objective of the proposed activity is to provide access to syndicated consumer panel data for UK and Ireland for food and drink grocery categories including pet food. Food and Drink companies are located across Northern Ireland and are not disproportionately located in Rural areas. However, where businesses in this sector are located in these areas, InvestNI would anticipate a positive impact. The delivery of the service to Clients, using the Consumer Panel Database, will be online via a digital platform, consequently it does not require attendance at the Client premises or attendance at events. No specific rural needs were, therefore, identified.
Northern Ireland Aerospace Customer Diversification Programme	Jobs or Employment	The strategic context for the introduction of this programme is to contribute to the aims and objectives of the wider governmental industrial strategies and Invest NI's business and international strategies, which are inclusive of the whole Northern Ireland community. There is no specifically rural impact on the social or economic needs of people in rural areas.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Large Tourism and Hospitality Business Support Scheme (LTHBSS)	Businesses Tourism Jobs or Employment	Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020 required businesses within the large tourism and hospitality sectors to close from 16 October 2020 (from 5 October 2020 in the Derry City & Strabane District Council area). The scheme aimed to provide additional financial support to large businesses in the tourism and hospitality sectors that had been impacted by the health protection regulations put in place by the Executive. The grant aimed to assist businesses to meet fixed costs and overheads associated with the survival of their businesses. LTHBSS was aimed at helping to protect jobs, prevent business closures and promote economic recovery. Urban/ rural location is not part of the eligibility criteria for LTHBSS, and the scheme was open to businesses, irrespective of whether they exist within a rural or urban area.
Supply Chain Resilience and Development Framework	Jobs or Employment	The SCRDF service forms a key element of the objective of Invest NI facilitating the development of a Northern Ireland supply chain ecosystem for agreed sectors. Invest NI works directly with customers to provide a framework to build resilience into their supply chain in response to COVID-19/ EU Exit. This involves a graduated / tailored framework of support including identifying supply chain risks, resilience planning, identifying supply chain opportunities and capability development initially in light of COVID-19 and EU Exit impacts. Ultimately creating competitive advantage for those businesses operating in Northern Ireland. The service is available to all Invest NI customers. Invest NI has historically provided limited supply chain advice through the Operational Excellence Team and there has been a good geographical spread with this with in excess of 1000 referrals have been received. On an on-going basis the SCRDF Service will typically be engaged with over 80 Invest NI customers on a one to one basis. Evidence from the INI COVID-19 Customer Survey 2020 highlighted that supply chain impact was a significant concern across a wide range of sectors which ensures a broad geographical spread. Part of the service involves the delivery of a range of workshops, awareness raising events, where these are not delivered in-house on company premises these will be arranged to be held either on a regional basis, virtually or in a central location (i.e. Belfast International Airport vicinity). As the broad geographical spread of customers and referrals has shown, there are no barriers to delivery in rural areas

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Business support grant scheme, paying a one off £10,000 grant to businesses in receipt of small business rate relief (SBRR) with a Net Annual Value (NAV) of up to £15,000	Businesses Tourism Jobs or Employment	The COVID-19 crisis is a health and economic shock unprecedented in the past century and resulted in many businesses having to close temporarily or incur additional costs. The Executive was clear that a rapid response to support small businesses was imperative. The impact on businesses has been immediate with a significant threat to employment and business survival. The Executive in line with the other Devolved Administrations and UK Government have put these schemes in place as a matter of urgency to get financial assistance out to businesses in receipt of SBRR. The schemes are open to businesses if they meet the eligibility criteria, irrespective of whether they exist within a rural or urban area. Urban/ rural location is not part of the eligibility criteria for either scheme.
Newly Self-Employed Support Scheme (NSESS)	Businesses Tourism Jobs or Employment	The COVID-19 crisis is a health and economic shock unprecedented in the past century and the Executive was clear that a rapid response to support businesses was imperative. While best practice would indicate that an analysis and consultation as part of rural and equality proofing would be expected, it was clear that there was not time to undertake such an exercise as it would have resulted in a delay in getting payments to individuals/businesses. In addition, given the disruption of the COVID-19 lockdown measures, meaningful consultation would have proven extremely difficult. The COVID-19 pandemic has resulted in unprecedented financial difficulties for many businesses. The Executive has put in place a number of business support grants to help protect jobs, prevent business closures and promote economic recovery. NSESS is designed to provide support to newly self-employed individuals (sole traders and those in partnerships) who have been adversely impacted by COVID-19 and who were unable to obtain financial support from UKG Self-Employed Income Support Scheme. The scheme is open to individuals/businesses if they meet the eligibility criteria, irrespective of whether they exist within a rural or urban area. Urban/ rural location is not part of the eligibility criteria for the schemes.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Wet Pub Business Support Scheme (WPBSS)	Businesses Tourism Jobs or Employment	Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020 required wet pub businesses to close or crease trading during the period from 4 July to September 2020. The Wet Pub Business Support Scheme was developed to provide financial support to businesses across Northern Ireland which were directly affected by the regulations and whose premises were required to close or cease trading during the period 4 July to 22 September 2020. The Scheme aimed to help to keep companies in business, protect jobs, help prevent business closure and promote economic recovery. WPBSS was aimed at helping to protect jobs, prevent business closures and promote economic recovery. The scheme was open to wet pub businesses if they meet the eligibility criteria, irrespective of whether they exist within a rural or urban area. Urban/ rural location is not part of the eligibility criteria for WPBSS.
Limited Company Directors Support Scheme (LCDSS)	Businesses Tourism Jobs or Employment	LCDSS is designed to provide financial support to limited company directors who have personally been adversely impacted by COVID-19. While best practice would indicate that an analysis and consultation as part of rural and equality proofing would be expected, it was clear that there was not time to undertake such an exercise as it would have resulted in a delay in getting payments to individuals/businesses. In addition, given the disruption of the COVID-19 lockdown measures, meaningful consultation would have proven extremely difficult. The COVID-19 pandemic has resulted in unprecedented financial difficulties for many businesses. Individuals/businesses are eligible regardless of whether they are located in urban or rural areas.
Making and Laying of The Education (Student Support etc.) (Amendment) Regulations (Northern Ireland) 2021 (SR No. 50)	Education or Training	As recipients of student support are necessarily based at Higher Education campuses the proposed changes are not considered to have any specific impact on those in rural areas These changes apply to all NI Domiciled students studying eligible HE courses, it is not considered that recipients in rural areas will be more affected than those in other areas of Northern Ireland.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Challenge Fund Incentive for Employers for support of Apprentices	Jobs or Employment	In response to the COVID-19 pandemic and subsequent economic downturn the Department is proposing, as part of a package of measures, a Challenge Fund Incentive that will be available to all Employers to support Apprentices across NI, irrespective of location. In light of this, it is not considered that recipients in rural areas will be more affected than those in non-rural areas. This incentive will maintain and grow the supply of apprenticeship opportunities. It is a new policy that is being developed to aid the development of new and innovative solutions to mitigate risk, promote collaboration and increase employer confidence to engage with the apprenticeship system to achieve the overall aim of maintaining the skills pipeline and preventing short term economic shock resulting in long term damage to businesses/ sectors.
2020 RHI Tariff Review	Businesses	Research previously undertaken by the Department has indicated that approximately 88% of accredited installations are located in rural areas. The proposed increase in tariff levels is therefore likely to have a greater impact on rural communities than on urban communities. This is a small increase in the tariff. Extensive research was carried out during the initial policy set up and previous tariff structure revision (in 2019), which are still relevant. Current and previous methods used include: • Ongoing cost information provided by participants and analysed by Cornwall Insight: • Consultation to be published from 28 April to 26 May; • Previous consultation with rural stakeholders; • Previous consultation with other organisations; • Published statistics; • The proposed tariff increase will continue to; • Support the generation of renewable heat; • Provide a typical 12% rate of return on investment to the Scheme participants; • Ensure Scheme operates within its allocated budget; and, • Represent Value for Money.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Implementation of New Rules for Priority Dispatch Provisions under Article 12 of the EU Electricity (Recast) Regulation 2019	Jobs or Employment	Compliance with the new rules involves both legislative implementation, by the Department, and practical implementation by the Single Electricity Market Committee (SEMC) and the Transmission System Operators (TSOs). The Department consulted with all relevant stakeholders through the issue of a public consultation document on the implementation of the new rules around priority dispatch. This allowed stakeholders the opportunity to respond to the Department on a number of questions on the amended legislation. The Consultation was issued on 15 July 2020, closing on 8 September 2020. The Department did not receive any data from stakeholders on the potential, negative or positive, social and economic impact of people in rural areas.
Renewables Obligation Order (NI) 2009 - Implementation of temporary SR for Combined Heat and Power Quality Assurance Standard	Revision of Policy	This is an amending SR to allow NI Combined Heat and Power (CHP) operators to submit 2019 operational data rather than 2020 data to potentially qualify for annual incentives such as Climate Change Levy exemption. It is not envisaged that the amended order will have an impact on rural social or economic needs.
Transposition of the EU Electricity (Recast) Directive 2019	Revision of Policy	The EU Electricity (Recast) Directive 2019 was made on 5 June 2019 and has a transposition deadline of 31 December 2020. The aim of this Directive is to outline the rules on retail markets for electricity including, inter-alia, generation, transmission and distribution. It also clarifies and reinforces existing consumer rights and introduces new rights. The Department consulted with relevant stakeholders through the issue of a public consultation document on the transposition of the Electricity Directive. This allowed stakeholders the opportunity to respond to the Department on a number of questions raised in the consultation. The consultation was issued on 3 September 2020, closing on 16 October 2020
Gas (Internal Market) Regulations (NI) 2020 and associated Gas (Amendment) (EU Exit) Regulations (NI) 2020	Revision of Policy	It is the Department's view that transposition of the 2019 EU Gas Directive Amendment should not have any impact, positive or negative, on the needs of people living, working or operating businesses in rural areas.

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
		The proposed amendments to existing energy legislation will ensure that appropriate arrangements are in place for regulating gas transmission pipe-lines which connect NI with a country outside the EU, and for arranging third party access to a gas storage facility sited in the NI territorial seas. As no such infrastructure currently exists in NI, or is planned, these amendments are not anticipated to have any immediate practical impact other than ensuring compliance with an EU Directive and avoiding infraction fines. The proposed consequential amendments, effective from 31 December 2020, will ensure that the legislation continues to operate effectively from the end of the transition period following the UK's exit from the EU.
Consultation on the potential revision to the Northern Ireland Non-Domestic Renewable Heat Incentive (RHI) Scheme, including possible closure.	Businesses	In addition to previous research carried out prior to Scheme creation, the Department has taken account of independent tariff review reports produced by Ricardo Energy and Environment (2018) and Cornwall Insight (2020) and an independent report on hardship experienced by participants as a consequence of changes to the Scheme, prepared by independent energy expert Andrew Buglass (2020) based on direct engagement with Scheme participants. The Department consulted on the options for the future of the Scheme. Detailed relevant responses were received to the following consultation and call for evidence exercises: • 2018 public consultation on options for the future of the Scheme, taking account of Ricardo's review of the biomass tariff structure; • 2019 call for evidence on hardship; and, • 2020 public consultation on implementation of revised medium biomass tariffs based on Cornwall Insight's tariff review In respect of the specific present proposals under consideration, the Department consulted on four options for the future of the Scheme over an eight week period from 11 February 2021 to 9 April 2021 to inform the NI Executive's final decision on the Scheme's future. The Department notified all participants of the consultation exercise to ensure that all individuals and businesses directly affected by the proposed options had the opportunity to identify any rural specific barriers or issues. If specific rural issues are identified, the Department will consider how these issues may be mitigated.

Anti-corruption and Anti-bribery

The Department adheres to and promotes good practice guidance on anti-corruption and anti-bribery matters through a range of measures, many of which are covered in more detail in the Governance Statement (e.g. anti-fraud and raising concerns arrangements).

The Department's Gifts and Hospitality guidance is also a key control in place to mitigate against corruption and bribery. This guidance outlines the types of instances in which it is, and is not, appropriate for staff to accept or offer gifts and hospitality as part of their official duties. All Divisions are required to maintain registers of gifts and hospitality which are regularly monitored.

The Department also introduced an enhanced conflicts of interest guidance document during the year which formalises the need for all staff to declare any identified conflicts of interests at least annually, and provides a clear roadmap for staff to follow through the key steps of identifying, declaring, managing and recording conflicts of interest. These arrangements act as a key control against the risk of corruption/bribery, perceived or real.

Sustainability Reporting/ Environmental Matters

Corporate Social Responsibility

DfE supports and promotes Employer Supported Volunteering (ESV) by engaging in Corporate Social Responsibility programmes, which enable staff to volunteer for the benefit of the community, charities and the environment. Volunteering is undertaken freely and without concern for financial gain. It plays an important role in building strong and shared community, brings benefits to individuals and communities and contributes economically and socially to a more cohesive society. It also impacts on the delivery of many Government initiatives across a wide range of policy areas.

In 2020-21, DfE had Gold level membership of the Northern Ireland Cares Programme which is run by Business in the Community (BiTC). This allows the Department to avail of five team volunteering challenges for groups of approximately fifteen staff. Under normal circumstances, working with BiTC also enables the Department to take part in specific volunteering initiatives such as Time to Read, Time 2 Count (assisting school children with reading and mathematical skills at an early age) and 'Book Drive' in support of World Book Week.

The Department also works with Volunteer NOW, an organisation which brings volunteering challenges to our premises for up to half a day, giving staff the opportunity to volunteer in half hour sessions.

Unfortunately, however, due to the Pandemic, all practical volunteering with BiTC and Volunteer Now had to be put on hold throughout 2020-21.

Energy Management

A part of the premises management role is to encourage staff to conserve energy when there are opportunities to do so. Energy audits are regularly conducted in main DfE buildings and any opportunities to upgrade systems and equipment with more energy efficient versions are explored.

Recycling

The Department is a party to the NICS contracts for recycling office and domestic waste. This covers the range of plastics, paper, cans and batteries. We have taken steps to reduce non-recycled waste and encourage recycling such as the removal of individual bins.

The Department has been using 100% recycled paper for some twelve years.

Budgeting Framework

The Department of Finance (DoF) is responsible for management of the NI Executive Budget process in line with a budgetary framework set by Treasury.

The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

Treasury, and in turn DoF, do not set firm AME budgets. They are volatile or demand-led in a way that departments cannot control. The Department monitors AME forecasts closely and this facilitates reporting to DoF, who in turn report to Treasury.

As DEL budgets are understood and controllable, Treasury sets firm limits for DEL budgets for Whitehall departments and Devolved Administrations at each Spending Review. The NI Executive, based on advice from the Finance Minister, will in turn agree a local Budget that will set DEL controls for Executive departments.

DEL budgets are classified into resource and capital.

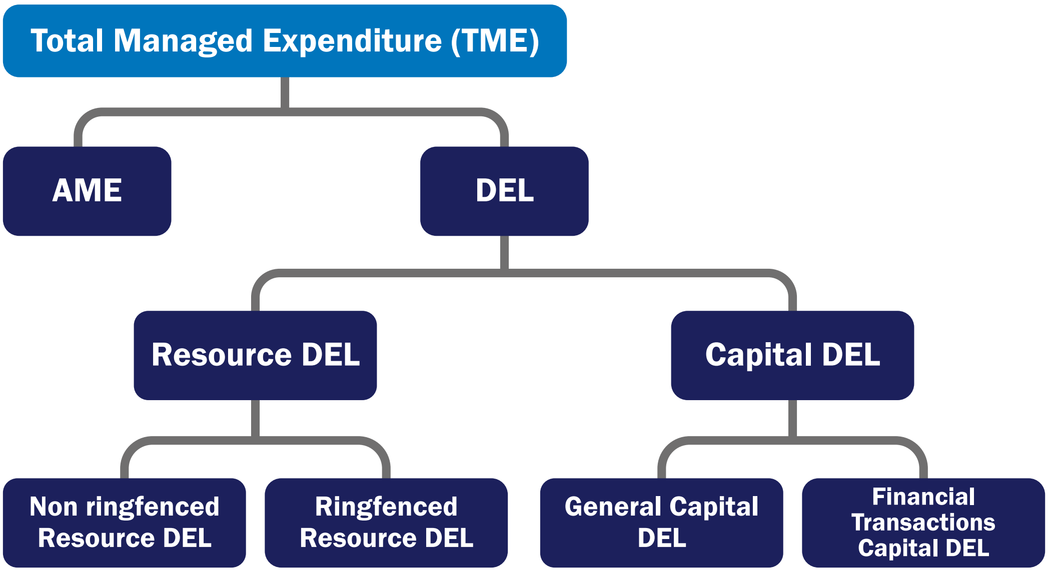
- Resource budgets are further split into non-ringfenced resource that pays for programme delivery and departmental running costs, and separately ringfenced resource that covers non-cash charges for depreciation and impairment of assets.
- Capital DEL is split into 'financial transactions' for loans given or shares purchased and 'general capital' for spending on all other assets or investments.

The information contained within budgetary controls does not currently read directly to financial information presented in Financial Statements due to a number of misalignments. It is intended that the Executive's Review of Financial Process will help address these differences and improve transparency.

Further detail on the Budgeting Framework can be found in the Consolidated Budgeting Guidance published by Treasury.

Consolidated budgeting guidance 2021 to 2022 (www.gov.uk website)

Budget Structure



Budgetary Performance

Details of the Department's performance against Budgetary Control totals is set out in the table below:

	Final Plan 2020-21 £000	Provisional Outturn 2020-21 £000	Underspend/ (Overspend) £000
Resource DEL	**1,666,074**	**1,520,721**	**145,353**
Including			
Non-ringfenced	1,289,039	1,287,671	1,368
Ringfenced D/I	377,035	233,050	143,985
Capital DEL	**88,357**	**87,468**	**889**
Including			
General Capital	80,412	79,777	635
FTC	7,945	7,691	254
Total DEL	**1,754,431**	**1,608,189**	**146,242**
AME	**532,696**	**243,158**	**289,538**
Including			
AME Resource	229,285	(40,861)	270,146
AME Capital	303,411	284,019	19,392
Total Managed Expenditure	**2,287,127**	**1,851,347**	**435,780**

Explanations of the variances are as follows:

Resource DEL (£145.4m)

Non-Ringfenced Resource (£1.4m)

This net total comprises an underspend of £4.7m across the Department, including £1.7m in Higher Education due to lower running costs and Student Support requirements especially in respect of Education Maintenance Allowance (EMA) together with release of the EMA COVID contingency, offset by an overspend of £3.3m across the COVID-19 support schemes due to demand.

Ringfenced Resource D/I (£144m)

There is a £143.7 million underspend in the Notional Student Loan Subsidy. The ringfenced non cash Loan Subsidy is calculated through a statistical model, this is the approach across the UK. The model is highly volatile and sensitive to changes in variables (demand/ RPI/ SLC data inputs). It is extremely difficult to forecast and the final model cannot be updated until after 31 March each year to reflect updated published RPI and SLC Final Outturn. The final model resulted in changes in Interest Subsidy Impairment, Resource Accounting Boundary (RAB) and Stock Charges.

The 2020-21 financial year created more uncertainty than normal and, as a result, HMT approved a reserve bid for all UK administrations to include sufficient contingency. In line with other UK administrations, DfE included additional contingency of £120m, this was not required.

Capital DEL (£0.9m)

The variance includes the timing of progress on capital projects during the year.

AME (£289.5m)

The AME variance includes:

- £145 million Provisions not required – including £140 million High Street Voucher Scheme;
- £81.4 million Student Loans - following updates to RPI, and final outturn from the Student Loans Company;
- £27.7 million Invest NI due mainly to £14.3 million Grant Provisions, £5.2m Investment in Associates, £2.9 million property revaluations, £2.5 million loan provision reversal, £1.6 million Co-Fund Investments and £0.8 million Interest Rate Swap Movement;
- £26.2 million RHI Scheme, the NI funding allocation in respect of the NI RHI Scheme is calculated as a population based share of the budget for the parallel GB RHI Scheme, offset by a VAT abatement factor. RHI is demand lead and the outturn for both schemes in 2020-21 amounted to £7.22 million from an allocation of £33.47m. Due to ongoing legal challenges it was necessary to retain the full budget allocation until year end to minimise any risk to the block grant; and,
- £9.4 million FE Colleges movement in pension valuation following actuarial review.

RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

	2020-21 £000
Net Resource Outturn – Estimates (SOAS2)	1,659,464
Adjustments:	
Include non-voted expenditure in the SoCNE	3,666
Include non-voted income scored as CFERs in the SoCNE	(18,569)
Unrealised foreign exchange	(877)
Net Operating Cost - Accounts	**1,643,684**
Adjustments to remove:	
Capital grants	(66,128)
Voted expenditure outside the budget	(823,937)
Adjustments to include	
Other Consolidated Fund Extra Receipts	23
Resource consumption of non-departmental public bodies	732,621
Other Adjustments	
National Insurance Fund expenditure	(3,666)
R&D capital expenditure included in budgets but other resource in estimates	(3,614)
Unrealised foreign exchange	877
Resource Budget Outturn - Budgets	**1,479,860**
Of which:	
Departmental Expenditure Limit (DEL)	**1,520,721**
Annually Managed Expenditure (AME)	**(40,861)**

Statement of Outturn against Assembly Supply (SOAS)

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

							2020-21 £000	2019-20 £000
			Outturn			Estimates	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Request for Resources	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
A	1,709,031	(49,567)	1,659,464	2,351,115	(49,567)	2,301,548	**642,084**	**1,063,675**
Total resources	**1,709,031**	**(49,567)**	**1,659,464**	**2,351,115**	**(49,567)**	**2,301,548**	**642,084**	**1,063,675**
Non-operating cost Accruing Resources	**-**	**(144,625)**	**(144,625)**	**-**	**(144,625)**	**(144,625)**	**-**	**(124,742)**

Net Resource Outturn

SOAS1 reflects the analysis of Net Resource Outturn by function. This shows outturn by budget category within the Departmental Expenditure Limit (DEL), Annually Managed Expenditure (AME) and Non-Budget. Resource Outturn for 2020-21 was £1,659m with an allocation of £2,302m in the Spring Supplementary Estimates (SSE). The difference of £643m arose mainly in respect of:

- Student Loan fair value adjustments - the ring-fenced non cash outturn of £187.4m (£143.7m DEL and £43.7m AME) lower than the Estimate reflects unused budget cover set aside for the volatility of student loan book impairment (which is still applied for budgetary purposes even though not for accounting). The movement in impairment is dependent on the year end student loan carrying value, which itself is dependent upon the Office for Budget Responsibility's (OBR's) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year-end valuation inputs are published after Supplementary Estimates are finalised;
- Higher Education £10m lower than the Estimate due to the volatile nature of funding required for demand led COVID-19 schemes;
- Renewable Heat Incentive (RHI), which incorporates the new cost structure reflected in outturn being £26m lower than the Estimate. The future of the Non- Domestic RHI scheme is under review and subject to consultation;
- Non cash budget cover of £145m retained in AME with regard to the potential need to create provisions, including the High Street Stimulus Scheme in response to the COVID-19 pandemic, which is now expected to be launched later in the year; and,
- Grant in Aid to NDPBs, in particular Invest NI and the Further Education colleges, was lower in total than expected by £268m in total mainly due to the need to deliver grants to businesses as a result of COVID-19 towards the end of the year.

Year on Year Resource Outturn

The trend analysis shown on pages 65 to 68 provides an overview of the expenditure during 2020-21, 2019-20, 2018-19, and 2017-18, with detail included at Annex A.

Resource Outturn for 2020-21 was £1,659m, compared to £1,064m in 2019-20, which represents an increase of £595m or 55.9%. This can be summarised as follows:

	Outturn 2020-21 £000	Outturn 2019-20 £000	Movement £000	Movement %
DEL	867,329	654,658	212,671	32.5
AME	(31,802)	(88,419)	56,617	64.0
Non-Budget	823,937	497,436	326,501	65.6
Total	1,659,464	1,063,675	595,789	56.0

Departmental Expenditure Limit (DEL)

Within DEL, £135.2m of the increase relates to Higher Education and Student Support.

Accounting for student loans reflects fair value through profit and loss in line with IFRS 9 Financial Instruments. However, budgeting for student loans nationally, in agreement with HM Treasury, remains based on amortised cost, for which effective interest and impairment are still applicable terms.

Student Support includes the non-cash impairments to the carrying value of the student loan book. This includes expected credit losses together with the notional cost to the Department of issuing loans to NI students at a subsidised rate in line with Government policy. The cost in 2020-21 was £38m higher than 2019-20 at £201.4m. These costs are calculated using a complex financial model and are dependent upon a range of factors including RPI, student earning potential and repayment patterns.

The financial model is known as the Stochastic Earning Path (StEP) financial model, and uses NI borrower data and a wage equation to generate future earning paths for borrowers. The model uses several years of actual graduate earnings histories and data from the Student Loans Company to improve the accuracy of forecasts. The HM Treasury discount rate applied to Student Loans is RPI plus 0.7%, in line with the Government's long term cost of borrowing.

Other increases within Higher Education and Student Support include:

- funding major capital projects during the year, which increased by £35.6m, including the Greater Belfast Project (£25m) and grant funding towards two large QUB projects, the Queen's Management School and the Integration Centre, and,
- funding provided to the sector in respect of COVID-19, totalling £55.2m, including £14m to fund the replacement of lost research income, protect research jobs and help universities focus more on high priority research as they recover post-pandemic, £33m in respect of a range of grant schemes in response to the COVID-19 pandemic, £6.4m in respect of PPE as a contribution towards the additional cost of providing a safe learning environment, and £1.8m additional HR teaching grant.

Economic Development and Infrastructure – Repayment of Assistance in respect of the Presbyterian Mutual Society also increased by £19.3m due to the revaluation of the loan to Presbyterian Mutual Society. This has been informed by the valuations provided by the Joint Supervisors, repayment is dependent upon the sale of a portfolio of properties.

Employment and Skills saw an overall increase of £48.6m to £148.9m this year. This reflects a range of COVID-19 response measures, totalling £26m and resultant reductions in Apprenticeships NI and Training for Success costs of £5.3m and £4.1m respectively due to a combination of reductions in participation rates and displacement to COVID-19 initiatives. During 2020-21 the cost of the European Social Fund programme activities by the department were nationalised for the current year only. This means that no ESF income was reflected as earned during the year, leading to an increased net cost of £8m. Employment and Skills this year therefore reflects departmental costs previously included under EU Programmes of £26m.

This also resulted in an overall increase of £9.7m in the cost of EU Programmes.

Annually Managed Expenditure (AME)
AME increased by £56.6m on 2019-20.The main movement relates to an increase of £45m due to the volatility of the effective interest applied to student loans and the impacts of changes in macroeconomic forecasts. In addition, last year included a reduction in the provision for Harland and Wolff asbestosis cases as result of an independent assessment, which resulted in a year-on-year increased cost of £12m.

Non-Budget
Total spend for the Non-Budget category increased by £326.5m on 2019-20.

The main component of this category is Grant in Aid paid to Non-Departmental Public Bodies (NDPBs) in respect of their working capital requirements. The working capital requirements of Invest NI rose by £332m, reflecting additional cash requirement to fund emergency grant schemes for businesses as a response to the COVID-19 situation, including the Small Business Grant Scheme launched in March 2020.

COVID-19 Grant Schemes
During the year, the Department in partnership with its arm's length bodies, has continued to provide significant levels of funding and assistance through a range of schemes and measures to address the impact of the COVID-19 pandemic. Further detail can be found at Note 22.

Reconciliation of Net Resource Outturn to Net Operating Expenditure

SOAS2 shows the reconciliation of Net Resource Outturn to Net Operating Expenditure. Reconciling items included within the Net Operating Expenditure are Consolidated Fund Extra Receipts £18.6m, £0.9m for Foreign Exchange (unrealised) movements as a result of the translation of year end balances, and Non Supply expenditure £3.7m.

Non Supply expenditure represents payments made in relation to the Redundancy Fund. This fell from £18.5m to £3.7m as a result in the level of applications for assistance.

Statement of Financial Position

Student Loans increased by £95m to £2,802m. Student Loan movements have included the continued growth in the size of the student loan book, with a further £357m loans issued during the year offset against repayments (£119m) and fair value adjustments.

Financial Asset Investments reduced by £53m to £32m reflecting a repayment made by Presbyterian Mutual Society offset against interest charged together with the recognition of an expected credit loss of £18.5m.

Payables increased by £133.7m to £209.3m at 31 March 2021. Payables rose by £29m mainly due to HE capital projects. Accruals rose by £64m – Apprenticeships, Careers and Vocational Education schemes increased by £12m, HE student support COVID-19 schemes £8m, capital projects £11m and £21.1m in respect of telecoms due to the progression of work on Project Stratum, ESF project delivery £3.1m due to timing of activity, increase in employee benefits accrual £2.4m due to the balance in untaken leave, with other increases totalling £6.4m The balance of advances from the EU rose by £6.3m due to the timing and profiling of the programme, Amounts owed to the Consolidated Fund (CFERs) rose by £26m due to student loans, and the bank overdraft balance rose by £8.3m due to timing of payments and drawdown from Supply.

Provisions fell by £4m to £32m due to a payment during the year in respect of claims against Harland and Wolff.

Significant Accounting Judgements

Student loans

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

Student loans are held at fair value through the profit and loss account (FVPL). This involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is based on the HMT discount rate. In 2020-21, the discount rate used remained at RPI plus 0.7% in line with the Government's long term cost of borrowing.

The face value of the loan book has increased since last year mainly following the issue of £357.1m of new loans in 2020-21. However, the valuation is impacted by a number of macro-economic assumptions used in our modelling that are reviewed annually. The major risk to student loan repayments arises when there is an economic downturn and a reduction in growth. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued.

This can lengthen the time period before borrowers trigger repayment criteria and extend the length of time it can take to repay loans, both of which impact on the carrying value of the loans in the accounts. It can also lead to an increase in future credit losses as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

The risk of the Government not recovering the real value of student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation. The cap arises because students are charged interest equivalent to the rate of inflation, or the Bank of England base rate plus 1%, whichever is the lower. As such, when the base rate cap is in operation, interest on loans is charged at a lower rate than inflation. Details of the fair value of the loan book in this financial year are set out in Note 10 to the Accounts.

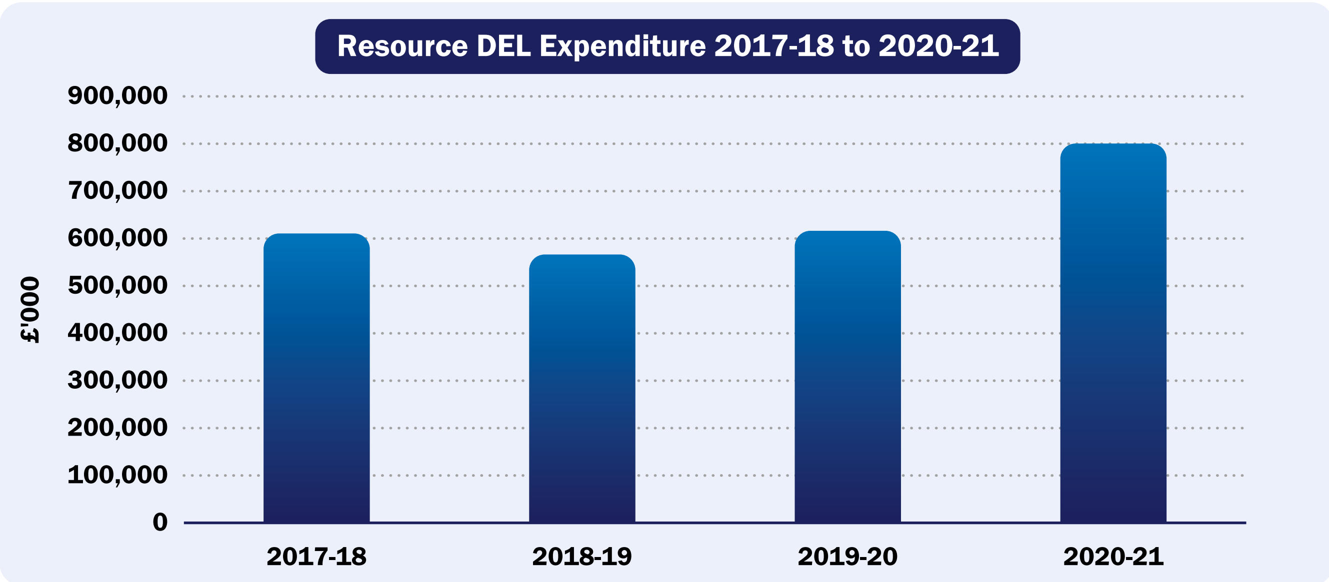
In 2020-21, the conditions arising as a result of the COVID-19 pandemic have continued to increase the above-mentioned risks in terms of economic conditions, negative impact on earnings and the reduction in the Bank of England interest rate. Note 10 to these accounts sets out sensitivity analysis in terms of the potential impact of such conditions on the carrying value of the loan book.

