

Northern Ireland Office

Resource Accounts 2007-08

Northern Ireland Office

2007-08

(For the year ended 31 March 2008)

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List of Acronyms and Abbreviations

AinA	Appropriations in Aid
ALB	Arm's Length Body
AME	Annually Managed Expenditure
ASLC	Accrued Superannuation Liability Charge
BBA	Broadly By Analogy pension schemes
CA	Compensation Agency
C&AG	Comptroller and Auditor General
CBI	Confederation of British Industry
CEO	Chief Electoral Office
CETV	Cash Equivalent Transfer Value
CFERs	Consolidated Fund Extra Receipts
CGIP	Corporate Governance Improvement Project
CJINI	Office of the Chief Inspector of Criminal Justice in Northern Ireland
CSO	Crown Solicitor's Office
CSP	Civil Service Pensions
DAC	Departmental Audit Committee
DEL	Departmental Expenditure Limit
DFP	Department of Finance and Personnel
DIS	Departmental Investment Strategy
DUP	Departmental Unallocated Provision
EU	European Union
EYF	End Year Flexibility
FReM	Financial Reporting Manual
FSNI	Forensic Science Northern Ireland
GAD	Government Actuary's Department
HIA	Head of Internal Audit
HMT	HM Treasury

IIP	Investors in People
MOTO	Memorandum of Terms of Occupancy
MPM	Managing Public Money
NICtS	Northern Ireland Courts Service
NDPB	Non-Departmental Public Body
NED	Non-Executive Director
NLF	National Loans Fund
NIO	Northern Ireland Office
NIPB	Northern Ireland Policing Board
NIPS	Northern Ireland Prison Service
OFMDFM	Office of the First Minister and Deputy First Minister
OJEC	Official Journal of European Communities
ONS	Office for National Statistics
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PCSPS (NI)	Principal Civil Service Pension Scheme of Northern Ireland
PIP	Performance Improvement Programme
PPC	Prisoners' Private Cash
PPP	Public Private Partnership
PSA	Public Service Agreement
PSNI	Police Service of Northern Ireland
RICS	Royal Institute of Chartered Surveyors
SIC	Statement on Internal Control
VAT	Value Added Tax
VLA	Valuation Land Agency
YJA	Youth Justice Agency

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ANNUAL REPORT

The Northern Ireland Office (NIO) presents its annual report and accounts for the financial year ended 31 March 2008.

DIRECTORS REPORT

1. Ministers and the Departmental Board

The Secretary of State for Northern Ireland has Ministerial responsibility for the affairs of the Department and was supported during the majority of the year of account by one Minister of State. From 8 May 2007 Northern Ireland Departments came under the direction and control of Devolved Ministers, each Minister being a locally elected member of the legislative assembly, who in turn assumed the responsibilities previously carried out by the Secretary of State and his Ministerial team following the suspension of the devolved administration in October 2002.

The Secretary of State was also supported by the Permanent Secretary, other senior Departmental officials and two Non-Executive Directors who comprised the Departmental Board. During the financial year ending 31 March 2008 representation was as follows:

Secretaries of State

The Rt Hon Peter Hain MP (until 28 June 2007)

The Rt Hon Shaun Woodward MP (from 29 June 2007)

Ministers of State

The Rt Hon David Hanson MP (until 9 May 2007)

Paul Goggins MP (from 29 June 2007)

Parliamentary Under Secretaries of State

Paul Goggins MP (until 28 June 2007)

Maria Eagle MP (until 28 June 2007)

David Cairns MP (until 9 May 2007)

Officials

Those officials who constitute the Departmental Board held the following positions:

Jonathan Phillips	Permanent Secretary (Chair)
Robert Hannigan	Director General, Political (until 7 September 2007)
Hilary Jackson	Director General, Political (from 10 September 2007)
	Director, Political (London) (until 9 September 2007)
Nick Perry	Director General, Policing and Security
David Brooker	Director of Communications (until 7 March 2008)
Dennis Godfrey	Director of Communications (from 10 March 2008)
Stephen Leach	Director, Criminal Justice
Anthony Harbinson	Director of Resources
Carol Moore	Director, Policing and Security
Chris Maccabe	Director, Political (Belfast)
Robin Masefield	Director, Northern Ireland Prison Service
James Conn	Crown Solicitor
Rotha Johnston	Non-Executive Director
John King	Non-Executive Director

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

2. Appointment of Senior Officials

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

3. Principal Activities of the Department

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

4. Departmental Boundary

The accounts of the NIO comprise a consolidation of the income, expenditure, assets and liabilities of those entities falling within the Departmental resource accounting boundary as follows (see Note 36 for full details):

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

5. Bodies outside of the Departmental Boundary

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

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

6. Departmental reporting cycle

Departmental Report

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

Autumn Performance Report

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

Parliamentary Estimates

Every two years the NIO, as a government department, makes bids to the Treasury for funding for the subsequent three year period as part of the spending review exercise. This funding, if approved, is notified by Treasury to the NIO in the Spending Review Settlement, which is available at TSO and on the Treasury website www.hm-treasury.gov.uk. Every year the NIO is given Parliamentary approval for its expenditure when Parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the Estimates may be amended during the year at one of the Supplementary Estimates stages (Summer Supply, Winter Supply and Spring Supply). The Estimates are published by TSO and contain details of voted monies for all government departments. The Estimates documents are also available on the Treasury website.

7. Pensions and Early Departure Costs

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

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

Notes 1.16, 1.17 and 9.1 to the accounts provide greater detail on how the Department's pension liabilities are calculated.

8. Disclosure of Audit Information to the National Audit Office (NAO)

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

9. Disclosure of remuneration paid to auditors for non-audit work

During the reporting year there were no payments made to the NIO's auditors for any non-audit work completed.

10. Register of Interests

Other than those disclosed in Note 34 there are no company directorships or significant interests held by Board members. A Register of Interests is maintained for all Board members.

MANAGEMENT COMMENTARY

1. Aim and Objectives

The aim of the NIO is to secure a lasting peace in Northern Ireland based on the 1998 Agreement, in which the rights and identities of all traditions in Northern Ireland are fully respected and safeguarded and in which a safe, stable, just, open and tolerant society can thrive and prosper.

The main objectives of the NIO as outlined in the SR2004 Public Service Agreement are to assist the Secretary of State in:

- supporting the devolved institutions in Northern Ireland and encouraging further political development through positive and constructive relations with the Assembly and Executive and the Irish Government and effective contributions to the British-Irish Council and British-Irish Intergovernmental Conference;
- building and sustaining confidence in the effectiveness and efficiency of the police service and police oversight and accountability arrangements in Northern Ireland;
- promoting and building confidence in a criminal justice system in Northern Ireland that is efficient, effective and responsive through implementing the published plan of agreed changes deriving from the accepted recommendations of the review of the criminal justice system established under the 1998 Agreement;
- upholding and maintaining the rule of law by developing and maintaining a policy, legislative and strategic framework, that takes account of the need to secure justice and rights of the individual, that provides for a sufficient counter-terrorist capability and seeks to minimise the potential for and causes and effects of public order disturbances and community strife;
- lessening the impact of crime by working in partnership with other criminal justice agencies to maintain and develop policies aimed at preventing or reducing the threat of crime, fear of crime and incidence of crime and to provide support for the victims of crime;
- ensuring that the supervisory and custodial sentences imposed on offenders by the courts are delivered appropriately to protect the people of Northern Ireland and help reduce the risk of re-offending; and
- to ensure a cost effective prison service.

The Department's Statement of Operating costs by Departmental Aim and Objectives provides an analysis of the utilisation of resources against the Department's aim and objectives.

2. Principal Activities

The Department's principal activities are set out in the Northern Ireland Office 2008 Departmental Report. The main business of the Department is to sustain the political process and to support the law, order and criminal justice systems.

3. Important events which have occurred since the financial year-end

There have been no significant events which have occurred since the year end that require disclosure.

4. Departmental Report and Autumn Performance Report

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

The Departmental Report (DR) is compiled in the last month of the reporting year and is available from The Stationery Office (TSO) and on the NIO website www.nio.gov.uk. This report provides a detailed explanation of the NIO's policies, priorities, objectives and the spending plans which support them, and the activities and achievements of the Department. The latest Departmental Report was published in May 2008.

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

5. Financial Objectives

The NIO is required to operate within the constraints of funds voted to it by Parliament. The NIO is also expected to achieve value for money in carrying out its activities in pursuit of its objectives.

6. Financial Performance Review

In order to achieve the Department's financial objectives for 2007-08, business planning, budgetary monitoring and control systems operated throughout the Core Department and its Agencies. Other organisations within its boundary are subject to financial control and accountability arrangements as set down in the relevant Accounting Officer designations, Management Statements and Financial Memorandums.

The outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of these financial objectives and an effective financial management performance for the year. The Statement of Operating Costs by Departmental Aim and Objectives illustrates the distribution of expenditure across the Departmental objectives. Note 2 provides detailed commentary and explanation of the variance between Estimate and Outturn for each Request for Resources.

The Department held net assets worth £266 million at 31 March 2008 comprising fixed assets £386 million and net liabilities and provisions of £120 million. During the year, investments were made in IT infrastructure and other capital projects amounting to £37 million.

The NIO's Departmental Investment Strategy for the 2004 Spending Review sets out the Department's capital investment plans for 2005-06 to 2007-08 and contains:

- a summary of how capital investment will be used to meet objectives set out in the Public Service Agreement;
- a review of assets management including plans for maintenance, replacement and disposals;
- capital investment plans for 2005-06 to 2007-08; and
- a review of the systems and procedures to support the efficient and effective management of investment programmes.

Looking ahead under the Comprehensive Spending Review 2007 (CSR07), an Asset Management Strategy for 2008-09 to 2010-11 has been developed and this includes a survey of the Department's asset base together with asset disposal and investment plans over the CSR07 period.

7. Service Developments and Cost Pressures

The Department continued to implement its Public Service Agreement (PSA) objectives, including ongoing developments in the reform of policing and the criminal justice system. Cost pressures during the year were met by the prudent application of the Departmental Unallocated Provision (DUP) resources along with reprioritisation of budget allocations and effective cost control at directorate level. Savings generated as part of the SR2004 efficiency targets were also used in-year.

8. Financial Risk

The Department continues to be financed directly from the Treasury through the supply process.

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

9. Corporate Governance

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

- introduction of a fully operational assurance statement process following a pilot exercise in 2006/07;
- improved format and timeliness of monthly finance reports and the provision of strategic financial information to the Departmental Board to assist decision-making;
- enhancement of the financial forecasting process between central finance and directorates;
- further development of the HM Treasury's Combined On Line Information System (COINS); and
- greater financial awareness across the Department via the Group Finance Forum which encourages the sharing of best practice in finance matters and provides a knowledge sharing environment for the wider NIO finance family.

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

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

The NIO Departmental Report 2008 provides more detail on the Departmental Board, Audit Committee and Remuneration Committees. This is available on the NIO website www.nio.gov.uk.

Departmental Board

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

The Departmental Board is the senior tier of decision making by officials in the NIO and is responsible for the establishment and monitoring of the corporate governance arrangements of the Department. The Board operates as a collegiate forum under the leadership of the Permanent Secretary to manage the running of the Department. It is not the principal policy making body of the NIO - policy is determined by Ministers. This does not mean that the Board does not discuss policy, but it does so in the context of setting and directing

the strategic planning that ensures delivery of Ministerial policy decisions and the operational management of their implementation. Subject to Ministerial agreement the Board prioritises the allocation of resources to match development and delivery requirements, and is accountable for Departmental performance.

The Departmental Board completed an extended review of its effectiveness in April 2007. An action plan was drawn up and implemented. A final evaluation in May 2008 assessed progress against the plan and identified areas for improvement. These will form the basis of a further Board Effectiveness Review during 2008-09.

Independent Board Members

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

Audit Committee

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

The primary function of the DAC is to test and challenge the assurances provided to the Accounting Officer, the way in which these assurances are developed and the systems and approaches on which the assurances are based. In order to enhance the objectivity of the advice, the DAC is chaired by an independent non-executive director. The Audit Committee is constituted as a sub-committee of the Departmental Board and acts in an advisory capacity, having no executive powers. Part of the Internal Audit work programme includes assessing the completeness and effectiveness of the Department's corporate governance arrangements. The Chair of the DAC reports annually to the Departmental Board. The Audit Committee has also commenced a process of evaluation of its own effectiveness in line with the guidance contained in the revised Audit Committee Handbook issued by HM Treasury in March 2007.

Finance Committee

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

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

Arrangements with Arm's Length Bodies

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

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

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

The controls and arrangements in place within each ALB are presented in a corporate governance database to the DAC at each meeting and Directors responsible for ALBs are invited to attend the DAC to discuss corporate governance controls.

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

PUBLIC INTEREST AND OTHER

10. Employment of Disabled Persons

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

11. Equal Opportunities

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

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

The Department aims to foster a culture which encourages every member of staff to develop to his or her full potential and seeks to create a working environment where the diversity of staff is valued, respected and utilised to improve performance. The Department launched its second NIO diversity delivery plan during the year supporting the commitment to "valuing our people and encouraging diversity".