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

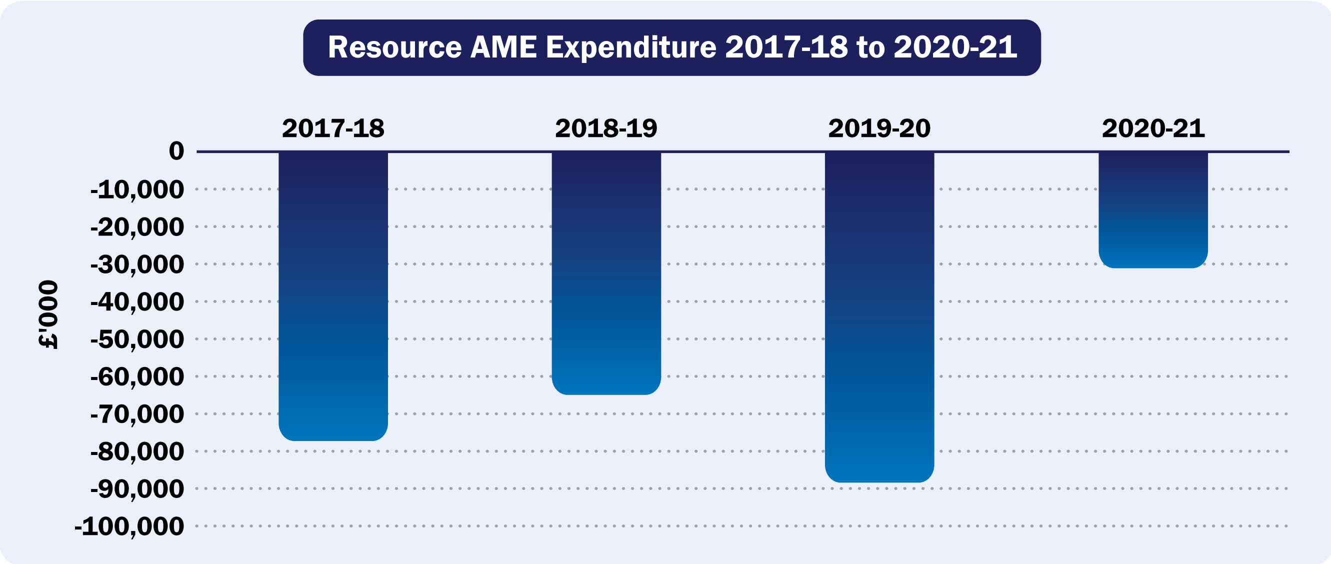
LONG TERM EXPENDITURE TRENDS

Total Departmental Spend

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

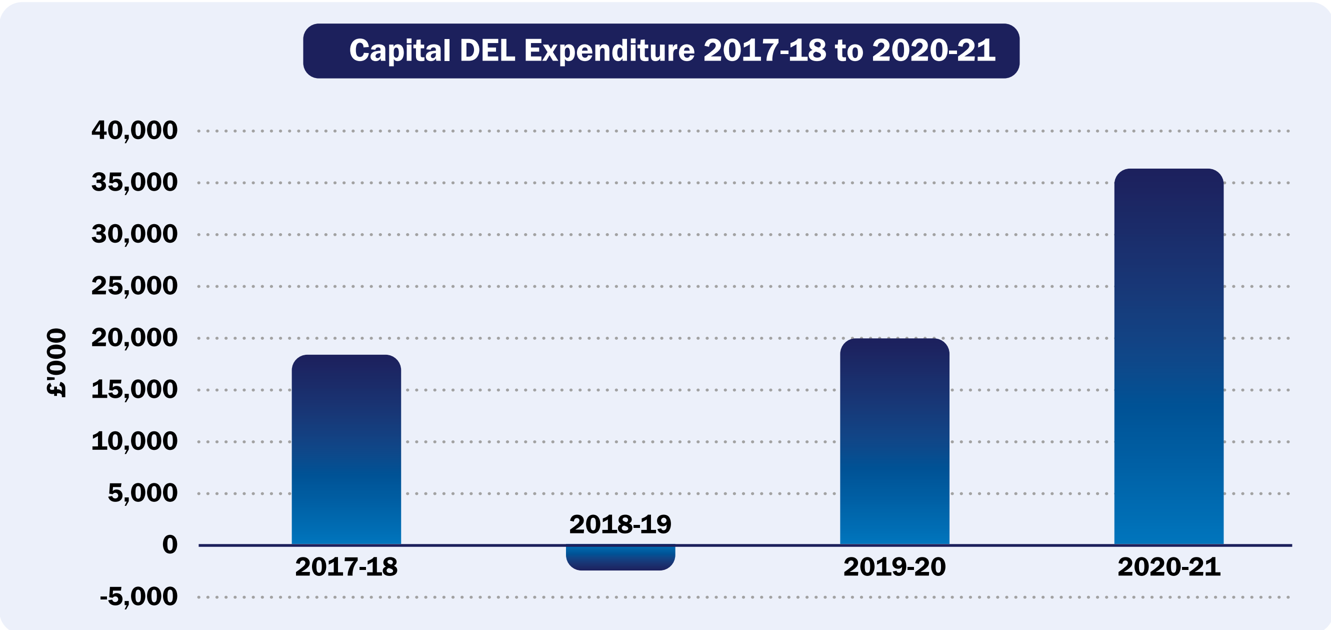


The most significant variation in Resource DEL in recent years has arisen in respect of variations in non-cash student loan book related impairments. The movement in impairments is dependent on the Office for Budgetary Responsibility's (OBR) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. In the current year, there has been an increase due to COVID-19 Schemes and initiatives to kick start the economy.

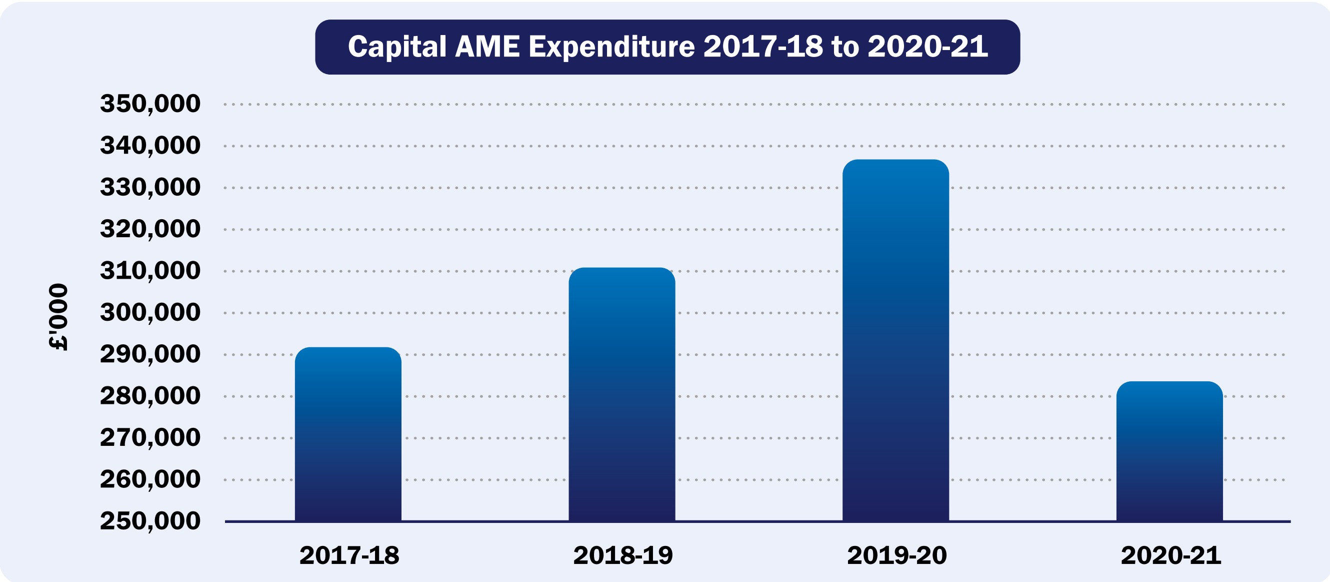


Over the period, Resource AME was impacted by movements in:

- Fair Value adjustments on student loans, directly related to the movements in RPI;
- Provision for liabilities in respect of Harland and Wolff, based on actuarial advice; and,
- Tariffs/ cost structures applicable to the RHI scheme.



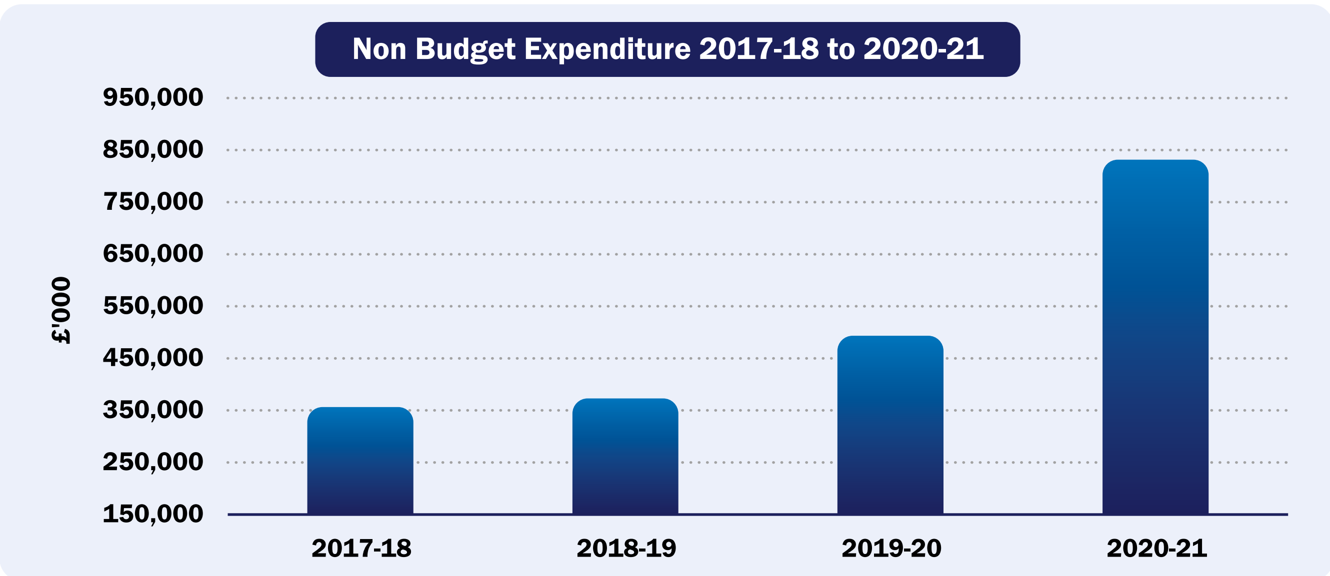
Capital DEL spend mainly comprises capital grants to the Higher Education sector, which includes the Greater Belfast project in 2020-21, repayments in respect of the loan to Presbyterian Mutual Society, and capital grant funding for the Gas to the West project (2019-20 only) and Project Stratum (2020-21 only).



Capital AME reflects issues and repayments in respect of student loans together with interest capitalised/added to the loan book by Student Loans Company. 2019-20 included effectively two years capitalised interest added to the loan book due to a data project in association with HMT (Note 10). New loans issued are proportionately greater than repayments received, reflecting the ongoing increasing value of the loan book.

Non-Budget Spend

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

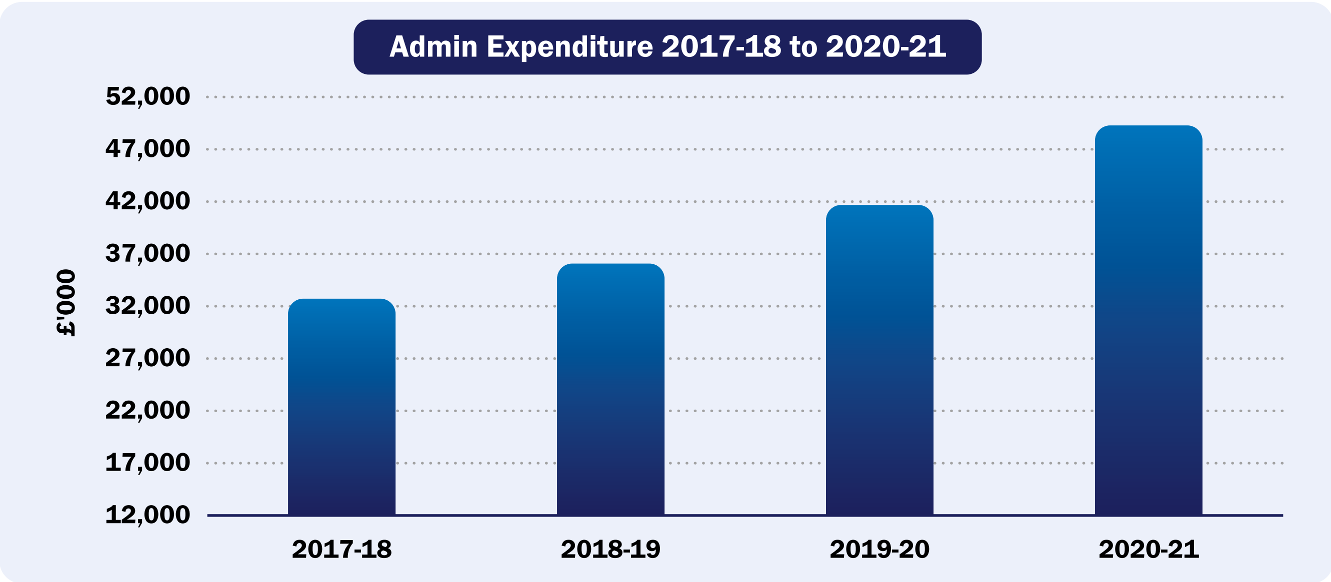


Non-Budget Spend mainly reflects movements in respect of Grant in Aid to Non- Departmental Public Bodies (NDPBs), which varies according to their cash requirements.

In 2019-20, Invest NI Grant in Aid included the initial emergency grant funding to businesses in response to the COVID-19 pandemic. 2020-21 saw the greater proportion of cash payments in relation to this scheme, together with grant funding increased to all NDPBs in response to the continuing COVID-19 pandemic.

Departmental Administration Spend

The following table shows the trend in Departmental Administration Spend arising over the last four years. The underlying data can be found in Table 3 in Annex A.



Administration spend has increased as a result of preparations to leave the EU, COVID-19 response and increases in employer pension contribution costs.

Future Developments

The COVID-19 outbreak has had an exceptional impact on the work of the Department and all NICS Departments. The Departmental Business Plan for 2020-21 had to be repurposed as a COVID-19 Response Business Plan as the Department focussed on leading the economic response to the pandemic.

Looking ahead, the Department must continue to prioritise the recovery from COVID-19 while also progressing our wide portfolio of business as usual work as effectively as possible. The 2021-22 Business Plan focuses on a limited number of key strategic priorities which must be progressed during the year ahead. These are:

- The Economic Recovery Package;
- The Skills Agenda;
- Responding Effectively to the Outworking of EU Exit;
- The Energy Strategy;
- Enabling Digital Connectivity;
- Parental Bereavement Leave & Pay;
- COVID-19 Grant Schemes;
- City Deals; and,
- Launching a Decade of innovation.

Progress on all of the above matters will be closely monitored with quarterly performance updates being provided to the Departmental Board and subsequently published on the Department's website.

The tight focus of the 2021-22 Business Plan does not detract from the wide range of crucial business as usual work which this Department delivers alongside its Arm's Length Bodies and other delivery partners. Some examples of the Department's normal recurring business activities which will be progressed during the year ahead include:

- Leading on economic policy and strategy, working with delivery partners such as Invest NI on the programmes and projects that support business development and investment and job creation;
- Continuing to support Further Education Colleges in taking a pivotal role in generating a strong and vibrant economy through the development of world class professional and technical skills, increasingly at higher levels and by helping employers to innovate and by providing those with low or no qualifications, or who have other barriers to learning, with the skills and qualifications needed to find employment and become economically active;
- Supporting higher education institutions in their provision of higher level skills, effecting a positive contribution to the labour market in order to contribute to economic recovery and improved social well-being.
- Supporting higher education institutions to fulfil their key missions of research and knowledge exchange, in order to maximise their achievement of excellent research and its translation into economic and societal impact.

- Supporting economic recovery by continuing to deliver Apprenticeship programmes supporting youth employment and improving the NI skills base, by expanding provision, widening access and improving the economic relevance through working with employers to develop pathways, qualifications & curriculum;
- Supporting economic recovery by continuing to deliver and introduce reformed vocational education programmes, Youth Training and Youth Inclusion programmes providing access to vocational education training and employability skills aimed at reducing the number of young people not in employment, education or training;
- Championing economic, social and personal development by providing relevant high quality learning, research and skills;
- Continuing to support the tourism sector in NI working with delivery partners Tourism NI and Tourism Ireland to maximise visitor numbers and associated revenue spend for the benefit of the NI economy and to support job creation;
- Supporting cross-border and all island trade and innovation through the activities of InterTradeIreland;
- Continuing to support NI Screen through the delivery of the 'Opening Doors 2' Strategy to maximise screen industry expenditure in NI, and build the skills capacity and reputation of the local screen industry internationally;
- Setting the strategic direction for how the energy sector can contribute towards addressing climate change and supporting a green economic recovery;
- Providing regulatory services, including Health and Safety Executive NI, Trading Standards, Consumer Council and Insolvency Service as well as labour market services including Labour Relations Agency, tribunals, employment law and redundancy payments;
- Continuing to deliver careers guidance and advice in line with strategic commitments;
- Ensuring that the European Regional Development Fund Investment for Growth & Jobs and the NI European Social Fund Programmes continue through to closure, and,
- Maintaining and enhancing Northern Ireland's domestic and international air connectivity.

The Department's Leadership Team are acutely aware of the vast array of new and ongoing work streams planned for 2021-22 and the need for sufficient staffing capacity and capability required to deliver that work. An extensive research project (Resource Alignment Project) was carried out in the latter half of 2020-21, to gather detailed quantitative data on the current allocation of resources to work activities to identify potential areas of capacity across the Department and/or areas where a realignment of priorities might be required.

The quantitative and qualitative issues were considered by the Leadership Team against the backdrop of the COVID-19 pandemic and EU Exit, which has necessitated a range of temporary redeployment measures. It is very clear that the Department cannot revert to a pre-COVID operating model and there is a need to manage our priorities in the short term while proactively addressing longer-term organisational issues.

The evidence base produced by the project identified the need and opportunity to initiate a substantive transformation programme that will allow the Department to become the agile, refocused, cohesive organisation that will be needed to support the Northern Ireland economy over the next decade and beyond.

Work is underway to develop an Organisational Development and Transformation Programme to address the findings of the research, which will in turn support our policy agenda. This will translate into a major change programme delivering longer-term benefits for DfE, its people and its stakeholders, which will ensure that the Department has the capacity and capability to deliver on Executive commitments and its economic vision in the future.

Mike Brennan
Accounting Officer
24 February 2022

OVERVIEW

The Accountability Report sets out how we meet the key accountability requirements to the NI Assembly. It is broken down into three areas:

- *Corporate Governance Report*
  The Corporate Governance Report provides an overview of the Department's leadership and our risk management approach.

- *Remuneration and Staff Report*
  The Remuneration and Staff Report sets out DfE's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. In addition, the report provides details on staff numbers, costs and staff-related policies.

- *Assembly Accountability and Audit Report*
  The Assembly Accountability and Audit Report brings together the key Assembly accountability documents within the Annual Report and Accounts.

DIRECTORS' REPORT

The Minister

During the 2020-21 financial year, the Department was led by the Minster for the Economy, Diane Dodds MLA. The Minister is responsible and accountable to the Northern Ireland Assembly for the policies, programmes and actions of the Department.

Departmental Board

The Permanent Secretary and Accounting Officer for the Department for the 2020-21 financial year was Mike Brennan. Mike Brennan was appointed as Acting Permanent Secretary from 1 December 2019 and designated as Accounting Officer from 21 November 2019. Mike Brennan took up the post on a substantive basis on 14 December 2020. The Permanent Secretary was supported during the year by a Departmental Board comprising both senior Departmental officials (Executive Board Members) and Non-Executive Board Members (NEBMs). All Board Members for the Department are listed in the table of DfE Board Membership and Attendance set out in the Governance Statement. Total fees of £25,687.50 were paid in respect of the Department's NEBMs during 2020-21. No expenses were claimed as all meetings were held remotely.

Process for Identifying and Managing Conflicts of Interests

The Department has guidance on declarations of interest which requires all staff, including NEBMs and other independent members of the Audit and Risk Assurance Committee (ARAC) to complete a declaration of interests form at least once each year and also at any other time where their circumstances change and potentially give rise to new conflicts. If a potential conflict of interest is identified, the staff member's line manager is required to take appropriate action to ensure the conflict is managed and controlled in accordance with the Departmental guidance.

Register of Interests.

The Department records the declared interests of SCS staff, NEBMs and other independent ARAC members on a Register of Interests. The following declarations were identified as having the potential to be a perceived conflict of interest during the 2020-21 year:

- Departmental Board and ARAC member Fiona Keenan has declared that a close family member is a Director of Bedeck, a retail company based in Northern Ireland. It has been agreed by the Permanent Secretary that Fiona Keenan will declare the conflict and recuse herself should the Board be involved in the development of any grant scheme that the company may apply for.
- Finance Director, Sharon Hetherington, has declared that a close family member is Director of the Ulster University Economic Policy Centre and Interim Chair of the South Eastern Regional College. It has been agreed by the Head of Management Services and Regulation Group that Sharon Hetherington will ensure any conflicts are declared where any of her duties involve those parties; will not have sole responsibility for allocating funding or taking decisions in relation to either party; and will recuse herself should a specific conflict arise which cannot be appropriately managed. Furthermore, the family member has declared the potential conflict to the Director of Further Education Division and the Ulster University Economic Policy Centre Sponsor.
- Head of Energy Group, Richard Rodgers has declared he is a participant in the NIRO renewable electricity scheme. It has been agreed by the Permanent Secretary that Richard Rodgers will declare this interest at any meetings of relevance and will provide an immediate update should the issue become live.

The declaration of interests of the Department's Special Adviser, Alastair Ross, is published by the Department of Finance on the Open Data NI website. Five related party transactions occurred during 2020-21, details of which are provided in the Notes to the Accounts.

Transparency on Business Appointments

The Department complies with the rules on the acceptance of Outside Business Appointments, Employment or Self - Employment by Civil Servants after leaving the NI Civil Service as stated in the NICS Standards of Conduct. The department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on the DfE website.

Data Management

The collaborative approach to managing and protecting the Department's information assets and the risks to these continued throughout 2020-21. Central Services Division provided support and guidance to the Department's Information Asset Owners (IAOs) on a wide range of data management issues:

- The Department demonstrated full commitment to data protection compliance. Work completed by the Data Protection Officer included the review of Data Protection Impact Assessments, Privacy Notices and Data Sharing Agreements. It also included the issue of policy and guidance and continued contribution to the Department for Digital, Culture, Media & Sport's No Deal (EU Exit) Taskforce on data protection contingency planning.
- Information Asset Owners (IAOs) were issued with information about their IAO responsibilities, and a review of Divisional Information Asset Registers was completed.
- A process was introduced to provide new entrants with guidance on a range of information including GDPR/ DPA, and the completion of Cyber Security and Responsible for Information e-learning was promoted throughout the Department.
- The Department's Internal Audit Service completed a GDPR audit of business area compliance, and the Information Commissioner's Office completed an audit of information handling practices and compliance with the Freedom of Information Act 2000 and relevant codes of practice. The resulting actions were integrated into the relevant operating plans and risk registers.
- The Department's Electronic Document and Records Management System was upgraded and the process of having the Department's Retention and Disposal Schedule approved by the Northern Ireland Assembly commenced.
- The Senior Information Risk Owner maintained an appropriate information security governance structure within the Department. Guidance and updates were issued to IAOs as appropriate, and IAOs provided annual assurance statements regarding their information assets. The Department also completed its annual Security Health Check.
- The Assistant Departmental Security Officer regularly reviewed information to ensure that it was suitably protectively marked and provided assurance on vetting and ongoing personnel security management. Appropriate physical security measures were provided to ensure a safe and secure working environment.
- Business continuity arrangements and contingency plans setting out procedures to be followed in the event of a major adverse event were regularly reviewed. The DfE Pandemic Infection Business Continuity Plan, invoked in March 2020, continued to be in operational mode during the 2020-21 period.

All breaches of personal information which are likely to result in a risk to the rights and freedoms of an individual must be reported to the Information Commissioners Office (ICO) within 72 hours. In 2020-21, there were no breaches of personal data which had to be reported to the ICO.

	2020-21	2019-20
Number of GDPR incidents reported to ICO	**0**	**0**

Reporting of Complaints

The Department is committed to providing a high-quality service and welcomes all feedback including complaints about the service it provides. It offers a three-stage resolution process as set out in the DfE complaints procedure, maintains a register of complaints, ensures that these are investigated and responded to in line with this procedure, and takes forward lessons learned. The Department received twenty-seven formal customer service complaints during 2020-21. This increase was mainly due to complaints being received from unsuccessful applicants for COVID-19 related business support schemes. All twenty-seven complaints are closed.

	2020-21	2019-20
Number of complaints	27	5

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance (DoF) has directed the Department for the Economy to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of and the use of resources during the year by the Department. 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 income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Department of Finance, including 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;
- prepare the accounts on a going concern basis;
- confirm that, as far as he is aware, there is no relevant audit information of which the Department's auditors are unaware, and he 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 Department's auditors are aware of that information; and
- confirm that, the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department of Finance has appointed the Permanent Head of the Department for the Economy, Mike Brennan, as Accounting Officer. The Accounting Officer has also appointed the Chief Executives or equivalents of its sponsored non-Departmental and other arm's length public bodies as Accounting Officers of those bodies. 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 Managing Public Money NI issued by the Department of Finance.

NON-EXECUTIVE BOARD MEMBERS' REPORT

It has truly been an exceptional year as the public health crisis has completely dominated all of our lives in a way that we could never have imagined.

The pandemic had an extensive impact on the economy with thousands of businesses essentially shut down. Consequently, the main focus of the DfE Board was on the strategic and operational issues in relation to the Department's response to the crisis. This urgent response involved the development and implementation of large scale interventions to help ease the economic impact including exceptional levels of financial support to help businesses across Northern Ireland survive the crisis.

In responding to the crisis, the Department faced significant challenges, including the closure of offices, dealing with a high vacancy rate and the need to develop and deliver support schemes at pace and under considerable pressure. We have been extremely impressed by the pace and professionalism of the Department's response which would not have been possible without diligent and dedicated staff working beyond reasonable expectations.

Throughout the year, the Board also held high-level discussions on subjects of key importance to the Department and economy such as: EU exit; business plan and risk register monitoring; financial updates and energy strategy.

The Board recognised the strategic significance of COVID-19 and EU exit and established the Strategic Oversight Group as an ad-hoc committee. The Group played a critical role by acting as a single point of strategic assessment and assurance on the Department's response to the phases of COVID-19 and its preparations for the end of the transition period following the UK's departure from the EU in January 2020. This was a welcome addition which added real value to the work of the Board.

While significant efforts were made by the Leadership Team to reprioritise and redeploy resources where they were most needed over the past year, the exponential increase in demands placed on the Department and its people by the COVID-19 pandemic and EU Exit combined with a Departmental vacancy rate of over 20% undoubtedly stretched both its capacity and ability to deliver. In recognition of these unsustainable pressures, a decision was made by the Departmental Board in October 2020 to commission a Project to gather detail on the current allocation of resources to work activities. The Project provided clear evidence of the pressing need for capacity building as well as changes to be made to the operating model. To deliver the change needed, an Organisational Development and Transformation (ODT) Programme is now under development by the Department, which will ultimately improve the services being provided by the Department in respect of the Executive's ambitious vision for the Northern Ireland economy.

We both continued as members of the Audit and Risk Assurance Committee in 2020-21. Much of the focus of discussion throughout the year was the difficulties of implementing the COVID grant schemes at rapid pace whilst also mitigating fraud and error and simultaneously developing new schemes. Other key discussions focused on the mediation, closure and future options of the RHI scheme and ALB assurance reporting. The ARAC continued to review the Department's overall approach to risk management and financial control and was satisfied with the high level controls in place.

Finally, the Board intends to recruit an additional non-executive Board member in 2021-22. This will enhance the non-executive team and its capacity to support the Department. In the year ahead we look forward to working with the new non-executive board member to continue to contribute to the good governance of the Department in an objective and independent manner and to use our experience to support, challenge and advise the Board as appropriate.

Colm McKenna and Fiona Keenan
Non-Executive Board Members

THE GOVERNANCE STATEMENT

Introduction

The Governance Statement sets out the governance structure, risk management and internal control arrangements for the Department in accordance with guidance issued by DoF. It applies for the financial year 1 April 2020 to 31 March 2021 and up to the date of approval of the Annual Report and Accounts.

Budget Position and Authority

The Assembly passed the Budget Act (Northern Ireland) 2021 in March 2021 which authorised the cash and use of resources for all departments for the 2020-21 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2021 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2021-22 financial year. The Budget (No. 2) Act (Northern Ireland) 2021 which received Royal Assent on 4 August 2021 authorises the cash and resource balance to complete for the remainder of the 2021-22 financial year based on the Executive's 2021-22 Final Budget.

Scope of Responsibility

The Department operates under the direction and control of the Minister for the Economy, who is responsible and answerable to the Assembly for the exercise of powers on which the administration of the Department depends. The Minister has a duty to the Assembly to account and to be held to account for all the policies, decisions and actions of the Department, including its Arm's Length Bodies (ALBs).

The Permanent Secretary, as the Departmental Accounting Officer, is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as a whole. He is accountable to the Minister and the Assembly. The Permanent Secretary also has responsibility for maintaining robust governance and risk management structures and a sound system of internal control that supports the achievement of Departmental policies and objectives, whilst safeguarding the public funds and Departmental assets for which he is responsible, in accordance with Managing Public Money Northern Ireland.

DfE is a ministerial Department that is supported by its ALBs, including 14 NDPBs, two North/South bodies and four Independent Autonomous Bodies (IABs) as listed in the Notes to the Accounts. These organisations assist DfE in implementing its policies and public services and achieving its aims and objectives. These organisations for which the Department has oversight responsibility are accountable for ensuring they have robust governance, financial and risk management structures and sound internal controls in place. To provide sufficient assurance that appropriate governance arrangements are in place, dedicated sponsor teams in DfE monitor and provide guidance to these bodies.

The Department has written agreements in place with its ALBs which set out the respective roles and responsibilities of both parties. These are currently being updated in line with new guidance issued by DoF called the Partnerships between Departments and Arm's Length Bodies: NI Code of Good Practice.

DfE Governance Arrangements

All entities need clear accountability frameworks and processes for governance, risk management, and internal control. Internal control supports a public sector entity, such as DfE, in achieving its objectives by managing its risks while complying with rules, regulations, and organisational policies such as Anti-Fraud and Whistleblowing Policies; Gifts and Hospitality Policy; Equality Screenings; Sponsorship Manual; Information Security policy; and Commercial Management Framework.

Within DfE, governance arrangements not only encompass policies and procedures that provide strategic direction, monitor objectives and manage risks but also place emphasis on the importance of leadership to ensure that sound governance practices are instilled throughout the Department in employees' day-to-day work, focusing on performance and compliance:

- Performance: how the Department uses governance arrangements to contribute to its overall performance and the delivery of services and programmes; and,
- Compliance: how Department uses governance arrangements to ensure it meets the requirements of the law, regulations, published standards and stakeholder expectations of probity, accountability and openness.

The Departmental Board assists the Permanent Secretary in meeting his responsibilities as Accounting Officer for establishing and overseeing the corporate governance arrangements of the Department. The Board, which comprises both senior Departmental officials (Executive Board members) and Independent members (Non-Executive Board members), provides corporate leadership to the organisation as a whole. It monitors performance against business plans, budgets and targets, and oversees the governance and risk management arrangements of the Department. The Board is chaired by the Permanent Secretary.

Departmental Board

The Board met on twelve occasions during the 2020-21 financial year. DfE board minutes are published on the DfE website.

The Board is chaired by the Permanent Secretary who, as Accounting Officer, is responsible for the appointment of all NEBMs. Membership of the Board during 2020-21 is shown in the following table along with each member's attendance:

DfE Board Membership and Attendance Table 2020-21

Board Member	Role/ Title	Meetings Attended
Mike Brennan	Permanent Secretary	**12**
Colin Lewis	Deputy Secretary of Management Services and Regulation (up to 29/10/2020)	**7**
Diarmuid McLean	Deputy Secretary of Economic Strategy (up to 29/10/2020)	**7**
Heather Cousins	Deputy Secretary of Skills and Education	**11**
Richard Rodgers	Deputy Secretary of Energy	**11**
David Malcolm (appointed 29/10/2020)	Deputy Secretary of Management Services and Regulation	**6**
Paul Grocott	Deputy Secretary of Economic Strategy	**11**
Shane Murphy (acting from 24/9/20)	Deputy Secretary of EU Exit Preparation and Transition	**6**
Stephen McMurray	Finance Director (up to 25/5/2020)	**3**
Wendy Johnston	Central Services Director (up to 25/2/2021)	**7**
Colin Woods	Corporate Governance Director	**9**
Sharon Hetherington (appointed 25/6/2020)	Finance Director	**8**
Michelle Bell (acting from 25/2/21)	Central Services Director	**2**
Lisa Morgan	NICS HR Business Partner	**11**
Colm McKenna	Non-Executive Board Member	**12**
Fiona Keenan	Non-Executive Board Member	**11**

Other Directors are invited to attend where significant items pertaining to their business areas are to be discussed by the Board. A minimum of three members of the Board must be present for the meeting to be deemed quorate. All Board meetings during the 2020-21 financial year were quorate. During the reporting period, key topics considered by the Board were Finance, Risk, Business Planning, People, Performance Management, EU Exit, RHI, COVID-19, GDPR and Major Projects as highlighted in the diagram that follows.