12. Payment of Suppliers

The NIO, including its agencies, seeks to comply with the “The Better Payments Practice Code” for achieving good payment performance in commercial transactions. Further details regarding this are available on the website www.payontime.co.uk. Under this Code, the policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The prompt payment results for 2007-08 showed that 91.6 per cent (2006-07: 88.1 per cent) of invoices were paid in accordance with the terms of the standard.

13. Departmental Auditor

These accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed by statute and reports to Parliament on the audit examination. His certificate and report is produced at pages 29 and 30. The notional audit fee for the work performed by his staff during the reporting period which relates to the audit of these accounts was £162k (2006-07: £158k).

The C&AG may also undertake other statutory activities that are not related to the audit of the Department’s accounts such as value for money reports. No such activity took place during the year.

14. Sustainable Development

The NIO is committed to aligning itself with the NI Executive’s policy on sustainable development as set out in the Northern Ireland Sustainable Development Strategy and further details regarding the Department’s policy are contained in the Departmental Report. The Department strives in its day to day activities towards maintaining the best possible environmental performance thereby contributing to achieving the targets set out in the Sustainable Development Strategy Implementation Plan. The NIO plays its part in helping to achieve Government targets on three fronts through liaison with the Office of First Minister and Deputy First Minister and other Northern Ireland Departments, through work carried out by the Department’s Office Services and through the Green Champions’ Forum – a cross-departmental group of staff.

The NIO Core’s key targets are:

- to reduce energy consumption and increase the use of energy from renewable sources;
- to reduce, re-use, recycle and compost, and to cut the amount of waste going to landfill; and
- to ensure that where appropriate procurement contracts contribute to wider government sustainable development targets.

To this end the Department is participating in an inter-departmental group that will produce a workplace travel plan for the Stormont Estate. In addition the Department is seeking to improve the energy efficiency of one of its key buildings as part of a refurbishment project, including improving the thermal insulation of the building, installation of more effective heating controls and more efficient radiators.

15. Corporate Social Responsibility

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

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

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

Both the Community Involvement and Workplace commitments have been delivered by the Department through its partnership with BiTC. To this end, the NIO has provided practical advice and support to a range of local communities, charities and schools during 2007-08.

16. Health and Safety

The management of health and safety is a responsibility shared between all managers and staff, with the help of guidance from the Department's health and safety advisory service. A review has been undertaken of the health and safety management systems operating within the Department and the Department's policy document is being revised. To support the new policy a detailed health and safety training needs analysis was completed in March 2008 and training courses will be developed to meet the needs identified.

17. Departmental Staff

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

There has been a strong focus on the design and delivery of learning and development opportunities to meet Professional Skills for Government (PSG) skills gaps for all grades. These are accredited with the Institute of Leadership and Management. The Department has also sustained a programme of directorate and divisional management healthchecks to reinforce the drive for continuous improvement.

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

Managing Attendance

Stringent targets have been set to reduce the sickness absence rate for Departmental staff. The target for 2007/08 was 9.4 days absence per whole-time member of staff. The actual rate of sickness absence for 2007/08 was 10.2 days absence. This compared to 11.8 days absence in 2006/07. Whilst the sickness absence targets are challenging, there is a range of policies and procedures in place, which reflect best practice in both the public and private sector to ensure that staff are afforded every opportunity of getting back to good health and into the workplace as quickly as possible.

Pay and Workforce Planning

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

In addition to the rigour provided through the Gershon Efficiency exercise, the NIO's Departmental Board has implemented a number of control mechanisms for the CSR07 period, including ring-fenced staff cost budgets. These measures are being supported by new business partnering arrangements between Human Resources (HR) and directorates being introduced alongside the wider NICS e-HR programme (HR Connect). The outsourcing of transactional HR work to the private sector will give departmental HR increased capacity to focus on strategic HR issues. These new arrangements will facilitate improved workforce planning and succession planning and talent management, and help create a better alignment between business planning and the deployment of people.

18. Personal Data Related Incidents

The following information is disclosed in accordance with recent guidance issued by Cabinet Office in respect of the reporting of personal data incidents.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE (ICO) IN 2007-08				
Date of Incident (month)	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2008	<p>Loss of inadequately protected laptop from outside secured Government premises:</p> <p>Theft of unencrypted laptop from the chambers of a barrister representing members of the Northern Ireland Prison Service (NIPS) in the Public Inquiry into the death of Billy Wright</p>	<p>Redacted material from the Billy Wright Inquiry</p> <p>E-mail exchanges between Crown Solicitor's Office (CSO) and barristers. These contained the names of 10 members of NIPS staff.</p>	66	<p>CSO notified all individuals involved by telephone.</p> <p>Ministers, senior staff in NIPS/ NIO, Cabinet Office and the Attorney General's Office were notified of the theft.</p> <p>ICO official was also notified by NIO.</p>
Further action on information risk	<p>The Department is committed to deliver the Cabinet Office Data Handling Review Recommendations and monitor and assess its information risks, in light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.</p> <p>In the week following the theft the NIO implemented the instructions on Data Security which were issued by the Cabinet Secretary on 21 January 2008. These were issued to all NIO staff and also applied to all delivery bodies whether Public or Private sector which were notified accordingly. Legal representatives were also asked to ensure that all IT equipment holding NIO material was fitted with an appropriate level of encryption.</p>			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2007-08		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
II	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	1

Table 3: Year on year total numbers of protected personal data related incidents prior to 2007-08													
Total number of protected personal data incidents formally reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2006/07	0	0	0	0	0	0	2006/07	0	0	0	0	0	0
2005/06	0	0	0	0	0	0	2005/06	0	0	0	0	0	0
2004/05	0	0	0	0	0	0	2004/05	0	0	0	0	0	0

19. The Future

Devolution

In order to prepare for the devolution of policing and justice the Northern Ireland Office established a programme to manage and co-ordinate the wide ranging work needed to deliver that outcome. Key elements of the programme in 2007/08 involved:

- assisting the Assembly and Executive Review Committee (AERC) which was tasked with considering the devolution of policing and justice and reporting to the Assembly which in turn would report to the Secretary of State before 27 March 2008;
- preparing the legislation required to bring about devolution of policing and justice;
- preparing all the organisational and administrative arrangements required to ensure the effective operation of the future NIO and new 'Department of Justice' from the point of devolution; and
- establishing a wide range of projects to deliver different aspects of the programme and a small team to manage the overall programme delivery.

The subsequent Assembly 'Report on the Inquiry into the Devolution of Policing and Justice Matters', published in March 2008, was an important step towards the transfer of responsibility for policing and justice to the NI Assembly and final stage of devolution. While the Report did not confirm the date by which the Assembly would wish to have these powers transferred, it did endorse the Government's view that as many as possible should be transferred and identified the steps that remain to be taken to achieve a political agreement capable of securing devolution. In the absence of an agreement on timing, the Secretary of State remains committed to working with political parties to complete the process of devolution at the earliest possible date. The programme of work in place to deliver this will maintain its readiness so that the transfer of powers can take place without delay when the Assembly makes the necessary request.

Account NI

As part of the NIO's Shared Services Programme, work started during 2007 to look at the issues the Department needs to consider in moving from its existing finance systems to Account NI. Account NI is one of a number of change programmes within the NI Civil Service Reform agenda. The Programme's aim is to provide a new integrated accounting and budgeting system for all the NICS Departments. It has established a shared services centre (SSC) responsible for all transaction processing – for example, supplier invoices and staff travel and subsistence. The SSC will provide other services such as help desk, systems administration, report development and support, end-user training, contract and performance management and development of service enhancements.

The project team involved in this work within the NIO has brought together representatives from the core Department, agencies and the Northern Ireland Courts Service. All aspects of finance have been reviewed (accounts payable, general ledger, fixed assets etc) and engagement with Account NI established. The project team produced a report which will be used as a starting point for the Account NI Migration Project during 2008-09.

Comprehensive Spending Review 2007

In line with changes to the PSA framework in CSR07 the Department has developed a suite of Departmental Strategic Objectives (DSOs). These are high level objectives for the CSR07 period (2008-2011) and cover the totality of the Department's business and the use of resources over the CSR years. Alongside the DSOs within the framework are two Public Service Agreement (PSA) outcomes – 'Make Communities Safer' and 'Justice for All' which reflect national PSAs and are supported by published delivery agreements. The NIO Departmental Report 2008 provides more detail on the Department's DSOs and PSAs. This is also available on the NIO website www.nio.gov.uk.

20. Explanation of Variances

Explanation of the variances between estimate and outturn is given in Note 2. Explanation of the variations between estimate Net Cash Requirement and Outturn Net Cash Requirement is given in Note 4.

21. Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2007-08 £000	2006-07 <i>Restated</i> £000
Net Resource Outturn (Estimates)	11,642,008	11,308,043
<i>Adjustments to remove:</i>		
Provision voted for earlier years	-	-
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	-	-
Consolidated Fund Extra Receipts in the OCS	-	-
Other adjustments	(37,484)	(556,316)
Net Operating Cost (Accounts)	11,604,524	10,751,727
<i>Adjustments to remove:</i>		
Capital grants to local authorities	-	-
Capital grants financed from the Capital Modernisation Fund	-	-
European Union income and related adjustments	81,462	221,170
Voted expenditure outside budget	(10,415,462)	(9,738,670)
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	-	-
Resource consumption of non departmental public bodies	311,910	200,855
Unallocated resource provision	-	-
Other adjustments	-	-
Resource Budget Outturn (Budget)	1,582,434	1,435,083
<i>of which:</i>		
Departmental Expenditure Limits (DEL)	1,345,992	1,221,091
Annually Managed Expenditure (AME)	236,442	213,992

REMUNERATION REPORT

1. Remuneration committee

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

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

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

2. Remuneration policy

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

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

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

3. Performance appraisal

The performance of senior managers is assessed through annual reports, as directed by Cabinet Office, in the same manner as all other staff. In addition, all senior staff were required to undertake a 360° feedback process. A performance group recommendation is made by the line manager and passed to the relevant remuneration committee, which determines the consolidated and non-consolidated pay for all senior staff.

4. Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be made on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made. The officials (other than Non-Executive Directors) covered by this report hold appointments which are open-ended until they reach the normal retirement age. The default retirement age is 65. While staff retain the option to retire at age 60, they also have the right to remain in post up to age 65. In addition, they may request to work beyond their 65th birthday, subject to the agreement of the Permanent Secretary.

Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Both the Non-Executive Directors took up their appointments on a part-time basis on 1 June 2006 for an initial period of three years. The contracts are renewable for a further period subject to agreement between the relevant parties. The Department and the Non-Executive Directors may terminate the appointments before the expiry of the fixed period by giving one month's notice in writing.

5. Salary and pension entitlements

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

[Audited information]

A Remuneration:

Ministers	2007-08		2006-07	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Peter Hain MP – Secretary Of State (until 28 June 2007)	18,701 (76,904 full year equivalent)	-	76,400	-
The Rt Hon Shaun Woodward MP – Secretary Of State (from 29 June 2007)	-	-	-	-
The Rt Hon David Hanson MP – Minister Of State (until 9 May 2007)	4,251 (39,893 full year equivalent)	-	39,631	-
Paul Goggins MP – Minister Of State (from 29 June 2007)	30,192 (39,893 full year equivalent)	-	-	-
Paul Goggins MP – Parliamentary Under Secretary (until 28 June 2007)	7,363 (30,280 full year equivalent)	-	27,279 (30,081 full year equivalent)	-
Maria Eagle MP – Parliamentary Under Secretary (until 28 June 2007)	7,363 (30,280 full year equivalent)	-	27,279 (30,081 full year equivalent)	-

Salary figures stated above relate to the costs incurred during the time when Ministers actually held posts within the Northern Ireland Office. In terms of paying former Ministers, Cabinet Office guidance is that the previous department will pay Ministers at their previous rate of pay up to the end of the month during which the transfer took place. The Minister's new department begins paying them at the appropriate salary thereafter, along with any arrears.

Only those Ministers who were in post on 31 March 2007 need be included in the 2006-07 comparative figures.

The Rt Hon Shaun Woodward MP has chosen not to take a salary for his role as Secretary of State. However if a salary had been paid, the cost in 2007-08 would have been £58,203 (£76,904 full year equivalent). David Cairns MP is not included in the above figures as his salary was paid by the Scotland Office.

[Audited information]

Officials	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Jonathan Phillips Permanent Secretary	175-180	-	155-160	-
Robert Hannigan Director General, Political* (until 7 September 2007)	60-65 (115-120 full year equivalent)	15,800 (Note a)	110-115	27,500 (Note a)
Hilary Jackson Director General, Political (from 10 September 2007) Director, Political (London) (until 9 September 2007)	115-120	-	110-115	-
Nick Perry Director General, Policing and Security	115-120	-	110-115	-
David Brooker Director of Communications (until 7 March 2008)	80-85 (85-90 full year equivalent)	-	80-85	-
Dennis Godfrey Director of Communications (from 10 March 2008)	0-5 (80-85 full year equivalent)	-	-	-
Stephen Leach Director, Criminal Justice	105-110	11,100	105-110	16,200 (Note b)
Anthony Harbinson Director of Resources	85-90	-	0-5 (80-85 full year equivalent)	-
Carol Moore Director, Policing and Security	95-100	-	85-90	-
Chris Maccabe Director, Political (Belfast)	90-95	-	90-95	-
Robin Masefield Director, Northern Ireland Prison Service	105-110	7,300	100-105	15,000 (Note b)
James Conn Crown Solicitor	90-95	-	10-15 (80-85 full year equivalent)	-
		<u>34,200</u>		<u>58,700</u>

Only those Officials who were in post on 31 March 2007 need be included in the 2006-07 comparative figures.

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

Note:

- a. During 2007-08, a benefit-in-kind was assessed by Her Majesty's Revenue and Customs in respect of this Director covering both the 2006-07 and 2007-08 periods. The 2006-07 comparative figures have been restated accordingly.

- b. The Resource Accounts 2006-07 included estimated benefits-in-kind of £6,200 for the Director, Criminal Justice and £6,600 for the Director, Northern Ireland Prison Service. These amounts have subsequently been finalised and the figures restated accordingly.

Salary

[Audited Information]

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the costs of the additional Ministerial remuneration; the salary for their services as an MP (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally.

Benefits in Kind

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

B Pension Benefits:*[Audited information]*

Ministers	Real increase in pension at age 65 £000	Accrued pension at age 65 at 31/03/08 £000	CETV at 31/03/08 £000	CETV at 31/03/07 £000	Real increase in CETV £000
The Rt Hon Peter Hain MP – Secretary Of State (until 28 June 2007)	0-2.5	10-12.5	134	129	2
The Rt Hon Shaun Woodward MP – Secretary Of State (from 29 June 2007)	-	-	-	-	-
The Rt Hon David Hanson MP – Minister Of State (until 9 May 2007)	0-2.5	2.5-5	36	34	1
Paul Goggins MP – Minister Of State (from 29 June 2007) MP – Parliamentary Under Secretary (until 28 June 2007)	0-2.5	2.5-5	43	31	6
Maria Eagle MP – Parliamentary Under Secretary (until 28 June 2007)	0-2.5	2.5-5	38	36	1

Ministerial pensions

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

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their Ministerial salary if they have opted for the 1/50th accrual rate or 10% if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the Ministerial salary.

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

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. 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 ministerial service, not just their appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

The real increase in the value of the CETV

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

[Audited information]

Officials	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31/03/08 and related lump sum	CETV at 31/03/08	CETV at 31/03/07	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Jonathan Phillips Permanent Secretary	2.5-5, plus 7.5-10 lump sum	65-70, plus 200-205 lump sum	1,499	1,263	49	-
Robert Hannigan Director General, Political (until 7 September 2007)	0-2.5, plus 2.5-5 lump sum	10-15, plus 30-35 lump sum	162	122	18	-
Hilary Jackson Director General, Political (from 10 September 2007) Director, Political (London) (until 9 September 2007)	2.5-5, plus 2.5-5 lump sum	45-50, plus 110-115 lump sum	995	805	71	-
Stephen Leach Director, Criminal Justice	0-2.5, plus 0-2.5 lump sum	40-45, plus 125-130 lump sum	985	858	18	-
David Brooker Director of Communications (until 7 March 2008)	0-2.5, plus 2.5-5 lump sum	35-40, plus 105- 110 lump sum	792	678	18	-
Dennis Godfrey Director of Communications (from 10 March 2008)	0-2.5, plus 0-2.5 lump sum	5-10, plus 25-30 lump sum	197	196	1	-
Nick Perry Director General, Policing and Security	0-2.5, plus 2.5-5 lump sum	30-35, plus 100- 105 lump sum	649	538	24	-
Carol Moore Director, Policing and Security	2.5-5, plus 7.5-10 lump sum	40-45, plus 125- 130 lump sum	981	858	77	-
Anthony Harbinson Director of Resources	0-2.5, plus 0-2.5 lump sum	20-25, plus 65-70 lump sum	376	321	6	-
Robin Masefield Director, Northern Ireland Prison Service	0-2.5, plus 2.5-5 lump sum	40-45, plus 125- 130 lump sum	934	794	27	-
Chris Maccabe Director, Political (Belfast)	0-2.5, plus 2.5-5 lump sum	45-50, plus 135- 140 lump sum	1,168	1,049	42	-
James Conn Crown Solicitor	0-2.5, plus 0-2.5 lump sum	15-20, plus 65-70 lump sum	350	326	0	-

Because certain factors were incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08.

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

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

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

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

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension benefits in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

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.

Compensation for Loss of Office

There were no compensation benefits paid to any current or previous member of senior staff during the financial year 2007-08 (2006-07: £Nil).

Jonathan Phillips
Accounting Officer

23 June 2008

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Office's (NIO's) policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

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

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

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

2. The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the NIO for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Corporate governance and risk management in the NIO continued to develop over the past year, led by myself as Accounting Officer and supported by the Board. Corporate governance responsibilities have been delegated to the appropriate level throughout the Department. Risk management is now embedded into the business planning process at both strategic and operational levels. The Public Service Agreement negotiated as part of the 2004 Spending Review fully incorporated risk management into the delivery, planning and monitoring mechanisms. Departmental staff have been trained in business planning techniques which incorporate risk management as an integral part of the planning and monitoring process. The Departmental Plan incorporates a high-level risk register, endorsed at Board level, and each risk has a risk owner who is a Board Director. Risk is cascaded down from the Departmental register through Directorate and Divisional plans each of which has an associated risk register.

The Department continued to work closely with the Treasury's Assurance, Control and Risk Team to update its risk management policy and risk management toolkit. The Department continues to maintain or improve upon its rating against all of the seven capabilities in the Treasury Risk Management Assessment Framework. A comprehensive risk policy document and a practical guide to risk management have been produced and circulated. A risk management website page has also been developed and is available on the

NIO intranet site.

4. The risk and control framework

The Departmental Board has developed a systematic approach to monitoring the financial and business performance of the Department and its risk management arrangements. The Board also reviews progress against PSA targets and objectives throughout the year.

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

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

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

5. Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board and Departmental Audit Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

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

The Audit Committee, which is chaired by a Non-Executive Director, has monitored the Department's risk management and internal controls on a regular basis during the financial year. The Committee met six times during the 2007/08 financial year to consider internal control and risk arrangements including two meetings to discuss specific matters arising. It endorses Internal Audit plans and reviews reports from both Internal and External Auditors.

An Internal Audit Unit operating to the Government Internal Audit Standards covers the Core Department and its four agencies (NI Prison Service, Compensation, Forensic Science and Youth Justice). The Head of Internal Audit (HIA) in the Department acts separately in that capacity for each organisation. Internal Audit submit regular reports to the respective Audit Committees and the Accounting Officers. These include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Department's system of internal control, corporate governance and risk management, together with recommendations for

improvement. At least annually the HIA provides each Accounting Officer with a report on Internal Audit activity for his/her specific organisation. Each organisation has its own Audit Committee. Internal Audit work programmes, informed by risk assessments, are given direction by the respective Audit Committees which also approve Internal Audit's annual plans. The HIA receives Internal Audit reports from satellite bodies and reports significant internal control issues to the Departmental Audit Committee.

Financial controls have been further developed throughout the Department during 2007/08 to strengthen the control framework and reduce risk. I continue to give priority to the detection and investigation of fraud. The Department is currently updating its Fraud Response Plan and policy on the provision of Hospitality and Gifts – these will be finalised during 2008-09 and circulated to relevant parties.

Details of the Department's Corporate Governance arrangements are contained within section 9 of the Management Commentary for these Accounts. Internal Audit will continue to monitor and review the internal controls and corporate governance arrangements in place within each Directorate.

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

Work continues on developing the financial forecasting and budget management arrangements within the Department.

6. Significant Internal Control Problems

As previously reported, problems arose during 2006-07 in relation to the new case management and financial software for the Crown Solicitor's Office which is a legal office attached to the Department. I had requested a review of the new internal procedures and I have subsequently gained assurance that processes, controls and procedures are in place to ensure that the information entered on the system is accurate and complete.

Forensic Science Northern Ireland (FSNI) has identified a number of internal control issues. These are detailed in the Statement on Internal Control as part of their Agency Accounts. Action plans are in place to resolve outstanding issues and the Department's Criminal Justice Directorate will continue to monitor these.

The Northern Ireland Prison Service has identified areas where actions have been required to tighten the system of control for contractor payments for the Service. Further work continues to be undertaken to strengthen the control arrangements in this area and an Improving Internal Controls project has been established to take this forward.

Jonathan Phillips
Accounting Officer

23 June 2008

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

I certify that I have audited the financial statements of the Northern Ireland Office for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Directors Report and paragraphs 1 to 20 of the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises paragraph 21 of the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Directors Report and paragraphs 1 to 20 of the Management Commentary included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

10 July 2008

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

CONSOLIDATED							2007-08 £000	2006-07 £000	
			Estimate				Outturn		
Note	Gross Expenditure	A in A	NET TOTAL	Gross Expenditure	A in A	NET TOTAL	Net total Outturn compared with Estimate: saving/ (excess)	NET TOTAL	
Request for Resources 1	2	1,322,568	(14,561)	1,308,007	1,282,601	(14,561)	1,268,040	39,967	1,237,226
Request for Resources 2	2	10,334,001	-	10,334,001	10,334,000	-	10,334,000	1	9,517,500
Total Resources	3	11,656,569	(14,561)	11,642,008	11,616,601	(14,561)	11,602,040	39,968	10,754,726
Non Operating- cost A in A				68,561			68,561		1,300

Net cash requirement 2007-08

CONSOLIDATED					2007-08 £000	2006-07 £000	
			Note	Estimate	Outturn	Net total outturn compared with estimate: Outturn saving/(excess)	Outturn
Net cash requirement			4	11,656,450	11,510,882	145,568	10,770,071

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

The notes on pages 39 to 97 form part of these accounts

Summary of income payable to the Consolidated Fund

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

CONSOLIDATED	Note	2007-08 Forecast		2007-08 Outturn	
		Income	£000 <i>Receipts</i>	Income	£000 <i>Receipts</i>
Total	5	-	-	1,170	<i>1,311</i>

Transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland (CICAPNI) from the Northern Ireland Office to the Northern Ireland Courts Service

The Statement of Parliamentary Supply for 2007-08 in the Northern Ireland Office Resource Accounts excludes any expenditure on CICAPNI in 2007-08. For 2006-07, expenditure of £568,995 has been excluded from the Operating Cost Statement but has been recognised in the Statement of Parliamentary Supply for 2007-08 in the Northern Ireland Courts Service as it was previously reported to Parliament in the 2006-07 Resource Accounts of the Northern Ireland Office. The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Operating Cost Statement

for the year ended 31 March 2008

	Note	Core Department				2007-08	2006-07
		Staff Costs	Other Costs	Income	Staff Costs	£000	£000
					Consolidated	Core Department	Consolidated
					Income		Restated
Administration costs							
Staff costs	9	29,106			44,005	29,756	47,299
Other administration costs	10		26,215		34,749	34,443	43,090
Operating income	12			(4,809)		(3,625)	(12,078)
Programme costs							
Request for Resources 1:							
Staff costs	9	22,538			122,817	15,275	110,369
Programme costs	11		986,301		1,084,261	969,132	1,046,837
Less: income	12			(870)		(779)	(1,290)
Request for Resources 2:							
Programme costs	11		10,529,761		10,529,761	9,854,490	9,854,490
Less: income	12			(114,299)		(115,821)	(115,821)
EU income	12			(81,462)		(221,169)	(221,169)
Totals		51,644	11,542,277	(201,440)	166,822	11,648,771	(211,069)
Net operating cost	3, 13			11,392,481		11,604,524	10,561,702
						10,561,702	10,751,727

All income and expenditure is derived from continuing operations.