Key DfE Board Topics in 2020-21

Quality of Data Used by the Departmental Board

The Board used information based on a number of data sources. Data relating to financial information and performance is derived from NICS wide systems such as Account NI and HR Connect. The Departmental Board takes assurance on the quality of this data from the internal controls in place in the Department and the scrutiny of the Account NI and HR Connect systems by DoF's Internal Audit Service (IAS). Information provided to the Board was timely, succinct and well presented. This enabled the Board to manage its busy agenda very well given the time constraints and allowed all members to contribute to discussions and decision making. To ensure that the non-executive Board members were kept fully appraised, regular up-date video-calls were also held with the two NEBMs and the Permanent Secretary.

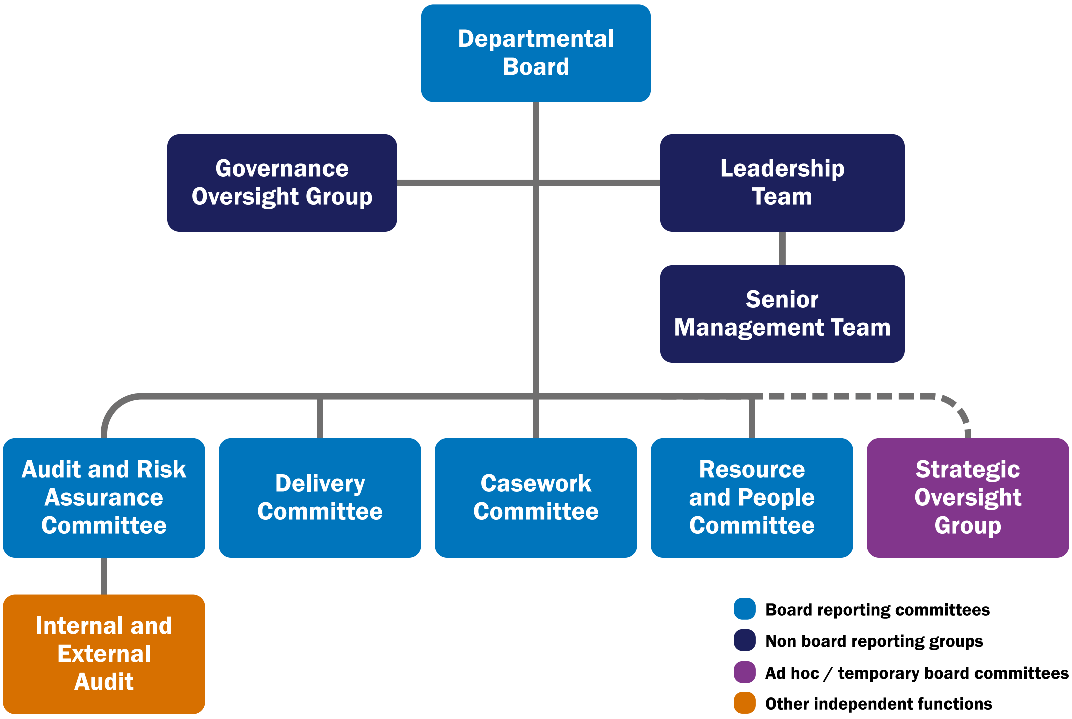
Board Performance and Effectiveness

The Board carried out an internal assessment of its performance in May 2020. The results of the assessment indicated that it is an effective Board that adds real value and there is a continuing positive dynamic at Board Meetings. The assessment results also specified that the Board works collegiately to address key strategic issues facing the Department whilst being open to challenge and receptive to all members' views. An external assessment of Board performance and effectiveness is due to be carried out later in 2021.

Committees of the Board

As at 31 March 2021, there were four formal committees of the Board and one ad-hoc committee, as illustrated below.

DfE Board Structure



Audit and Risk Assurance Committee

The well-established DfE ARAC acts in an advisory capacity and reports regularly to the Accounting Officer and Board. The ARAC's overall purpose is to assist the Accounting Officer and the Board in fulfilling their corporate governance responsibilities such as risk management, internal control and associated assurances.

The ARAC is chaired by an NEBM. Membership during 2020-21 included four members, two of which are unremunerated External Senior Civil Servants. A quorum for any meeting of the ARAC is two members. All ARAC meetings during the 2020-21 financial year were quorate.

During 2020-21, the ARAC met five times (June 2020, August 2020, September 2020, November 2020 and February 2021) with ARAC membership and attendance listed in the following table.

DfE ARAC Membership and Attendance Table 2020-21

ARAC Members	Role/ Title	Meetings Attended
Colm McKenna	NEBM and Chair	**5**
Fiona Keenan	NEBM	**5**
Grace Nesbitt	External Senior Civil Servant	**4**
Anthony Harbinson	External Senior Civil Servant	**5**

ARAC meetings are attended by the Permanent Secretary, relevant Deputy Secretaries as required, the Finance Director, the Corporate Governance Director, and other representatives from DfE, a representative from the Northern Ireland Audit Office (NIAO), and the Head of the Department's IAS.

The key areas of focus at the ARAC meetings during the 2020-21 financial year were:

- examining and challenging the overall control environment including the risk and governance arrangements to support the Accounting Officer in his stewardship of Departmental resources;
- supporting and challenging the EU Exit Programme and the development of a long-term strategy for renewable heat;
- scrutinising the Annual Report and Accounts to ensure the Department's performance and financial status are appropriately reflected;
- discussing the development and implementation of the various COVID-19 grant schemes and how to mitigate fraud and error in relation to the schemes;
- considering the mediation, closure and future options of the RHI scheme;
- examining the impact on resources of the Department's high vacancy rate and the measures being taken to address this; and,
- discussing issues around EU exit and preparations for the end of the transition period.

The Board takes assurance from the ARAC Annual Report provided by the ARAC Chair which reports on the Committee's programme of work during the year. The Committee is content that adequate control systems are in place to support the Board and the Accounting Officer in his decision taking and accountability obligations.

In line with best practice, the ARAC carried out an assessment of its own effectiveness and concluded that whilst substantively there are no major issues with the performance of the Committee, there are areas which could benefit from further consideration. These include the following:

- Enhanced relationship and communication with ALB ARACs;
- A continually developing induction, appraisal and training programme for members;
- A more in-depth look at the comprehensiveness and reliability of the Department's risk mitigation strategies; and,
- Consideration of greater dissemination of ARAC work across the Department.

Casework Committee

The Departmental Casework Committee is responsible for the scrutiny (but not approval) of business cases where expenditure exceeds a threshold of £5 million (the delegated limits for Business Case approvals were uplifted in June 2020 from £1million following a high level review by the Department's Corporate Governance Division and consideration by both the DfE Board and the Minister). Its aim is to deliver better value for the taxpayer by challenging expenditure proposals on the grounds of deliverability, affordability and value for money and to review the quality of business cases being submitted to the Department of Finance.

By drawing on the experience of its members, the Casework Committee seeks to assess:

- The identification of options and alternative ways of delivering project objectives and outcomes;
- The cost effectiveness of proposals; and,
- The management and mitigation of risk.

Experience shows that projects progress more smoothly through the approval process when there is early engagement between all parties as the casework papers are being developed and that subjecting projects to scrutiny by the Casework Committee leads to a more streamlined process in terms of securing formal approval by DoF and/or the Minister. Following Casework Committee scrutiny several options may occur:

- cases may require only Ministerial approval;
- cases may require DoF approval where DoF delegations have been exceeded; or
- cases may not be supported by the Committee.

Eleven projects exceeding departmental delegations were presented to DfE Casework Committee in 2020-21. Three projects each were presented from InvestNI and Higher Education, and one from each of Tourism NI, Tourism, Telecoms, Minerals and Petroleum Division, Apprenticeship, Careers and Vocational Education Division, Further Education Division, and IntertradeIreland. The table below shows the caseworks presented throughout this period.

DfE Casework by Business Area Table 2020-21

Casework	Sponsored Body/Division Name	DfE Contribution (£)
Early Stage Finance	InvestNI	**11,500,000**
Project Stratum	Tourism, Telecoms, Minerals and Petroleum Division	**165,000,000**
Linen Mill Studio GOT	Tourism NI	**10,000,000 (surrendered by Tourism NI)**
FE Colleges STC Expansion	Further Education Division	**7,729,800**
Co-Fund II	InvestNI	**9,000,000**
UUJ – Greater Belfast Development	Higher Education Division	**25,000,000**
Apps NI re-procurement	Apprenticeship, Careers and Vocational Education Division	**122,147,669**
PWC Op TIC	InvestNI	**9,837,687**
Fusion 6	Intertrade Ireland	**8,509,000**
QUB Management School	Higher Education Division	**24,600,000**
QUB Student Centre	Higher Education Division	**34,300,000**

All of the above cases were approved by the Minister. The Department of Finance (DoF) approved spend in respect of nine of the projects that exceeded DoF delegated limits. Due to the ongoing COVID-19 crisis, casework was temporarily suspended in March 2020. Caseworks resumed in June 2020 remotely.

Resourcing and People Committee

The Resourcing and People Committee provides a strategic view of how the NICS Human Resource policies and procedures can best be applied to ensure that they contribute effectively to the delivery of the Department's business needs, in line with priorities set out in the draft Programme for Government, the draft Industrial Strategy, the DfE Corporate and annual Business Plans and the NICS People Strategy. It is responsible for making decisions and recommendations on the implementation of corporate NICS-wide people-related policies in DfE and the effective use of resources across the Department; it has continued to meet during the past year through tele- and/or video-conferencing facilities and will continue to do so to ensure that there is strategic oversight of resourcing and people issues.

The Resourcing and People Committee met on three occasions during the 2020-21 financial year: June 2020, September 2020 and January 2021.

Delivery Committee

The Board established the Delivery Committee to support them in the development and management of performance, of the Department's strategic work plans, including corporate and annual Business Plans and any delivery plans relating to the Programme for Government. Related to this, the Committee also scrutinises the effectiveness of the management of key risks to achieving the objectives set out in those plans.

The Departmental Business Plan and Corporate Risk Register are the primary tools by which the Accounting Officer and Board manages the business of the Department. The main function of the Delivery Committee is to assist the Board in clearly demonstrating that it is monitoring and challenging the delivery of initiatives and targets outlined in Business Plans and regularly questioning the adequacy of associated risk management arrangements.

In the 2020-21 financial year, the Delivery Committee was suspended due to COVID-19 and when reconvened met twice in October 2020 and January 2021. At its meetings the Delivery Committee considered and challenged the progress updates provided by colleagues on Business Plan commitments, prompting several changes to more accurately reflect the position and ensure greater transparency in the Department's performance reporting. Contributions to the Corporate Risk Register were also significantly improved and streamlined following the Committee's review.

Strategic Oversight Group (SOG)

The Strategic Oversight Group (SOG) was established in June 2020 to provide strategic direction and control for the Department's preparations for the end of the EU Exit Transition Period and its economic policy response to the COVID-19 pandemic. Membership of the group is comprised of DfE's Leadership Team and Finance Director.

SOG sits at the apex of DfE decision-making and delivers a centralised assurance mechanism and oversight function for the Department's EU Exit Transition Readiness and COVID-19 Policy Response programmes. The group also provides an effective route through which strategic risks and issues pertaining to EU Exit and COVID-19 recovery can be escalated and resolved, including through cross NICS governance structures if required.

The group met on seven occasions between July 2020 and March 2021.

Other Organisational Structures

Other internal structures that contribute to sound corporate governance in the Department are weekly leadership team meetings, monthly senior management meetings and the governance oversight group.

Leadership Team

The DfE Leadership Team comprises the Permanent Secretary, Deputy Secretaries and the Director of Central Services. Leadership Team meets once per week, where possible. In March 2020 the Department was at the forefront of the immediate COVID-19 economic response. As a result of the pandemic, from mid-March 2020, Leadership Team also met daily as part of a Pandemic Information Management Team (PIMT). Leadership Team went from operating in a 'business as usual' environment to one focused on managing a national emergency largely facilitated by a remote working operating model. Through participating in PIMT meetings, Leadership Team responded purposefully and effectively to the Executive's COVID-19 crisis management requirements which is pivotal to the work that will be done to plan for Northern Ireland's economic recovery. PIMT stood down in June 2020 and weekly meetings of Leadership Team resumed.

Senior Management Team

SMT meets once per month. Meetings are chaired by the Permanent Secretary and membership comprises the five Deputy Secretaries and 26 Heads of Divisions. The Head of Central Management Branch and the DfE Press Officer are also in attendance.

Senior Management Team (SMT) meetings provides an opportunity for senior officials within DfE to discuss and brief attendees on a range of ongoing operational issues. Attendees provide feedback to their business areas as appropriate.

A conscious decision has been made that SMT meetings should not cut across the roles of Departmental Board and Leadership Team. Issues considered at SMT include a readout from the previous NICS Board, media and finance. Topical issues such as EU Exit, City Deals and specific issues around the Department's response to COVID-19 were also discussed.

Since March 2020, the demands placed on SMT and staff generally, were extraordinary in terms of scale. The Department's ability to deliver the Executive's COVID-19 economic policy interventions, to plan for recovery and to meet the expectations of businesses and the Northern Ireland taxpayer generally, as well as maintaining "normal" essential Departmental business, have to a large extent been accommodated by the goodwill of SMT and staff in general. Many worked at levels well above contracted working hours, across day, night and weekends, and with little expectation of financial reward or external recognition. This was with the added complications of working remotely and using technology to hold video conferences for meetings.

Governance Oversight Group

The Governance Oversight Group (GOG) examines current and emerging governance issues, usually focussing on specific work areas. The GOG is chaired by the Permanent Secretary and membership consists of the Deputy Secretary of Management Services and Regulation Group, Director of Corporate Governance and the Head of Internal Audit. Project Assurance and Support Branch attends in a secretariat function. For project specific GOG meetings, Directors from the individual work areas are required to attend.

Whilst papers and formal briefing is not a pre-requisite, the format for discussion is as follows:

- Update on the current position;
- Summary of the next steps; and,
- Identification of any specific issues/concerns.

The purpose of the GOG is to aid the oversight and challenge on topical governance issues. The meetings are relatively informal and are part of the regular stocktake for Departmental Board Assurance. GOG meetings were suspended temporarily as a result of the COVID-19 pandemic but have been restarted and now typically occur two to three times per month. There have been ten meetings in the 2020-21 financial year and the subjects of these meetings are provided in the list below.

Subjects explored:

- HMS Caroline (2 meetings)
- City and Growth Deals (2 meetings)
- Graduate Entry Medical School
- Apprenticeships, Careers and Vocational Education
- Changing Shape of EU Exit Work
- Invest NI Funding
- Visibility of Issues (2 meetings)

Compliance with the Corporate Governance Code

Within Northern Ireland, Departments are required to operate under the *'Corporate Governance in Central Government Departments: Code of Good Practice NI 2013'*. The Code outlines a model Board Operating Framework that can be used to document a Departmental Board's roles and responsibilities. It also sets out Departmental responsibilities in the oversight of ALBs. Departments are required to either comply with the Code or explain any significant departures from it.

During 2020-21, the Department complied with the principles and supporting provisions set out in this Code.

Risk Management

Risk management is an integral part of the Department's corporate governance framework and is closely linked to the Department's Business Planning process. The Department's risk management framework has been developed in accordance with the HMT's Orange Book and requires all business units (branches and divisions) to formally manage risks on a periodic basis through the maintenance of risk registers, from which key risks can be escalated to a Corporate Risk Register maintained and regularly reviewed by the Departmental Board. Separate risk registers for programmes and projects are also maintained.

The Corporate Risk Register was monitored and managed by the Departmental Board on a quarterly basis during 2020-21. A more comprehensive list of the risks managed during the year is provided in the Performance Report section of this document. Following an update to the HMT Orange Book and the release of the RHI Inquiry Report, the Board agreed a new Risk Management Framework in September 2020. This was used to inform risk management activity and behaviours at all levels and introduced a stronger central review function of Divisional risk registers. As is required annually, the Board also agreed a new corporate risk appetite to provide a more open approach to risk in relation to work required to combat the impact of COVID-19.

During the year, the ARAC carried out a deep dive of one particular risk in relation to the risk of failing to deliver key corporate objectives due to staffing capacity and capability. This was particularly pertinent due to the increasing pressures caused by the pandemic.

Key Control Issues

The following areas have been identified as being key control issues facing the Department during the reporting period.

Covid-19 Grant Schemes

The Department has worked with its NDPBs and LPS to deliver a number of schemes in response to the impact of COVID-19. Grant in aid has been provided by the Department and the resource based spend appears in the accounts of the relevant organisation. Further information is available at note 22 to the accounts.

Given the pace at which schemes were being developed, designed and delivered the schemes did not follow the normal procedures involved with introducing new interventions.

Due to the need to get money to businesses and organisations quickly, there was inadequate time to carry out normal due diligence to demonstrate value for money or mitigate the risk of fraud and error to an acceptable level and so the schemes were progressed following the provision of Ministerial Directions.

The Covid support schemes delivered in 2020-21 were:

- £10k Small Business Support Scheme
- £25 Retail, Hospitality, Tourism and Leisure Grant Scheme
- Micro-Business Hardship Fund
- Covid Restrictions Business Support Scheme(Parts A & B)
- Newly Self Employed Support Scheme
- Limited Company Directors Support Scheme
- Large Tourism and Hospitality Business Support Scheme
- Wet Pubs Business Support Scheme
- Bed and Breakfast, Guest House and Guest Accommodation Scheme

Across the schemes there were a number of common issues and risks that were identified:

- Project Execution;
- External & Internal Fraud;
- Duplicate Payments;
- Data Protection;
- Value for Money; and,
- Demand exceeds or is below agreed budgets.

Each scheme also had its own set of unique risks, which were managed via the use of live risk registers and a number of mitigations.

A number of the above common issues and risks have already materialised. The NIAO, as part of the audit for the year ending 31 March 2020, identified a number of mispayments on the £10k Small Business Support Scheme which were extrapolated to £13.5m of irregular expenditure. The Covid Grant Schemes Fraud and Error Oversight project has since been established, with six Project Board meetings held since the start of January to the end of March 2021. The project developed detailed risk assessments for each Scheme and testing plans for post payment verification checks have been put in place. Post payment testing is ongoing but a considerable number of overpayments have been identified and recovered to date.

Covid Grant Schemes – Accounting Treatment

At the start of the pandemic in March 2020, DfE worked closely with Departmental Solicitors' Office (DSO), the Department of Finance (DoF), Invest NI and AccountNI to deliver the Covid schemes as quickly as possible as instructed by the Northern Ireland Executive. This was necessary to try and maintain a degree of economic buoyancy. The Department engaged with the Northern Ireland Audit Office (NIAO) on the approach and design at the outset.

Within the DfE Ministerial area of responsibility, the legal authority and therefore responsibility for the schemes fell to Invest NI under the Industrial Development (NI) Order 1982.

However, given the urgency and scale of the initiative, DfE and Department of Finance (Land and Property Service and Account NI) acted as agents on behalf of Invest NI to deliver the schemes. This approach was set out in a Memorandum of Understanding through which Invest NI accepted it was responsible for delivering the outcomes using DfE and DoF staff and systems.

In terms of the accounting treatment, Invest NI has accounted for the schemes on an accruals basis, and DfE has accounted for them as cash based Grant-in-Aid. The difference is primarily one of timing, as across the two years of 2019-20 and 2020-21, all but £6m of the expenditure has been accounted for in both organisations. Expenditure included within the DfE accounts is shown at Note 22. It was the Department's view, based on legal advice received during the design phase of the schemes, that given the timing and resource pressures, DfE and LPS would act as agents on behalf of Invest NI. This approach was discussed with DoF and NIAO during the design and implementation of the £10k scheme last year. The 2019-20 accounts were not qualified in this regard.

Three additional schemes were set up in 2020-21 using the same principles:

i. £25k Hospitality Scheme;
ii. Wet Pubs Scheme; and,
iii. Large Hospitality Grant Scheme.

However, during the audit of the 2020-21 accounts NIAO challenged this treatment for all four schemes and came to a different conclusion in respect of the accounting treatment. This is a subjective accounting judgement and DfE does not agree with the C&AG's view and has not therefore adjusted its accounts to reflect the C&AG's position. In the previous year the accounts were not qualified on this issue. Therefore, this has resulted in an adverse True and Fair audit opinion.

DfE Position
DfE is of the view this was not a contractual arrangement, no administration charges were levied or paid to Invest NI. This was instead a function of Government, by which the DfE Accounting Officer delegated delivery of the schemes to a Non Department Public Body (NDPB) (Invest NI) albeit with administrative support from DfE and LPS due to the resources required and the time constraints. This reflects the delivery model applied in respect of public services in Northern Ireland, with the Department supported by, and working in partnership with, it's NDPB.

DfE and Invest NI apply the government finance and accounting guidance set out in Managing Public Money and Financial Reporting Manual (FReM). FReM applies the Conceptual Framework for Financial Reporting which sets out requirements for 'accounting for and reporting of financial transactions'.

The most important and pertinent concept in the IFRS Conceptual Framework (as interpreted by FReM), is ensuring the usefulness of the accounts to Parliament (including the NI Assembly). The primary question is therefore how to allocate grant expenditure to a reporting entity in a way which will be of maximum benefit to elected representatives.

It is of paramount importance to Members that the expenditure in respect of a grant scheme is disclosed in the entity in respect of which the Executive has approved the Budget/Supply, which in turn will be in line with the entity whose remit, and legal vires, covers the expenditure. When Budget cover has been made available to an NDPB for an activity which falls within its remit and vires, it would not be desirable or useful to Members for that expenditure to be moved to the NDPB's parent Department. The result would be superficially "illegal" expenditure, even though the Budget cover and legal vires was legitimately available in a body in the same Departmental family, under the control of the same Minister.

Within the accounts of Invest NI and DfE, there is open and fulsome disclosure of the transactions taking place, the schemes to which they relate and the reason for the treatment. There is complete depiction of the information necessary to understand the transactions taking place.

DfE has also considered other potentially relevant indicators of control including responsibility for design of the scheme, losses and errors, discretion, performance obligation and promotion/advertising. The Department concluded that these supported the current approach, a view supported by the Treasury Officer of Accounts (TOA) and Accountability and Financial Management Division (AFMD) of DoF who are responsible for providing accounting advice to departments.

To explore matters further DfE and DoF worked with DSO to obtain advice from Senior Counsel who provided strong support for the DfE position.

Conclusion

Where an NDPB Accounting Officer has the appropriate remit and legal vires for a grant scheme, and has formally accepted the Budget and responsibility for that scheme in advance, it follows that the grant expenditure should be accounted for in that NDPB, regardless of whether a Memorandum of Understanding is agreed to transfer administration of the scheme to another body/bodies. This principle allows appropriate reporting against voted Supply, and provides the most useful information to the Executive. The fact that a scheme is designed primarily by Ministers in conjunction with civil servants in the parent department does not change that, and indeed is the normal process, irrespective of which body will take on the scheme.

Attempting to assign grant expenditure to the entity deemed most prominent in designing the scheme, or administering the scheme, would lead to a great deal of ambiguity and have far-reaching ramifications across government. Ultimately, it would lead to greater confusion, less clarity, and less useful financial reporting for Members in their effort to effectively control public expenditure.

DfE is therefore content that the expenditure in respect of the schemes is reflected on an accruals basis in the accounts of Invest NI, and as Grant-in-Aid within the accounts of this Department.
The Department has prepared its accounts on what it assessed to be the appropriate accounting treatment and accepts that its opinion on the correct treatment differs from that of NIAO in an area that is both technical and a matter of subjective accounting judgement.

Disclosure of Material Irregular Expenditure

The Accounts Direction given by the Department of Finance for 2020-21 requires departments to disclose any material expenditure or income that has not been applied for the purposes intended by the relevant legislature or material transactions that have not confirmed to the authorities which govern them.

In 2020-21 expenditure (Grant in Aid) of £99.368m was provided for business support schemes which relied on self-declarations from applicants as evidence that some of their eligibility criteria had been met. The decision to rely on self-declarations was taken in the context of the exceptional circumstances brought about by the Covid-19 pandemic and the extreme urgency with which businesses required these financial support interventions. High risks of fraud and error, in addition to insufficient assurance on value for money, were all acknowledged at the time and, as such, Ministerial Directions were sought and received for all of these schemes.

The Department accepts that as the schemes were designed to rely on self-declarations, insufficient audit evidence is available to determine if all of the eligibility criteria were met in all cases. Clawback arrangements were incorporated into all the schemes and a project to retrospectively identify and recover ineligible grant payments is ongoing. Expenditure (Grant in Aid) in these accounts includes a total of £3.86m deemed to be ineligible - £2.871m recovered during the period, £0.582m recovered to January 2022, and £0.407m for which repayment plans have been agreed.

In addition, material irregular expenditure in relation to three apprenticeship recovery intervention schemes (Return, Retain, Result; Recruit; and Apprenticeship Challenge Fund) was identified during the year. The Employment & Training Act (Northern Ireland) 1950 was used to provide the legal vires to make the payments under these schemes; however, the legislation specifically required DoF approval to be obtained in advance of any payments being made. When this oversight was identified, DoF approval was sought for future payments. However, £6.2m of payments had already been made and could not be approved retrospectively. Further information on this issue is provided below.

Other instances of irregular expenditure which the Department does not consider material are also disclosed below.

EU Exit

Following the UK's departure from the EU on 31 January 2020, the DfE EU Exit Transition Readiness Programme (TRP) continued to manage and oversee the Department's, and its ALBs', preparations for the end of the Transition Period, including measures to protect all our business with Great Britain, negotiations on the UK's Future Economic Partnership with the EU, development of the UK's independent International Trade Policy and future Immigration policy. Stakeholder events provided the Department with information to help businesses respond to and manage the impact of EU Exit and preparation for the end of the Transition Period.

EU Exit related risks continue to be managed at all levels throughout the Department in accordance with the Departmental Risk Management Framework, with guidance and support from DfE's dedicated EU Exit teams. Since the end of the Transition Period on 31 December 2020 the Department continues to liaise and engage on a regular basis with UK Government counterparts to ensure that the NI position is accurately reflected and considered including impact on operation of the Northern Ireland Protocol. Following the official closure of the TRP on 31 March 2021, the Department will now continue its work on the TCA, the NI Protocol and preparation for the end of grace periods in a "Business as usual" context, monitoring risks and escalating through the Corporate Risk Register and the

wider NICS EU Exit management structures. Following the latest relaxation of COVID-19 restrictions, the Department is also focusing on signposting businesses towards taking simple steps to take to prepare, to engage with their suppliers and to strengthening supply chains. The Department is also encouraging businesses to access support such as the Trader Support Service and preparing for new requirements on customs and tariffs. The Department will continue to flag these concerns to UKG.

More widely our COVID Restart team continues to work closely with the TEO-led COVID Taskforce to manage the effects of restrictions on the economy - with a particular focus on retail and close contact services. They work closely with key stakeholders to plan for the relaxation of restrictions by providing guidance and resolving issues that arise. The team also provide regular business intelligence to UKG via the Economic dashboard. This is then collated along with sectors and other UK jurisdictions to provide a snapshot of the economic picture across the UK.

RHI

During 2020-21, the RHI team within Energy Group has focused on a number of strategic areas in the Non-Domestic scheme, namely:

- ongoing defence of legal challenges taken against DfE in relation to the scheme;
- ongoing performance management of Ofgem in delivery of the Scheme;
- continued progress with the programme of inspections and compliance by scheme participants;
- a public consultation exercise on the recommendations of Cornwall Insight's review of medium biomass tariffs in April-May 2020; and
- developing options for the future of the scheme.

During 2020-21, work has focused on resolving the Non-Domestic Scheme's future in light of the NDNA commitment that *"RHI will be closed down and replaced by a scheme that effectively cuts carbon emissions"*. An eight week public consultation on the future of the Scheme was launched on 11 February 2021 seeking views on four potential options and the Department is conscientiously analysing and assessing the responses received.

The final decision on the future of the Scheme will be taken by the Executive, informed by the public consultation and taking account of all key issues. Enactment of any option other than the status quo will require passage of legislation.

Both the Domestic and Non-Domestic schemes remain suspended to new applications.

The key risk faced during the reporting period continued to be the potential failure to manage the RHI schemes in a manner fulfilling the Department's obligations to participants whilst delivering value for money, resulting in public criticism, significant budget pressures and further reputational damage. The RHI team managed this risk through the continued adherence to agreed governance arrangements, in line with project management best practice. The RHI Board continued to support robust, evidence based decision making whilst retaining the crucial independent challenge and scrutiny provided to date.

The RHI team is directed by the RHI Board which meets on a regular basis, chaired by the Head of Energy Group. To promote effective governance the team continued to operate a project risk register and issues log, escalating issues to the Board and/ or Audit and Risk Assurance Committee (ARAC) on a timely basis and are supported by the Energy Group Programme Management Office (PMO).

Ongoing legal cases, including the appeal of the 2017 Regulations and challenge to the 2019 Act were managed through close liaison with Departmental Solicitor's Office (DSO).

With regards to the Non-Domestic Scheme, a comprehensive programme of inspections, analysis and compliance also continued during the period to provide assurance to the Department, public and other interested parties that the scheme is operating as intended and where this is not the case, appropriate action is being taken to address the issues identified. 99.7% of all accredited installations have now been subject to inspection.

Compliance activity increased during 2020-21, with additional staff resource deployed, enabling the closure of investigation of a significant number of sites. As at 26 April 2021, investigations into 847 sites have been closed out of a total 1,137 sites inspected. The closure of the remaining 290 sites remains a priority for the Department. While potential non-compliances have been identified on almost all sites, the majority were able to be resolved following remedial action being taken by participants.

The NIRHI Scheme regulations, as drafted, necessitate a high threshold for taking enforcement action. In 7% of cases closed to date, formal enforcement action has been taken. The most common non-compliances resulting in enforcement action include: generating heat for the predominant purpose of increasing support payments (i.e. "overproduction" of heat); and failure to supply information required for effective administration of the Scheme. To date, the compliance process has identified £1.04m to be recouped in relation to 22 sites with the Department taking appropriate steps to recover amounts owed.

The Department's Service Delivery partner, Ofgem, continued to be managed through a monthly Service Delivery Board and quarterly Strategic Meetings with supporting governance documentation.

In relation to the Domestic Scheme, the inspection programme was temporarily paused in March 2020 as a result of the ongoing pandemic. During the year, officials have carried out a risk assessment, identified mitigating factors, and updated the guidance to participants which will facilitate the recommencement of the inspection programme when government restrictions have been relaxed.

In 2021-22, the biggest risks facing the Department will emanate from work on the future of the scheme, including a risk to the completion of the programme of inspections and compliance and further legal challenges alongside the current challenges to the 2019 Act of Parliament, as well as the ongoing appeal to the 2017 Regulations.

Reports published during the year in relation to the schemes are Andrew Buglass' Research into Hardship and Cornwall Insight's 2020 Tariff Review in April 2020 and a report of the 2020 Tariff Review Consultation in February 2021.

Departmental Response to RHI Inquiry

The Department has made good progress in helping to address weaknesses in controls and processes. The RHI Inquiry Report was released on 13 March 2020 and contained specific recommendations for improving governance within the Department. Over the past few years, both in anticipation of the report and following receipt of the Inquiry Report findings and recommendations, several major aspects of DfE's system of internal control and assurance were reviewed and enhanced:

- The management structure of the Department has been fundamentally reorganised and enhanced in order to better align to key policy priorities and to significantly strengthen day to day operational effectiveness and corporate governance;
- More specifically, this included the creation of a dedicated Energy Group, which is now well resourced, and the creation of a much strengthened corporate centre including a dedicated Corporate Governance Division, headed by a Senior Civil Servant, to oversee, direct and police governance matters;
- The recruitment of senior leaders and officials with considerable industry and commercial expertise, specifically in the Energy and Telecommunications fields, augmented by further key administrative appointments who have considerable expertise in leading and directing corporate services and operating functions;
- A review of the DfE Departmental Board operating framework and the creation of two new dedicated Board committees:
- A Resourcing & People Committee to address strategic resourcing priorities and other people matters such as handover processes;
- A Delivery Committee to considering and challenge progress against Departmental Business Plans and associated risk management activities;
- A professionalised Business Planning function fully encompassing Outcomes-Based Accountability;

- A cultural change to openness and transparency, both externally and internally;
- A revised system of Risk Management;
- A significantly enhanced system of assurance on Raising Concerns (Whistleblowing) and the creation of a dedicated Fraud and Raising Concerns Branch within the new Corporate Governance Division with the necessary expertise in these matters;
- A review and strengthening of the DfE Casework Committee which was also made a formal committee of the Departmental Board;
- The establishment of a dedicated function for Project Management Oversight, Monitoring and Support within the new Corporate Governance Division;
- The establishment of a dedicated function for Commercial Management and Awareness within the new Corporate Governance Division; and,
- Addressing the development of leadership skills across the Department.

These improvements are now fully embedded and are working well. The critical leadership and operational failings identified and highlighted in the Inquiry (in the areas of senior leadership and oversight, resourcing, project management and casework scrutiny) have all been addressed and significantly strengthened.

Apprenticeship Recovery Interventions

In September 2021, the Department's Internal Audit Service identified that DoF approvals were not in place for three Apprenticeship Recovery Interventions[2] which had been introduced in 2020-21 as part of the economic response to the pandemic. The requirement for DoF approval under the schemes' vires of the Employment & Training Act (Northern Ireland) 1950 had regrettably been overlooked in the context of the exceptional approval processes which had been put in place to develop urgently needed Covid interventions as expediently as possible. When the issue came to light, payments were immediately halted until the Department could gain approval for further payments from DoF. DoF subsequently provided retrospective approval on 22 November 2021 for two of the three schemes affected and for the third on 8 December 2021 and payments recommenced on 23 November 2021 and 9 December 2021 respectively. However, £6.2m which had already been paid up until 4 October 2021, including £1.1m in the 2020-21 financial year, has been deemed unlawful and cannot be retrospectively regularised.

Glenmore Generation Limited

In 2015 Invest NI developed a business case to support the development of an anaerobic digestion plant at the Glenmore Estate in County Donegal under the Sustainable Use of Poultry Litter (SUPL) scheme. The business case was approved by the DFP (now DoF) and DETI (now DfE) Ministers.

The total cost of the Glenmore project was estimated as £24.3m, with £1 million being input by the project promoter and main contractor. The promoter was the ultimate owner of Glenmore Generation Limited (Glenmore). Of the remaining £23.3 million funding requirement, Invest NI would contribute

2 Return, Retain, Result; New Recruit; and Challenge Fund.

40 per cent (£9.3 million), which would be drawn down in tranches, and a private sector partner would supply the remaining 60 per cent (£14.0 million). The financing offered by Invest NI was in the form of a loan on a pari passu basis with the private sector investment.

Over the course of the project additional investment was required, with the Invest NI Board approving further loan funding of £0.93m alongside private sector contribution of £1.395m in August 2018 for project costs that outside the scope of the original offer. Although the overall value of the Invest NI loan was within the limits initially approved by DoF Supply, further private sector investment meant that seniority rankings changed, meaning the private sector partner now held seniority over the initial loans from both parties. This was a complex and challenging project and some of the technical and operational risks identified materialised as the project developed resulting in failure to deliver the projected financial outcomes, ultimately leading to the non-recovery of the loan.

In April 2021 Invest NI therefore approached DoF for approval to write off a loss totalling £14.2 million on the Glenmore loan (compromising loans of £9.3 million and accumulated interest owing of £4.9 million). The approval for this write off was initially granted by DoF, to allow the refinancing to proceed. However, upon review of a report on the Glenmore project by Invest NI's internal auditors, which had been commissioned by Invest NI Audit and Risk Committee in November 2020, DoF Supply identified a number of issues that led it to conclude that some of the conditions attached to its original approval for the project were not met, and that the expenditure on the loan was therefore irregular. As a result, the Comptroller and Auditor General has provided a qualified audit opinion on the regularity of income and expenditure due to the irregular expenditure of £10.4 million and £0.4 million of interest income included in Invest NI's 2020-21 accounts relating to the Glenmore loan.

The issues raised by Internal Audit and DoF Supply and the subsequent areas for improvement identified have now been included in the Corporate Governance action plan that is overseen by the newly formed Invest NI Governance Oversight and Compliance Council (GOCC). The GOCC was formed in mid-2021 to oversee best practice and improvements right across the governance framework and reports regularly to the Audit & Risk Committee on its work plan and priorities.

Presbyterian Mutual Society

Following the collapse of the Presbyterian Mutual Society (PMS) the Department of Enterprise, Trade and Investment (DETI), now DfE, were designated in March 2011 to manage a bridging loan of £175m with a ten year repayment agreement, under the Financial Assistance Act (Northern Ireland) 2009. Under a Court appointed scheme the PMS is administered by KPMG and Arthur Boyd as Joint Supervisors.

A Departmental PMS Steering Group is responsible for overseeing the strategic direction of the PMS project, as well as maintaining appropriate monitoring and control procedures to ensure sufficient oversight of the management of the scheme. The Steering Group is also responsible for assessing and providing advice to the DfE Permanent Secretary and Minister on key events and managing the risks associated with the repayment of the PMS loan.

Throughout the scheme, the Department, in conjunction with its external professional advisors, has carefully monitored the strategy in relation to the timing of property disposals and repayments available in respect of the £175 million loan by holding regular meetings (at least quarterly). As a result of the UK lockdowns, the Joint Supervisors were unable to execute the previously agreed sales strategy, therefore an extension of the loan facility for a further two years has been approved by the DfE and DoF Ministers. Following this, the Joint Supervisors prepared and presented a revised sales strategy to November 2022 however even with the extension the most current forecast has indicated an £18.5m shortfall on the £175m loan.

Harland and Wolff (H&W)

H&W plc ("the company") is wholly owned by DfE. Its operations are managed by the company's Board which consists of three DfE officials with a fourth official providing a company secretarial function. The H&W plc Board is chaired by the Department's Finance Director and meets on a regular basis throughout the year. The company has its own risk register which is considered at every Board meeting.

H&W retains an inherent risk due to the assessment of the company's future liabilities and funding requirements. To reduce this risk, the Directors rely on actuarial valuations every three years, with the most recent undertaken during the 2019-20 year. Other data, relating to claims against the company, is provided by the company's professional advisers and the Directors are satisfied with the quality of data provided.

HMS Caroline

In 2012 DETI, now DfE, reached an agreement with the National Museum of the Royal Navy (NMRN) to retain HMS Caroline (HMSC or "the Ship") in Belfast and to develop it into a world class maritime Heritage Visitor Attraction (HVA). The capital phase of the project was jointly funded by Tourism NI and the National Lottery Heritage Fund (NLHF) and the HVA opened to the public in April 2018. However, the HVA closed on 17 March 2020 due to Covid-19 restrictions and has not reopened since.

The HVA was operated by NMRN under an Interim Operating Agreement signed in 2017. This Agreement expired on 30 June 2020 when NMRN took the decision not to extend this arrangement. The Department has ongoing legal obligations which are set out in a prior Agreement between DETI, now DfE, and NMRN signed in 2012.The key obligation is that the Department is responsible for keeping the Ship open to public as a heritage visitor attraction. In June 2020 the Minister decided to keep the HVA closed to allow all future options to be considered. NLHF agreed to further extend the period of temporary closure of the attraction. This work continued during 2020-21 and discussions are currently ongoing with representatives of NMRN and NLHF on the options for the future of the attraction.

The Department has continued to progress work to establish appropriate governance structures to ensure that the Department's responsibilities in terms of the HVA are effectively managed. Whilst this work is ongoing, several risks have been identified in relation to the existing financial and governance arrangements in place which have been escalated to the Corporate Risk Register.

There is a financial risk that HMSC is not self-sustaining as a visitor attraction on an ongoing basis which has already materialised with a deficit being incurred earlier than anticipated, mainly due to lower visitor numbers which has been further exacerbated by the impact Covid-19 has had on the Tourism sector. The key governance issue is to agree a way forward on the future of the HVA which provides the best use of public finances.

The Department has been progressing work to mitigate these risks through:

- actively engaging with the other key stakeholders, NMRN and NLHF, at regular tripartite meetings to agree a way forward on the future of the HVA;
- the engagement of additional resources including a Project Manager and secondee from Invest NI with commercial expertise;
- the engagement of external consultants to validate the historic deficit;
- the establishment of a Departmental Project Board and Sub Groups to ensure that there is appropriate Departmental oversight and that those working on the project can draw in the necessary expertise from the wider Department;
- engagement of Tourism consultants to appraise the options for the continued future operation of HMS Caroline in Northern Ireland and Maritime consultants to provide specialist costing information; and
- the appointment of specialist legal advisers to assist DfE in discussions with key stakeholders.

Tourism Ireland

Republic of Ireland funding of Tourism Ireland has disproportionately increased as the Irish Government seeks to address industry concerns and the impact of the UK's exit from the EU. This has distorted agreed funding ratios between the jurisdictions as funding from the Department has not matched this increase. As a result, DoF have been unable to approve the 2020 Tourism Ireland Business Plan meaning that payments relating to Tourism Ireland during 2020-21 are irregular. Sponsor departments are currently working towards resolving this issue.

Other Control Issues

A key source of assurance when drafting this Governance Statement is the year end assurance statements obtained from ALBs and internal DfE Directorates and Deputy Secretaries. These statements provide important assurances about the internal controls in operation within the Department and the various bodies, the drafting and monitoring of Business Plan objectives, and the monitoring and reporting of fraud.

Aside from the main control issues outlined previously, other control issues facing the Department during the reporting period as highlighted in the assurance statements were:

- The Department is facing a vacancy rate of over 20% which risks undermining DfE's ability to deliver key corporate objectives. The Department are taking steps to prioritise key business areas but it is anticipated that it will not be possible to fill all vacancies before the end of September 2021.
- The Education Authority (EA), an ALB of the Department of Education, administers in the region of £11 million of various student financial support, on behalf of DfE. Further Education (FE) Division has been made aware that economic appraisals are not in place for these activities nor the £3 million Hardship Fund. An FE Divisional policy review of FE student financial support is underway and one of the end products will be an economic appraisal(s) for all FE student financial support, to demonstrate value for money, including those administered by EA on behalf of DfE and Hardship Fund.
- Insolvency Division have highlighted that a significant area of their budget comes from fee income which is a particularly volatile source. Due to COVID-19, the operation of the Insolvency Service, and the High Court has been severely restricted as a result of COVID-19 restrictions. As a result, this has had a significant impact on the level of income brought in during the year. Finance Branch are kept notified on a regular basis of fee income and any likelihood of under recovery.
- Apprenticeships, Careers and Vocational Education Division has reported that significant risks around successful corporate governance management of future Apps NI and Youth Training Contracts remain despite progress towards resolution. If risks materialise this matter could have a material impact on the corporate control position. Work is ongoing between ACVED and Corporate Governance Division to deliver a series of targeted changes to the operating practice and structure, to reduce risk levels to an acceptable level as a matter of urgency.

Internal Audit Annual Opinion

Based on the audit work performed, it is the opinion of the Head of Internal Audit (HIA) that the Department has established and maintained satisfactory risk management, control and governance processes during 2020-21. In forming this opinion, Internal Audit has given due regard to the audit work completed in 2020-21, which has been positive. In respect of the COVID support grant schemes implemented during 2020-21, it has been noted that Ministerial Directions were sought for these schemes on the basis of value for money and the risks relating to Fraud and Error. The HIA has noted that in seeking these Ministerial Directions, DFE acted in a manner consistent with good governance. It has also been noted that the Department has established a Project to assess the risks of Fraud and Error in these schemes and to determine what additional work is required to mitigate risks that it was not possible to control pre-payment of grant. It is important that this work is completed and lessons applied to the development of further COVID-19 grant schemes.

Fraud and Raising Concerns

During 2020-21, the Department's Fraud & Raising Concerns Branch enhanced the co-ordination and management of all cases referred during the year. The branch is responsible for providing a professional advice & guidance function, maintaining accurate and secure records of all allegations and investigations and guiding or assisting with investigations where possible. This has significantly improved the Department's oversight and control of all reported cases.

Fraud Reporting

At 1 April 2020, twenty-six ongoing fraud cases were brought forward from previous years.

During 2020-21, there were thirty-one cases of suspected fraud reported to the Department. Nineteen of the cases referred were COVID-19 Grant related and Further and Higher Education Divisions reported a total of seven cases. The remaining five referrals were one each from Tourism NI, Invest NI, European Fund Management, NI Screen and Telecoms Branch.

In total, twenty-five cases were closed during the year. Appropriate actions have been taken on all cases reported. Any recommendations made are being implemented and policies and procedures updated where necessary. In line with appropriate guidance, all cases of fraud during the year have been reported to DoF and NIAO. Thirty-two cases were ongoing at 31 March 2021.

Raising Concerns Reporting

At 1 April 2020, there were ten open Raising Concerns cases, brought forward from previous years.

During 2020-21, the department received twenty-three raising concerns allegations. Further and Higher Education Divisions reported a total of seven allegations, Minerals & Petroleum reported four cases, two cases raised concerns about the administration of COVID-19 Grant Schemes and Corporate Governance received five miscellaneous concerns from members of the public. Of the remaining five referrals, two were referred by Telecoms and one each by Energy Division, Invest NI and Youth Training Delivery & Performance.

In total, twenty-three cases were actioned and closed during the year. Any recommendations made are being implemented and policies and procedures updated where necessary. Investigations into ten raising concerns allegations were ongoing at 31 March 2021.

Public Accounts Committee Issues

On 13 October 2020, the NIAO published a report 'Generating Electricity from Renewable Energy'. The report examined the Northern Ireland Renewables Obligation (NIRO) which provides a financial incentive, in the form of Renewables Obligations Certificates (ROCs), to accredited generators of electricity from renewable sources, such as wind, solar and anaerobic digester plants. The report considered issues that have been identified around anaerobic digester plants and onshore wind turbines, it also assessed the existence and effectiveness of any joined up strategic and operational partnership arrangements across government to support the NIRO scheme. The NIAO report made six recommendations, three of which fall to the Department.

Recommendation 1

The Department for the Economy should take a lead role in strengthening and formalising partnership arrangements across all relevant public bodies, to ensure that any future renewable electricity or energy schemes are supported by a more proactive and joined up approach to accreditation, monitoring and enforcement.

Recommendation 2

In any future schemes which support electricity generated from renewable sources, the supporting legislation should be more specific about permitted uses of the electricity generated, particularly if it is not exported to the grid. It should also include a requirement to demonstrate that, if electricity usage was not being met by renewables, it would otherwise be met by electricity from fossil fuel sources.

Recommendation 3

The Department for the Economy should carry out a review of all types of renewable generators to ensure that current levels of financial support and the actual rates of return that are being achieved are compatible with the original projections and State Aid rules. Future schemes should project rates of return across a range of outputs and, in setting any bandings, should assume that investors will usually seek to maximise their returns by choosing the most favourable output within that banding.

On 18 March 2021, the Public Accounts Committee held an evidence session in relation to the report. The Committee was advised that the Department had already accepted Recommendation 3; the Committee agreed to request further information from the Department following the session.

Ministerial Directions

There were a total of fifteen ministerial directions granted by the Minister during the 2020-21 financial year. It is accepted that this is an unusually high number, however all but one of these pertained to COVID-19 related matters and support for businesses and individuals adversely affected by the pandemic, and to protect jobs. Of the directions, four related to the COVID Restrictions Business Support Scheme (CRBSS) and three related to the Large Tourism and Business Hospitality Support Scheme (LTHBSS). This was as a result of various extensions to both Schemes. Details of all ministerial directions are provided below.

COVID-19 £25,000 Business Grant Scheme & COVID-19 Microbusiness Hardship Scheme

There was one Ministerial direction granted during the 2019-20 financial year on 26 March 2020 in relation to COVID-19 measures. This related to the £10,000 Business Support Grant Scheme. This was an NI Executive initiative to provide one-off emergency grants to small businesses to address immediate liquidity risks, which if unchecked would significantly increase the potential threat of business closures. This grant applied to businesses in receipt of small business rate relief.

Two further Ministerial directions were granted at the start of 2020-21, the COVID-19 £25,000 Business Support Grant Scheme for Retail, Hospitality, Tourism and Leisure issued on 9 April 2020 and the COVID-19 Microbusiness Hardship Scheme issued on 3 May 2020.

The COVID-19 £25,000 Business Support Grant Scheme for Retail, Hospitality, Tourism and Leisure applied to firms with a rateable value of between £15,001 and £51,000 in the retail, hospitality, tourism and leisure sectors.

The COVID-19 Microbusiness Hardship Scheme was aimed at businesses that employed between one and nine employees who were not eligible for the £10,000 Small Business Grant or the £25,000 Retail, Hospitality, Tourism & Leisure Grant. The scheme, which was capped at £40m, would provide grants of up to £10,000 to businesses that met the eligibility criteria and paid business rates and up to £5,000 to eligible businesses that did not pay business rates.

COVID Restrictions Business Support Scheme (CRBSS)
On 22 October 2020, a ministerial direction was granted for the COVID Restrictions Business Support Scheme (CRBSS). This was to provide support of £40m to businesses that had been directly and indirectly impacted by the health protection regulations put in place by the Executive and that were not eligible for the Department of Finance led Localised Restrictions Support Scheme (LRSS). The CRBSS was aimed at supporting the following businesses:

- businesses which were required to close but were not eligible for the Localised Restrictions Support Scheme (LRSS); and,
- businesses within the supply chain of those businesses named within the COVID Regulations and had been significantly impacted as a result of the restrictions.

CRBSS – Ministerial Direction for reopening to cover restrictions 26/12/20 – 06/02/21
On 17 December 2020, the Executive agreed a new six week period of restrictions for Northern Ireland, to begin on 26 December 2020. It was agreed by the Executive that the COVID Restrictions Business Support Scheme (CRBSS) should be reopened to provide support to affected businesses during this period. Given the inevitable and ongoing difficulties facing businesses as a result of the new restrictions, the CRBSS was reopened to support affected individuals and a Ministerial Direction was issued.

CRBSS – Ministerial Direction for extension to 31 March 2021
As a result of the Executive's decision to extend restrictions to 1 April 2021 a further ministerial direction was issued on 5 March 2021 to extend the CRBSS to 31 March 2021. It was estimated that the cost of extending the CRBSS and the LTHBSS (see below) to 31 March 2021 would cost an additional £21m.

CRBSS – Ministerial Direction for extension beyond 31 March 2021
In March 2021, it was accepted that the current restrictions would continue beyond 1 April 2021 and a decision was required on whether eligible applicants should receive further top-up grant to cover any further periods of restrictions. On 29 March 2021, a ministerial direction was issued to extend the scheme beyond 31 March 2021. It was estimated that the additional cost of extending the scheme would be circa £3m per week.

Large Tourism and Hospitality Business Support Scheme (LTHBSS)

On 22 January 2021, a ministerial direction was granted to the Large Tourism and Hospitality Business Support Scheme (LTHBSS). The Scheme provided support to large businesses in the tourism and hospitality sectors which have been impacted by the health protection regulations put in place by the Executive. The Scheme provided additional financial support to help businesses meet fixed costs and overheads associated with the survival of their businesses. The Scheme had an original allocated budget of £26.1m to cover the period from October to December 2020.

LTHBSS – Ministerial Direction for extension to 31 March 2021

As with the CRBSS, the Executive's extension to restrictions to 1 April 2021 had financial implications for the LTHBSS. As a result, a further ministerial direction was issued on 5 March 2021 to extend the LTHBSS to 31 March 2021. The overall cost of the Scheme will not be known until the scheme has closed and applications have been processed and payments verified.

LTHBSS – Ministerial Direction for extension beyond 31 March 2021

In March 2021, it was accepted that the current restrictions would continue beyond 1 April 2021 and a decision was required on whether eligible applicants should receive further top-up grant to cover any further periods of restrictions. On 29 March 2021, a ministerial direction was granted to extend the scheme beyond 31 March 2021. It was estimated that the additional cost of extending the scheme would be circa £2m per week.

Newly Self-Employed Support Scheme (NSESS)

On 2 December 2020, the Newly Self Employed Support Scheme (NSESS) was granted ministerial direction. The purpose of the scheme was to provide financial support to those self-employed individuals and members of partnerships whose businesses were adversely impacted by COVID-19 and who were not able to access support via the national Self Employed Income Support Scheme (SEISS). Only sole trader and partnership businesses that commenced trading between 6 April 2019 and 5 April 2020 were eligible for the Scheme. The Scheme had an allocated budget of £10m, opened on 3 December 2020 and closed on 5 February 2021.

Wet Pubs Business Support Scheme (WPBSS)

On 18 December 2020, the Wet Pubs Business Support Scheme (WPBSS) was granted ministerial direction. The scheme was developed within the context of the Localised Restrictions Support Scheme (LRSS) and aimed to provide additional support to wet pubs (i.e. those that serve drink only) in recognition of the extended period of closure that they underwent earlier in the year when the hospitality sector was permitted to open, but wet pubs were required to remain closed for a twelve week period between 4 July and 23 September. Wet pubs had not received any additional support towards their fixed cost overheads for that additional twelve week period they were required to remain closed. The allocated budget for the scheme was £10.6m.

Limited Company Directors Support Scheme (LCDSS)

On 13 January 2021, the Limited Company Directors Support Scheme (LCDSS) was granted ministerial direction. The scheme was designed to provide financial support to company directors who had personally been adversely impacted by COVID-19 and who had been unable to access financial support from national grant schemes. The LCDSS provided a one off grant to eligible participants and was opened for applications on 21 January 2021, it was due to close on 18 February, but was subsequently extended to 4 March 2021. The allocated budget for LCDSS was £40m.

Bed and Breakfast Guest House and Guest Accommodation Scheme

On 22 January 2021, the Bed and Breakfast Guest House and Guest Accommodation Scheme was granted ministerial direction. The purpose of the scheme was to support the ability of these sectors to sustain themselves, re-open and continue to provide much needed tourist accommodation in 2021 and beyond. The funding provided by the Scheme would help vulnerable but viable tourist accommodation providers with the cost of re-opening or keeping a business operational; to adapt physical areas of the business and service processes; with the cost of re-connecting with employees and customers and adapting customer marketing and the cost of financial planning. The financial allocation for the Scheme was £4.1m.

COVID Disruption Payment to HE Students Scheme

On 9 February 2021, the COVID Disruption Payment to HE Students Scheme was granted a ministerial direction. The scheme was in recognition of the exceptional circumstances and significant disruption Higher Education students had suffered as a result of the COVID-19 pandemic.

The Scheme made a discretionary one-off COVID Disruption Payment to all home, EU and GB students in full time higher education at a publicly funded Northern Ireland higher education institution, or in full time higher education at a further education college. The estimated cost of the Scheme was £22m.

City of Derry Airport (CoDA)/ London Public Service Obligation (PSO)

On 5 March 2021. A ministerial direction was granted in respect of the City of Derry Airport (CoDA)/ London Public Service Obligation (PSO). This was an extension of an existing PSO route between CoDA and London, delivered by Loganair. The ministerial direction agreed to fund the CoDA/ London PSO route from April 2021 to March 2023. The contract for the route sits with the Council and the airline and the Department has committed to provide funding of £0.9m in 2021-22 and a further £1.1m in 2022-23, on the assumption that the Department for Infrastructure provides match 50% funding over the same period.

REMUNERATION REPORT

Remuneration Policy

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is approved by the Minister of Finance. The Minister has set the 2020-21 NI public sector pay policy (September 2020) in line with the overarching HMT parameters. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS, for 2020-21 has been finalised and were paid in July and October 2021 respectively.

The pay of SCS is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Service Contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commissioners for Northern Ireland can be found on their website at www.nicscommissioners.org

Remuneration and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management (i.e. Board Members) of the Department.

Remuneration and pension entitlements – Minister (audited information)

					Single total figure of remuneration	
Minister	Salary (£)		Pension Benefits* (to nearest £1,000)		Total (to nearest £1,000)	
	2020-21	2019-20 *Restated*	2020-21	2019-20	2020-21	2019-20 *Restated*
Diane Dodds MLA *01/04/2020 – 31/03/2021 & 11/01/2020 – 31/03/2020*	38,000	8,478 (38,000 full year equivalent)	12,000	3,000	50,000	11,000

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights. No benefits in kind were received in 2020-21.*

Remuneration and pension entitlements – Officials (audited information)

Single total figure of remuneration						
Officials	**Salary (£'000)**		**Pension Benefits* (to nearest £1,000)**		**Total (£'000)**	
	2020-21	**2019-20**	**2020-21**	**2019-20**	**2020-21**	**2019-20**
Mike Brennan *Permanent Secretary* *14/12/2020 – 31/03/2021* *Acting Permanent Secretary* *01/04/2020 – 13/12/2020 &* *01/12//2019 – 31/03/2020* *Deputy Secretary* *01/04/2019 – 30/11/2019*	120-125	100-105 (115-120 full year equivalent)	189,000	116,000	310-315	220-225
Noel Lavery *Permanent Secretary* *01/04/2019 – 29/11/2019*	-	80-85 (120-125 full year equivalent)	-	38,000	-	120-125
Heather Cousins *Deputy Secretary*	105-110	100-105	42,000	29,000	145-150	125-130
Richard Rodgers** *Deputy Secretary*	105-110	105-110	-	-	105-110	105-110
Paul Grocott *Deputy Secretary* *05/10/2020 – 31/03/2021* *Acting Deputy Secretary* *01/04/2020 – 04/10/2020 &* *02/12/2019 – 31/03/2020*	90-95	30-35 (90-95 full year equivalent)	37,000	12,000	130-135	40-45
David Malcolm *Deputy Secretary* *05/10/2020 – 31/03/2021*	45-50 (95-100 full year equivalent)	-	49,000	-	95-100	-
Shane Murphy *Acting Deputy Secretary* *19/10/2020 – 31/03/2021*	40-45 (95-100 full year equivalent)	-	56,000	-	95-100	-
Colin Lewis *Deputy Secretary* *01/04/2020 – 01/01/2021 &* *01/04/2019 – 31/03/2020*	80-85 (105-110 full year equivalent)	100-105	30,000	19,000	110-115	120-125
Diarmuid McLean *Acting Deputy Secretary* *01/04/2020 – 01/01/2021 &* *01/10/2019 – 31/03/2020*	70-75 (90-95 full year equivalent)	45-50 (90-95 full year equivalent)	21,000	55,000	90-95	100-105

Single total figure of remuneration						
Officials (continued)	**Salary (£'000)**		**Pension Benefits** (to nearest £1,000)**		**Total (£'000)**	
	2021-20	**2019-20**	**2020-21**	**2019-20**	**2020-21**	**2019-20**
Eugene Rooney *Deputy Secretary* *01/04/2019 – 30/09/2019*	-	45-50 (95-100 full year equivalent)	-	2,000	-	50-55
Colin Woods *Assistant Secretary* *30/04/2020 – 31/03/2021*	65-70 (70-75 full year equivalent)	-	28,000	-	95-100	-
Sharon Hetherington *Assistant Secretary* *25/06/2020 – 31/03/2021*	55-60 (70-75 full year equivalent)	-	28,000	-	85-90	-
Michelle Bell *Acting Assistant Secretary* *25/02/2021 – 31/03/2021*	5-10 (70-75 full year equivalent)	-	11,000	-	15-20	-
Wendy Johnston *Assistant Secretary* *01/04/2020 – 21/01/2021 &* *01/04/2019 – 31/03/2020*	65-70 (80-85 full year equivalent)	55-60 (80-85 full year equivalent)	15,000	15,000	80-85	70-75
Stephen McMurray *Assistant Secretary* *01/04/2020 – 21/05/2020 &* *01/04/2019 – 31/03/2020*	10-15 (75-80 full year equivalent)	75-80	21,000	25,000	30-35	100-105
Colm McKenna *Non-Executive* *Board Member*	15-20	10-15	-	-	15-20	10-15
Fiona Keenan *Non-Executive* *Board Member* *01/04/2020 – 31/03/2021 &* *16/03/2020 – 31/03/2020*	10-15	-	-	-	10-15	-
Lisa Morgan*** *Non-Executive* *Board Member*	-	-	-	-	-	-

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

***The Department does not pay a pension to this Board Member.*

****This Non-Executive Board Member is employed by Department of Finance and, as such, is paid by that Department.*

Non-Executive Board Members are remunerated on a per diem basis.

None of the above received benefits in kind in 2020-21 or 2019-20.

Salary

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

The Department for the Economy was under the direction and control of Diane Dodds MLA during the financial year. Her salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in these accounts. These amounts do not include costs relating to the Minister's role as MLA which are disclosed in the appropriate legislature accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were awarded to senior officials in respect of 2020-21 and 2019-20.

Pay Multiples (Audited Information)

	2020-21	2019-20
Band of Highest Paid Director's Total Remuneration* (£000)	115-120	115-120
Median Total Remuneration* (£)	31,960	30,526
Ratio	3.68	3.85

**Total remuneration includes salary, non-consolidated performance related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions, and the cash equivalent transfer value of pensions.*

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

The banded remuneration of the highest paid director in the Department in the financial year 2020-21 was £115,000-120,000 (2019-20: £115,000-120,000). This was 3.68 times (2019-20: 3.85 times) the median remuneration of the workforce, which was £31,960 (2019-20: £30,526).

The movement in the ratio between 2020-21 and 2019-20 is primarily attributable to an increase in the Department's median total remuneration.

In 2020-21, two individuals (2019-20: two individuals) received remuneration in excess of the highest paid director.

Remuneration ranged from £19,425 to £118,960 (2019-20: £18,883 to £116,627), based on pay scales as at 31 March 2021.

Pension Entitlements – Minister (audited information)

	Accrued pension at pension age as at 31/03/2021	Real increase in pension at pension age	CETV at 31/03/2021	CETV at 31/03/2020	Real increase in CETV
	£000	£000	£000	£000	£000
Diane Dodds MLA *01/04/2020 – 31/03/2021 & 11/01/2020 – 31/03/2020*	0-2.5	0-2.5	16	3	10

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011, the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 establishing a Panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016, the Independent Financial Review Panel issued The Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. The scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016. Assembly Members aged 55 or over, on 1 April 2015, and, in continuous service between 1 April 2015 and 6 May 2016, will retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The McCloud judgement found that the transitional protection offered to members of the Judiciary and Firefighters Schemes when their schemes were reformed was discriminatory on grounds of age. In light of this decision, the government has agreed to provide remedy to eligible members across the main public sector schemes. This judgement could have an impact on Members who missed out on the Transitional Protection policy in the Assembly Members' Pension Scheme because of their age but the applicability and approach to the McCloud judgement in this scheme is still under consideration.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for Ministers under transitional protection arrangements are provided on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 9% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 14.4% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996 (as amended) and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using valuation factors for the start and end of the period.

Pension Entitlements – Officials (Audited Information)

	Accrued pension at pension age as at 31/03/2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2021	CETV at 31/03/2020	Real increase in CETV	Employer contribution to partnership pension account Nearest
	£000	£000	£000	£000	£000	£100
Mike Brennan *Permanent Secretary* *01/04/2020 – 31/03/2020 &* *01/12/2019 – 31/03/2020* *Deputy Secretary* *01/04/2019 – 30/11/2019*	50-55 Plus lump sum of 130-135	7.5-10 Plus lump sum of 17.5-20	1,085	882	169	-
Heather Cousins *Deputy Secretary*	25-30 Plus lump sum of 85-90	0-2.5 Plus lump sum of 5-7.5	673	604	43	-
Richard Rodgers* *Deputy Secretary*	-	-				
Paul Grocott *Deputy Secretary* *01/04/2020 – 31/03/2021 &* *02/12/2019 – 31/03/2020*	10-15 Plus lump sum of nil	0-2.5 Plus lump sum of nil	103	81	11	-
David Malcolm *Deputy Secretary* *05/10/2020 – 31/03/2021*	35-40 Plus lump sum of 85-90	0-2.5 Plus lump sum of 2.5-5	704	664	36	-
Shane Murphy *Acting Deputy Secretary* *19/10/2020 – 31/03/2021*	25-30 Plus lump sum of 55-60	2.5-5 Plus lump sum of 5-7.5	469	412	41	-
Colin Lewis *Deputy Secretary* *01/04/2020 – 01/01/2021 &* *01/04/2019 – 31/03/2020*	35-40 Plus lump sum of 110-115	0-2.5 Plus lump sum of 2.5-5	868	847	31	-
Diarmuid McLean *Acting Deputy Secretary* *01/04/2020 – 01/01/2021 &* *01/10/2019 – 31/03/2020*	30-35 Plus lump sum of 205-210	nil Plus lump sum of 100-102.5	820	800	30	-
Colin Woods *Assistant Secretary* *30/04/2020 – 31/03/2021*	20-25 Plus lump sum of nil	0-2.5 Plus lump sum of nil	268	245	10	-
Sharon Hetherington Assistant Secretary 25/06/2020 – 31/03/2021	10-15 Plus lump sum of 10-15	0-2.5 Plus lump sum of 0-2.5	215	186	18	-

**The Department does not pay a pension to this Board Member.*

	Accrued pension at pension age as at 31/03/2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2021	CETV at 31/03/2020	Real increase in CETV	Employer contribution to partnership pension account Nearest
	£000	£000	£000	£000	£000	£000
Michelle Bell *Acting Assistant Secretary* *25/02/2021 – 31/03/2021*	20-25 Plus lump sum of 40-45	0-2.5 Plus lump sum of 0-2.5	390	380	9	-
Wendy Johnston *Assistant Secretary* *01/04/2020 – 21/01/2021 &* *01/04/2019 – 31/03/2020*	0-5 Plus lump sum of 10-15	0-2.5 Plus lump sum of 2.5-5	107	89	15	-
Stephen McMurray *Assistant Secretary* *01/04/2020 – 21/05/2020 &* *01/04/2019 – 31/03/2020*	25-30 Plus lump sum of 80-85	0-2.5 Plus lump sum of 2.5-5	638	615	21	-

Northern Ireland Civil Service (NICS) Pension Schemes

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

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

Discrimination identified by the courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relates to the different schemes, e.g. classic, alpha, etc., and is not the monetary benefits received. This is known as the ‘McCloud Remedy’ and will impact many aspects of the Civil Service Pensions schemes including the scheme valuation outcomes. Further information on this will be included in the NICS pension scheme accounts which are available at DoF Resource Accounts.

Currently, new entrants joining can choose between membership of alpha or joining a ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account).

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

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

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

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

Active members of the pension scheme will receive an Annual Benefit Statement. The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found on the Department of Finance website.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2020 was 0.5% and HM Treasury has announced that public service pensions will be increased accordingly from April 2021.