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

The notes on pages 39 to 97 form part of these accounts

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

		2007-08 £000		2006-07 £000 <i>Restated</i>	
	Note	Core Department	Consolidated	Core Department	Consolidated
Prior period adjustment	37	2,534	2,534	-	(4,365)
Transfer of function to NI Courts Service	37	569	569	-	-
Net gain/(loss) on Actuarial Valuation of NILGOSC pension deficit	21	-	1,548	-	838
Net gain on revaluation of tangible fixed assets	23	3,265	14,806	50,154	72,202
Net gain on revaluation of intangible fixed assets	23	-	1	-	7
Recognised gains and losses for the financial year		6,368	19,458	50,154	68,682

The notes on pages 39 to 97 form part of these accounts

Balance Sheet

as at 31 March 2008

		2007-08 £000		2006-07 £000 <i>Restated</i>	
	Note	Core Department	Consolidated	Core Department	Consolidated
Fixed assets:					
Tangible assets	14	124,381	384,437	182,733	416,715
Intangible assets	15	1,258	1,573	1,935	2,395
Investments	16	1,469,204	1,469,204	1,492,189	1,492,189
		1,594,843	1,855,214	1,676,857	1,911,299
Debtors falling due after more than one year					
	18	-	3,357	-	3,850
Current assets:					
Stocks	17	116	1,908	29	1,635
Debtors	18	135,278	135,870	127,552	129,514
Cash at bank and in hand	19	72,632	69,878	48,742	43,723
		208,026	207,656	176,323	174,872
Creditors (amounts falling due within one year)					
	20	(175,817)	(270,107)	(145,447)	(206,860)
Net current assets/(liabilities)					
		32,209	(62,451)	30,876	(31,988)
Total assets less current liabilities					
		1,627,052	1,796,120	1,707,733	1,883,161
Creditors (amounts falling due after more than one year)					
	20	(1,470,599)	(1,470,611)	(1,494,059)	(1,498,977)
Provisions for liabilities and charges					
	21	(7,779)	(59,844)	(2,798)	(51,620)
		(1,478,378)	(1,530,455)	(1,496,857)	(1,550,597)
		148,674	265,665	210,876	332,564
Taxpayers' equity:					
General fund	22	114,616	164,196	120,635	186,024
Revaluation reserve	23a	34,058	101,469	90,241	146,540
		148,674	265,665	210,876	332,564

Jonathan Phillips
Accounting Officer

23 June 2008

The notes on pages 39 to 97 form part of these accounts

Cash Flow Statement

for the year ended 31 March 2008

CONSOLIDATED	2007-08 £000	2006-07 £000 <i>Restated</i>
Note		
Net cash outflow from operating activities	24a (11,544,532)	(10,738,613)
Capital expenditure and financial investment	24b, 24c 53,806	(135,820)
Receipts due to Consolidated Fund which are outside the scope of the Department's activities	313	241
Payments of amounts due to the Consolidated Fund	(622)	(2,357)
Financing	24d 11,517,190	10,857,207
Increase/(Decrease) in cash in the period	24e 26,155	(19,342)

The notes on pages 39 to 97 form part of these accounts

Consolidated Statement of Operating Costs by Departmental Aims and Objectives

for the year ended 31 March 2008

CONSOLIDATED	2007-08			2006-07		
	Gross	Income	Net	Gross	Income	Net
			£000			£000 <i>Restated</i>
Aim						
Request for Resources 1						
Objective 1	101,420	(1,171)	100,249	86,176	(2,011)	84,165
Objectives 2 & 4 (<i>Note a</i>)	911,757	(1,322)	910,435	896,964	(785)	896,179
Objectives 3 & 5 (<i>Note a</i>)	138,965	(12,624)	126,341	129,335	(10,385)	118,950
Objective 6	133,690	(191)	133,499	135,120	(187)	134,933
Request for Resources 2						
Objective 1 (<i>Note b</i>)	10,529,761	(195,761)	10,334,000	9,854,490	(336,990)	9,517,500
Net Operating Costs	11,815,593	(211,069)	11,604,524	11,102,085	(350,358)	10,751,727

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Request for Resources 1

Aim

Playing a full part in implementing the 1998 Agreement and representing the interests of Northern Ireland in the UK Government; supporting and developing an efficient, effective and responsive Criminal Justice System; upholding and sustaining the rule of law and preventing crime; maintaining a secure and humane prison service and reducing the risks of re-offending.

Objective 1 - to support the devolved institutions in Northern Ireland and encourage further political development through positive and constructive relations with the Assembly and Executive and the Irish Government and effective contributions to the British-Irish Council and British-Irish Intergovernmental Conference.

Objective 2&4 - to build and sustain confidence in the effectiveness and efficiency of the police service and police oversight and accountability arrangements in Northern Ireland. To uphold and maintain the rule of law by developing and maintaining a policy, legislative and strategic framework, that takes account of the need to secure justice and the rights of the individual that provides for a sufficient counter-terrorist capability and seeks to minimise the potential for and causes and effects of public order disturbances and community strife. (*Note a*)

Objective 3&5 - to promote and build confidence in a criminal justice system in Northern Ireland that is efficient, effective and responsive through implementing the published plan of agreed changes deriving from the accepted recommendations of the review of the criminal justice system established under the 1998 Agreement. To lessen the impact of crime by working in partnership with other criminal justice agencies to maintain and develop policies aimed at preventing or reducing the threat of crime, the fear of crime and the incidence of crime and to provide support for the victims of crime. (*Note a*)

Objective 6 - to execute the supervisory and custodial sentences of the courts so as to punish offenders appropriately, protect the people of Northern Ireland and help reduce the risk of re-conviction.

In accordance with the NIO's Departmental Plan there is 1 Aim and 7 Objectives. Objective 7, Value for Money, is not included in the Schedule above because as an efficiency target, there were no separate resources allocated against it.

Request for Resources 2

Aim

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

Objective 1 - Grant-in-aid to the Northern Ireland Consolidated Fund and other transfers. (*Note b*)

Note:

- a. Objectives 2&4 and 3&5 cannot be split because separate objectives for both Criminal Justice and Policing Directorates are being taken forward by shared resources and therefore, an accurate split between objectives would not be feasible.
- b. The Northern Ireland Consolidated Fund (RfR2) is a cash grant paid to the Northern Ireland Executive. It is included within the NIO's estimate as a means of gaining Parliamentary approval only and therefore, is not included within the NIO's Departmental Plan and does not contribute to the Department's own Aim and Objectives.

See also Note 25 for further details.

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core Department) and those entities which fall within the Departmental boundary as defined in the *FReM* (Chapter 1). Transactions between entities included in the consolidation are eliminated. A list of the entities within the Departmental boundary is given at Note 36.

Machinery of Government transfer

On 1 December 2007, responsibility for the Criminal Injuries Compensation Appeals Panel for Northern Ireland function transferred to the Northern Ireland Courts Service. The transfer has been accounted for using merger accounting principles in accordance with FReM. Accordingly, the results relating to the transferred service have been excluded from the start of the financial year and prior year comparative figures have been restated. The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

1.3 Tangible fixed assets

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

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

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

In addition to the above the NIO occupies a number of properties within the Northern Ireland Government Office Estate. These are managed by the Department of Finance and Personnel (DFP). The costs of occupancy of such properties are recovered in cash from the NIO by DFP. Terms of occupancy of these buildings are outlined in an agreement known as the 'Memorandum of Terms of Occupancy (MOTO)'.

Similar arrangements exist for properties occupied by the NIO as part of the Civil Estate in Great Britain. The costs of occupancy are recovered in cash from the NIO by the major occupier of such buildings.

1.4 Valuation of fixed assets

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

Land and buildings are restated to current value using professional valuations, in accordance with FRS 15, every 5 years and in the intervening years by the use of indices provided by the Valuation and Lands Agency (VLA), specific to the Northern Ireland property sector. In addition, the private properties owned by the Department have been valued by the Valuation and Lands Agency for the purposes of these accounts. This has resulted in a decrease in valuation of £687,075 as at 31 March 2008 which has been transferred to the Revaluation Reserve. Properties are valued on the basis of open market value existing use, unless they are deemed to be specialised, in which case they are valued on a depreciated replacement cost basis.

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

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

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

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

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

1.5 Depreciation

Freehold and leasehold land is not depreciated.

During 2005-06 a works programme was carried out to maintain the Castle to a defined standard in compliance with its status as a listed building. Consequently, from the 2006-07 financial year onwards, it was no longer considered appropriate to have a maintenance charge in lieu of depreciation for Hillsborough Castle. A depreciation policy has therefore been adopted for Hillsborough Castle, effective from 1 April 2006, so that the carrying amount of Hillsborough Castle will be depreciated over the remaining useful economic life of the asset.

As the lives of the antiques within Hillsborough Castle can be measured in hundreds of years they have not been depreciated. They are, however, revalued annually using indices provided by Christies International.

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

Estimated useful lives, which are reviewed regularly, are:

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

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

1.6 Consolidation of asset categories

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

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

1.7 Donated assets and assets on loan

The Department does not have any donated assets.

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

1.8 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets. Computer software licences do not have a readily ascertainable market value and consequently are not revalued by the core Department. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

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

1.9 Research and development

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

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

1.10 Investments (See Notes 12 and 16)

The NIO administers loans from the National Loan Fund (NLF), as required by the Northern Ireland (Loans) Acts 1975 and 1985, on behalf of the Secretary of State for Northern Ireland. During 2007-08 the NIO on-lent £97,605,000 (2006-07: £214,621,000) to DFP for further distribution, and a repayment of £116,765,243 (2006-07: £109,828,650) principal and £114,298,508 (2006-07: £115,820,774) interest was received. The outstanding principal balance on the NLF as at 31 March 2008 was £1,589,123,183 (2006-07: £1,608,283,427) and has been included within the NIO's account. A separate account is produced, audited and published in respect of loans under the Northern Ireland (Loans) Act.

The Department does not hold any other investments. Short-term debtors and creditors are not deemed to be financial instruments within the context of FRS 13 and are not disclosed separately in relation to this standard.

1.11 Stocks and work in progress

Stocks and work in progress are valued as follows:

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

1.12 Operating income

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

In addition, the Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid (See Note 33). Recovery is not normally sought from earnings or assets of an offender. However, recovery is sought from an offender who subsequently becomes entitled to State compensation and any amounts so recovered are included as programme income.

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

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

- Administration costs
- Programme costs

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

1.13 Administration and Programme expenditure

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

1.14 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

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

1.15 Foreign exchange

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

1.16 Pension costs

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

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

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

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

1.17 Early departure costs

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

1.18 Leases

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

1.19 Public Private Partnership (PPP) transactions

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

1.20 Grants payable

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

1.21 Government grants receivable

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

1.22 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

1.23 Contingent Liabilities

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

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

1.24 Value Added Tax

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

1.25 Insurance

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

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

1.26 Notional charges

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

1.27 Third-party assets (See Note 35)

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

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

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

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

1.28 Change in Accounting Policy

Comparative figures have been restated to reflect a change in accounting policy. In prior years, the Department's accounting policy for the treatment of fit-out costs of leased accommodation has been that all costs are regarded as Resource expenditure and charged in full to the Operating Cost Statement in the year incurred. However, as the Department plans ahead for devolution, it is important that its accounting policies are consistent with those of the other Northern Ireland Departments. It has been decided therefore to change the NIO's accounting policy to capitalise fit-out costs and depreciate over the period of the individual lease on the basis of a minimum threshold of £500,000 expenditure and leases which have a minimum period of 10 years.

As a result, comparative figures have been restated to reflect the prior period adjustment arising from this change in accounting policy. The effect of the change in policy on the Operating Cost Statement is to reduce the net operating cost by £2,533,821. Comparative figures in the Statement of Parliamentary Supply have not been restated as, for the purposes of Parliamentary Control, these figures are indelible. Details of the prior period adjustment, which is treated as current year income in the Statement of Parliamentary Supply, are shown in Note 3(a) Reconciliation of Outturn to Net Operating Cost.

The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

2. Analysis of resource outturn by section

CONSOLIDATED						2007-08	2006-07		
						£000	£000		
						OUTTURN	ESTIMATE		
	Admin	Other current	Grants	Gross Resource expenditure	A in A	NET TOTAL	NET TOTAL	Net total outturn compared with Estimate:	Prior year outturn
Request for Resources 1									
Spending in Departmental Expenditure Limits (DEL)									
<i>Central government spending</i>									
Central Administration	33,531	4,118	-	37,649	(3,808)	33,841	49,442	(15,601)	32,538
Ministers	3,233	-	-	3,233	-	3,233	2,788	445	3,849
Political Directorate	5,265	25,842	-	31,107	(373)	30,734	35,376	(4,642)	31,702
Bloody Sunday	690	3,579	-	4,269	-	4,269	4,580	(311)	6,234
Public Prosecution Service	2,006	30,058	-	32,064	(62)	32,002	36,174	(4,172)	34,627
Forensic Science Northern Ireland	10,115	-	-	10,115	(9,091)	1,024	1,927	(903)	1,214
Criminal Justice	4,860	19,796	3,195	27,851	-	27,851	30,453	(2,602)	25,765
Compensation Agency	-	3,254	52,842	56,096	(204)	55,892	56,330	(438)	28,185
Policing and Security	5,436	7,663	2,650	15,749	(688)	15,061	13,696	1,365	16,488
Policing – Non severance	4	239	1,890	2,133	-	2,133	2,159	(26)	2,342
Northern Ireland Prison Service	13,320	120,190	183	133,693	(192)	133,501	135,045	(1,544)	134,950
Youth Justice Agency	-	21,769	-	21,769	(143)	21,626	22,196	(570)	25,803
Non-budget									
Police	-	-	799,260	799,260	-	799,260	809,829	(10,569)	808,668
Police Pensions	-	-	72,508	72,508	-	72,508	71,759	749	50,341
Police Ombudsman for Northern Ireland	-	-	8,726	8,726	-	8,726	8,726	-	8,689
Probation Board for Northern Ireland	-	-	15,490	15,490	-	15,490	15,767	(277)	15,314
Northern Ireland Human Rights Commission	-	-	1,680	1,680	-	1,680	1,680	-	1,475
Northern Ireland Policing Board	-	-	8,009	8,009	-	8,009	8,774	(765)	7,892
Criminal Justice Inspectorate Northern Ireland	-	-	1,200	1,200	-	1,200	1,306	(106)	1,150
Total	78,460	236,508	967,633	1,282,601	(14,561)	1,268,040	1,308,007	(39,967)	1,237,226
Request for Resources 2									
Non-budget									
Grants to the Northern Ireland Consolidated Fund	-	-	10,334,000	10,334,000	-	10,334,000	10,334,000	-	9,517,500
European Institutions (net)	-	-	-	-	-	-	1	(1)	-
Total	-	-	10,334,000	10,334,000	-	10,334,000	10,334,001	(1)	9,517,500
Resource Outturn	78,460	236,508	11,301,633	11,616,601	(14,561)	11,602,040	11,642,008	(39,968)	10,754,726

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in

Note 37. Comparative figures in the Statement of Parliamentary Supply and Note 2 have not been restated as, for the purposes of Parliamentary Control, these figures are indelible.