Employee contribution rates for all members for the period covering 1 April 2021 to 31 March 2022 are as follows:

Scheme Year 1 April 2021 to 31 March 2022

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All members
From	**To**	**From 1 April 2021 to 31 March 2022**
£0	£24,199.99	4.6%
£24,200.00	£55,799.99	5.45%
£55,800.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Cash Equivalent Transfer Values

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

Real Increase in CETV

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

Compensation for Loss of Office (Audited Information)

There was no compensation for loss of office payments in respect of officials during 2020-21 or 2019-20.

STAFF REPORT

Staff Costs (Audited Information)

				2020-21 £000	2019-20 £000
	Permanently employed staff*	Others	Minister	Total	Total
Wages and salaries	45,971	1,883	38	47,892	41,630
Social security costs	4,246	134	5	4,385	3,946
Other pension costs	12,549	530	5	13,084	11,945
Sub Total	**62,766**	**2,547**	**48**	**65,361**	**57,521**
Less recoveries in respect of outward secondments	(67)	-	-	(67)	(52)
Less charged to EU Programmes as Technical Assistance	(1,096)	-	-	(1,096)	(1,112)
Total net costs**	**61,603**	**2,547**	**48**	**64,198**	**56,357**
Of which:	**Charged to Administration**	**Charged to Programme**	**Total**		
Core Department	**42,195**	**22,003**	**64,198**		
Total net costs	**42,195**	**22,003**	**64,198**		

** The 2020-21 figures include the cost of the Department's Special Adviser who was paid in the pay band £55,000 - £69,999 (2019-20: £55,000 - £69,999).*

*** Of the total, no staff costs have been charged to capital in 2020-21 (2019-20: £nil).*

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Department for the Economy is unable to identify its share of the underlying assets and liabilities.

The Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019.

The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap mechanism is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. On completion of the consultation process the 2016 Valuation will be completed and the final cost cap results will be determined.

A case for approval of a Legislative Consent Motion (LCM) has been laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill to Northern Ireland. An LCM allows the Assembly to consent to legislation for Northern Ireland being made by the UK Parliament for devolved matters. The UK Bill will legislate how the government will remove the discrimination identified in the McCloud judgment. The Bill also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2020-21, employers' contributions of £12,549k were payable to the NICS pension arrangements (2019-20: £11,511k) at one of three rates in the range 28.7% to 34.2% (2019-20: 28.7% to 34.2%) of pensionable pay, based on salary bands.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £12,759.71 (2019-20: £8,727.76) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2019-20: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £513.74, 0.5% of pensionable pay (2019-20: £326.78, 0.5%), were payable to the NICS Pension Schemes to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Two persons (2019-20: five persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £85 (2019-20: £nil).

Average number of persons employed (Audited Information)

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

Activity	Permanent Staff*	Others	Minister	Special Advisers	2020-21 Number Total	2019-20 Number Total
1	1,188	42	1	1	1,232	1,195
Staff engaged on capital projects	-	-	-	-	-	-
Total	**1,188**	**42**	**1**	**-**	**1,232**	**1,195**

**Includes 102 Permanent Staff in respect of Health and Safety Executive for Northern Ireland (HSENI) (2019-20: 100).*

Office of Industrial and Fair Employment Tribunals Service

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

Following the Hutton Review and the reform of public sector pensions, two new pension schemes, Judicial Pension Scheme (JPS) 2015 and Northern Ireland Judicial Pension Scheme (NIJPS) 2015, were introduced from 1 April 2015. These mirror each other and other public sector career average pension schemes. From 1 April 2015 the Department has paid contributions in relation to salaried excepted and devolved salaried Judicial Office Holders and excepted fee paid Judicial Office Holders. A subsequent revaluation of the Judicial Pension Schemes resulted in a contribution rate for Appointing Bodies of 38.45% which includes an element of 0.25% as a contribution towards the administrative costs of the schemes.

The Fee-Paid Judicial Pension Scheme (FPJPS), established under the Judicial Pensions (Fee-Paid Judges) Regulations 2017, was implemented from 1 April 2017 to deliver the litigation remedy to eligible fee-paid office-holders in the case of O’Brien v MoJ and related litigation, including in Northern Ireland.

Provisions have been recognised in these accounts for the liability to fee paid judicial office holders in respect of the Judicial Service Award, as this liability is not covered by the Judicial Pension Schemes and the governing legislation.

A number of claims by judicial office holders have been made against DfE under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations (Northern Ireland) 2000. These claims continue.

Attendance Management

The Department had an overall sickness absence rate of 7.7 days lost per employee in 2020-21 (2019-20: 10.2 days). Annual sickness absence figures can be found in the Sickness Absence in the "Sickness Absence in the Northern Ireland Civil Service 2020-21" report at Sickness Absence Statistics Northern Ireland Statistics and Research Agency (nisra.gov.uk).

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2020-21 Total number of exit packages by cost band	2019-20 Total number of exit packages by cost band
< £10,000	-	-	-	1
£10,000 - £25,000	-	1	1	1
Total number of exit packages	**-**	**1**	**1**	**2**
Total resource cost/ £000	**-**	**23**	**23**	**21**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. The table above shows the total cost of exit packages agreed and accounted for in 2020-21 and 2019-20. £22,941 of exit costs were paid in 2020-21, the year of departure (2019-20: £20,760). Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Staff Composition

The table below provides a breakdown of the number of persons employed by the Department as at 31 March 2021, by gender for each of the following groups:

- Directors (interpreted to be the Permanent Secretary, Deputy Secretaries and Departmental Board Members);
- Senior Managers (staff at Senior Civil Servant level that are not included in the Directors Group); and,
- All other employees.

	As at 31 March 2021			As at 31 March 2020		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Directors	5	1	6	5	1	6
Senior Managers	18	12	30	21	10	31
Employees	546	719	1,265	536	736	1,272
Total*	**569**	**732**	**1,301**	**562**	**747**	**1,309**

**Includes 52 Male, 52 Female, 104 Total, in respect of Health and Safety Executive NI (HSENI) (2019-20: 52 Male, 53 Female, 105 Total).*

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

Staff Turnover

The Department for the Economy Staff Turnover percentage (the number of people that have left the Department but have moved within the NICS) for 2020-21 is 6.8%, and the general turnover percentage (the people who have left the Department and have not gone elsewhere in the NICS) is 3.5%. This has been calculated by NICS HR based on the Cabinet Office Guidance on calculations for Turnover in the Civil Service.

Staff Engagement

The 2020 NICS People Survey was conducted by NISRA across the nine NICS ministerial Departments as well as the Public Prosecution Service and the Health & Safety Executive for NI. All staff working in these organisations were invited to take part in the survey. For DfE, there were 1,185 (2019-20: 1,182) staff invited to complete the survey, of which 692 (2019-20: 802) participated, a response rate of 57% (2019-20: 68%).

The Employee Engagement Index (EEI) is the weighted average of the responses to the five employee engagement questions, and it ranges from 0% to 100%. DfE responses indicated an Employee Engagement Index of 59% (2019-20: 54%), compared to the

NICS average of 57% (2019-20: 51%). The full survey can be accessed at NICS People Survey results.

Staff Redeployment

During the year, the Department loaned out staff to the COVID-19 hub to assist in its operations. The table below provides a breakdown of the number of persons that were loaned out:

Grade	Number of staff loaned out
Grade 7	1
Deputy Principal	2
Staff Officer	1
Executive Officer II	2
Executive Officer I	2
Total	**8**

All staff redeployment was of a short term nature (less than six months) with the average duration being nine weeks. The cost of staff on short term loans in relation to COVID-19 was £42,467 for administration costs and £4,333 for programme costs.

Off-Payroll Engagements

	Year ended 31 March 2021	Year ended 31 March 2020 *restated*
Table 1: Off- Payroll Engagements		
Number of off-payroll engagements at 1 April	22	17
Number of new off-payroll engagements:		
Those caught by IR35	-	-
Those not caught by IR35	23	29
Number of engagements which have come onto the payroll	(1)	-
Number of engagements which have come to an end	(10)	(24)
Number of off-payroll engagements at 31 March	**34**	**22**

The Department had one 'off-payroll' engagement at a cost of over £245 per day in place as at 31 March 2021 (31 March 2020: none), lasting for less than six months.

Table 2: For any off-payroll engagements of board members, and/ or, senior officials with significant financial responsibility		
Number of off-payroll engagements of board members, and/ or senior officials with significant financial responsibility during the year.	-	-
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/ or, senior officials with significant responsibility", during the financial year.	15	12

Consultancy and Temporary Staff

During the year to 31 March 2021, the Department spent £948,825 on external consultancy (31 March 2020: £656,471), and £721,794 on temporary staff (31 March 2020: £666,508).

Number of SCS (or equivalent) staff by band

The following table summarises the number of Senior Civil Servants in post by pay range as at 31 March 2021. Salary ranges represent full-time equivalent rates.

Pay range	Number of SCS staff within ranges as at 31 March 2021	Number of SCS staff within ranges as at 31 March 2020 *Restated*
£115,000 - £120,000	1	1
£105,000 - £110,000	1	1
£100,000 - £105,000	1	1
£95,000 - £100,000	-	1
£90,000 - £95,000	3	2
£80,000 - £85,000	2	2
£75,000 - £80,000	9	9
£70,000 - £75,000	12	8
Total	**29**	**25**

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

Consultation with Employees

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

Employment, training and advancement of disabled persons

The Northern Ireland Civil Service applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which includes raising awareness of unconscious bias, is offered to all members of NICS recruitment panels. Unconscious bias training is available to all staff.

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support adjustments to the working environment required by disabled persons.

The NICS has a wide and active network of Diversity Champions and one of its Deputy Secretaries is the NICS Diversity Lead for Disability. The NICS has a Disability Working Group and is a lead partner with Employers for Disability Northern Ireland. During 2020-21 the NICS established a Disability Staff Network. This Network plays a key role in promoting disability equality and inclusion across the NICS.

The NICS is committed to working towards creating a truly inclusive workplace where all colleagues feel valued. The NICS promotes a number of schemes for disabled people, including a Work Experience Scheme for People with Disabilities.

Equality, Diversity and Inclusion

In the NICS, we are committed to building an inclusive workplace culture where diversity is truly valued at all levels, where you are valued for who you are and where you can bring your true self to work. We want to make use of all the talent that exists across the NICS to ensure we are a well-led, high performing, outcome-focused Service and a Service that is a great place to work.

The NICS People Strategy includes a range of actions that will help accelerate our ambition of a truly inclusive NICS, which reflects the society we serve.

As a key element of the People Strategy, our ambitious diversity and inclusion programme of work is delivered through the implementation of an annual NICS Diversity Action Plan, and overseen by the leadership of the NICS Board, the NICS Diversity Champions Network, Departmental Diversity Champions and Thematic Diversity Champions, NICS colleague networks and NICSHR, as well as through partnership working with stakeholder organisations.

The NICS Diversity Action Plan sets out our priorities for action by diversity and inclusion theme, cross-cutting priorities, departmental priorities and includes supporting plans on communications and outreach.

Equality is a cornerstone consideration in the development and review of all HR policies which determine how staff are recruited and appointed, their terms and conditions, how they are managed and developed, assessed, recognised and rewarded. The NICS' commitment to equality of opportunity is outlined in its Equality, Diversity and Inclusion Policy.

As part of the NICS' efforts to ensure equality of opportunity, the NICS continually conducts comprehensive reviews into the composition of its workforce and recruitment activity, publishing a wide range of NICS human resource statistics.

The annual "Equality Statistics for the Northern Ireland Civil Service" reports work force composition and trends over time and, where appropriate, makes comparisons with the wider labour market and the Civil Service in Great Britain.

The NICS continues to meet its statutory obligations under the Fair Employment & Treatment (NI) Order 1998, which includes submission of an annual Fair Employment Monitoring Return and a tri-annual Article 55 Review to the Equality Commission for NI (ECNI), both of which assess the composition of the NICS workforce and the composition of applicants and appointees. In addition, the NICS conducts a similar formal review of the gender profile of its workforce. The finding are published in the NICS Article 55 and Gender Reviews, The NICS uses the findings of all the equality monitoring and analysis to inform its programme of targeted outreach activity to address any areas of under-representation.

As a public authority, the NICS has due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the Section 75 of the Northern Ireland Act 1998 in carrying out its functions. Further information on the department's equality scheme is available at Department for the Economy Equality.

Learning & Development

The NICS recognises the importance of having skilled and engaged employees and continues to invest in learning and development.

Development and delivery of generic staff training is centralised in NICSHR[3]. Training is delivered using a variety of learning delivery channels (including on-line, webinars), providing flexible access to learning. Coherent learning pathways are aligned to both corporate need and the NICS Competency Framework.

Talent management is a key theme of the NICS People Strategy and this year the focus was on improving the quality of the development conversation between managers and staff, with the introduction of a talent management toolkit.

The NICS offers a wide range of career development opportunities through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

Employee Consultation and Trade Union Relationships

The Department of Finance is responsible for the NICS Industrial Relations Policy. NICSHR, consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area.

3 NICSHR is the NICS' centralised human resources function. It falls under the responsibility of the Department of Finance.

STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY (SOAS) (AUDITED INFORMATION)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department for Economy (DfE) to prepare a Statement of Assembly Supply (SoAS) and supporting notes.

The SoAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SoAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SoAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: Outturn detailed by Estimate line, providing a more detailed breakdown (note SOAS1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoAS to the financial statements (Note SOAS2); a reconciliation of net resource outturn to net cash requirement (Note SOAS3); an analysis of income payable to the Consolidated Fund (Note SOAS4), a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (Note SOAS5); and detail on non-operating income – excess Accruing Resources (Note SOAS6).

The notes on pages 149 to 199 form part of these accounts.

Summary tables – mirror Part II and III of the Estimates

Summary of Resource Outturn 2020-21 presented in £000

								2020-21 £000	2019-20 £000
				Outturn			Estimate	Outturn vs Estimate: saving/ (excess)	Outturn
Request for Resources	*Note*	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
A	*SOAS1*	1,709,031	(49,567)	1,659,464	2,351,115	(49,567)	2,301,548	642,084	**1,063,675**
Total resources	*SOAS2*	**1,709,031**	**(49,567)**	**1,659,464**	**2,351,115**	**(49,567)**	**2,301,548**	**642,084**	**1,063,675**
Non-operating Accruing Resources		-	**(144,625)**	**(144,625)**	-	**(144,625)**	**(144,625)**	-	**(124,742)**

Net cash requirement 2020-21, all figures presented in £000

				2020-21 £000	2019-20 £000
	Note	Outturn	Estimate	Outurn vs Estimate, saving/(excess)	Outturn
Net cash requirement	*SOAS3*	**1,569,864**	**2,056,242**	**486,378**	**1,200,551**

The notes on pages 149 to 199 form part of these accounts.

Summary of income payable to the Consolidated Fund

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

			2020-21 £000 Forecast		2020-21 £000 Outturn
	Note	Income	*Receipts*	Income	*Receipts*
Total amount payable to the Consolidated Fund	*SOAS4*	**394**	***394***	**26,273**	***193***

Explanations of variances between Estimate and Outturn are given in Note SOAS1 and in the Performance Report.

The notes on pages 149 to 199 form part of these accounts.

SOAS1 Outturn detail, by Estimate line

This note mirrors Part II of the Estimates: (Revised) Subhead Detail and Resource to Cash Reconciliation.

									2020-21 £000		2019-20 £000
	Resource Outturn						Estimate				
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Virements	Net Total inc. virements	Outturn vs Estimate (inc. Virements), saving/ (excess)	Prior-year outturn
Request for Resources A:											
To promote a competitive, sustainable and inclusive economy through investment in skills, economic infrastructure, research and innovation, and business development											
Economic Development & Infrastructure	18,857	5,328	27,326	51,511	(2,925)	48,586	50,766	(40)	50,726	2,140	49,144
Economic Development & Infrastructure – Repayment of Assistance in respect of the Presbyterian Mutual Society	-	18,500	-	18,500	(1,085)	17,415	17,415	-	17,415	-	(1,886)
Invest Northern Ireland and Tourism	786	728	-	1,514	(3)	1,511	1,527	10	1,537	26	1,002
Employment & Skills	24,279	8,570	116,392	149,241	(300)	148,941	148,495	546	149,041	100	100,342
Student Support & Higher Education	2,968	201,530	418,517	623,015	(4,460)	618,555	773,712	(546)	773,166	154,611	483,265
Tourism Ireland Ltd	277	-	-	277	-	277	247	30	277	-	222
InterTradeIreland	159	-	-	159	-	159	163	-	163	4	156
Representation & Regulatory Services	1,655	16,586	412	18,653	(2,675)	15,978	16,417	-	16,417	439	15,632
EU Structural Funds – ERDF Support for Economic Development	-	-	486	486	(292)	194	322	-	322	128	321
EU Programmes	-	232	13,782	14,014	(130)	13,884	14,345	-	14,345	461	4,175
EU Community Initiative	-	-	5,220	5,220	(4,437)	783	783	-	783	-	1,164
EU Peace	-	-	6,974	6,974	(5,928)	1,046	1,125	-	1,125	79	1,121
Total	48,981	251,474	589,109	889,564	(22,235)	867,329	1,025,317	-	1,025,317	157,988	654,658

The notes on pages 149 to 199 form part of these accounts.

										2020-21 £000	2019-20 £000
	Outturn						Estimate				
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	Net Total	Virement*	Net Total inc. virements	Outturn vs Estimate (inc. Virements), saving/ (excess)	Prior-year outturn
Annually Managed Expenditure:											
Provisions	-	77	-	77	-	77	145,077	-	145,077	145,000	(11,817)
NI Renewable Heat Incentive	-	-	7,222	7,222	-	7,222	33,470	-	33,470	26,248	6,680
Student Support	-	(11,769)	-	(11,769)	(27,332)	(39,101)	4,622	-	4,622	43,723	(83,338)
Revaluations	-	-	-	-	-	-	5	-	5	5	56
Total	-	(11,692)	7,222	(4,470)	(27,332)	(31,802)	183,174	-	183,174	214,976	(88,419)
Non-Budget:											
Invest NI	-	-	508,140	508,140	-	508,140	732,138	-	732,138	223,998	175,751
Northern Ireland Tourist Board	-	-	30,400	30,400	-	30,400	35,687	-	35,687	5,287	23,601
General Consumer Council for Northern Ireland	-	-	1,774	1,774	-	1,774	1,804	-	1,804	30	1,372
Health and Safety Executive NI	-	-	695	695	-	695	720	-	720	25	760
Tourism Ireland Ltd	-	-	12,794	12,794	-	12,794	12,913	-	12,913	119	12,287
InterTradeIreland	-	-	5,203	5,203	-	5,203	5,280	-	5,280	77	3,155
Teachers' Premature Retirement – on-going liabilities	-	2,065	-	2,065	-	2,065	2,083	-	2,083	18	2,066
Construction Industry Training Board	-	-	-	-	-	-	1	-	1	1	-
Labour Relations Agency	-	-	4,714	4,714	-	4,714	4,714	-	4,714	-	4,177
Further Education Colleges	-	-	227,953	227,953	-	227,953	266,422	-	266,422	38,469	245,246
Higher Education Colleges	-	-	5,852	5,852	-	5,852	6,203	-	6,203	351	4,962
Northern Ireland Screen	-	-	15,844	15,844	-	15,844	15,845	-	15,845	1	14,859
Notional Charges	8,503	-	-	8,503	-	8,503	9,247	-	9,247	744	9,200
Total Non-Budget	8,503	2,065	813,369	823,937	-	823,937	1,093,057	-	1,093,057	269,120	497,436
Resource Outturn	**57,484**	**241,847**	**1,409,700**	**1,709,031**	**(49,567)**	**1,659,464**	**2,301,548**	**-**	**2,301,548**	**642,084**	**1,063,675**

The notes on pages 149 to 199 form part of these accounts.

Explanation of the variation between Estimate and Outturn (2020-21)

*Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can reconcile this Estimate back to the Estimates approved by the Assembly.

After virement, the most significant variances were as follows:

Resource DEL

Accounting for student loans has moved to fair value through profit and loss following the adoption of IFRS 9 Financial Instruments (IFRS 9). However nationally, budgeting for student loans, in agreement with HM Treasury, remains based on amortised cost, for which effective interest and impairment are still applicable terms.

The Resource DEL underspend of £158m mainly reflects unused budget cover set aside for potential volatility of student loan book related impairments which resulted in an under-spend of £145m. The movement in impairments is dependent on the Office for Budgetary Responsibility's (OBR) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate, which are published after Supplementary Estimates are finalised.

A further underspend of £11m arose in respect of HE due to funding retained in respect of COVID-19 grant schemes delivered after SSEs had been finalised.

Resource AME

Final outturn was £215m lower than the budget due to:

- Cover retained in respect of the potential to establish provisions £145m (£140m relating to the High Street Stimulus scheme) which were not required.
- £26m in respect of the RHI scheme, with expenditure based upon current tariffs and the current legal status of Judicial Reviews of the 2017 and 2019 regulations, and
- £43m in respect of student loans effective interest, which is based on the parameters outlined above in Resource DEL.

Non-Budget

Non-budget primarily represents cash based Grant in Aid paid to NDPBs. The underspend of £269m in total arose due to the need to deliver volatile levels of grants to businesses and funding to students as a result of COVID-19 towards the end of the year.

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

SOAS2 Reconciliation of Outturn to Net Operating Expenditure

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SoAS to the financial statements.

				2020-21 £000	2019-20 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	*SOAS1*	1,659,464	2,301,548	642,084	1,063,675
Non-supply income (CFERs)	*SOAS4*	(18,569)	(394)	18,175	(1,879)
Foreign Exchange	*4*	(877)	-	877	1,333
Non-supply expenditure:					
Redundancy Fund Payments	*4*	3,666	6,550	2,884	18,542
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		**1,643,684**	**2,307,704**	**664,020**	**1,081,671**

Non-supply income includes amounts arising in excess of the amounts permitted in the Estimate and are payable to the Consolidate Fund as Extra Receipts. Foreign exchange relates to unrealised gains and losses on retranslation of year end balances.

SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

	Note	Outturn £000	Estimate £000	Outturn vs Estimate, saving/(excess) £000
Resource Outturn	*SOAS1*	1,659,464	2,301,548	642,084
Capital				
Acquisition of property, plant and equipment	*6,7*	305	566	261
Investments	*10.1, 11*	384,575	414,406	29,831
Non-operating Accruing Resources				
Student loan repayments applied	*10.1*	(110,870)	(110,870)	-
PMS Loan repayment	*11*	(33,750)	(33,750)	-
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Depreciation, Impairment and Revaluations	*3,4*	(189,835)	(376,932)	(187,097)
New provisions & adjustments to previous provisions	*10.2*	(491)	4,851	5,342
Notionals	*3*	(8,503)	(9,247)	(744)
Prior Period Adjustments		-	-	-
Other non-cash items		-	-	-
Adjustments to reflect movements in working balances:				
Increase/(decrease) Receivables		(17,811)	21,000	38,811
Increase/(decrease) Financial Investment		(18,500)	(18,500)	-
(Increase)/decrease Payables due within one year		(99,263)	8,000	107,263
Changes in payables falling due after more than one year	*15*	-	-	-
Use of Provisions	*10.2, 16*	5,420	(144,830)	(150,250)
Foreign Exchange		(877)	-	877
Excess cash receipts surrenderable to the Consolidated Fund	*SOAS4*	-	-	-
Net cash requirement		**1,569,864**	**2,056,242**	**486,378**

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

The main reasons for the net cash requirement being lower than anticipated relate to the timing of receipts and payments, anticipated timing of delivery and demand for COVID-19 related initiatives delivered towards the end of the year, including those delivered through NDPBs and the resulting impact on payable and receivable balances.

SOAS4 Amounts of Income to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund.

SOAS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note		Forecast 2020-21 £000		Outturn 2020-21 £000
		Income	*Receipts*	Income	*Receipts*
Operating income and receipts – excess Accruing Resources		-	-	18,146	-
Other operating income and receipts not classified as Accruing Resources		394	394	423	193
		394	394	18,569	*193*
Non-operating income and receipts – excess Accruing Resources	*SOAS6*	-	-	7,704	*2,594*
Excess cash surrenderable to the Consolidated Fund	*SOAS3*	-	-	-	-
Total income payable to the Consolidated Fund		**394**	**394**	**26,273**	***2,787***

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

	Note	2020-21 £000	2019-20 £000
Operating income	5	22,590	49,010
Adjustments for transactions between RfRs		-	-
Gross Income	5	22,590	49,010
Income authorised to be Accruing Resources		(49,567)	(140,184)
Income in gross sub head netted off spend in SoCNE		45,546	93,053
Operating income payable to the Consolidated Fund	*SOAS4.1*	**18,569**	**1,879**

SOAS6 Non-operating income – Excess Accruing Resources

	2020-21 £000	2019-20 £000
Student Loan repayments	7,707	2,594
Proceeds on disposal of property, plant and equipment	(3)	-
Non-operating income – Excess Accruing Resources	**7,704**	**2,594**

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Payment of Suppliers

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

In the year ended 31 March 2021, 98% of invoices from suppliers were paid within the timescale noted above (31 March 2020: 97%). No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1998.

In November 2008, Finance Minister Nigel Dodds set a target for all Northern Ireland Departments to pay supplier invoices within 10 working days of receipt in order to help local business in the current economic climate. The Department is committed to this target and for the year ended 31 March 2021, 95% of invoices from suppliers were paid within this timescale (31 March 2020: 94%).

The following link to the Account NI website discloses Northern Ireland Departments' performance both in terms of paying invoices within 30 days and 10 days: Prompt Payment 2020-21.

HM Treasury Cost Allocation

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

Entities outside the Accounting Boundary

DfE is a ministerial Department that is supported by its ALBs, including fourteen NDPBs, two North/South bodies and four IABs as listed in the Note 21 of the Accounts.

Harland & Wolff Plc, a limited company which is wholly owned by the Department, is regarded as being outside the accounting boundary.

Losses and Special Payments

The following sections are subject to audit.

Losses Statement

	2020-21	2019-20
Losses Statement		
Total number of losses	239	497
Total value of losses (£000)	167	478
Cash losses	-	-
Claims abandoned	239	497
Administrative write-offs	-	-
Special Payments		
Total number of special payments	-	-
Total value of special payments (£000)	-	-

There were no cases over £250,000 in 2020-21 or 2019-20.

Fees and Charges

This section is subject to audit.

			2020-21			2019-20
	Income £000	Full Cost £000	(Surplus)/ Deficit £000	Income £000	Full Cost £000	(Surplus)/ Deficit £000
Insolvency Account	(2,216)	4,386	2,170	(2,505)	4,444	1,939

Fees and charges relate to the administration and realisation of assets in insolvency cases.

Remote Contingent Liabilities

This section is subject to audit.

In addition to contingent liabilities reported within the meaning of IAS37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The Department has no remote contingent liabilities to report.

Mike Brennan
Accounting Officer
24 February 2022

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Department for the Economy for the year ended 31 March 2021 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure; Financial Position; Cash Flows; Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

I have also audited the Statement of Outturn against Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the effects of the matters described in the basis for qualified opinions below, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Emphasis of Matter

I draw attention to the disclosures made in notes 1.9.1, 1.22, 9 and 10 to the financial statements concerning the uncertainties inherent in the valuation of student loans. My opinion is not modified in respect of this matter.

Qualified opinion on regularity

In my opinion, except for the matters described in the basis for qualified opinions below, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinions

I have qualified my true and fair opinion due to:

- A disagreement over the accounting treatment of COVID-19 business support grants administered by the Department for the Economy. These have been accounted for as if the expenditure was controlled by Invest Northern Ireland, however in my opinion it was operated, administered and controlled by the Department for the Economy itself and should have been accounted for as such to provide a true and fair view. I reached this view since the Department for the Economy designed and delivered the scheme and incurred the expenditure, while instructing Invest Northern Ireland to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. This has resulted in misstatements in 2020-21 of £286.1 million of overstated Grant-in-Aid expenditure, £140.8 million of understated Grant expenditure, £7 million of understated accruals and £152.3 million of overstated General Fund reserve. My opinion is also modified with respect to the corresponding figures. As such, the comparative figures for 2019-20 are also overstated by £67.7 million for Grant-in-Aid expenditure, understated by £220 million for Grant expenditure, and understated by £152.3 million for related accruals.
- Lack of disclosure on irregular expenditure, as required by the Accounts Direction issued by the Department of Finance, of £140.8 million expenditure on COVID-19 business support grants administered by the Department for the Economy which the C&AG considers to be irregular.

I have qualified my regularity opinion due to:

- Transactions of £140.8 million on COVID-19 business support grants administered by the Department for the Economy, which it did not have the legal authority to make.
- Grant-in-Aid of £100.9 million by the Department for the Economy, funding expenditure of £131.3 million on COVID-19 business support grants administered by other bodies, where I was unable to obtain sufficient appropriate evidence. These schemes relied upon self-declarations made by applicants to assess eligibility. No corroborating evidence was available to verify the information in the declarations made by applicants and there were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited. Of total expenditure on these schemes £129.8 million related to COVID business support grants administered by Invest Northern Ireland.
- Expenditure of £11.5 million which did not have the approval of the Department of Finance as required. Of this amount £6.2 million related to COVID apprenticeship support schemes where this approval was required under the Employment & Training Act (Northern Ireland) 1950, and £5.3 million related to funding provided to Tourism Ireland which had been rolled over from the previous year without approval in accordance with the Management Statement and Financial Memorandum.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 ‘Audit of Financial Statements of Public Sector Entities in the United Kingdom’. My responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of the Department for the Economy in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Department for the Economy's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department for the Economy's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for the Department for the Economy is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I report by exception

Except for information related to Net Expenditure and Net Resource Outturn in 2020-21 and 2019-20 which is impacted by my qualified opinion on the financial statements, and in the light of the knowledge and understanding of the Department for the Economy and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

I have not received all of the information and explanations that I considered necessary to confirm the regularity of £131.3 million of COVID-19 business support grant expenditure administered by Non-Departmental Public Bodies funded by the Department for the Economy.

Adequate accounting records have not been kept for the £140.8 million of expenditure for grants administered by the Department for the Economy.

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

- the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Department for the Economy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Department for the Economy will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Department for the Economy through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included Government Resources and Accounts Act (Northern Ireland) 2001, Industrial Development Act (Northern Ireland) 2002 and the Employment & Training Act (Northern Ireland) 1950;
- making enquires of management and those charged with governance on Department for the Economy's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Department for the Economy's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure on COVID-19 grant support measures, expenditure on the Non-Domestic Renewable Heat Initiative Scheme and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;

- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, reviewing legislation, performing substantive testing on grant awards, carrying out data analytics on grant applicants, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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

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

My detailed observations are included in my report attached to the financial statements at pages 209 to 216.

Kieran Donnelly

KJ Donnelly
Comptroller and Auditor General
2 March 2022

Northern Ireland Audit Office
1 Bradford Court
Upper Galwally
Belfast
BT8 6RB

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

	Note	2020-21 £000	2019-20 £000
Revenue from Contracts with Customers	5.1	(3,100)	(3,247)
Other Operating Income	5.2	(18,280)	(43,687)
Total Operating Income		**(21,380)**	**(46,934)**
Staff costs	3,4	64,199	56,357
Purchase of Goods & Services	3,4	15,055	15,243
Depreciation and impairment charges	4	296	153
Provision Expense	4	88	(12,198)
Other Operating Expenditure	3,4	1,586,636	1,071,126
Total Operating Expenditure		**1,666,274**	**1,130,681**
Net Operating Expenditure		**1,644,894**	**1,083,747**
Finance Income	5.3	(1,210)	(2,076)
Net Expenditure for the year		**1,643,684**	**1,081,671**
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating expenditure:			
Net (gain)/loss on revaluation of Property, Plant and Equipment/Intangibles	6	(62)	(65)
Items that may be reclassified to net operating expenditure:			
Net (gain)/loss on revaluation of investments		-	-
Comprehensive Net Expenditure for the year		**1,643,622**	**1,081,606**

The notes on pages 149 to 199 form part of these accounts.

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

	Note	2021 £000	2020 £000
Non-current assets:			
Property, plant and equipment	*6*	2,452	2,308
Intangible assets	*7*	845	919
Financial assets – Student loans	*10.1*	2,802,148	2,707,303
Financial assets – Other	*11*	18,764	67,070
Total non-current assets		2,824,209	2,777,600
Current assets:			
Trade and other receivables	*14*	48,634	50,046
Financial assets	*11*	13,879	17,971
Cash and cash equivalents	*13*	760	812
Total current assets		63,273	68,829
Total assets		2,887,482	2,846,429
Current liabilities:			
Trade and other payables	*15*	(209,324)	(75,572)
Provisions	*16*	(4,900)	(3,400)
Total current liabilities		(214,224)	(78,972)
Total Assets less Current Liabilities		2,673,258	2,767,457
Non-current liabilities:			
Provisions	*16*	(27,564)	(32,986)
Other payables		-	-
Financial liabilities	*10.2*	(225)	(1,140)
Total non-current liabilities		(27,789)	(34,126)
Total assets less total liabilities		**2,645,469**	**2,733,331**
Taxpayers' equity & other reserves:			
General fund		2,643,849	2,731,727
Revaluation reserve		1,620	1,604
Total equity		**2,645,469**	**2,733,331**

Mike Brennan
Accounting Officer
24 February 2022

The notes on pages 149 to 199 form part of these accounts.