Key to Request for Resources

Request for Resources 1	Playing a full part in implementing the 1998 Agreement and representing the interests of Northern Ireland in the UK Government; supporting and developing an efficient, effective and responsive Criminal Justice System; upholding and sustaining the rule of law and preventing crime; maintaining a secure and humane prison service and reducing the risks of re-offending.
Request for Resources 2	Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the NI Act 1998 & the Northern Ireland Act 2000.

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

(i) Request for Resources 1

Within the core Department a saving of £36,512k was made on net total outturn as compared to Estimate. A saving of £39,967k was made on the net total outturn as compared to estimate with regard to the consolidated figures. Detailed numerical analysis, by function, of net resource outturn as compared to Estimate is included above.

Spending in Departmental Expenditure Limits

Central Administration – the underspend occurred as additional resources held centrally for contingency purposes were not used in the current year.

Ministers – this overspend was caused by higher than anticipated travel and subsistence costs for Northern Ireland Office ministers and support staff.

Political Directorate – this underspend was caused by delays in the commencement of public hearings for the Billy Wright, Rosemary Nelson and Robert Hamill Inquiries.

Bloody Sunday Inquiry – this underspend was due to the delay in the publication of the Inquiry's final report.

Public Prosecution Service – this underspend was due to the reclassification of regional office fit-out costs from revenue to capital.

Forensic Science Northern Ireland – this underspend was as a result of laboratory work not being contracted out and delays in equipment maintenance and repair.

Criminal Justice – this underspend was caused by lower than anticipated non-cash charges.

Compensation Agency – this slight underspend was due to the timing and value of claims paid out.

Policing and Security – this overspend is made up of overspends in the Oversight Commission, Protective Security Division, Security Policy and Operations Division and ACCESS NI Project.

Policing Non severance – this underspend is mainly due to slightly less than expected spend within NI Police Fund.

Northern Ireland Prison Service – this underspend was due to fewer outstanding legal cases at year end and a number of cases settled during the year for less than previously provided for.

Youth Justice Agency – this underspend was due to staff vacancies resulting in lower staff costs.

Non-Budget

Police – slightly lower than anticipated mainly due to fewer staff costs with more regular officers taking early severance.

Police Pensions – slightly higher than anticipated cash required to fund in-year payments to police pensioners.

Probation Board for Northern Ireland – slightly lower than anticipated cash required.

NI Policing Board – underspends in District Policing Partnerships.

Criminal Justice Inspection NI – slightly lower than anticipated cash required.

(ii) Request for Resources 2**Non-Budget**

The net outturn exactly matched the estimate for the Northern Ireland Consolidated Fund which is used to fund expenditure for the Northern Ireland Departments.

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

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

CONSOLIDATED				2007-08 £000	2006-07 £000 <i>Restated</i>
	Note	Outturn	Supply Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Resource Outturn	2	11,602,040	11,642,008	39,968	10,754,726
Prior period adjustment	37	2,534	-	(2,534)	(2,534)
Transfer of function to NICtS	37	569	-	(569)	(569)
Operating Income payable to CF (Note a)	6	(747)	-	747	-
Non-supply Expenditure (Note b)	11	128	-	(128)	104
Net Operating Cost		11,604,524	11,642,008	37,484	10,751,727

Net resource outturn is the total of those elements of expenditure and income that are subject to Parliamentary approval and included in the Department's Supply estimate. The outturn against Estimate is shown in the Summary of Resource Outturn (Statement of Parliamentary Supply). Net operating cost is the total expenditure and income appearing in the Operating Cost Statement.

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Notes:

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

3(b) Outturn against final Administration Budget

	2007-08 £000				2006-07 £000 <i>Restated</i>	
	Core Department		Consolidated		Core Department	Consolidated
	Budget	Outturn	Budget	Outturn	Outturn	Outturn
Gross Administration Budget	69,980	55,320	94,835	78,754	64,198	90,389
Income allowable against the Administration Budget	(3,975)	(4,809)	(13,082)	(13,923)	(3,625)	(12,078)
Net outturn against final Administration Budget	66,005	50,511	81,753	64,831	60,573	78,311

4. Reconciliation of resources to cash requirement

CONSOLIDATED

	Note	Estimate	Outturn	2007-08 £000 Net total outturn compared with estimate: Saving/(excess)
Resource Outturn	2	11,642,008	11,602,040	39,968
<i>Capital:</i>				
Acquisition of fixed assets:				
Cash purchase	14,15	101,825	36,716	65,109
<i>Non-operating A in A:</i>				
Proceeds of fixed asset disposals		(68,561)	(68,561)	-
<i>Accruals adjustments:</i>				
Non-cash items	10c	(77,534)	(90,300)	12,766
Changes in working capital other than cash	4a	(1,812)	(30,942)	29,130
Changes in other creditors falling due after more than one year	20	(200)	5,368	(5,568)
Use of provision	21	60,724	53,458	7,266
Prior period adjustment	37	-	2,534	(2,534)
Transfer of function to NI Courts Service	37	-	569	(569)
Net cash requirement		11,656,450	11,510,882	145,568

Explanation of the variance between Estimate net cash requirement and Outturn net cash requirement:

The underspend in the net cash requirement is due to:

- (i) Resource Outturn – underspend against RfR1 estimate as detailed and explained in Note 2.
- (ii) Capital – underspend as capital estimate was increased to enable the Department to spend the capital receipt generated from the sale of the Juvenile Justice Centre land at Rathgael. This extra provision was not required in 2007/08 but will carry forward into the CSR07 period.
- (iii) Non-cash items – overspend relates to the split of budget and spend between non-cash and near-cash for Compensation Agency grants, however the Agency did remain within overall estimate.
- (iv) Changes in working capital other than cash – overspend is due to the increase in the consolidated fund supply creditor compared to the prior year end.
- (v) Changes in creditors falling due after more than one year – the estimate figure for changes in creditors was set at this level in SR2004 and has not been re-forecast.
- (vi) Use of provision – underspend relates to various areas, including the Northern Ireland Prison Service, where a number of cases were settled during the year for less than previously provided for.
- (vii) Prior period adjustment and Transfer of function– the 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets and the machinery of government change for the Criminal Injuries Compensation Appeals Panel for Northern Ireland – Note 37 provides further details.

Movements in working capital other than cash**4(a) The movements in working capital used in the reconciliation of resources to cash requirement comprise:**

	2007-08 £000	2006-07 £000
	Consolidated	Consolidated
Total increase/(decrease) in stocks/work in progress	273	72
Total increase/(decrease) in debtors	5,863	9,291
Less movements in debtors excluded from net cash requirement	(3,825)	(7,027)
Total (increase)/decrease in creditors due in less than one year	(63,246)	8,081
Less movements in creditors excluded from the net cash requirement	32,405	(9,152)
Changes in working capital other than cash	(28,530)	1,265
<i>Adjustments:</i>		
Movement in working capital related to the acquisition/disposal of tangible fixed assets	(2,553)	(3,093)
Amounts receivable that will be due to the Consolidated Fund when received	141	(57)
Net increase in working capital other than cash	(30,942)	(1,885)

4(b) The movements in working capital other than cash used in the Cash Flow Statement comprise:

	2007-08 £000	2006-07 £000
	Consolidated	Consolidated
Total increase/(decrease) in stocks/work in progress	273	72
Total increase/(decrease) in debtors	5,863	9,291
Less movements in debtors excluded from net cash requirement	(3,825)	(7,027)
Total (increase)/decrease in creditors due in less than one year	(63,246)	8,081
Less movements in creditors excluded from the net cash requirement	32,545	(9,209)
Changes in working capital other than cash	(28,390)	1,208

5. Analysis of income payable to the Consolidated Fund

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

CONSOLIDATED	Note	Forecast 2007-08 £000		Outturn 2007-08 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A in A	6	-	-	747	<i>747</i>
Non-operating income and receipts – excess A in A	7	-	-	251	<i>251</i>
	22	-	-	998	<i>998</i>
Other non-operating income not classified as A in A	8	-	-	172	<i>313</i>
Total income payable to the Consolidated Fund		-	-	1,170	<i>1,311</i>

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

		2007-08 £000	2006-07 £000
	Note	Consolidated	Consolidated
Operating income	12	15,308	13,368
Adjustments for transactions between RfRs		-	-
Gross income		15,308	13,368
Income authorised to be appropriated-in-aid	2	(14,561)	(13,368)
Operating income payable to the Consolidated Fund	5	747	-

7. Non-operating income – Excess A in A

	2007-08	2006-07
	£000	£000 <i>Restated</i>
	Consolidated	Consolidated
Principal repayments of voted loans	-	-
Proceeds on disposal of fixed assets	251	429
Other	-	-
Non-operating income – excess A in A	251	429

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

	2007-08		2006-07	
	£000		£000	
	Consolidated		Consolidated	
	Income	Receipts	Income	Receipts
Consolidated Fund Extra Receipts	172	313	299	241

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

9. Staff numbers and related costs

9.1 Staff costs

Staff costs consist of:

	Total	Permanently Employed Staff	Others	Ministers	2007-08 £000 Special Advisors	2006-07 £000 <i>Restated</i> Total
Administration staff costs						
Wages and salaries	35,109	34,537	496	76	-	38,078
Social security costs	2,685	2,672	5	8	-	2,882
Other pension costs	6,139	5,852	287	-	-	6,251
Sub Total	43,933	43,061	788	84	-	47,211
Inward Secondments	72	72	-	-	-	88
Total	44,005	43,133	788	84	-	47,299
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total	44,005	43,133	788	84	-	47,299
Programme staff costs						
Wages and salaries	92,055	91,336	719	-	-	88,072
Social security costs	7,372	7,358	14	-	-	7,159
Other pension costs	23,364	22,387	977	-	-	15,106
Sub Total	122,791	121,081	1,710	-	-	110,337
Inward Secondments	26	26	-	-	-	32
Total	122,817	121,107	1,710	-	-	110,369
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total	122,817	121,107	1,710	-	-	110,369
Total net costs*	166,822	164,240	2,498	84	-	157,668
Of which:						
Core Department	51,644	51,239	321	84	-	45,031

*Of the total, £Nil (2006/07: £Nil) has been charged to capital

The 2006-07 figures have been restated to exclude expenditure relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service. The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

The Principal Civil Service Pension Scheme, PCSPS, and PCSPS(NI) are unfunded multi-employer defined benefit schemes but the Northern Ireland Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the PCSPS was carried out at 31 March 2007. The most up to date actuarial valuation of the PCSPS(NI) was carried out as at 31 March 2003 and an interim valuation of the

scheme liability was carried out at 31 March 2005. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk). Details of the PCSPS(NI) can be found in the resource accounts of the Department of Finance and Personnel; Superannuation and Other Allowances (Principal Civil Service Pension Scheme (Northern Ireland)).

For 2007-08, total employers' contributions of £19,270,918.66 (2006-07: £19,130,752.77) were payable to the PCSPS (NI) and PCSPS at rates in the range 17.1 to 26.5 per cent of pensionable pay for PCSPS and 16.5 to 23.5 per cent of pensionable pay for PCSPS(NI), based on salary bands. The difference between this amount and the amount disclosed above relates to pension costs recouped on seconded staff. The PCSPS actuary reviews employer contributions every four years following a full scheme valuation. Employer contribution rates are to be reviewed every four years for PCSPS(NI) following full scheme valuations by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account; a stakeholder pension with an employer contribution. Employers' contributions of £26,034.68 (2006-07: £18,382.61) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2006-07: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent (2006-07: 0.8 per cent) of the individuals pensionable earnings were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

As 18 persons (2006-07: 32 persons) retired early on ill-health grounds, the total additional accrued pension liabilities in the year amounted to £31,819.55 (2006-07: £54,614.48).