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

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating expenditure	*SOAS2*	(1,643,684)	(1,081,671)
Adjustments for non-cash transactions	*3,4,5*	169,487	74,958
(Increase)/Decrease in trade and other receivables	*14*	1,412	26,077
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	*14*	9,252	1,827
Increase/(Decrease) in trade and other payables	*15*	125,485	(7,035)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	*15*	(26,849)	9,480
Use of provisions	*10.2,16*	(5,418)	(4,421)
Net cash inflow/(outflow) from operating activities		**(1,370,315)**	**(980,785)**
Cash flows from investing activities			
Purchase of non-financial assets	*6,7*	(297)	(97)
Proceeds from disposal of non-financial assets		3	-
Repayment of Loans – principal	*11*	33,750	20,500
Repayment of Loans – interest	*11*	1,358	1,944
Student Loan Funding	*10.1*	(355,742)	(349,745)
Student Loan Repayments	*10.1*	117,668	105,894
Net cash inflow/(outflow) from investing activities		**(203,260)**	**(221,504)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,553,960	1,195,706
From the Consolidated Fund (Supply) – prior year		4,845	4,759
Net financing from the National Insurance Fund		6,451	16,074
Net financing		**1,565,256**	**1,216,539**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund		**(8,319)**	**14,250**
Payments of amounts due to the Consolidated Fund		-	(14,064)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(8,319)**	**186**
Cash and cash equivalents at the beginning of the period	*13*	**(3,726)**	**(3,912)**
Cash and cash equivalents at the end of the period	*13*	**(12,045)**	**(3,726)**

The notes on pages 149 to 199 form part of these accounts.

This statement shows the movement in the year on the different reserves held by the Department for the Economy, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2019		**2,589,537**	**1,582**	**2,591,119**
Net Assembly Funding		1,195,706	-	1,195,706
National Insurance Fund		18,542	-	18,542
Supply (payable)/receivable adjustment	*15*	4,843	-	4,843
CFERs payable to the Consolidated Fund	*16*	(4,473)	-	(4,473)
Comprehensive Net Expenditure for the year	*SOAS2*	(1,081,671)	65	(1,081,606)
Notional costs	*3*	9,110	-	9,110
Auditor's remuneration	*3*	90	-	90
Other reserves movements including transfers		43	(43)	-
Balance at 31 March 2020		**2,731,727**	**1,604**	**2,733,331**
Net Assembly Funding		1,553,960	-	1,553,960
National Insurance Fund		3,666	-	3,666
Supply (payable)/receivable adjustment	*14*	15,904	-	15,904
CFERs payable to the Consolidated Fund	*15*	(26,273)	-	(26,273)
Comprehensive Net Expenditure for the year	*SOAS2*	(1,643,684)	62	(1,643,622)
Notional costs	*3*	8,393	-	8,393
Auditor's remuneration	*3*	110	-	110
Other reserves movements including transfers		46	(46)	-
Balance at 31 March 2021		**2,643,849**	**1,620**	**2,645,469**

The notes on pages 149 to 199 form part of these accounts.

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the Economy for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Assembly Supply and supporting notes at pages 127 to 136 show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting Convention

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

1.2 Property, Plant, Equipment and Intangible Assets

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

Software and associated licences costing greater than £1,000 are capitalised under intangible assets. Licences running for a year or less than one year are not capitalised regardless of value. Databases are capitalised where the specific recognition criteria of IAS 38 are met.

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

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

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

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

1.3 *Depreciation*

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is charged in the month of acquisition; none is charged in the month of disposal. The base useful lives of assets are as follows:

Buildings	50 years
Plant and Machinery	3 - 20 years
Fixtures and fittings	3 - 10 years
Computer equipment and software	3 - 10 years
Transport equipment	3 - 10 years
Intangibles (Software and Databases)	2 - 30 years

Valuations of property, plant and equipment and intangible assets are based on a review of values as at the reporting date. No depreciation is provided on freehold land as it has an unlimited or very long established useful life. Items under construction are not depreciated until they are commissioned.

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

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

1.4 *Impairments*

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

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

1.5 Income

In line with IFRS 15 Revenue from Contracts with Customers, the Department recognises its income as either Revenue from contracts with customers or Other Operating Income.

(a) Revenue from contracts with customers includes income that relates directly to operating activities of the Department and comprises fees and charges, to be recovered for services provided to external customers, including under legislation, and income repayable to the consolidated fund.

(b) Other Operating Income includes income received from the European Union and other miscellaneous grants in support of departmental activities, interest receivable and income payable to the Consolidated Fund.

Income is stated net of Value Added Tax (VAT).

1.6 Administration and Programme Expenditure

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

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

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

1.7 Investments

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

1.8 Investment in Associates

An associate is an entity over which the Department is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies. Investments in associates are carried at the Department's share of the net assets of the associate.

1.9 Financial Assets

The Department measures and presents financial instruments in accordance with IAS 32, IFRS 7 and IFRS 9 as modified by the FReM. The Department holds financial assets in the form of loans to students, loans to Catalyst Inc. (formerly Northern Ireland Science Park) and Presbyterian Mutual Society, as well as trade receivables, cash and cash equivalents. Financial assets which are due to be repaid within one year are shown within current assets on the Statement of Financial Position.

1.9.1 Student Loan Valuation

The Department accounts for student loan assets in respect of NI and eligible EU borrowers, administered by the Student Loans Company Limited and related financial liabilities, using information on the domicile of student receivables supplied by the Student Loans Company Limited on the Northern Ireland share of the relevant balances and transactions.

Student loans are currently issued under Articles 3 and 8(4) of the Education (Student Support) (Northern Ireland) Order 1998. The Department issues income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (2020-21: £19,390, and, from 1 April 2021, the threshold will be £19,895) and are collected by HMRC through the tax system. In cases where individuals work outside the UK tax system, or repay early, payments are made directly to the Student Loans Company Limited.

Measurement and carrying values

In accordance with IFRS 7 and IFRS 9, Student Loans are classified as Loans and Receivables and are recorded in the Accounts at fair value (FVTPL).

Student loans suffer a Day 1 fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Day 1 fair value losses are deferred to SoFP since student loans are classified as Level 3 per IFRS 13’s hierarchy. Deferred balances are then expensed as part of the loans’ first year end fair value re-assessment.

The fair value adjustment involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is the higher of the rate intrinsic to the instrument, and the real long term discount rate as set by HMT. The rate is based on RPI plus 0.7%, which is the HMT discount rate.

The net present value calculation also takes account of an estimate of the future cost of policy write offs. This reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of the student.

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

The Department considers that the carrying value as described above is a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. IFRS 13 sets out 3 levels of input categories in terms of the drivers of the fair value calculation. Student loans falls into Level 3, measurements using significant unobservable inputs. A valuation technique is used to estimate the present value of future cash flows, and the outputs of this modelling provide the basis for the net present value calculations and the estimate of irrecoverable amounts due to policy decisions.

There are significant judgements applied by the Department in assessing the actual likely costs and fair value adjustments will be affected by the assumptions used. These are formally reviewed by the Department each year and amounts included reflect the Department's current estimate. Disclosures relating to risk can be found in Note 9 while further details of the movements in the loan valuation can be found in Note 10.

1.9.2 *Other Financial Assets*

Loans to Catalyst Inc. and Presbyterian Mutual Society, together with current financial assets, such as trade receivables and cash, are measured at amortised cost as a reasonable approximation of fair value.

1.10 *Financial Liabilities*

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

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

1.11 *Employee Benefits including Pensions*

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

Past and present employees are covered by the provisions of the Civil Service Pension Schemes in Northern Ireland. These defined benefit schemes are unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Civil Service Pension Schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Pension Schemes. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

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

1.12 *European Union (EU) Income*

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

1.13 *Notional Costs*

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

1.14 *Value Added Tax*

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

1.15 *Grants Payable*

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

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

1.16 *Provisions*

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

As shown in Note 16, this includes:

- the cost of paying Long Service Awards in respect of Judiciary relating to the Office of the Industrial and Fair Employment Tribunals;
- the cost of the Department's liability to Harland and Wolff. The provision reflects the Department's potential liability to meet claims against Harland and Wolff plc in respect of employers' and public liability arising from the collapse of the company's insurer, Chester Street Insurance Holdings Ltd, which went into liquidation on 10 January 2001. This provision is based on actuarial advice and includes known claims, largely in relation to asbestos related illnesses of former employees of Harland and Wolff plc, together with unreported claims which may be expected to crystallise over a significant number of years; and,
- the cost of paying the holiday pay of employees as a result of the Court of Appeal ruling in respect of Northern Ireland Industrial Tribunal's November 2018 decision on cases taken against the PSNI on backdated Holiday Pay.

1.17 *Contingent Liabilities*

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

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

1.18 *Third Party Assets*

Insolvency Account

The Department's Insolvency Account holds money received in respect of company liquidations, bankruptcies and estates of deceased insolvents, pending authorised appropriation. This is not a Departmental asset and is not included in the accounts, since neither the Department nor Government more generally has a direct beneficial interest in it.

Northern Ireland National Insurance Fund

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

1.19 *Foreign Exchange*

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. At the end of the reporting period monetary items are translated at the closing rate applicable at the reporting date. Translation differences are charged directly to the Statement of Comprehensive Net Expenditure.

1.20 *Early Retirement Costs*

The Department is required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early.

1.21 *Cash and Cash Equivalents*

Cash and cash equivalents are comprised entirely of cash on hand. The Department does not have any demand deposits or any short term, highly liquid investments.

1.22 *Critical Accounting Estimates and Key Judgements*

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated.

Where estimates have been required in order to prepare these financial statements in conformity with FReM, management has used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

The most significant area involving accounting estimates and key judgements is the carrying value of student loans. Information on these estimates and judgements are shown at Note 9 and Note 10.

In addition, property market conditions represent important estimation considerations for the loan to Presbyterian Mutual Society. As regards provision in respect of Harland and Wolff plc, estimation techniques included percentage apportionment between expected settlement values and legal costs to estimate total claim costs of existing claims, projected number of future claims and estimated recoveries from third parties.

1.23 *Impending Application of Newly Issued Accounting Standards not yet Effective*

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

Accounting boundary IFRS are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2022-23, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may have changed as a result of these Standards.'

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 January 2023. In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2023. The Department does not anticipate this to have an impact on its operations.

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Department must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Department has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. Other than as outlined below, the Department considers that these standards are not relevant or material to its operations.

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	1 January 2019	2022-23	Change: IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022. The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off balance sheet financing) and a finance lease (on balance sheet financing). The new standard requires recognition of all leases which last over twelve months to be recognised as a finance lease (on balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. Impact on the Department: The Department does not anticipate any material effect of bringing on-balance sheet former operating leases through applying the new standard.

2. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

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

The main activities of the Operating Segments comprise:

1. **Economic Development & Infrastructure** - economic infrastructure in support of economic development including energy and minerals; sustainable energy; renewable heat incentive scheme; telecommunications; innovation and R&D policy; policy evaluation and research.

2. **Economic Development & Infrastructure: Repayment of Assistance in respect of the Presbyterian Mutual Society** - manage repayments of the fixed term loan made to Presbyterian Mutual Society (in administration).

3. **Invest Northern Ireland and Tourism** - driving the development of Northern Ireland tourism and delivery of the Department's policies and strategies in relation to business support in Northern Ireland. These include encouraging investment (foreign and indigenous); stimulating entrepreneurial activity; increasing exports and trade; promoting R&D/ innovation; and, providing development support.

4. **Employment & Skills** – Further and adult education, youth and adult skills training, management and enterprise training.

5. **Student Support & Higher Education** – Funding and support to students, including student loans, Education and Maintenance Allowances and other matters relating to tertiary education and funding and support of higher education, including universities and colleges of education.

6. **Tourism Ireland Ltd** - Tourism Ireland's role is to grow overseas tourism revenue and visitor numbers to Northern Ireland, and to help Northern Ireland to realise its tourism potential.

7. **InterTradeIreland** - to support SMEs across Northern Ireland and to develop North/ South trade and business development opportunities for the mutual benefit of both economies.

8. **Representation & Regulatory Services** – business regulation; including company law, Insolvency Service, Trading Standards and Consumer Affairs Services, Registry of Credit Unions and Industrial and Provident Societies, the provision of a debt advice service, Health & Safety Executive (NI); and, labour market services, including tribunals and labour relations, employment law and redundancy payments.

9. **EU Structural Funds – ERDF Support for Economic Development** – payments and associated income under European Union Structural Funds programmes.

10. **EU Programmes** – payments and associated income under European Social Funds Programmes.

11. **EU Community Initiatives –** payments and associated income under European Peace IV Programmes. The aim of the programme is to promote exchange, knowledge and best practice.

12. **EU Peace -** payments and associated income under European Peace IV Programmes. This is a unique initiative designed to support peace and reconciliation.

Analysis of the significant movements since 2019-20 is shown in the Performance Analysis section (pages 60-68). The figures shown below include all budget categories, DEL, AME and Non-Budget, together with Non-Supply income and expenditure (SOAS2).

		2020-21		2019-20
	Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Operating Segments				
Economic Development & Infrastructure	58,733	(2,925)	55,808	55,824
Economic Development & Infrastructure – Repayment of assistance in respect of the Presbyterian Mutual Society	18,500	(1,085)	17,415	(1,830)
Invest Northern Ireland & Tourism	540,054	(3)	540,051	200,354
Employment & Skills	383,955	(300)	383,655	340,171
Student Support & Higher Education	617,098	(31,792)	585,306	404,889
Tourism Ireland Ltd.	13,071	-	13,071	12,509
InterTradeIreland	5,362	-	5,362	3,311
Representation and Regulatory Services	25,836	(2,675)	23,161	21,942
EU Structural Funds – ERDF Support for Economic Development	486	(292)	194	321
EU Programmes	14,014	(130)	13,884	4,173
EU Community Initiatives	5,220	(4,437)	783	1,163
EU Peace	6,974	(5,928)	1,046	1,121
Total	**1,689,303**	**(49,567)**	**1,639,736**	**1,043,948**

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

				2020-21	2019-20
	Total Net Expenditure	Non Supply Income (CFERs)	Non Supply Expenditure	Total Net Expenditure per SoCNE	Total Net Expenditure per SoCNE
	£000	£000	£000	£000	£000
Operating Segments					
Economic Development & Infrastructure	55,808	(168)	-	55,640	55,716
Economic Development & Infrastructure – Repayment of assistance in respect of the Presbyterian Mutual Society	17,415	-	-	17,415	(1,830)
Invest Northern Ireland & Tourism	540,051	(23)	-	540,028	200,335
Employment & Skills	381,662	(2)	-	381,660	340,170
Student Support & Higher Education	585,306	(18,146)	-	567,160	403,318
Tourism Ireland Ltd.	13,071	-	-	13,071	12,509
InterTradeIreland	5,362	-	-	5,362	3,311
Representation and Regulatory Services	23,161	(230)	3,666	26,597	40,304
EU Structural Funds – ERDF Support for Economic Development	194	-	-	194	321
EU Programmes	13,884	-	-	13,884	4,173
EU Community Initiatives	783	-	-	783	1,163
EU Peace	1,046	-	-	1,046	1,121
Total	**1,637,743**	**(18,569)**	**3,666**	**1,622,840**	**1,060,611**
Reconciling Items:					
Finance, Corporate Services and Top Management				21,721	19,727
Foreign exchange				(877)	1,333
Total Net Expenditure per SOCNE				**1,643,684**	**1,081,671**

3. OTHER ADMINISTRATION EXPENDITURE

	2020-21 £000	2019-20 £000
Staff Costs[1]:		
Wages and Salaries	31,016	25,426
Social Security Costs	2,850	2,501
Other Pension Costs	8,282	7,369
Goods and Services	6,833	6,461
Non-cash items:		
Notional Accommodation costs (DoF)	3,739	4,042
Other notional costs	4,606	5,057
Minister Salary	48	11
Auditor's remuneration and expenses	110	90
Total	**57,484**	**50,957**

1 Further analysis of staff costs is located in the Remuneration and Staff Report on page 116.

During the year, the Department purchased the following non-audit services from its auditor, the Northern Ireland Audit Office:

- National Fraud Initiative Exercise £1,250 (2019-20: £nil).

4. PROGRAMME EXPENDITURE

	Note	2020-21 £000	2019-20 £000
Staff Costs[1]:			
Wages and Salaries		15,985	14,930
Social Security Costs		1,450	1,372
Other Pension Costs		4,568	4,338
Grants:			
Grant in Aid		813,366	486,170
Capital Grants and subsidies		69,518	39,956
Other Current Grants and subsidies		519,032	406,918
EU Grants		10,786	30,882
Goods and Services		8,222	8,782
Non-voted expenditure	*SOAS2*	3,666	18,542
Non-cash items:			
Student Loans Fair Value Adjustment	*10.1*	143,699	78,167
Financial liability and impairments	*10.2*	491	(91)
Borrowing costs (unwinding of discount) on financial liability	*10.2, 16*	88	200
Depreciation and Amortisation	*6,7*	296	153
Provision/(release) provided for in year	*16*	-	(12,398)
Expected credit loss - PMS	*11*	18,500	-
Holiday Pay Provision[1]		-	410
Foreign Exchange Unrealised	*SOAS2*	(877)	1,333
Investment Revaluation	*11*	-	56
Loss on disposal of property, plant and equipment		-	4
Total		**1,608,790**	**1,079,724**

1 Further analysis of staff costs is located in the Remuneration and Staff Report on page 116.

EU Grants includes staff costs of £1.1m in 2019-20 which have been charged to EU Programmes as Technical Assistance. In 2020-21, the costs of this programme have been nationalised for one year only, with the funding being provided by the Executive and so the corresponding front line staff costs of £1.1m are shown Other Current Grants and Subsidies.

Renewable Heat Incentive (RHI) Scheme

The Financial Statements include the following amounts in respect of the Renewable Heat Incentive Scheme (RHI), both Domestic and Non-Domestic:

- Grant expenditure (above) includes RHI expenditure of £7.2m (2019-20: £6.7m), all of which was included in the Statement of Assembly Supply (pages 127 to 136) as Annually Managed Expenditure (AME);
- Goods and services (admin and programme) includes RHI expenditure of £0.4m (2019-20: £1.1m);
- Trade payables at Note 15 includes £12.8m for RHI (2019-20: £13.2m); and,
- Financial Commitments at Note 8.2 includes £75m for RHI (2019-20: £90m).

5. INCOME

5.1 Revenue from Contracts with Customers

	2020-21 £000	2019-20 £000
Income from Customers	3,100	3,247
Total Income from Contracts	**3,100**	**3,247**

Income from contracts is not material to the Department, and includes amounts that will be due to the Consolidated Fund.

5.2 Other Operating Income

	2020-21 £000	2019-20 £000
EU Income	10,786	38,802
Miscellaneous Grants & Disbursements	7,466	4,865
Other	28	20
Total Other Operating Income	**18,280**	**43,687**

Other Income includes the miscellaneous amounts that will be due to the Consolidated Fund.

5.3 Finance Income

	Note	2020-21 £000	2019-20 £000
Interest Receivable	*11*	1,210	2,076
Total Finance Income		**1,210**	**2,076**

6. PROPERTY, PLANT & EQUIPMENT

2020-21	Land	Building	Transport Equipment	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2020	**1,075**	**1,000**	**349**	**48**	**742**	**3,214**
Additions	-	-	31	92	68	191
Disposals	-	-	(20)	-	-	(20)
Revaluations	-	-	-	-	7	7
At 31 March 2021	**1,075**	**1,000**	**360**	**140**	**817**	**3,392**
Depreciation						
At 1 April 2020	**-**	**-**	**347**	**43**	**516**	**906**
Charged in year	-	49	3	2	46	100
Disposals	-	-	(20)	-	-	(20)
Revaluations	-	(49)	-	-	3	(46)
At 31 March 2021	**-**	**-**	**330**	**45**	**565**	**940**
Carrying amount at 31 March 2021	**1,075**	**1,000**	**30**	**95**	**252**	**2,452**
Carrying amount at 31 March 2020	**1,075**	**1,000**	**2**	**5**	**226**	**2,308**
Asset financing						
Owned	1,075	1,000	30	95	252	2,452
Finance Leased	-	-	-	-	-	-
Carrying amount at 31 March 2021	**1,075**	**1,000**	**30**	**95**	**252**	**2,452**

Land and buildings have been professionally revalued by Land and Property Services, on the basis of existing use as at the following dates:

Land – Ulster American Folk Park, Omagh	31 March 2021
Buildings – Consumer Affairs Building, Newtownbreda, Belfast	31 March 2021

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

Accordingly, and for the avoidance of doubt, LPS considers that it's valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, however there is the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 and we therefore highlight the importance of the valuation date.

Included in the above are fully depreciated assets with a valuation of £818,510 (2019-20: £722,493) which are still in use.

2019-20	Land	Building	Transport Equipment	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2019	**1,075**	**1,000**	**349**	**50**	**726**	**3,200**
Additions	-	-	-	2	16	18
Disposals	-	-	-	(4)	(4)	(8)
Revaluations	-	-	-	-	4	4
At 31 March 2020	**1,075**	**1,000**	**349**	**48**	**742**	**3,214**
Depreciation						
At 1 April 2019	**-**	**-**	**339**	**45**	**475**	**859**
Charged in year	-	47	8	2	43	100
Disposals	-	-	-	(4)	(4)	(8)
Revaluations	-	(47)	-	-	2	(45)
At 31 March 2020	**-**	**-**	**347**	**43**	**516**	**906**
Carrying amount at 31 March 2020	**1,075**	**1,000**	**2**	**5**	**226**	**2,308**
Carrying amount at 31 March 2019	**1,075**	**1,000**	**10**	**5**	**251**	**2,341**
Asset financing						
Owned	1,075	1,000	2	5	226	2,308
Finance Leased	-	-	-	-	-	-
Carrying amount at 31 March 2020	**1,075**	**1,000**	**2**	**5**	**226**	**2,308**

7. INTANGIBLE ASSETS

2020-21	Software Licence £000	Externally Developed Software £000	Assets under Construction £000	Total £000
Cost or valuation				
At 1 April 2020	**-**	**875**	**146**	**1,021**
Additions	-	204	-	204
Disposals	-	-	-	-
Revaluations	-	12	-	12
Reclassification	-	-	(90)	(90)
At 31 March 2021	**-**	**1,091**	**56**	**1,147**
Amortisation				
At 1 April 2020	**-**	**102**	**-**	**102**
Charged in year	-	197	-	197
Disposals	-	-	-	-
Revaluations	-	3	-	3
At 31 March 2021	**-**	**302**	**-**	**302**
Carrying amount at 31 March 2021	**-**	**789**	**56**	**845**
Carrying amount at 31 March 2020	**-**	**773**	**146**	**919**
Asset financing				
Owned	-	789	56	845
Finance Leased	-	-	-	-
Carrying amount at 31 March 2021	**-**	**789**	**56**	**845**

Software Licence is valued using indices.

Assets under construction comprise initial stage payments towards the upgrade of the Insolvency Service Case Management and Financial Management System.

2019-20	Software Licence £000	Externally Developed Software £000	Assets under Construction £000	Total £000
Cost or valuation				
At 1 April 2019	**8**	**1,038**	**832**	**1,878**
Additions	-	57	21	78
Disposals	(8)	(945)	-	(953)
Revaluations	-	18	-	18
Reclassification	-	707	(707)	-
At 31 March 2020	**-**	**875**	**146**	**1,021**
Amortisation				
At 1 April 2019	**8**	**988**	**-**	**996**
Charged in year	-	53	-	53
Disposals	(8)	(941)	-	(949)
Revaluations	-	2	-	2
At 31 March 2020	**-**	**102**	**-**	**102**
Carrying amount at 31 March 2020	**-**	**773**	**146**	**919**
Carrying amount at 31 March 2019	**-**	**50**	**832**	**882**
Asset financing				
Owned	-	773	146	919
Finance Leased	-	-	-	-
Carrying amount at 31 March 2020	**-**	**773**	**146**	**919**

8. CAPITAL AND OTHER COMMITMENTS

8.1 Capital Commitments

There were no contracted capital commitments at 31 March 2021 or 31 March 2020 not otherwise included in these financial statements.

8.2 Other Financial Commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). Fulfilling the terms of letters-of-offer is included in this definition. The payments to which the Department is committed are as follows:

	2020-21 £000	2019-20 £000
Other		
Not later than one year	676,277	607,331
Later than one year and not later than five years	266,346	182,924
Later than five years	47,171	59,268
Total	**989,794**	**849,523**

Renewable Heat Incentive Scheme

Included in the commitments figure is an amount of £75m (2019-20: £90m) relating to the Renewable Heat Incentive Scheme, both Domestic and Non-Domestic. New regulations for the Renewable Heat Incentive Scheme were introduced from 1 April 2019.

Training Programmes

The Department has awarded contracts to training providers for the delivery of training programmes comprising ApprenticeshipsNI and Training for Success and the associated Disability Support service. The contracts were originally awarded for the delivery of this training provision up to July 2019 and subsequent approval was secured to take up the first one year extension option (extending to 31 July 2021).

The overall cost of the delivery will be dependent on demand and any direct knock on effects from the wider COVID-19 pandemic. Subject to Business case approval, the Department will look to implement subsequent programmes after completion of the current contracts.

Tourism

In 2012, the Department for Enterprise Trade and Investment entered into an agreement with the National Museum of the Royal Navy in relation to HMS Caroline to make the ship available to the public as a visitor and heritage attraction. As such, the Department has financial commitments under this agreement, the extent of which is dependent on performance and ongoing discussions, and under the current COVID-19 situation, it is not possible to quantify any future costs.

8.3 Commitments under Leases

Operating Leases

There were no operating leases for land or buildings at 31 March 2021 or 31 March 2020.

No future minimum lease payments under operating leases are committed to.

9. INVESTMENTS - FINANCIAL INSTRUMENTS

Financial Instruments

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

The Department measures and presents financial instruments in accordance with IAS 32, IFRS 7 and IFRS 9 as interpreted by the FReM. IFRS 7 (Financial Instruments: Disclosure) requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments.

In addition to transactions reflected in these accounts, during the year, the Department has historically transferred budget allocation to The Executive Office in order to facilitate the provision of capital funding financing to the Universities under the Financial Transactions Capital Scheme (FTC). FTC takes the form of a repayable loan and is administered by Strategic Investment Board Limited (SIB) on behalf of The Executive Office. In the financial year 2020-21 the Department and SIB approved the issue of £80m in FTC loans to the Ulster University in respect of its Greater Belfast Development project.

Financial Assets at Carrying Value

Student loans are included as loans and receivables, and are measured at fair value (FVTPL). Loans to Catalyst Inc. and Presbyterian Mutual Society, together with trade receivables, cash and cash equivalents are included as loans and receivables, and are measured at fair value initially and subsequently at amortised cost.

	2020-21 £000	2019-20 £000
Fair Value through Profit or Loss		
Student loans	2,802,148	2,707,303
Total	**2,802,148**	**2,707,303**

	2020-21 £000	2019-20 £000
Amortised Cost		
Financial assets – Loans	32,643	85,041
Trade receivables	10,058	8,910
Cash and cash equivalents	(12,045)	(3,726)
Total	**30,656**	**90,225**

Financial Liabilities at Carrying Value

Trade payables and financial liabilities (debt sale) are measured at fair value initially and subsequently at amortised cost.

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts are considered to be the same as their fair values, due to their short term nature.

Fair Values of Financial Instruments

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

Student Loans

The student loan asset is a significant part of the Department's Statement of Financial Position. The valuation is based on a complex set of assumptions, including borrowers' earnings on graduation and their likely earnings growth over the life of the loan (25 years). Any changes to these assumptions could have a significant impact on the value of the loan book included in the accounts. Note 10 provides more detail, including the potential for impact of COVID-19, and sensitivity analysis.

At a national level, the Government is continuing to seek to realise value for the taxpayer from a sale of its portfolio. While the Department is part of the project taking this forward, led by the Department for Education England (DfE England) and involving all devolved administrations, it has been decided not to take part in the current loan sale as there was no evidence of value for money for Northern Ireland.

These accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. The Department has analysed the contractual terms of student loans, including interest rates, repayment and cancellation policies. The valuation basis of income contingent loans reflects the requirements of IFRS 9 to hold the loans at fair value (FVTPL).

In the absence of an active market for the income contingent loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans in Note 10 is the most reliable method to derive fair value. In deriving this figure, the Department has used the Treasury's long-term discount rate of RPI plus 0.7%. If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's RPI plus 0.7%. If the discount rate applied was greater than RPI plus 0.7%, the fair value of the student loans may be lower than the values calculated on the basis applied here.

Credit Risk

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

As disclosed in Note 10 and the accounting policy Note 1.9.1, the Department estimates the value of future write-offs when loans are issued based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour.

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

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

Interest Rate Risk

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

Financial modelling uses short and long term forecasts as published by the Office for Budgetary Responsibility (OBR). Any change to these assumptions has the potential to lead to an adjustment to the Department's calculations as highlighted in Note 10.

Liquidity Risk

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

Foreign Currency Risk

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

At 31 March 2021, with a 10% weakening or strengthening of sterling against the euro,

the outturn for the year would have increased by £0.54m or decreased by £0.54m respectively. This movement is attributable to the foreign exchange gains or losses on translation of euro denominated payables.

10. INVESTMENTS - FINANCIAL INSTRUMENTS

10.1 Student Loans

	Note	2020-21 £000	2019-20 £000
Total value of loans at 1 April		**2,707,303**	**2,542,115**
Adjustment to opening balance		3	
Additional Loan funding	*SOAS3*	357,118	350,191
Repayments		(118,577)	(106,836)
Effective Interest		-	-
New impairments		-	-
Fair value adjustment		(143,699)	(78,167)
Total value of loans at 31 March		**2,802,148**	**2,707,303**

The Student Loans Company Limited issues loans on behalf of the Department for Northern Ireland, the Department for Education in England, the Welsh government and the Scottish Executive. The split of total loans is provided by the Student Loans Company.

Student loans are held at fair value (FVTPL). This involves the value of the loans issued being discounted to net present value using the effective interest rate method. The effective interest rate for student loans is RPI plus 0.7%, which is the HMT discount rate. In 2020-21, the effective interest was 2.21% (2019-20: 3.42%).

As outlined on the Statement of Cash Flows, student loan cash advances for the period were £355.7m (2019-20: £349.7m) and repayments were £117.7m (2019-20: £105.9m).

Student Loans issued during the year comprise Tuition Fee Loans paid directly to the Higher Education Institutions and Maintenance Loans paid directly to students. The total of both loans is repayable by the students. Loans issued can be summarised as follows:

	2020-21 £000	2019-20 £000
Tuition Fee Loans payable to Institutions	217,537	222,644
Maintenance Loans payable to students	139,581	127,547
Total	**357,118**	**350,191**

10.1a Face Value

The face value of the loan book (gross amount owed by students) is made up of the opening face value, plus additions and capitalised interest, less write offs and repayments. The face value of the loan book at 31 March 2021 was £4,158m (31 March 2020: £3,875m).

	Note	2020-21 £000	2019-20 £000
Opening face value of loan book at 1 April		3,874,894	3,539,300
Less: opening balance adjustment		2	-
		3,874,896	**3,539,300**
Additional loan funding	*SOAS3*	357,118	350,191
Repayments		(118,577)	(106,836)
Capitalised interest		45,478	93,000
Policy write offs		(973)	(761)
Closing face value of loan book at 31 March		**4,157,942**	**3,874,894**
Closing fair value adjustments at 31 March		(1,355,795)	(1,167,591)
Carrying value at 31 March		**2,802,147**	**2,707,303**

During 2019-20, the Student Loans Company (SLC) and HMRC launched their More Frequent Data Sharing Project (MFDS). The purpose of this project was to provide the Student Loans Company with details of loan repayments collected through HMRC's pay as you earn scheme (PAYE), which means that SLC know exactly how much graduates are repaying each week or month that they are paid. Prior to this repayments were only shared with SLC on an annual basis after the end of the financial year. With the launch of MFDS, that year the SLC have effectively been able to apply two year's interest to the loan book, resulting in a significant increase in interest applied in 2019-20.

The result is a reduction this year in terms of interest added to the loan book to normal levels.

10.1b Forecasting Model

The estimates underpinning the fair value adjustments are based on a forecasting model (the Stochastic Earnings Path model, which holds NI borrower data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimates the likely repayments of student loans. The valuation is based on a set of simulated borrower profiles, derived from a complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years). Any changes to these assumptions could have an impact on the value of the loan book included in these accounts.

In addition, student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1%, whichever is the lower. The Department meets the costs resulting from difference between the forecast future interest paid by students and the costs of capital on loans, which is known as the interest subsidy. This reflects the cost to the Government of issuing and holding the loan. The Department increases the subsidy based on a percentage of loans issued in year.

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate as at 31 March 2021.

COVID-19 impact on the carrying value of Student Loans

As a consequence of the current COVID-19 outbreak, there remain high levels of uncertainty in the short term as to the impact that the outbreak will have on macroeconomic data used to calculate the carrying value of the student loan book in these accounts. The Department has incorporated the macroeconomic forecast data published by the OBR in line with existing policies and procedures. The forecasts have taken into account impacts of the COVID-19 pandemic with a number of assumptions made given the high levels of short term uncertainty. The OBR will continue to review the long-term determinants, aiming to reflect any long-term implications of the pandemic.

Assurance over the Carrying Value

Each year the carrying value of the student loan book in the accounts is compared with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Changes in Assumptions and Modelling

There were no changes in assumptions and modelling during 2020-21 other than updated forecasts by the Office for Budget Responsibility (OBR) and Office for National Statistics (ONS).

Key Assumptions used to calculate the Student Loan balance at 31 March 2021

The key assumptions that impact on the value of the loan book are the discount rate used, and assumptions made about graduate earnings.