The Department is responsible for the Broadly By Analogy (BBA) pension schemes of public appointments within its Departmental boundary and also entities for which it retains lead policy responsibility. A BBA pension arrangement entitles the recipient to benefits similar to the Classic Scheme in both the PCSPS and PCSPS(NI). A review of the existing Departmental pension arrangements was completed during 2007-08 and this identified a requirement to account for the liability arising from BBA schemes which had not previously been included within the Department's Resource Accounts but which it had an obligation to meet. The scheme liabilities were calculated by the Government Actuary's Department (GAD) in April 2008 and amount to £4.430m as at 31 March 2008.

In relation to the Youth Justice Agency, the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2007-08 the contribution rates were 13% employers and 6% employees (2006-07: 11% employers and 6% employees). For manual workers previously paid on a weekly basis the contribution rates were 4.6% employer and 5% employee. The total employer pension cost under the Scheme was £1,440k (2006-07: £1,284k).

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

Pensions provisions included within Note 9 – Staff Costs

CORE DEPARTMENT AND CONSOLIDATED	2007-08 £000	2006-07 £000
Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC)	1440	1,284
Pensionable Staff Allowances	999	-
Broadly By Analogy (BBA) pension schemes	4,430	-
Total pension provisions – Notes 10b & 10c	6,869	1,284

9.2 Average number of persons employed

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

	Total	Ministers	Special Advisers	Senior Management	Officials	Staff on inward secondment	2007-08 Number Agency, temporary and contract staff	2006-07 Number <i>Restated</i>
RfR1								
Objective 1	241	1	-	8	223	1	8	286
Objectives 2 & 4	175	1	-	1	171	1	1	177
Objectives 3 & 5	1,493	-	-	1	1,452	-	40	1,448
Objective 6	2,231	-	-	1	2,185	-	45	2,151
Staff engaged on capital projects	-	-	-	-	-	-	-	1
RfR2								
Objective 1	-	-	-	-	-	-	-	-
Total	4,140	2	-	11	4,031	2	94	4,063

Of which:

2007-08								
Core Department	1,251	2	0	10	1,224	2	13	
2006-07								
Core Department	1,233	5	0	10	1,195	2	21	

10. Other Administration Costs

		2007-08 £000		2006-07 £000 <i>Restated</i>	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Hire of plant and machinery		96	126	107	107
Other operating leases		2,381	2,558	2,689	3,026
		2,477	2,684	2,796	3,133
		-	-	-	-
PFI service charges:					
Off-balance sheet contracts (Note a)		-	-	3,363	3,363
		-	-	3,363	3,363
Non-cash items (Notes b & c):					
Depreciation and amortisation of fixed assets:					
Other tangible fixed assets	14	3,827	4,363	4,157	5,062
Intangible fixed assets	15	677	707	693	755
(Profit)/Loss on disposal of fixed assets	7,14,15	(1,624)	(1,622)	(363)	(359)
Permanent diminution	14,15	241	247	496	524
Impairment of fixed assets	14,15	-	-	-	32
Write off of fixed assets		-	-	-	11
Cost of capital charge	22	4,004	4,174	4,407	4,591
Auditor's remuneration and expenses	22	81	135	79	143
Provisions:					
Provided in year	21	312	357	479	479
Written back in year	21	(131)	(131)	(7)	(7)
Other notionals	22	307	307	162	292
		7,694	8,537	10,103	11,523
Other expenditure		16,044	23,528	18,181	25,071
Total		26,215	34,749	34,443	43,090

The 2006-07 figures have been restated to exclude expenditure of £295,262 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service. The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Notes:

- a. PFI Service charges for off-balance sheet contracts are accounted for as Programme Costs from 2007-08 onwards rather than Administration Costs.

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

	2007-08 £000		2006-07 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Other administration costs – non-cash items (as above)	7,694	8,537	10,103	11,523
Pension provision non-cash item (Note 9)	4,430	6,869	-	1,284
Programme non-cash (Note 11)	3,557	75,022	2,523	52,768
Total non-cash transactions (Note 24a)	15,681	90,428	12,626	65,575

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

	2007-08 £000		2006-07 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Administration non-cash (as above)	7,694	8,537	10,103	11,523
Pension provision non-cash item (Note 9)	4,430	6,869	-	1,284
Programme non-cash (Note 11)	3,557	75,022	2,523	52,768
Less non-cash charges in respect of Consolidated Fund Standing Services (Note 11a)	(128)	(128)	(104)	(104)
Total non-cash transactions (Note 4)	15,553	90,300	12,522	65,471

11. Programme costs

		2007-08 £000		2006-07 £000 <i>Restated</i>	
	Note	Core Department	Consolidated	Core Department	Consolidated
Current grants and other current expenditure		11,503,331	11,528,990	10,816,260	10,842,932
Rentals under operating leases:					
Hire of plant and machines		85	104	42	62
Other operating leases		5,492	6,309	4,797	5,565
		5,577	6,413	4,839	5,627
PFI service charges:					
Off-balance sheet contracts (<i>Note a</i>)		3,597	3,597	-	-
		3,597	3,597	-	-
Non-cash items:					
Cost of capital charge	22	619	6,614	368	5,472
Depreciation and amortisation of fixed assets:					
Other tangible fixed assets	14	1,629	12,313	1,144	12,978
Intangible fixed assets	15	72	223	61	181
Permanent Diminution	14,15	83	263	134	365
Impairment of fixed assets	14,15	-	(795)	-	3,122
Write-off of fixed assets	14,15	-	-	-	85
Loss on disposal of fixed assets	7,14,15	6	114	3	48
Provisions:					
Provided in year	21	1,020	57,237	650	30,697
Unwinding of discounts on provision	21	-	41	-	39
Written back in year	21	-	(1,143)	-	(585)
Consolidated Fund Standing Services (<i>Note b</i>)		128	128	104	104
Auditor's remuneration and expenses	22	-	27	-	15
Other programme notional costs excluding auditor's remuneration	22	-	-	59	247
		3,557	75,022	2,523	52,768
Programme costs		11,516,062	11,614,022	10,823,622	10,901,327
Less: programme income	12.2	(196,631)	(197,146)	(337,769)	(338,280)
Total		11,319,431	11,416,876	10,485,853	10,563,047

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £273,733 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Note:

- a. PFI Service charges for off-balance sheet contracts are accounted for as Programme Costs from 2007-08 onwards rather than Administration Costs.

- b. By statute the remuneration and associated employers earnings-related National Insurance Contributions of the Chief Electoral Officer are met directly from the Consolidated Fund, rather than Parliamentary Supply. For the year ended 31 March 2008 the amount paid for the CEO's remuneration was £90,467 (2006-07: £75,389), the employer's national insurance contributions were £9,789 (2006-07: £8,017) and the pension costs were £27,402 (2006-07: £20,355). These costs are included under Other Programme Costs and are referred to as Consolidated Fund Standing Services. As the cash does not pass through the Department's accounts, the expenditure is accounted for as a non-cash item.

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

12. Income

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

	2007-08 £000			2006-07 £000				
	Core Department			Core Department				
	RfR1	RfR2	Total	RfR1	RfR2	Total		
Income source 1	5,679	195,761	201,440	15,308	195,761	211,069	341,394	350,358
Income source 2	-	-	-	-	-	-	-	-
	5,679	195,761	201,440	15,308	195,761	211,069	341,394	350,358

12.2 Income and appropriations in aid

12.2.1 Operating Income

Operating income not appropriated in aid (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2007-08, all operating income not classified as A in A was within public expenditure.

CORE DEPARTMENT	2007-08					
	Resource Outturn	Reconciliation to Operating Cost Statement			Operating Cost Statement	
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest	Payable to Consolidated Fund	Income
<i>Administration income:</i>						
Fees and charges to external customers	139	-	-	-	139	
Fees and charges to other departments	1,911	-	-	-	1,911	
Estimate cover A in A	2,012	-	-	-	2,012	
Other	-	-	-	747	747	
<i>Programme income:</i>						
Income from EU for NI programmes	-	81,462	-	-	81,462	
National Loans Fund interest	-	-	114,299	-	114,299	
Recovery of court and conference costs	370	-	-	-	370	
Other	500	-	-	-	500	
Total	4,932	81,462	114,299	747	201,440	

CORE DEPARTMENT	2006-07					
	Resource Outturn	Reconciliation to Operating Cost Statement			Operating Cost Statement	
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest	Payable to Consolidated Fund	Income
<i>Administration income:</i>						
Fees and charges to external customers	84	-	-	-	84	
Fees and charges to other departments	1,033	-	-	-	1,033	
Estimate cover A in A	2,505	-	-	-	2,505	
Other	3	-	-	-	3	
<i>Programme income:</i>						
Income from EU for NI programmes	-	221,169	-	-	221,169	
National Loans Fund interest	-	-	115,821	-	115,821	
Recovery of court and conference costs	324	-	-	-	324	
Other	455	-	-	-	455	
Total	4,404	221,169	115,821	-	341,394	

CONSOLIDATED	Resource Outturn	2007-08			Operating Cost Statement		
		Reconciliation to Operating Cost Statement					
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest		Payable to Consolidated Fund	Income
<i>Administration income:</i>							
Fees and charges to external customers	171	-	-	-	171		
Fees and charges to other departments	10,993	-	-	-	10,993		
Estimate cover A in A	2,012	-	-	-	2,012		
Other	-	-	-	747	747		
<i>Programme income:</i>							
Income from EU for NI programmes	-	81,462	-	-	81,462		
National Loans Fund interest	-	-	114,299	-	114,299		
Recovery of Compensation	205	-	-	-	205		
Recovery of court and conference costs	370	-	-	-	370		
Other	810	-	-	-	810		
Total	14,561	81,462	114,299	747	211,069		

CONSOLIDATED	Resource Outturn	2006-07			Operating Cost Statement		
		Reconciliation to Operating Cost Statement					
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest		Payable to Consolidated Fund	Income
<i>Administration income:</i>							
Fees and charges to external customers	140	-	-	-	140		
Fees and charges to other departments	9,412	-	-	-	9,412		
Estimate cover A in A	2,506	-	-	-	2,506		
Other	20	-	-	-	20		
<i>Programme income:</i>							
Income from EU for NI programmes	-	221,169	-	-	221,169		
National Loans Fund interest	-	-	115,821	-	115,821		
Recovery of compensation	276	-	-	-	276		
Recovery of court and conference costs	324	-	-	-	324		
Other	690	-	-	-	690		
Total	13,368	221,169	115,821	-	350,358		

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

	2007-08 £000				2006-07 £000		
	Income	Full Cost	Surplus/ (deficit)		Income	Full Cost	Surplus/ (deficit)
FSNI	9,090	(10,142)	(1,052)	FSNI	8,429	(9,503)	(1,074)
Crown Solicitor's Office	4,202	(4,202)	-	Crown Solicitor's Office	4,208	(4,208)	-
Total	13,292	(14,344)	(1,052)		12,637	(13,711)	(1,074)

Forensic Science Northern Ireland is working towards the financial aim of full cost recovery and to this end is currently renegotiating contracts with customers on a transactional pricing basis. Whilst there is a deficit of £1,052k (2006-07: £1,074k) on its Operating Cost Statement, this is offset by non-operating income of £350k and a further £702k in respect of non-cash charges. The non-cash funding is provided by NIO to reflect the fact that the current pricing arrangement with customers was agreed prior to the introduction of resource accounting and therefore did not include depreciation and cost of capital charges.

The Crown Solicitor's Office generates income through the issue of hard charges to other departments for work carried out on their behalf. The balance required to facilitate full cost recovery is met by the Northern Ireland Office, within which the CSO is a core directorate. The majority of this recovery relates to work carried out by the CSO on behalf of the NIO, and for which no charges are raised. However, costing and charging procedures within the CSO do not facilitate an exact calculation to be made. In 2007-08 income generated from work carried out on behalf of other departments amounted to £3,675k (2006-07: £2,694k) resulting in a balance funded by the NIO of £527k (2006-07: £1,514k).