It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

Discount Rate

To value the future cash flows, the Department has used RPI plus 0.7%, which is the HM Treasury's long-term discount rate. If an active market existed for student loans, the discount rate applied by potential buyers may be different from this rate - reflecting the buyers' cost of capital and assessment of risk.

Graduate Earnings and Employment

The Stochastic Earnings Path model (adapted for Northern Ireland) assumes future real earnings growth (net of RPI inflation) to be 0.93 percentage points, as this is OBR's long-term forecast. The Stochastic Earnings Path model assumes average nominal earnings growth will be in line with long-term OBR forecasts.

Graduate Income Distribution

The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel and administrative data held by the Student Loans Company.

Base Rates

The model assumes that Bank of England base rates will be in line with long-term OBR forecasts.

Sensitivity Analysis

The tables below indicate the sensitivity of the valuation of future cash flows to key assumptions that affect the value of the student loan book. They show the changes required in RPI, earnings growth and the Bank of England base rate to create an increase/ decrease in the carrying value of the loan book of 1%.

A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by

more than 1%. There are no earnings growth forecasts specifically for graduates, so the assumptions include both graduates and non-graduates.

RPI

The OBR forecast for March RPI in 2020-21 is 1.5%, increasing to 2.03% in 2021-22 increasing to 2.90% over the long term as forecast by the OBR. The table below shows the relative percentage changes in RPI that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% change = £27.0m
Increase by 1%	-2.807%
Decrease by 1%	2.702%

Earnings Growth

Higher earnings growth will increase repayments. The OBR forecast for 2020-21 average earnings growth is 0.77% rising to 3.12% in 2021-22, rising further to 3.83% in the long term. The table below shows the relative percentage changes in earnings growth that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% change = £27.3m
Increase by 1%	3.192%
Decrease by 1%	-3.166%

Bank of England Base Rate

The OBR forecast for the Bank of England base rate in 2020-21 is 0.10%, rising to 3.40% in the long term on average (between 2025-26 and 2070-71). The table below shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of the loan book.

Impact on carrying value	1% change = £27.0m
Increase by 1%	37.615%
Decrease by 1%	-27.745%

Historical data over the last five years shows the extent of change to earnings growth, RPI rates and base rates compared to current levels is:

- The long term OBR assumption for earnings growth is currently 3.83%. Between 2014-15 and 2019-20, the ONS outturn figures for the financial year average of earnings growth have varied between 1.33% and 3.13%.
- The long term OBR assumption for RPI is currently 2.90%. Between 2014-15 and 2019-20, the ONS outturn figures for March RPI have varied between 0.90% and 3.30%.
- The long term OBR assumption for base rates is currently projected to rise to 3.43% on average. Between 2014-15 and 2019-20, the outturns have varied between 0.25% and 0.75%.

10.2 Financial Liabilities

	2020-21 £000	2019-20 £000
Balance at 1 April	**1,140**	**2,038**
New Impairment	491	(91)
Borrowing costs	11	41
Receipts/(Payments)	(1,417)	(848)
Balance at 31 March	**225**	**1,140**

Student Loan Debt Sale Costs

The student loan debt sale subsidy is classified within other financial liabilities and is measured at amortised cost in accordance with IFRS 9.

The student debt sale subsidy is the additional cost to the Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999 and represents the proportion of the national sale applicable to Northern Ireland. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2025, which is the 25 year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for loan repayments which are deferred or written off, under the terms of the original loan contracts with borrowers.

11. FINANCIAL ASSET INVESTMENTS

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total £000
Gross amount: Balance at 1 April 2020	102,816	4,600	7,225	114,641
Reclassification	(25,000)			(25,000)
Additions	-	-	-	-
Interest charged	1,085	-	125	1,210
Loan Repayment – Principal	(33,750)	-	-	(33,750)
Loan Repayment – Interest	(1,358)	-	-	(1,358)
Expected credit loss	(18,500)	-	-	(18,500)
Balance at 31 March 2021	**25,293**	**4,600**	**7,350**	**37,243**
Provision:				
Opening provision at 1 April 2020	(25,000)	(4,600)	-	(29,600)
Reclassification	25,000	-	-	25,000
Balance at 31 March 2021	-	**(4,600)**	**-**	**(4,600)**
Balance at 31 March 2021	**25,293**	**-**	**7,350**	**32,643**

Analysis of expected timing of cash flows

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total £000
Not later than one year	13,879	-	-	13,879
Later than one year	11,414	-	7,350	18,764
	25,293	**-**	**7,350**	**32,643**

The Department holds these financial assets in order to collect the contractual cash flows of principal and interest. As a result, in line with IFRS 9, the loans are recorded at amortised cost.

Presbyterian Mutual Society

On 1 August 2011, a ten year fixed rate loan of £175m at a rate of 2.02% and an interest free loan of £50m were issued to the Presbyterian Mutual Society Limited (in administration).

The loan facility agreement with DfE was for a period of ten years and was due to cease in November 2020, however the UK lockdowns have seriously impacted the planned sales strategy therefore on advice, a further two year extension to the loan facility has been approved.

The latest forecast from the Joint Supervisors has indicated a potential £18.5m shortfall on the £175m loan, for which the department has put in place Expected Credit Loss budget cover in line with requirements under IFRS 9. Given the shortfall in the £175m loan, and the order of repayment, the £50m loan is considered unrecoverable. Previously this has been presented as being through the creation of a provision, but it has been established that an adjustment was made to the carrying value in 2012. As this loan had been carried at nil value it will not require any further adjustment to the carrying value.

As required under IFRS 9, the £175m loan has been recorded at amortised cost at an effective interest rate of 1.916%. In November 2013, the Joint Supervisors of the Presbyterian Mutual Society Limited (in administration) produced financial projections on the timing and quantum of cash flows in respect of repayment of the ten year fixed term loan. Under the 2016 Amending and Restatement agreement between the Department and the Joint Supervisors an adjustment to the timing and quantum of cash flows in certain years was agreed. In keeping with this, the Department annually records an adjustment to the fair value of the fixed term loan.

In the 2020-21 year, the value of the adjustment was £nil.

Harland and Wolff plc

The Department holds all 10,996,082 shares of H&W plc which were purchased in September 1989 at a cost of £4.6m. The amount has been fully provided for to reflect the fact that due to the level of the company's liabilities the share capital is deemed to have no value.

Catalyst Inc.

In 2016-17, a loan of £3.67m was provided to Catalyst Inc. (formerly Northern Ireland Science Park) under the Financial Transactions Capital Loan Scheme for the development of Concourse III. As per IFRS 9, the loan has been recorded at amortised cost at an effective interest rate of 2.789%. A £2.75m loan was advanced in prior years for the same project. This loan has been recorded at amortised cost at an effective interest rate of 2.596%.

The cash advanced to Catalyst Inc. in 2015-16 and 2016-17 totalled £6.42m. An initial repayment free period was granted as part of the terms of the loan agreement, with actual cash repayments due to commence in 2021-22. The loan is then due to be repaid in twenty equal annual instalments.

11.1 Financial Asset Investments *(comparative)*

	Presbyterian Mutual Society £000	Share Capital H&W plc £000	Catalyst Inc. (formerly Northern Ireland Science Park) £000	Total 2018-19 £000
Gross amount: Balance at 1 April 2019	123,430	4,600	7,035	135,065
Additions	-	-	-	-
Interest charged	1,886	-	190	2,076
Loan Repayment – Principal	(20,500)	-	-	(20,500)
Loan Repayment – Interest	(1,944)	-	-	(1,944)
Revaluation	(56)	-	-	(56)
Balance at 31 March 2020	**102,816**	**4,600**	**7,225**	**114,641**
Provision:				
Opening Provision at 1 April 2019	(25,000)	(4,600)	-	(29,600)
Provided in year	-	-	-	-
Balance at 31 March 2020	**(25,000)**	**(4,600)**	**-**	**(29,600)**
Balance at 31 March 2020	**77,816**	**-**	**7,225**	**85,041**

12. INVESTMENTS AND LOANS IN OTHER PUBLIC SECTOR BODIES

Student Loans Company Limited

The Department holds one share, with a nominal value of fifty pence, in the Student Loans Company Limited. The other shares are held by the Government in England and the Devolved Administrations in Scotland and Wales.

13. CASH AND CASH EQUIVALENTS

	2020-21 £000	2019-20 £000
Balance at 1 April	(3,726)	(3,912)
Net change in cash and cash equivalent balances	(8,319)	186
Balance at 31 March	**(12,045)**	**(3,726)**

	Note	2020-21 £000	2019-20 £000
The following balances at 31 March were held at:			
Commercial Banks	*15*	(12,805)	(4,538)
Mineral and Petroleum Bank Account		760	811
Cash in hand		-	1
Balance at 31 March		**(12,045)**	**(3,726)**

Mineral and Petroleum Account

Under the authority of the Minerals (Miscellaneous Provisions) Act (Northern Ireland) 1959 and the Mineral Development Act (Northern Ireland) 1969, all minerals, with certain minor exceptions, are vested in the Department. The transactions arising are reflected in the accounts of the Mineral Account and are not included in these financial statements.

Under the authority of the Petroleum (Production) Act (Northern Ireland) 1964, petroleum rights are vested in the Department. The transactions arising are reflected in the accounts of the Petroleum Account and are not included in these financial statements.

Both of these receipts and payments accounts are audited separately by the Comptroller and Auditor General.

14. Trade Receivables, Financial and Other Assets

	2020-21 £000	2019-20 £000 *Restated*
Amounts falling due within one year:		
Trade receivables	442	178
Other receivables	9,616	8,732
Deposits and advances	-	-
Other receivables:		
VAT	447	387
EU receivables	19,262	27,970
Due from National Insurance Fund	1,703	4,522
Prepayments and accrued income	1,260	3,414
Amounts due from the Consolidated Fund in respect of supply	15,904	4,843
	48,634	**50,046**

Trade receivables include the following amounts due to the Consolidated Fund once the debts are collected:

- Accrued income £0.2m (2019-20: £nil)
- Other receivables £7.7m (2019-20: £2.6m)

15. Trade Payables, Financial and Other Liabilities

	2020-21 £000	2019-20 £000
Amounts falling due within one year:		
Trade payables	39,404	10,380
Accruals and deferred income	112,021	48,039
EU Programme Advances	13,860	7,619
Consolidated Fund Extra Receipts due to		
be paid to the Consolidated Fund:		
Received	501	307
Receivable	230	-
Amounts due to the Consolidated Fund in respect of excess Accounts Receivable:		
Received	2,594	-
Receivable	27,422	4,166
Amounts due to National Insurance Fund	487	523
Bank overdraft	12,805	4,538
	209,324	**75,572**
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	-	-
Total	**209,324**	**75,572**

16. Provisions for Liabilities and Charges

	H&W	Long Service Award	Holiday Pay	2020-21
	£000	£000	£000	£000
Balance at 1 April 2020	34,277	1,699	410	36,386
Borrowing costs (unwinding of discount)	78	-	-	78
Provided in year	-	-	-	-
Provisions release	-	-	-	-
Bad debts previously provided for and written off in the year	-	-	-	-
Provisions utilised in year	(4,000)	-	-	(4,000)
Balance at 31 March 2021	**30,355**	**1,699**	**410**	**32,464**

Analysis of expected timing of discounted flows

	H&W	Long Service Award	Holiday Pay	2020-21
	£000	£000	£000	£000
Not later than one year	4,900	-	-	4,900
Later than one year and not later than five years	16,604	-	-	16,604
Later than five years	8,851	1,699	410	10,960
Balance at 31 March 2021	**30,355**	**1,699**	**410**	**32,464**

16. PROVISIONS FOR LIABILITIES AND CHARGES *(COMPARATIVE)*

	H&W	Long Service Award	Holiday Pay	2019-20
	£000	£000	£000	£000
Balance at 1 April 2019	49,916	1,872	-	51,788
Borrowing costs (unwinding of discount)	159	-	-	159
Provided in year	-	-	410	410
Provisions release	(12,398)	-	-	(12,398)
Bad debts previously provided for and written off in the year	-	-	-	-
Provisions utilised in year	(3,400)	(173)	-	(3,573)
Balance at 31 March 2020	**34,277**	**1,699**	**410**	**36,386**

16.1 Harland and Wolff plc

The provision in respect of Harland and Wolff plc activities is based on assumptions as to future liabilities and revenues. The outcome of these matters cannot be certain. The provision reflects the approximate amount that the Department may be required to contribute to enable Harland and Wolff plc to fulfil its obligations as they fall due.

The provision reflects the Department’s potential liability to meet claims against Harland and Wolff plc in respect of employers’ and public liability arising from the collapse of the company’s insurer, Chester Street Insurance Holdings Ltd, which went into liquidation on 10 January 2001. This provision is based on actuarial advice and includes known claims, largely in relation asbestos related illnesses of former employees of Harland and Wolff plc, together with unreported claims which may be expected to crystallise over a significant number of years. The amount £30.4m, as at 31 March 2021 (2019-20: £34.3m), represents the total estimated liability discounted back to today’s prices. The accuracy of the provision is subject to a considerable number of uncertainties including future mortality rates, emergence of new diseases, improvements in medical treatments, and the outcome of future legal cases.

An updated actuarial review outlining projected future cash flows was completed during 2019-20, which resulted in a decrease in the overall discounted liability. This was primarily due to a reduction in real terms of legal cases being brought over the past number of years as the pool of claimants by its nature decreases over time. The overall undiscounted liability in relation to the employers’ and public liability claims referred to above, based on actuarial advice, amounts to £32.5m (2019-20: £34m).

16.2 Long Service Award

Provision has been made for a long service award for members of the judicial pension scheme within the Office of the Industrial and Fair Employment Tribunals. The purpose of the long service award is that, subject to any future changes in legislation, the award will compensate for any tax or national insurance charges on lump sums payable from the deregistered judicial pension schemes on retirement, whatever the personal circumstances of the judge or his/her other pension benefits.

16.3 Holiday Pay

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can be taken back to 1998. However, the PSNI has appealed the CoA judgment to the Supreme Court. The Supreme Court hearing was scheduled for 23 and 24 June 2021 but this has subsequently been adjourned. The 2020-21 Holiday Pay provision has been estimated by NICS HR and covers the period from November 1998 to 31 March 2020. There are still some very significant elements of uncertainty around this estimate for a number of reasons:

- The appeal to the Supreme Court (as detailed above);
- Lack of accessible data for years previous to 2011;
- Ongoing negotiations with Trade Unions; and,
- The provision includes a pension element which is based on formulae provided by the Government Actuary's Department (GAD) with a variable capitalisation factor (CF). The CF used for these calculations is twelve, which is based on the commutation value currently used in public sector pensions. This figure is subject to change as the calculation has not been agreed with Trade Unions.

17. CONTINGENT LIABILITIES

The Department has the following quantifiable contingent liabilities:

a. Litigation Cases

There are fourteen outstanding cases as at 31 March 2021. The estimated total potential liability is less than £250k.

b. Renewable Heat Incentive Scheme

There are two main ongoing legal challenges in respect of the Renewable Heat Incentive (RHI) Scheme. Judgment of the case against the introduction of the Northern Ireland (Regional Rates and Energy) Act 2019 was delivered on 14 October 2021, with the Court dismissing the application for Judicial Review. In addition, there is also an appeal against the introduction of the 2017 Regulations. While the judgment of the 2019 case has been delivered, appeal is likely. Such appeal may be heard in combination with the appeal of the earlier judgment on the 2017 Regulations. The prospect of complex and prolonged litigation is foreseeable, the ultimate outcome difficult to predict and will not be known for some time however if they were to be successful then there could be a significant impact. In January 2020, the New Decade, New Approach (NDNA) document included a specific commitment to closure of RHI and replacement with a scheme which effectively cuts carbon emissions. The Department launched an eight week consultation in February 2021 which sought views on options for the future of the Non-Domestic RHI Scheme. The final decision on the future of the Non-Domestic RHI Scheme will be taken by the Executive collectively, informed by the outcome of the consultation and legal advice.

c. Presbyterian Mutual Society

As described at Note 11, on 1 August 2011, a ten year fixed rate loan of £175m, at a rate of 2.02%, was issued to the Presbyterian Mutual Society Limited (in Administration).

In prior years, DfE have included any projected shortfalls as a contingent liability as the timing and final outturn were fluid, however as the scheme draws closer to the end the Joint Supervisors have estimated that the final shortfall will be £18.5m. DfE have recognised the Expected Credit Loss in line with the requirements of IFRS 9 and reduced the carrying value of the investment by £18.5m.

The Joint Supervisors have also alluded to potential upsides which may reduce this shortfall however any potential shortfall is contingent upon the performance of the property market.

The Departmental loan facility to PMS was due to cease in November 2020, however, the United Kingdom lockdowns seriously impacted the sales strategy. As a result, and based on advice, a two year extension to the loan facility has been granted.

d. Abandoned Mines

Abandoned Mines are vested in the Department under the Mineral Development Act (NI) 1969. Presently there are a number of issues with Abandoned Mines that are being investigated; specifically in Coalisland and Carrickfergus. At Coalisland, subsidence has been identified and remedial action will be required. Contractors have been engaged to investigate and prepare a plan of action, but they have been unable to finalise surveys due to COVID restrictions. In Carrickfergus, unauthorised dumping of waste has allegedly taken place at the site of a previous mine collapse and an investigation has been commissioned to ascertain the potential impact on two other abandoned mines in the same location. Due to the early stage of this investigation, it is not possible to estimate the extent of the liability.

18. FINANCIAL GUARANTEES, INDEMNITIES AND LETTERS OF COMFORT

Other than those noted below, the Department did not enter into any other quantifiable guarantees, indemnities or did not provide any letters of comfort in 2020-21 or 2019-20. There is, therefore, no liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They, therefore, fall to be measured following the requirements of IFRS 9.

18.1 Construction and Industry Training Board Northern Ireland (CITB-NI) Pension Scheme

The Department has entered into a Guarantee Agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of Construction and Industry Training Board–Northern Ireland (CITB-NI), an NDPB sponsored by this Department. In the event of the organisation being wound up, the Industrial Training (NI) Order 1984, Section 19 provides for the making of a revocation order in the event of the winding up of an industrial training board (such as CITB-NI).

Section 19 (2) states:

"A revocation order may provide -

> (a) for the imposition of a levy on employers in the industry, other than such, if any, as may be exempted by the order, for the purpose of raising the whole or part of any amount by which the assets of the individual training board may be insufficient to meet the liabilities of the board and the expenses of the winding up."

The Department anticipates that in the event of CITB-NI being wound up, it would be prepared to consider issuing a revocation order in respect of any agreed remaining liabilities. In the event that such a levy was insufficient to extinguish an agreed remaining pension liability, the Department would ultimately be prepared to assume the liability on behalf of CITB.

18.2 Tourism Northern Ireland Pension Scheme

The Department has entered into a Guarantee Agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of the Tourism Northern Ireland. The Department has guaranteed any and all obligations in respect of pension liabilities if the NDPB ceases to exist or is otherwise unable to discharge its liabilities under the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

There are no associated costs to be disclosed to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

19. RELATED PARTY TRANSACTIONS

The Department sponsors the Non-Departmental Public Bodies (NDPBs), Independent Autonomous Bodies (IABs) and North/South Bodies listed in Note 21. In addition, Harland & Wolff Plc, a limited company which is wholly owned by the Department, is also regarded as being outside the accounting boundary. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department, its NDPBs, IABs and North/South Bodies have undertaken a number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Department of Education, the former Social Security Agency (now Department for Communities); and, the Department of Finance.

Transactions that the Department, has undertaken with Members of the Departmental Board and Departmental Audit Committee or companies/ bodies in which they have an interest were as follows. All transactions are conducted at arm's length and in accordance with departmental financial procedures.

Harland and Wolff plc

A company wholly owned by the Department received £4m (2019-20: £3.4m) to enable it to meet its liabilities. The directors of Harland and Wolff plc are appointed ex-officio. During 2020-21, the directors were Stephen McMurray, Sharon Hetherington, Iain McFarlane and Rachel Linton, all of whom were departmental employees. Stephen McMurray retired in June 2020 and was replaced by Sharon Hetherington.

Grace Nesbitt

Grace Nesbitt was an Independent Member of the Audit and Risk Assurance Committee (ARAC) until 31 October 2021and is also a Director of Access Employment Ltd previously known as Acceptable Enterprises Limited.

During the year, the Department provided funding to Access Employment Limited under the ESF Programme of £126,267 (2019-20: £150,120) and the £25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme £25,000 (2019-20: £nil). At 31 March 2021, the outstanding amount payable was £28,151.39 (2019-20: £nil).

Fiona Keenan

Fiona Keenan is an Independent Member of the ARAC and a close family member is a Director of Bedeck Ltd. During the year, the Department provided funding to Bedeck Ltd under the £25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme £25,000 (2019-20: £nil).

Maeve Hamilton

Maeve Hamilton was Director of European Fund Management for DfE during 2020-21. During the year, Maeve Hamilton was appointed both as an interim Governor to the Board of North Regional College (NRC) and as the Deputy Chair of the Audit and Risk Committee of NRC. NRC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2020-21, the Department provided total funding of £31,546,652 to NRC. At 31 March 2021, the outstanding amount payable was £653,879.

Sharon Hetherington

Sharon Hetherington was Director of Finance for DfE during 2020-21. During the year, a close family member was the Interim Chair of the South Eastern Regional College (SERC) and Director of the Ulster University Economic Policy Centre. SERC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2020-21, the Department provided total funding of £48,936,896. At 31 March 2021, the outstanding amount payable was £875,834. Ulster University is an Independent Autonomous Body as outlined above, the Department provided total funding of £106,814,104, the outstanding amount payable was £1,903,435.

Graeme Wilkinson

Graeme Wilkinson was Director of Skills for DfE during 2020-21. During the year, Graeme Wilkinson was appointed to Northern Regional College Board of Governors (NRC). NRC is a Non-Departmental body of the Department as outlined above, and also received funding for the delivery of other programmes. During 2020-21, the Department provided total funding of £31,546,652 to NRC. At 31 March 2021, the outstanding amount payable was £653,879.

The Minister has not undertaken any material transactions with the Department during the year.

Compensation for key management personnel has been disclosed via the Remuneration Report on page 107 to 126.

20. THIRD PARTY ASSETS

The assets held at the reporting period date to which it was practical to ascribe monetary values comprised. They are set out in the table below:

	31 March 2020	Gross inflows	Gross outflows	31 March 2021
	£000	£000	£000	£000
Insolvency Account	23,639	5,863	(8,355)	21,147
Northern Ireland National Insurance Fund	42,628	6,488	(1,939)	47,177

These are not departmental assets and are not included in these financial statements. Further information is contained in the published Insolvency Account and the accounts of the Northern Ireland National Insurance Fund.

Insolvency Account

Under Article 358 (1) of the Insolvency (Northern Ireland) Order 1989, trustees in bankruptcy and liquidators of companies must pay the money received in respect of Company Liquidations, Bankruptcies and Estates of Deceased Insolvents, including

Arrangements under the control of the Court up to 30 September 1991, into the Insolvency Account pending authorised appropriation.

Northern Ireland National Insurance Fund

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

21. ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY

These financial statements reflect the accounts of the core Department only. Bodies not consolidated in these accounts but for which the Department is responsible for their sponsorship and oversight of are:

Non-Departmental Public Bodies:
- Invest Northern Ireland (Invest NI);
- Northern Ireland Screen (NIS);
- Construction and Industry Training Board–Northern Ireland (CITB-NI);
- Tourism Northern Ireland (Tourism NI);
- Health and Safety Executive for Northern Ireland (HSENI);
- General Consumer Council for Northern Ireland (GCCNI);
- Labour Relations Agency (LRA);
- Stranmillis University College; and,
- the six Further Education (FE) colleges.

Independent Autonomous Bodies:
- Ulster University;
- Queens University Belfast;
- St Mary's University College; and,
- the Open University.

The Department also acts as co-sponsor Department to two North/ South bodies set up under the Belfast Agreement which are also regarded as falling outside the accounting boundary. These are:
- InterTradeIreland; and,
- Tourism Ireland.

In addition, Harland & Wolff Plc, a limited company which is wholly owned by the Department, is also regarded as being outside the accounting boundary.

Financial information about each of the above entities may be obtained from their separate published annual reports and accounts.

22. COVID-19 FINANCIAL SUPPORT AND RECOVERY

COVID-19 Financial Support Schemes

On 11 March 2020, the Chancellor announced during his Spring Budget of 2020 that the Government would introduce measures to help businesses with their business rates bills and to assist with the economic challenges presented by COVID-19. On 18 March 2020, the NI Executive announced measures to support the most vulnerable businesses to assist with the economic challenges presented by COVID-19. A grant of £10,000 for businesses in receipt of small business rate relief and a grant of £25,000 to firms with a rateable value of between £15,000 and £51,000 in the retail, tourism and hospitality sectors were announced.

Small Business Grant Scheme

Grants of £10,000 to small businesses that already pay reduced rates because of Small Business Rate Relief were launched in 26 March 2020. This is applied automatically to properties with a total Net Annual Value of £15,000 and below although certain exclusions were applied. The Department worked with Land and Property Services and Invest NI to devise the policy and deliver the scheme.

In 2019-20, funding for the payments of £67.7m was provided by the Department in the form of cash-based Grant in Aid which appeared as Programme Costs in the DfE accounts for that year, with the payments being administered by Land and Property Service (Department of Finance). Expenditure for the scheme appeared on an accruals basis in the accounts of Invest NI. The remainder of the payments for the scheme were made in 2020-21.

Similar to the Small Business Grant Scheme launched in March 2020, further funding provided by the Department in 2020-21, to fund schemes developed to provide assistance reflecting the widely felt impact of the lockdowns in response to the pandemic, as well as the extensions to those lockdowns, has been included in these accounts in the form of cash-based Grant in Aid (in line with FReM and Managing Public Money NI), appearing on an accruals basis in the accounts of the NDPB administering the scheme. The following expenditure is included within these accounts under Grants (Grant in Aid note 4) and Non Budget Grant in Aid in the Statement of Outturn against Assembly Supply:

	2020-21 £000	2019-20 £000
£10k Small Business Grant Support Scheme	175,317	66,700
£25k Grant for Retail, Hospitality, Tourism & Leisure sector	73,630	-
Micro-Business Hardship	23,173	-
Newly Self Employed Support Scheme	8,582	-
Limited Company Directors Support Scheme	1,477	-
COVID Restrictions Business Support Scheme Part A & Part B	66,136	-
Wet Pub Business Support	3,917	-
Large Tourism & Hospitality	33,229	-
Bed & Breakfast, Guest House Support	1,544	-
	387,005	**66,700**

Details on the schemes can be found at Annex B.

COVID-19 Financial Recovery Schemes

The following schemes were designed and implemented by NDPBs, funded by the Department through Grant in Aid in these accounts, set up to help kick start the recovery of the economy. Details will be provided in the accounts of the NDPBs.

	2020-21 £000	2019-20 £000
Invest NI		
Business Financial Planning Grant Scheme (BFPG)	710	-
Digital Selling Capability Grant	894	-
Aero/Customer Diversification	164	-
Communication Campaign	3,000	-
IntertradeIreland		
COVID E-Merge	600	-
COVID Emergency Business Solutions	480	-
NI Screen		
Screen Re-boot	400	-
Tourism NI		
Marketing COVID Support	5,819	-
COVID Research and Insight	459	-
COVID Crisis Management and Turnaround Support Fund	729	-
Digital Innovation and Intelligence	245	-
	13,500	**-**

COVID-19 Financial Recovery Aid

The Department delivered a range of financial recovery aid packages to help kick start the recovery of the economy. These are all schemes administered by the Department.

	2020-21 £000	2019-20 £000
Apprenticeships, Careers, Vocational Education & Skills Schemes		
Apprenticeships Return, Retain Result	5,699	-
Apprenticeships Recruit	6,497	-
Challenge Fund	441	-
Youth Training	4,125	-
PPE	163	-
IT Hardship	693	-
Supplier Support	10,223	-
Accredited online upskilling & re-training	5,954	-

	2020-21 £000	2019-20 £000
Higher Education Sector		
One Off payment to students	20,369	-
Student Hardship, Digital Poverty and Mental Health Provision	11,220	-
Safe Learning & Research Environment	6,637	-
Lost Accommodation Income Support	3,059	-
HE Teaching Grant Maximum Student Uplift	1,572	-
HE Teaching Grant Additional A level Places	343	-
HE Teaching Grant Part Time Provision	750	-
Loss of Commercial Research Income	1,000	-
Support of University Research & Development	13,000	-
Student Postgraduate Award Extension	2,000	-
COVID-19 Rapid Response Research & Innovation Funding	991	-
Further Education Sector		
Provision of Safe Learning Environment	3,907	-
IT Support	7,571	-
Loss of Income due to COVID-19	2,944	-
FE Student Support	1,767	-
Free School Meals & Holiday Meals	649	-
Student Hardship Fund	716	-
	112,290	**-**

Details of the schemes can be found at Annex B.

Summary

This funding is included in these accounts within the total figures at Note 4 Programme Expenditure:

	Grant £'000	Capital Grant £'000	Grant in Aid £'000	Total £'000
COVID 19 Financial Support Schemes	-	-	387,005	387,005
COVID 19 Financial Recovery Schemes	-	-	13,500	13,500
COVID 19 Financial Recovery Aid	96,472	693	15,125	112,290
TOTAL	**96,472**	**693**	**415,630**	**512,795**

23. HARLAND AND WOLFF PLC

Harland and Wolff plc is wholly-owned by the Department.

The Department holds all 10,996,082 shares of H&W plc which were purchased in September 1989 at a cost of £4.6m (fully provided, see Note 11). Details of the group's trading are contained in its accounts, which are prepared under UK GAAP. Key figures extracted from these accounts are:

Statement of income and retained earnings for the year ended 31 March 2021

	2020-21 £000	2019-20 £000
Turnover	-	-
Administration expenses	-	-
Operating loss	-	-
Interest receivable and similar income	-	-
Profit on ordinary activities before taxation	-	-
Tax on ordinary activities	-	-
Profit for the financial year	-	-

Statement of Financial Position as at 31 March 2021

	2020-21 £000	2019-20 £000
Current Assets		
Debtors	29,794	33,782
Cash at bank and in hand	562	543
	30,356	34,325
Creditors: amounts falling due within one year	(3)	(46)
Net current assets	**30,353**	**34,279**
Provisions for liabilities	(30,353)	(34,279)
Net assets	-	-
Capital and reserves		
Called up share capital	10,996	10,996
Profit and loss account	(10,996)	(10,996)
Total shareholders' funds	-	-

24. MATERIAL IRREGULAR EXPENDITURE

The Accounts Direction given by the Department of Finance for 2020-21 requires departments to disclose any material expenditure or income that has not been applied for the purposes intended by the relevant legislature or material transactions that have not confirmed to the authorities which govern them.

In 2020-21 expenditure (Grant in Aid) shown within these accounts of £99.368m was provided for business support schemes which relied on self-declarations from applicants as evidence that some of their eligibility criteria had been met. The decision to rely on self-declarations was taken in the context of the exceptional circumstances brought about by the Covid-19 pandemic and the extreme urgency with which businesses required these financial support interventions. High risks of fraud and error, in addition to insufficient assurance on value for money, were all acknowledged at the time and as such Ministerial Directions were sought and received for all of these schemes.

The Department accepts that as the schemes were designed to rely on self-declarations, insufficient audit evidence is available to determine if all of the eligibility criteria were met in all cases.

Clawback arrangements were incorporated into all the schemes and a project to retrospectively identify and recover ineligible grant payments is ongoing. Expenditure (Grant in Aid) in these accounts includes a total of £3.86m deemed to be ineligible - £2.871m recovered during the period, leaving a net spend figure of £0.989m. This comprises £0.582m which was recovered to January 2022, and £0.407m for which repayment plans have been agreed.

In addition, material irregular expenditure in relation to three apprenticeship recovery intervention schemes (Return, Retain, Result; Recruit; and Apprenticeship Challenge Fund) was identified during the year. The Employment & Training Act (Northern Ireland) 1950 was used to provide the legal vires to make the payments under these schemes; however, the legislation specifically required DoF approval to be obtained in advance of any payments being made. When this oversight was identified, DoF approval was sought for future payments. However, £6.2m of payments had already been made and could not be approved retrospectively.

Other instances of irregular expenditure which the Department does not consider material are disclosed elsewhere in the Governance Statement.

25. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period which would require adjustment to the financial statements.

Date of Authorisation for Issue

The Accounting Officer authorised the issue of these financial statements on 2 March 2022.

(1) Total Departmental Spend

The table below shows an analysis of Resource Departmental Expenditure Limits (DEL) and Annual Managed Expenditure (AME).

Table 1.1	2017-18 £000 Outturn	2018-19 £000 Outturn	2019-20 £000 Outturn	2020-21 £000 Outturn
Resource DEL				
Economic Development & Infrastructure	16,020	17,025	16,626	56,463
Economic Development & Infrastructure – Repayment of Assistance PMS	(2,298)	(2,144)	(1,886)	17,415
Invest NI & Tourism	487	(329)	1,160	1,511
Employment & Skills	95,483	92,860	100,241	147,466
Student Support & Higher Education	480,739	431,383	475,726	542,412
Tourism Ireland Ltd	156	144	222	277
Intertrade Ireland	163	118	156	159
Representation & Regulatory Services	8,355	13,221	15,632	15,978
EU Structural Funds – ERDF Support	295	270	321	194
EU Programmes	8,985	8,914	4,176	13,884
EU Community Initiative	194	777	1,164	783
EU Peace	-	871	1,121	1,046
Total Resource DEL	**608,579**	**563,110**	**614,659**	**797,588**
of which:				
Salaries	41,724	48,310	55,939	64,151
Consultancy	398	523	970	1,050
Depreciation	101	110	153	99
Support to Higher Education	225,636	198,888	197,730	224,504
Support to Students	91,084	113,762	112,448	145,133
Notional Student Loan Subsidy/ Fair Value Adjustment	160,966	115,932	163,025	201,448
Training Programmes	60,279	52,218	58,545	89,272
Support to Further Education	14,445	14,855	13,474	15,400
Renewable Heat Incentive Scheme	2,235	824	815	325
European Programmes	15,233	10,763	6,458	34,425
PMS	-	-	-	17,415
Other	(3,522)	6,925	5,102	4,366
Resource AME				
Economic Development & Infrastructure	19,570	23,997	(5,492)	7,299
Employment & Skills	-	-	410	-
Student Support & Higher Education	(96,840)	(88,968)	(83,337)	(39,101)
Total Resource AME	**(77,270)**	**(64,971)**	**(88,419)**	**(31,802)**
of which:				
Harland & Wolff Provision	(2,614)	246	(12,239)	77
Renewable Heat Incentive Scheme	22,300	23,798	6,680	7,222
Early Retirement	-	-	-	-
Holiday Pay	-	-	410	-
Take up/ Revaluation of Debt Sale	(450)	(329)	(50)	502
Student Loan Effective Interest/ Fair Value Adjustment	(96,390)	(88,639)	(83,287)	(27,332)
Other	(116)	(47)	67	(12,271)
Total Resource Budget	**531,309**	**498,139**	**526,240**	**765,786**

The table below shows an analysis of Capital Departmental Expenditure Limit (DEL) and Capital Annual Managed Expenditure (AME) categories.

Table 1.2	2017-18 £000 Outturn	2018-19 £000 Outturn	2019-20 £000 Outturn	2020-21 £000 Outturn
Capital DEL				
Economic Development & Infrastructure	6,772	2,063	32,569	25,260
Economic Development & Infrastructure – Repayment of Assistance PMS	(8,000)	(13,500)	(20,500)	(33,750)
Employment & Skills	804	(3)	98	824
Student Support & Higher Education	18,556	9,331	7,537	43,854
Representation & Regulatory Services	61	169	78	231
EU Structural Funds – ERDF Support	47	-	-	-
EU Programmes	-	(51)	-	-
Total Capital DEL	**18,240**	**(1,991)**	**19,782**	**36,419**
of which:				
Broadband Stimulation	5,639	-	-	-
Presbyterian Mutual Society	(8,000)	(13,500)	(20,500)	(33,750)
Learning and Teaching for HE Sector	13,029	6,259	4,269	39,844
University Funding	3,302	3,310	2,968	5,114
Catalyst Inc.	-	185	190	124
FE IT System	1,080	-	-	-
BIS Receipt	(1,330)	(1,307)	(1,330)	(2,974)
Student Loans Company	3,283	1,069	1,605	1,849
Capitalised Salaries	1,190	411	407	443
Research & Development	-	1,442	1,999	2,686
Project Stratum	-	-	-	21,100
Energy Infrastructure	-	-	-	785
Apprenticeship Capital Grants	-	-	-	826
Gas to the West	-	-	30,000	-
Other	47	140	174	372
Capital AME				
Economic Development & Infrastructure	(38)	(26)	-	-
Student Support & Higher Education	290,915	311,221	336,355	284,018
Total Capital AME	**290,877**	**311,195**	**336,355**	**284,018**
of which:				
Renewable Heat Incentive Scheme	(38)	(26)	-	-
Student Loan Issued	345,503	354,434	350,191	357,117
Student Loan Receipts	(89,999)	(92,752)	(106,836)	(118,577)
Student Loan Capitalised Interest	35,411	49,539	93,000	45,478
Total Capital Budget	**309,117**	**309,204**	**356,137**	**320,437**
Total Departmental Spending	**840,426**	**807,343**	**882,377**	**1,086,223**
of which:				
Total DEL	626,819	561,119	634,441	834,007
Total AME	213,607	246,224	247,936	252,216

Non-Budget

The table below shows an analysis of Non-Budget expenditure.

Table 2	2017-18 £000 Outturn	2018-19 £000 Outturn	2019-20 £000 Outturn	2020-21 £000 Outturn
Grant in aid	350,010	359,288	488,236	815,434
Notionals	8,610	8,871	9,200	8,503
Total Non-Budget	**358,620**	**368,159**	**497,436**	**823,937**
of which:				
Invest NI	123,616	96,000	175,751	508,140
Tourism NI	17,000	23,819	23,601	30,400
Tourism Ireland	12,568	13,503	12,287	12,794
FE Colleges	180,967	193,705	247,246	227,953
NI Screen	-	14,582	14,859	15,844
Other	24,469	26,550	23,692	28,806

The table below shows the reconciliation between the tables above and SOAS1.

	2017-18 £000 Outturn	2018-19 £000 Outturn	2019-20 £000 Outturn	2020-21 £000 Outturn
SOAS1 Analysis of NET Resource				
Outturn by Function				
Request for Resources A	634,599	574,241	654,658	867,329
Annual Managed Expenditure	(77,269)	(64,998)	(88,419)	(31,802)
Non-Budget	358,620	368,159	497,436	823,937
	915,950	**877,402**	**1,063,675**	**1,659,464**
Tables Above				
Resource DEL	608,579	563,110	614,659	797,588
Capital DEL	18,240	(1,991)	19,782	36,419
Resource AME	(77,270)	(64,971)	(88,419)	(31,802)
Capital AME	290,877	311,195	336,355	284,018
Non-Budget	358,620	368,159	497,436	823,937
	1,199,046	**1,175,502**	**1,379,813**	**1,910,160**
Reconciling Items	283,096	298,100	316,138	250,696

Reconciling items relate to capital transactions recorded in the Statement of Financial Position and not SOAS1.

(2) Departmental Administration Spend

Table 3	2017-18 £000 Outturn	2018-19 £000 Outturn	2019-20 £000 Outturn	2020-21 £000 Outturn
Economic Development & Infrastructure	7,895	10,326	14,255	18,857
Invest NI & Tourism	487	536	660	783
Employment and Skills	20,277	21,136	22,464	24,279
Student Support & Higher Education	2,325	2,209	2,430	2,968
Tourism Ireland Ltd	156	144	222	277
IntertradeIreland	163	118	156	159
Representation & Regulatory Services	1,132	1,277	1,568	1,655
Total Admin	**32,435**	**35,746**	**41,755**	**48,978**
of which:				
Salaries	27,244	29,561	35,286	42,148
Consultancy	363	505	944	997
Other	4,828	5,680	5,525	5,833

COVID-19 Financial Support Schemes

£10k Small Business Grant Scheme

Grants of £10,000 to small businesses that already pay reduced rates because of Small Business Rate Relief were launched in 26 March 2020. This is applied automatically to properties with a total Net Annual Value of £15,000 and below although certain exclusions were applied. The Department worked with Land and Property Services and Invest NI in order to devise the policy and deliver the scheme. The scheme was expanded further in 2020-21.

(Expenditure included in Invest NI accounts in 2020-21 is £23,017k (2019-20: £220,000k)).

£25k Grant for the Retail, Hospitality, Tourism and Leisure sectors

The £25,000 Business Support Grant Scheme was launched in April 2020 to support businesses that were experiencing financial hardship, as a result of the COVID-19 pandemic. The Executive agreed to deliver the Business Support Grant to help protect jobs, prevent business closures and promote economic recovery across the retail, hospitality, tourism and leisure sectors, as these were some of the most immediate and significantly affected industries at that time.

(Expenditure included in Invest NI accounts in 2020-21 is £73,630k).

Micro-Business Hardship Fund

The NI Micro-business Hardship Fund was developed to respond quickly and proportionately through the provision of funding to micro-businesses and qualifying social enterprises that were facing immediate cash flow difficulties due to the impact of COVID-19. The Hardship Fund was open to all micro-businesses that had not qualified for other regional and national support measures.

(Expenditure included in Invest NI accounts in 2020-21 is £23,233k).

Newly Self Employed Support Scheme

The Newly Self-Employed Support Scheme, was launched on 3rd December 2020. It was designed to provide support to newly self-employed individuals (sole traders and those in partnerships) who have been adversely impacted by COVID-19 and who had not been able to access support from the UK government's Self-Employed Income Support Scheme. The scheme was extended on 7 January, to remove the criteria for over 50% of income to come from self-employment, and allow those who became self-employed later to qualify.

(Expenditure included in Invest NI accounts in 2020-21 is £8,680k).

Limited Company Directors Support Scheme

The Limited Company Directors Scheme (LCDSS) was launched on 11 January 2021. Many company directors who had been adversely affected by COVID-19 had found themselves in financial difficulty and this scheme aimed to help to address the gap in national support for this group. The LCDSS provided payments of £3,500.

(Expenditure included in Invest NI accounts in 2020-21 is £20,542k).

COVID Restrictions Business Support Scheme

The COVID Restrictions Business Support Scheme (CRBSS) was announced in October 2020 and provided support to businesses affected by the restrictions in place from 16 October (or 5 October for the Derry City and Strabane District Council area) who were not eligible for the Localised Restrictions Support Scheme. This scheme closed temporarily between 16 December 2020 and 26 December 2020. It operated in two parts.

- Part A - A business that was required to close or cease trading under the Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020 but was not eligible for the Localised Restrictions Support Scheme.
- Part B - A business that was not named in the Health Protection (Coronavirus, Restrictions) (No.2) Regulations (Northern Ireland) 2020, but which supplies goods or services to such a business, or was reliant upon such a business being open and fully operational in order to trade.

(Expenditure included in Invest NI accounts in 2020-21 is £76,911k).

Wet Pubs Business Support Scheme

The Wet Pubs Business Support Scheme was launched on 6 January 2021. NI's hospitality industry had been hugely impacted as a result of COVID Health Regulations and amongst those hardest hit were traditional pubs serving only alcohol. The Wet Pubs Business Support Scheme launched on 11 January and provided support to those drink-only public houses which remained closed between 4 July and 23 September 2020 when the rest of the hospitality sector were permitted to open and trade.

(Expenditure included in Invest NI accounts in 2020-21 is £4,100k).

Large Tourism and Hospitality Business Support Scheme

A scheme to provide grant support to large tourism and hospitality businesses. This scheme aimed to provide qualifying businesses with grant payments towards fixed cost overheads during the lockdown period from 5 October/ 16 October to 11 December and the additional lockdown period from 26 December to 6 February 2021. The scheme was intended to provide "top-up" grant payments to those large businesses in tourism and hospitality sectors receipt of the LRSS – in recognition of the significant fixed cost overhead outlays faced by these businesses.

(Expenditure included in Invest NI accounts in 2020-21 is £39,900k).

Bed and Breakfast, Guest House and Guest Accommodation Support Scheme

A scheme to support tourist accommodation providers in the Bed and Breakfast, Guest House and Guest Accommodation sectors opened for applications on 28 January 2021. The scheme provided grant to support eligible businesses on a flat per room amount plus a percentage of 2019's turnover. The inclusion of turnover gives some recognition to business performance. The maximum grant any one business could receive was capped at £12,500.

(Expenditure included in Tourism NI accounts in 2020-21 is £1,980k).

COVID-19 Financial Recovery Aid

Apprenticeships, Careers, Vocational Education and Skills Schemes

- The Return Retain Result Incentive Scheme – provided phased payments to support employers to return apprentices from furlough and retain their employment through to successful completion of their apprenticeship. This Return Retain Result scheme opened for applications on 1 December 2020. Employers can avail of up to £3,700 for each apprentice who is returned from furlough and retained until the successful completion of their apprenticeship.
- Create Apprenticeship Opportunities – A further scheme encouraged and supported businesses to create apprenticeship opportunities for new apprentices and those that have been made redundant by other employers. The scheme opened for applications on 16 October 2020. The scheme offers up to £3,000 to employers for each new apprenticeship opportunity created with employers able to avail of £2,000 after 90 days retention following start of apprenticeship and a further £1,000 available after 200 days retention following start of apprenticeship.
- Apprenticeship Challenge Fund – developed to promote greater collaboration between employers and suppliers in identifying innovative approaches to address barriers related to the recruitment of apprenticeships.
- Youth Training Provision – was incremented to support increased participants joining the Training for Success Programme.
- Digital Hardship Fund – developed to support the purchase of equipment and support connectivity for on-line learning for disadvantaged learners undertaking DfE commissioned vocational training in the non-statutory sector.
- Provision of PPE – Support was made available to ensure that training providers of vocational training programmes were adequately funded to remain open safely and in line with Public Health guidance. Funding could be used as a contribution towards spending on adaptations to premises, the purchase of personal protection equipment and additional cleaning or sanitation costs that were necessary to enable adherence with government and PHA advice to ensure the safety of staff and learners.
- Supplier Relief (contractual payments) – provided to the non-statutory training providers of the Department's Apprenticeships NI & Training for Success programmes together with Disability Support Service provider, to ensure they could continue to support learners and maintain the training infrastructure for recovery.

- The Skills Intervention Programme – provided accredited online upskilling and re-training opportunities to over 5,900 individuals over the course of the year. Training was provided through the six Further Education Colleges and three local Universities, ranging from entry level to masters, in priority economic sectors including digital, green technologies, healthcare, and with key skills including leadership, project management and employability. Additional support was given to a number of graduate placement opportunities, a bespoke trade and export award, and a programme to support women returners reskill into the IT sector.

Higher Education

- One Off COVID Disruption payment to students – A one-off discretionary payment of £500 to all students from the UK and EU who are in full time higher education in Northern Ireland, whether that is in a university or further education college setting.
- Student Hardship, Digital Poverty & Mental Health Provision – Funding to address student financial hardship, digital poverty and to support student unions with mental health provision.
- Safer Learning and Research Environment – In the context of the COVID-19 pandemic, the HEIs are required to plan for the safe resumption of educational delivery and research activities. This has required the HEIs to spend, or commit to spend, funding on a range of equipment and activities.
- Lost Accommodation Income Support – Funding to compensate universities for lost income arising from rental pauses and releasing students from accommodation contracts.
- HE Teaching Grant: Maximum Student Numbers Uplift – Additional HE teaching grant funding for the NI universities to allow for flexibility in the offering of local student places following an increase in demand as a result of COVID-19.
- HE Teaching Grant: Additional A level Places – Additional HE Teaching Grant to accommodate enrolment increases for the 2020-21 academic year due to the change in policy on awarding of A-Level Results in 2020.
- HE Teaching Grant: Part Time Provision – Additional support for part-time distance learning higher education course provision in response to COVID-19.
- Loss of Commercial Research Income – Funding to replace university research income from industry which has been lost or reduced due to the COVID 19 pandemic, in order to sustain the university research base.
- Support for University Research & Development – Research funding for the NI Universities to replace lost research income, protect research jobs, and help universities focus more effort on the high priority research needed both to fight the COVID-19 outbreak, and to support the economy and society as they recover post pandemic.
- Student Postgraduate Awards Extension – Funded extensions to final year PGA scheme students to ensure they do not suffer economic hardship as a result of COVID-19 and to enable them to complete their PhD to the desired quality standard.
- COVID-19 Rapid Response Research & Innovation Funding – A scheme to fund NI university participation in Science Foundation Ireland's COVID-19 Rapid Response Research & Innovation Funding Call in 2020-21.

Further Education

- Provision of a Safe Learning Environment – Supports the preparation for safe resumption of onsite delivery including increased staff costs, IT equipment, protective screens, signage and additional cleaning within the six further education colleges.
- IT Support – Significant and ongoing investment to enable online course delivery and examinations across the FE College network since April 2020.
- Loss of Income due to COVID 19 – Provides for loss of income from reduced student fees, business income, and lost income for Training for Success, Apprenticeships NI and Higher Level Apprenticeships in the six further education colleges.
- Student Direct Support - £60 one-off discretionary payment to all eligible full time and part time FE students to address data poverty and the provision of 500 additional iPad devices for FE students to access to facilitate online learning.
- Free School Meals – Additional funding to the on-going funding for Free School Meal Allowance, and together allowing DfE to facilitate direct payment into the households of almost 1,900 eligible school-age FE students during and outside of term time.
- FE Student Hardship Fund – Uplift of this established Hardship Fund to support eligible students to maintain their study and to overcome barriers as a consequence of COVID-19.

Introduction

1. In 2020-21, the Department for the Economy (the Department) was tasked by the Executive to implement urgently a series of business support schemes designed to ease the difficulties and disruption being faced by businesses arising from the COVID-19 pandemic.

2. Given the political and economic concerns at the time, these schemes were delivered at extreme pace and in a challenging environment. The situation was made worse by the imposition of home working and a lack of appropriate resources. Given the urgency and speed with which these schemes were designed and delivered, the accounting treatment, and consequently the audit activity, has been complex and at times, a challenge.

Purpose of the report

3. Under the Government Resources and Accounts Act (Northern Ireland) 2001 I am required to examine, certify and report upon the financial statements prepared by the Department for the Economy (the Department). This report explains the background to my qualifications on the Department's Resource Accounts for 2020-21. In addition, it provides information on certain other issues I identified during the audit which did not result in a qualification of my audit opinion, together with an update on other recurring matters.

4. Except for the qualification on irregular expenditure of £5.3 million relating to funding provided to Tourism Ireland, which relates to ongoing funding, all other qualifications relate to grant schemes established to support businesses during the pandemic. Within this report I comment on qualifications on three separate groups of COVID-19 business support schemes administered during 2020-21:

   - Department administered schemes of £140.8 million – see Figure 1;
   - Invest NI administered schemes of £129.8 million – see Figure 3; and
   - Department administered apprenticeship schemes of £12.6 million – see paragraph 23.

Qualified audit opinion on the financial statements

5. The Department sponsors Invest Northern Ireland (Invest NI), a Non Departmental Public Body which is not part of the Department and whose accounts are not consolidated with the Department's. The Department instructed this body to include expenditure on a number of emergency COVID-19 business support grants in its financial statements using its powers under the Industrial Development (Northern Ireland) Order 1982. The amounts totalled £140.8 million in its 2020-21 financial statements and £220m in 2019-20. However, it is my opinion that these schemes were in reality administered and controlled by the Department itself meaning the Department should have included the expenditure in its own accounts; but it did not, as it did not have the legislative power available to it to incur the expenditure.

Figure 1: Department for the Economy administered COVID-19 business support schemes

Scheme	Expenditure in 2020-21 £ million	Expenditure in 2019-20 £ million
Small Business Grant Scheme	23.2	220.0
Tourism and Retail Sectors Grant	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	39.9	0.0
Wet Pubs Scheme	4.1	0.0
TOTAL	**140.8**	**220.0**

Source: Invest NI 2020-21 Annual Report and Accounts

6. This unusual accounting arrangement was used because the Department did not in fact have the legal authority to make the grant payments itself and determined it would take too long to obtain such powers under the Financial Assistance Act (Northern Ireland) 2009. The aim of this arrangement was to reflect scheme expenditure in the entity with the appropriate legal authority to make the payments. Invest NI has the relevant authority under the Industrial Development (NI) Order 1982. So essentially the Department designed and delivered these schemes and incurred the expenditure, while instructing Invest NI to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. I recommend that in future, the Department ensures it has the appropriate legal powers to undertake any planned interventions.

7. The Department, Invest NI, DoF's Land & Property Services (LPS) and Account NI all agreed a Memorandum of Understanding (MOU) which set out the roles and responsibilities of those involved in the policy, design, operation and delivery of the Covid-19 business support grants. In the MOU, the sole duty allocated to Invest NI is to "record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts". However, the primary duties in relation to establishing the scheme, its design and delivery, payment approval and taking responsibility for any losses arising from its administration, were allocated to, and accepted by, the Department. While there was some early consultation with Invest NI on the scheme, no Invest NI staff were involved in scheme delivery and Invest had no role in the payments that were made to grant recipients.

8. The Department is required to provide financial statements which show a true and fair view of its financial transactions and its financial position. Therefore, instructing Invest NI to account for this expenditure rather than accounting for it itself, led to misstatements within the Department's resource accounts, both in 2020-21 and 2019-20. The Department only reflected the expenditure on a cash basis and described it as Grant-in-Aid to Invest NI, rather than Grant expenditure that it had paid directly to recipients. I have therefore qualified my audit opinion on the financial statements.

Figure 2: Misstatements resulting from the accounting treatment for Department for the Economy administered COVID-19 business support schemes

Account area	Misstatement in 2020-21 £ million	Misstatement in 2019-20 £ million
Grant-in-Aid – i.e. payments to grant recipients made from the Department's bank account	(286.1)	(67.7)
Grant expenditure on DfE administered schemes	140.8	220.0
Accruals	7.0	152.3
General Fund – relating to opening accruals	(152.3)	0.0

Source: Invest NI 2020-21 Annual Report and Accounts

9. The Department consulted with the Departmental Solicitor's Office (DSO) and the Department of Finance (DoF) on this novel accounting treatment and both bodies gave their support to it. However, the legal advice is not based on the application of relevant accounting standards and DoF, although supportive, did not issue an accounts direction to the Department to provide a clear basis for the approach taken. It is a requirement of my role to form an independent audit opinion on whether the financial statements reflect a true and fair view, and comply with accounting standards and the Government Financial Reporting Manual. Since the Department controlled and administered the schemes and made the payments to recipients, without any meaningful involvement of Invest NI, it is my opinion that this money was spent by the Department.

10. This is a matter of 'substance over form', an accounting concept which means that, in order to present a true and fair view, financial statements should reflect the economic substance of transactions or events, not their legal form. Financial statements representing a legal form that differs from the economic substance, do not result in a faithful representation. Following a detailed technical review, it is my opinion that the economic substance of the grant schemes outlined in figure 1, is that the Department, not Invest NI, controlled and delivered the schemes and made the payments to recipients with assistance from the Land and Property Services (LPS). As a result, these transactions should have been recorded in the Department's financial statements. I also note that the Invest NI Accounting Officer had no opportunity to govern those schemes or influence the expenditure.

11. I provided the Department with an opportunity to reconsider its accounting treatment and proposed that it make an adjustment to its financial statements to resolve the issue. However, after consideration, it decided not to do so. Therefore, I must provide my opinion on the basis of my disagreement with the accounting treatment of these grants and the related transactions and balances.

12. I have also qualified my audit opinion on the financial statements because they do not provide disclosure on material irregular expenditure, that I have noted in paragraph 14 below, as required by its Accounts Direction.

Qualified audit opinion on irregular expenditure

13. In addition to forming an opinion on whether the financial statements show a true and fair view I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them.

The Department did not have legal powers in place to cover expenditure on certain COVID-19 business support schemes it administered

14. Since in my opinion, it was the Department that spent £140.8 million in 2020-21 on the COVID-19 business support grants in Figure 1, which it administered, I must now consider the regularity of this expenditure. As outlined in paragraph 6 above, the Department did not have legal powers in place to provide legal vires for this expenditure. As such, I consider expenditure of £140.8 million of COVID-19 business support grants administered by the Department to be irregular, albeit that as shown in Figure 2, it has not been appropriately reflected in the financial statements at this value or description.

There was insufficient audit evidence that eligibility criteria for certain COVID-19 business support schemes had been met

15. As part of my work on whether expenditure is regular, I must gather independent audit evidence to assess whether grants administered by Non-Departmental Public Bodies (NDPBs), which were funded by the Department, complied with the eligibility criteria established for each scheme.

16. Expenditure of £100.9 million within the Departments financial statements relates to funding it provided for COVID-19 business support schemes run by NDPBs, which relied on self-declarations from applicants as evidence that eligibility criteria for these schemes had been met. Of this funding, the vast majority related to schemes administered by Invest NI. As the schemes were designed to rely on self-declaration, sufficient appropriate audit evidence was not available to me to determine whether all of the eligibility criteria were met. Expenditure on these schemes reflected in the Invest NI financial statements totalled £129.8 million and is set out in Figure 3 below.

17. In response to the continued impact of the pandemic on Northern Ireland's economy in 2020-21, a number of new business support schemes were launched and administered by Invest NI. All of these schemes relied heavily upon self-declarations made by applicants to confirm eligibility. Therefore, Invest NI could not provide me with sufficient appropriate audit evidence to verify whether the self-declarations made were, in fact, accurate. There were no alternative audit procedures available to me to obtain sufficient appropriate audit evidence to inform my regularity audit opinion in respect of these schemes.

Figure 3: Invest NI administered COVID-19 business support schemes

Grant scheme	Key self-declarations made to determine eligibility	Expenditure during 2020-21 £ million
Coronavirus Hardship Fund for Microbusinesses	• Turnover had dropped by at least 40 per cent due to COVID-19	23.3
COVID Restrictions Business Support Scheme (CRBSS) Part A	• Income had dropped by at least 50 per cent due to COVID-19	65.4
COVID Restrictions Business Support Scheme (CRBSS) Part B	• Income had dropped by at least 40 per cent due to COVID-19	12.8
Newly Self-Employed Support Scheme (NSESS)	• There a decline of more than 40 per cent in trade due to COVID-19 • The business would continue to trade	8.7
Limited Company Directors Support Scheme (LCDSS)	• Taxable income was less than £50,000 due to COVID-19 • The predicted drop in remuneration and dividend income was at least 40 per cent due to COVID-19. • There was an intention to carry on trading.	19.6
TOTAL		129.8

Source: Invest NI 2020-21 Annual Report and Accounts

18. Approval for the implementation of these new schemes was given by Ministerial Direction, since the Department's Accounting Officer was unable to provide evidence that these schemes would provide value for money or that there would not be an unacceptably high risk of error or loss of funds. Reliance on self-declarations without corroborating evidence does not mitigate the risk of fraud and error occurring. Whilst I recognise that clawback arrangements were built into the terms and conditions of these grants, the subsequent identification of fraud or error will take significant administrative effort and the recovery of sums owed may not be successful.

19. The DoF published the Cabinet Office's 'Fraud Control in Emergency Management: COVID-19 UK Government Guide'[4] , which outlines the steps which should be undertaken by government bodies when administering emergency programmes. One of the overarching principles it highlights is that there is an inherently high risk of fraud in this context and therefore fraud risk assessments should be undertaken and continually updated for new threats and risks. Given that these schemes have already made payments that are at risk of fraud, it is important that post payment checks are now undertaken. I therefore recommend that post payment checks are undertaken, seeking proof of eligibility from corroborating evidence and, where necessary, that clawback procedures are instigated. I understand that work in this area is underway.

20. I would also expect both the Department, and its sponsor bodies to ensure compliance with the Cabinet Office guidance for any future schemes of this nature and draws on lessons learnt, by building suitable control mechanisms into them to prevent and detect fraud and to protect public funds.

Irregular expenditure without appropriate Department of Finance approval

21. During my audit I noted two instances where appropriate approvals from the DoF had not been obtained, making the related expenditure irregular. In light of the Department's past failure to seek approval required for elements of the Renewable Heat Initiative (RHI) scheme, it is extremely concerning to see the practice continues and I have therefore considered this irregular expenditure of £11.5 million to be material and have qualified my regularity audit opinion accordingly.

a) Payments to Tourism Ireland Limited

22. Funding of £5.3 million to Tourism Ireland Limited is irregular since it related to a carry over from the 2020 budget for use in 2021, without the DoF approval being obtained as required by the Management Statement and Financial Memorandum.

b) Apprenticeship Recovery Schemes

23. In September 2020 the Department launched three apprenticeship recovery intervention schemes to support employers, as an economic response to the pandemic, with expenditure in 2020-21 as follows:

- Return, Retain, Result - £5.7 million;
- Recruit – £6.5 million; and
- Challenge Fund - £0.4 million.

4 Fraud control in emergency management: COVID-19 UK Government guide –issued in March 2020

24. The Employment & Training Act (Northern Ireland) 1950 was used to provide the legal vires to make the payment under these schemes. However the legislation specifically required DoF approval to be obtained in advance of any payments being made. Payments were commenced without this approval being sought. The Department subsequently identified this issue and paused the schemes on 4 October 2021 whilst it sought DoF approval, but by this stage £6.2 million of payments had been already been made. The Department was unable to clarify how much of these payments related to expenditure within the 2020-21 financial statements, but indicated that it believed that it was the vast majority.

25. Since the legislation required DoF approval prior to payments being made it was not possible to obtain retrospective approval for the £6.2 million already paid, and this expenditure is therefore illegal. DoF approval was, however, obtained for future payments and the schemes then recommenced.

26. In light of findings in the RHI public inquiry, it is difficult to understand how the Department is not aware of the requirements of a piece of primary legislation that it should be more than familiar with. Yet again, it has missed the opportunity for a DoF review of the business case, before payments were made. It is clear that the Department did not understand approval requirements or attempt to research them adequately before making payments on these apprenticeship schemes. It is completely unacceptable that a Department fails to comply with the requirements of primary legislation it is relying on as vires to make payments. This is a basic requirement, and it is extremely disappointing to see that the Department has failed to learn lessons from its past failure on obtaining RHI approvals.

Other issues identified which did not lead to audit qualification

Loan to Glenmore Generation Limited

27. I have qualified my audit opinion of the Invest NI financial statements due to irregular expenditure and income reflected in Invest NI's 2020-21 financial statements relating to a loan made in previous years to Glenmore Generation Limited. In August 2021 the DoF advised me that it considered a loan of £14.2 million to this company to be irregular, since certain conditions of the DoF approval had not been complied with. Since the original loan is now irregular, all expenditure and income streams flowing from the loan are also irregular. The loan was subsequently written off and payments and interest charges have ceased. Further details are provided in my report on Invest NI's 2020-21 financial statements.

Non-Domestic Renewable Heat Incentive (RHI) Scheme

28. In the previous five years I reported on aspects of the RHI scheme including its total cost, progress of site inspections, judicial reviews following amendments to reduced tariffs payable under the scheme, and the future of the scheme. In 2020-21 costs of the scheme were again under budget, at £7.2 million (for both domestic and non-domestic RHI schemes), well below estimated costs of £33.5 million. The inspection programme continued during the year but was limited to some extent by COVID-19 restrictions. As in previous years, I was still unable to obtain sufficient evidence that the controls over spending on the non-domestic RHI scheme were adequate to prevent or detect abuse of the scheme, however I have not qualified my audit opinion on the 2020-21 financial statements in this respect.

29. During 2020-21 £2.3 million (2019-20 : £0.74 million) of RHI expenditure relating to payments made in respect of applications received between 1 April 2015 and 28 October 2015 is irregular since DoF approval had not been renewed for the scheme during this period. The total irregular expenditure relating to these applications continues to cumulate each year.

30. In October 2021 a judicial review against the change in tariffs brought about by the Northern Ireland (Regional Rates and Energy) Act 2019 was dismissed by the High Court in October 2021. An appeal, however, is ongoing in respect of reduced tariffs made under the RHI Scheme (Amendment) Regulations (NI) 2017. In February 2021 the Department launched a consultation on the future of the scheme, with its preferred option to close the scheme with compensation paid to legitimate current participants. I will continue to monitor future developments.

31. I plan to publish a report in early 2022 on the progress made in implementing recommendations made by the RHI public inquiry. This report will consider developments in governance arrangements in the Department since issues around RHI emerged, and consider what improvements have been made across government in response to recommendations made by the independent public inquiry into the Non-Domestic RHI Scheme.

Updates on matters noted in previous audits

Presbyterian Mutual Society

32. At the height of the financial crisis in 2008 the Presbyterian Mutual Society (PMS) went into administration. Loans of £225 million were made by the former Department of Enterprise to bail out PMS. Of this balance, £50 million is at the bottom of the creditors' priorities and is unlikely to be paid. The remaining £175 million was repayable by instalments and was due to be settled in full by November 2020. The Joint Supervisors of the PMS requested an extension to this repayment period due to the pandemic limiting its ability to sell assets to fund the repayments. Following professional advice on the matter, the Department extended the repayment period to November 2022.

33. At 31 March 2021, the total amount still due was £43.5 million, however the financial statements reflect that only £25 million of this was expected to be recovered. The shortfall of £18.5 million was included in the financial statements as an expected credit loss, in line with accounting standards. The Department has recently received a report from the Joint Supervisors showing that this loss is likely to reduce by £4.1 million, however the 2020-21 financial statements have not been adjusted for this and I do not consider the misstatement to be material. The actual loss which materialises will depend upon market conditions at the time that remaining assets are sold.

HMS Caroline

34. I reported last year on the significant challenges the Department has faced restoring HMS Caroline and transforming the ship into a viable marine heritage visitor attraction. Visitor numbers have been disappointing since the ship's opening, resulting in operating deficits. It was then closed to the public in March 2020, due to the pandemic. The 2020-21 deficit of £350,000, brings the total deficit to date to £1.9 million.

35. The interim operating agreement between the Department and the National Museum of the Royal Navy (NMRN), who operated the ship on behalf of the Department, expired in June 2020. The Department was unable to put a new arrangement in place, establish a new funding model or to procure a new operator. The attraction therefore remains closed until all costs and future options are evaluated. During this time the NMRN continued to provide oversight and maintenance of the ship, and the Department met the associated costs.

36. Negotiations remain ongoing between the Department, NMRN and the National Lottery Heritage Fund on the future of HMS Caroline. Last year I urged that a permanent operator solution be found for the ship and it is disappointing that a solution could not be found. I will continue to monitor progress on this issue.

KJ Donnelly
Comptroller and Auditor General
2 March 2022

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