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

13. Analysis of net operating cost by spending body

	2007-08 £000				2006-07 £000 <i>Restated</i>	
	Core Department		Consolidated		Core Department	Consolidated
	Estimate	Outturn	Estimate	Outturn	Outturn	
Spending body:						
Core Department (<i>Note a</i>)	10,501,309	10,477,873	10,501,309	10,477,873	9,659,314	9,659,345
Northern Ireland Prison Service	-	-	135,045	133,501	-	134,933
Compensation Agency	-	-	56,330	55,892	-	28,184
Forensic Science Northern Ireland	-	-	1,927	1,024	-	1,074
Youth Justice Agency	-	-	22,196	21,626	-	25,803
Non-departmental public bodies:						
Probation Board for Northern Ireland	15,767	15,490	15,767	15,490	15,314	15,314
Northern Ireland Policing Board	8,774	8,009	8,774	8,009	7,892	7,892
Police Service of Northern Ireland	881,588	871,768	881,588	871,768	859,009	859,009
Northern Ireland Human Rights Commission	1,680	1,680	1,680	1,680	1,475	1,475
Office of the Police Ombudsman for Northern Ireland	8,726	8,726	8,726	8,726	8,689	8,689
Office of the Chief Inspector of Criminal Justice in NI	1,306	1,200	1,306	1,200	1,150	1,150
Northern Ireland Police Fund	1,800	1,700	1,800	1,700	1,550	1,550
RUC George Cross Foundation	150	150	150	150	150	150
Voluntary Bodies:						
Extern	325	325	325	325	391	391
NIACRO	465	465	465	465	465	465
Victim Support	2,042	2,042	2,042	2,042	1,915	1,915
NSPCC	363	363	363	363	289	289
Police Rehabilitation and Retraining Trust	2,175	2,650	2,175	2,650	3,070	3,070
Widows Association	40	40	40	40	29	29
Northern Ireland Memorial Fund	-	-	-	-	1,000	1,000
Net operating cost	11,426,510	11,392,481	11,642,008	11,604,524	10,561,702	10,751,727

Note

a: The Estimate and Outturn disclosed under the heading 'Core Department' includes the funding provided to the Northern Ireland Consolidated Fund, i.e. the Northern Ireland Civil Service Departments.

14. Tangible fixed assets

									2007-08
	Heritage Assets & Antiques	Freehold Land & Buildings	Long Leasehold Land & Buildings	Temporary Buildings	Vehicles Plant & Machinery	Computer Equipment	Assets Under Const- ruction	Assets Awaiting Disposal	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2007	80,797	235,838	20,918	982	47,509	27,555	15,264	65,075	493,938
Additions (<i>Note c</i>)	-	71	1,520	15	4,404	3,729	26,864	-	36,603
Disposals	-	(742)	(1,833)	-	(1,196)	(1,096)	-	(64,748)	(69,615)
Completed assets under construction	-	6,530	-	-	3,003	-	(9,533)	-	-
Write-back of Impairment	-	444	-	-	-	-	-	-	444
Permanent diminution	-	-	-	-	(6)	(667)	-	(15)	(688)
Revaluation (<i>Note a & b</i>)	3,813	12,309	(479)	58	6	(447)	-	63	15,323
At 31 March 2008	84,610	254,450	20,126	1,055	53,720	29,074	32,595	375	476,005
Depreciation:									
At 1 April 2007	1,271	36,722	878	180	24,290	13,721	-	161	77,223
Charged in year	1,277	7,128	665	60	3,227	4,319	-	-	16,676
Disposals	-	-	(10)	-	(929)	(1,214)	-	(156)	(2,309)
Impairment	-	(351)	-	-	-	-	-	-	(351)
Permanent diminution	-	-	-	-	(1)	(181)	-	(5)	(187)
Revaluations	146	759	8	-	55	(452)	-	-	516
At 31 March 2008	2,694	44,258	1,541	240	26,642	16,193	-	-	91,568
Net book value at 31 March 2008	81,916	210,192	18,585	815	27,078	12,881	32,595	375	384,437
Net book value at 31 March 2007	79,526	199,116	20,040	802	23,219	13,834	15,264	64,914	416,715
Asset financing:									
Owned	81,916	210,192	18,585	815	27,078	12,881	32,595	375	384,437
Net book value at 31 March 2008	81,916	210,192	18,585	815	27,078	12,881	32,595	375	384,437

Balances as at 1 April 2007 have been restated to reflect the change in accounting policy outlined in Note 1.28. The impact of this adjustment on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

2007-08 Core Department	124,381
2007-08 Agencies	<u>260,056</u>
TOTAL	<u>384,437</u>
2006-07 Core Department (<i>Restated</i>)	182,733
2006-07 Agencies (<i>Restated</i>)	<u>233,982</u>
TOTAL (<i>Restated</i>)	416,715

Notes:

- a. The Core Department's land and buildings were externally valued, by the Valuation and Lands Agency, at 1 April 2006 on the basis of existing use value. All assets, including land and buildings, were revalued on the basis of the latest available indices as at 28 February 2008. In addition, the private properties owned by the Department have been valued by the Valuation and Lands Agency for the purposes of these accounts. This has resulted in a decrease in valuation of £687,075 as at 31 March 2008 which has been transferred to the Revaluation Reserve. The next valuation of land and buildings by the Valuation and Lands Agency will be effective from 1 April 2011.
- b. The Northern Ireland Prison Service value properties regarded as operational on the basis of existing use, or where this could not be assessed because there is no market value for the property, its depreciated replacement cost. Properties regarded as non-operational are valued on the basis of open market value. A full valuation of land and buildings was last carried out by the VLA at 1 April 2006, in accordance with the RICS Appraisal and Valuation Manual. The next full valuation of land and buildings will be 1 April 2011.
- c. During the year assets to the value of £572k (2006-07: £12,537k) were funded from the Core Department to its agencies.
- d. The value of non-depreciable land at 31 March 2008 is £30,431k (31 March 2007: £87,805k).

15. Intangible fixed assets

The Department's intangible assets comprise purchased software licences.

	2007-08 £000
	Purchased software licences
Cost or valuation	
At 1 April 2007	5,180
Additions	116
Disposals	(1)
Permanent diminution	(24)
Revaluation (<i>Note a</i>)	4
At 31 March 2008	5,275
Amortisation	
At 1 April 2007	2,785
Charged in year	930
Disposals	(1)
Permanent diminution	(15)
Revaluation (<i>Note a</i>)	3
At 31 March 2008	3,702
Net book value at 31 March 2008	1,573
Net book value at 31 March 2007	2,395

Note:

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

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises:

2007-08 Core Department	1,258
2007-08 Agencies	<u>315</u>
TOTAL	1,573
2006-07 Core Department	1,935
2006-07 Agencies	<u>460</u>
TOTAL	2,395

16. Investments

CORE DEPARTMENT AND CONSOLIDATED	2007-08	2006-07
	£000	£000
	NLF received to on-lend to DFP	NLF received to on-lend to DFP
Balance at 1 April 2007	1,608,283	1,503,491
Additions	97,605	214,621
Disposals	-	-
Repayment of principal	(116,765)	(109,829)
Revaluations	-	-
	1,589,123	1,608,283
Loans repayable within 12 months transferred to debtors	(119,919)	(116,094)
Balance at 31 March 2008	1,469,204	1,492,189

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

17. Stocks and work in progress

CORE DEPARTMENT AND CONSOLIDATED	2007-08		2006-07	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	116	1,908	29	1,635
	116	1,908	29	1,635

18. Debtors**18(a) Analysis by type**

CORE DEPARTMENT AND CONSOLIDATED	2007-08 £000		2006-07 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	2,373	3,785	2,928	4,017
Work in progress	1,173	1,173	903	903
Other debtors	8,451	6,940	3,841	2,571
Prepayment and accrued income	2,016	2,394	2,462	4,245
Current part of NLF loan	119,919	119,919	116,094	116,094
VAT	1,346	1,659	1,324	1,684
	135,278	135,870	127,552	129,514
Amounts falling due after more than one year:				
Other debtors	-	3,357	-	3,850
	-	3,357	-	3,850
Total	135,278	139,227	127,552	133,364

Included within other debtors is £16,084.01 (2006-07: £156,716.96) that will be due to the Consolidated Fund once the debts are collected. Of this amount £16,084.01 (2006-07: £42,739.96) is in relation to the recovery of Northern Ireland Prison Service Home Loans. The amount due to the Consolidated Fund relating to the Core Department is £Nil (2006-07: £113,977.00).

18(b) Intra-Government Debtor Balances

CORE DEPARTMENT	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	132,288	123,946	-	-
Subtotal: Intra-government balances	132,288	123,946	-	-
Balances with bodies external to government	2,990	3,606	-	-
Balance at 31 March	135,278	127,552	-	-

CONSOLIDATED	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	131,952	124,819	-	-
Balances with local authorities	1	-	-	-
Balances with NHS Trusts	66	16	-	-
Balances with public corporations and trading funds	11	1	-	-
Subtotal: Intra-government balances	132,030	124,836	-	-
Balances with bodies external to government	3,840	4,678	3,357	3,850
Balance at 31 March	135,870	129,514	3,357	3,850

The above table details the debtors shown in Note 18(a) and the balance sheet. Balances between the core Department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £2,055k (2006-07: £1,762k) – being Northern Ireland Prison Service £31k (2006-07: £132k), Youth Justice Agency £184k (2006-07: £219k), Compensation Agency £330k (2006-07: £494k), and Forensic Science Northern Ireland £1,510k (2006-07: £917k).

19. Cash at bank and in hand

CORE DEPARTMENT AND CONSOLIDATED	2007-08 £000		2006-07 £000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	48,742	43,723	66,715	63,065
Opening balance adjustment	-	-	-	-
Net change in cash balance	23,890	26,155	(17,973)	(19,342)
Balance at 31 March	72,632	69,878	48,742	43,723
The following balances at 31 March are held at:				
Office of HM Paymaster General	78,696	78,696	50,258	50,258
Commercial banks and cash in hand	(6,064)	(8,818)	(1,516)	(6,535)
Cash in transit	-	-	-	-
Balance at 31 March	72,632	69,878	48,742	43,723
The balance at 31 March comprises:				
Issues due from the Consolidated Fund	72,410	68,659	48,639	43,191
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	222	968	103	103
Other payments due to be paid to the Consolidated Fund	-	251	-	429
Cash in respect of Consolidated Fund standing services	-	-	-	-
	72,632	69,878	48,742	43,723

20. Creditors**20(a) Analysis by type**

CORE DEPARTMENT AND CONSOLIDATED	2007-08 £000		2006-07 £000 <i>Restated</i>	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
VAT	-	110	-	249
Other taxation and social security	-	255	-	272
Trade creditors	3,451	9,811	2,482	4,400
Other creditors	22,467	26,969	698	5,620
Accruals and deferred income	25,482	32,309	22,563	28,071
Tangible fixed asset accruals	3,317	10,847	3,393	8,299
Intangible fixed asset accruals	-	5	-	-
Amounts issued from the consolidated fund for supply but not yet spent at year end	-	68,658	-	43,191
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	968	968	103	103
Receivable	-	5	114	132
Repayment of National Loans Fund	119,919	119,919	116,094	116,094
Excess Appropriations in Aid	213	251	-	429
	175,817	270,107	145,447	206,860
Amounts falling due after more than one year:				
Other Creditors	1,395	1,395	1,870	6,763
Consolidated Fund Extra Receipts received and receivable and due to be paid to the Consolidated Fund	-	12	-	25
Repayment of National Loans Fund	1,469,204	1,469,204	1,492,189	1,492,189
	1,470,599	1,470,611	1,494,059	1,498,977
Total	1,646,416	1,740,718	1,639,506	1,705,837

Included within Other Creditors is a balance of £2,064,177 (2006-07: £2,539,344) owed to Bar Library Services Limited in respect of the fit-out costs for the Belfast Chambers leased by the Public Prosecution Service. Negotiations are currently on-going in terms of a potential early settlement arrangement but the outcome of this will not be known until later during the 2008-09 financial year. Following a change in accounting policy, the related expenditure has now been capitalised and further details regarding the associated prior year adjustment are contained in Note 37.

20(b) Intra-Government Creditor Balances

CORE DEPARTMENT	2007-08	2006-07	2007-08	2006-07
	£000	£000 <i>Restated</i>	£000	£000 <i>Restated</i>
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	144,226	124,955	1,470,599	1,494,059
Subtotal: Intra-government balances	144,226	124,955	1,470,599	1,494,059
Balances with bodies external to government	31,591	20,492	-	-
Balance at 31 March	175,817	145,447	1,470,599	1,494,059

CONSOLIDATED	2007-08	2006-07	2007-08	2006-07
	£000	£000 <i>Restated</i>	£000	£000 <i>Restated</i>
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	224,970	174,759	1,470,610	1,498,977
Balances with local authorities	3	1	-	-
Balances with NHS Trusts	52	136	-	-
Balances with public corporations and trading funds	1	2	-	-
Subtotal: Intra-government balances	225,026	174,898	1,470,610	1,498,977
Balances with bodies external to government	45,081	31,962	-	-
Balance at 31 March	270,107	206,860	1,470,610	1,498,977

The above table details the creditors shown in Note 20(a) and the balance sheet. Balances between the core Department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £2,055k (2006-07: £1,762k) – being Northern Ireland Prison Service £31k (2006-07: £132k), Youth Justice Agency £184k (2006-07: £219k), Compensation Agency £330k (2006-07: £494k), and Forensic Science Northern Ireland £1,510k (2006-07: £917k).

21. Provisions for liabilities and charges

						2007-08	2006-07
						£000	£000
	Early Departure Costs	Compensation Payments	Staff Reduction Programme	Provision for Litigation Claims	Others	Total	Total
Balance at 1 April	547	-	-	516	1,735	2,798	2,251
Provided in the year	120	-	-	632	5,010	5,762	1,129
Provisions not required written back	(1)	-	-	-	(130)	(131)	(7)
Provisions utilised in the year	(232)	-	-	(240)	(178)	(650)	(575)
Unwinding of discount	-	-	-	-	-	-	-
Balance at 31 March	434	-	-	908	6,437	7,779	2,798

						2007-08	2006-07
						£000	£000
	Early Departure Costs	Compensation Payments	Staff Reduction Programme	Provision for Litigation Claims	Others	Total	Total
Balance at 1 April	860	37,798	95	6,833	6,034	51,620	65,914
Provided in the year	375	55,132	-	1,334	7,578	64,419	32,461
Provisions not required written back	(41)	-	(6)	(1,018)	(165)	(1,230)	(592)
Provisions utilised in the year	(358)	(50,243)	(57)	(1,565)	(1,235)	(53,458)	(45,364)
Actuarial gain	-	-	-	-	(1,548)	(1,548)	(838)
Unwinding of discount	-	-	-	-	41	41	39
Balance at 31 March	836	42,687	32	5,584	10,705	59,844	51,620

All provisions represent the best estimate of the expenditure required to settle the obligation at the date of approval of the financial statements. Where the effect of the time value of money is significant, the cash flows have been discounted using the Treasury discount rate of 3.5% (2006-07: 3.5%).

Early Departure Costs

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

Compensation Payments

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

Staff Reduction Programme

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

Provision for Litigation Claims

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

Others**Miscarriages of Justice Provision totalling £2,008k (2006-07: £1,735k).**

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

Other Provisions £128k (2006-07: £175k)

This provision includes £100k for the Northern Ireland Prison Service in respect of a pension liability for part-time teachers and a tax provision of £10k. The pension liability arises from payments due to DFP concerning the addition of part-time teachers onto the NIPS payroll. The tax provision relates to an estimated HM Revenue and Customs liability arising from the additional housing cost payments to prison officers under the Assisted Home Removals Scheme. The tax provision will be settled during the 2008-09 financial year.

Pensionable staff allowances £999k (2006-07: £Nil)

This provision represents a liability owing to the NILGOSC pension scheme at 31 March 2008 as a result of certain allowances payable to staff in the Youth Justice Agency being incorporated within their pensionable pay, and is due to the increase in future pension liabilities arising from higher pensionable salaries. This liability is expected to be settled in the 2008-09 financial year although the option exists to settle the liability over the next three financial years.

NILGOSC Pension Deficit £3,139k (2006-07: £4,123k).

The Youth Justice Agency makes employer contributions to the Northern Ireland Local Government's Officers Superannuation Committee Scheme (NILGOSC) which is a funded scheme of the defined benefit type. Previously the Agency took advantage of the multi employer provisions within FRS 17 and accounted for pension costs in line with the employer contributions paid. However, since 2006-07 it is possible to define the Agency's share of the funds assets and liabilities and as a result the disclosure shown is in line with FRS 17. The latest actuarial valuation of the scheme was carried out at 31 March 2007 - the liability and cost calculations based on assumptions carried forward from the latest valuation are shown below:

The financial assumptions used by the actuary were:

	31/03/08	31/03/07	31/03/06	31/3/05
	%	%	%	%
Rate of increase in salaries	5.00	4.70	4.50	4.40
Rate of increase in pensions in payment	3.50	3.20	3.00	2.90
Discount rate	6.30	5.30	4.90	5.30
Inflation assumption	3.50	3.20	3.00	2.90

The market value of assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31/03/08 %	Value at 31/03/08 £000	Long term rate of return expected at 31/03/07 %	Value at 31/03/07 £000	Long term rate of return expected at 31/03/06 %	Value at 31/03/06 £000	Long term rate of return expected at 31/03/05 %	Value at 31/03/05 £000
Equities	6.50	12,685	6.80	12,135	6.30	10,601	6.70	7,808
Property	6.00	1,586	6.30	1,517	5.80	1,325	6.20	976
Gilts	4.50	1,269	4.80	1,213	4.30	1,060	4.70	781
Cash	5.25	317	5.25	303	4.50	265	4.75	195
		15,857		15,168		13,251		9,760

The following amounts were measured in accordance with the requirements of FRS 17:

	2007-08 £000	2006-07 £000	2005-06 £000
Total market value of assets	15,857	15,168	13,251
Present value of scheme liabilities	(18,996)	(19,291)	(17,616)
Net pension liability	(3,139)	(4,123)	(4,365)

Analysis of amount charged to operating cost statement in respect of defined benefit scheme

	2007-08 £000	2006-07 £000
Current Service cost	1,440	1,284
Operating Cost Statement	1,440	1,284

Analysis of amount charged to other finance costs

	2007-08 £000	2006-07 £000
Expected return on pension scheme assets	1,031	827
Interest on pension scheme liabilities	(1,072)	(867)
Net Return	(41)	(40)

Statement of recognised gains and losses

	2007-08 £000	2006-07 £000
Actual return less expected return on pension scheme assets	(1,682)	(28)
Experience gains and losses arising on the scheme liabilities	12	8
Changes in assumptions underlying the present value of the scheme liabilities	3,218	858
Actuarial gain recognised in the SRGL	1,548	838

Movement in deficit during the year

	2007-08 £000	2006-07 £000
Deficit in scheme at the beginning of the year	(4,123)	(4,365)
<i>Movement in the year:</i>		
Current service cost	(1,440)	(1,284)
Contributions	917	728
Other finance charge	(41)	(40)
Actuarial gain/(loss)	1,548	838
Deficit in scheme at the end of the year	(3,139)	(4,123)

Details of experience gains and losses

	2007-08 £000	2006-07 £000
Difference between the expected and actual return on scheme liabilities:		
Amount (£)	1,682	(28)
Percentage of scheme liabilities	11%	0%
Experience gains and losses on scheme liabilities:		
Amount (£)	12	8
Percentage of the present value of the scheme liabilities	0%	0%
Total actuarial gain recognised in the Statement of recognised gains and losses:		
Amount (£)	1,548	838
Percentage of the present value of the scheme liabilities	8%	4%

Broadly By Analogy Pension Schemes £4.430m (2006-07: £Nil)

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

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

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the Department for service provided. The scheme liabilities were calculated by the Government Actuary's Department (GAD) in April 2008 and amount to £4.430m as at 31 March 2008.

The following financial assumptions have been used by GAD to determine the scheme liabilities:

	2007-08
	%
Rate of inflation	2.75
Rate of increase in salaries	4.30
Rate of increase in pensions payment and deferred pensions	2.75
Rate used to discount scheme liabilities	5.30

The liabilities associated with the BBA pension schemes are as follows:

	2007-08
	£000
Balance at 1 April	-
Increase in provision	4,430
Balance at 31 March	4,430

This is the first year of the liability being recognised and the increase in provision is deemed to reflect the current service costs of the scheme that are charged in full to the Operating Cost Statement. In future, additional information will be disclosed to analyse the movement in provision between the various categories detailed in FRS17.

Comparative figures have not been provided because as noted above, this is regarded as a change in accounting estimate rather than a prior period adjustment. However, if the liability had been included at 31 March 2007, GAD has calculated that the value of the liability would have been £4.319m.

22. General Fund

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

CORE DEPARTMENT AND CONSOLIDATED	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
		£000		£000 <i>Restated</i>
General fund balance at 1 April	120,635	186,024	129,309	150,058
Opening balance adjustment	-	-	-	(3)
Net Parliamentary Funding				
Drawn Down	11,323,405	11,536,350	10,553,017	10,752,415
Deemed	-	43,191	-	60,847
Consolidated Fund for Standing Services	128	128	104	104
Year end adjustment				
Supply Creditor/(Debtor) – current year	-	(68,658)	-	(43,191)
Net Transfer from Operating Activities				
Net Operating Cost	(11,392,480)	(11,604,524)	(10,561,702)	(10,751,727)
CFERs repayable to Consolidated Fund	(747)	(747)	-	-
Non-Cash Charges				
Cost of Capital	4,624	10,788	4,774	10,062
Auditors' remuneration	81	162	79	158
Other Notionals	307	307	221	541
Transfer from Revaluation Reserve	59,448	59,878	1,193	6,978
Actuarial loss on pension deficit	-	1,548	-	838
Excess Appropriations-in-Aid	(213)	(251)	-	(429)
Items funded on behalf of Agencies	(572)	(572)	(12,537)	(12,537)
Items funded by Parent Department	-	572	-	12,537
Transfer of function to NI Courts Service	-	-	(627)	(627)
Transfer of fixed assets from Youth Justice Agency	-	-	6,804	-
Balance at 31 March	114,616	164,196	120,635	186,024

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude £627,376 expenditure (revenue - £568,995 and capital - £58,381) relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

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

CORE DEPARTMENT AND CONSOLIDATED	2007-08		2006-07	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	90,241	146,540	41,280	81,309
Arising on revaluation during the year (net)	3,265	14,807	50,154	72,209
Transfer to general fund in respect of realised element of revaluation reserve	(59,448)	(59,878)	(1,193)	(6,978)
Balance at 31 March	34,058	101,469	90,241	146,540

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

23(b) The Department has no donated assets.

24. Notes to the Consolidated Cash Flow Statement

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

CONSOLIDATED	2007-08		2006-07
	Note	Consolidated	Consolidated
		£000	£000 <i>Restated</i>
Net operating cost	13	11,604,524	10,751,727
Adjustments for non-cash transactions	10b	(90,428)	(65,575)
Adjustments for movements in working capital other than cash	4b	(28,390)	1,208
Changes in other creditors falling due after more than one year		5,368	5,889
Use of provisions	21	53,458	45,364
Net cash outflow from operating activities		11,544,532	10,738,613

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

24(b) Analysis of capital expenditure and financial investment

CONSOLIDATED	2007-08		2006-07
	Note	Consolidated	Consolidated
		£000	£000 <i>Restated</i>
Intangible fixed asset additions	15	111	527
Tangible fixed asset additions	14	34,055	32,230
Proceeds of disposal of fixed assets		(68,812)	(1,729)
Loans to other bodies	16	97,605	214,621
(Repayment) of loans to other bodies	16	(116,765)	(109,829)
Net cash outflow from investing activities		(53,806)	135,820

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

CONSOLIDATED	Consolidated proceeds of disposal of fixed assets	Capital expenditure	Loans etc	A in A	Net total
	£000	£000	£000	£000	£000
Request for Resources 1	(68,812)	36,719	(19,160)	-	(51,253)
Request for Resources 2	-	-	-	-	-
Net movement in debtors/creditors	-	(2,553)	-	-	(2,553)
Total 2007-08	(68,812)	34,166	(19,160)	-	(53,806)
Total 2006-07 (Restated)	(1,729)	32,757	104,792	-	135,820

24(d) Analysis of financing

CONSOLIDATED	2007-08 £000		2006-07 £000
	Note	Consolidated	Consolidated
From the Consolidated Fund (Supply) - current year (*1)	22	11,579,541	10,813,262
From the Consolidated Fund (Supply) - prior year (*2)		(43,191)	(60,847)
Loans received from the National Loans Fund	16	97,605	214,621
Repayments of loans from the National Loans Fund	16	(116,765)	(109,829)
Net financing		11,517,190	10,857,207

*1 Amount of grant actually issued to support the net cash requirement = £11,579,540,815.22
(2006-07: £10,813,262,103.00)

*2 Amount of grant actually issued to support the prior-year net cash requirement = £43,191,400.22
(2006-07: £60,847,103.00)

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

CONSOLIDATED	2007-08	2006-07
	£000	£000
	Consolidated	Consolidated
Net cash requirement	11,510,882	10,770,071
From the Consolidated Fund (Supply) - current year (*1)	(11,579,541)	(10,813,262)
From the Consolidated Fund (Supply) - prior year (*2)	43,191	60,847
Loans received from National Loans Fund (NLF)	(97,605)	(214,621)
Repayments of loans from NLF	116,765	109,829
<i>Amounts due to the Consolidated Fund - received in a prior year and paid over:-</i>		
Consolidated Fund Extra Receipts	103	56
Other amounts due to the Consolidated Fund	429	2,162
<i>Amounts due to the Consolidated Fund - received and not paid over:-</i>		
Consolidated Fund Extra Receipts	(968)	(103)
Other amounts due to the Consolidated Fund	(251)	(429)
NLF loans – loans made to other bodies	97,605	214,621
NLF loans – principal repayments received from other bodies	(116,765)	(109,829)
NLF loans – interest received from other bodies	(114,299)	(115,821)
NLF loans – interest paid to the NLF	114,299	115,821
(Increase)/Decrease in cash	(26,155)	19,342

25. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

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

CONSOLIDATED	2007-08	2006-07
	£000	£000 <i>Restated</i>
	Consolidated	Consolidated
RfR1		
Objective 1	91,889	58,448
Objectives 2 & 4	900,646	885,218
Objectives 3 & 5	94,041	91,022
Objective 6	120,371	122,415
RfR2		
Objective 1	10,529,761	9,854,490
Total	11,736,708	11,011,593

The 2006-07 figures have been restated to reflect the change in accounting policy relating to Tangible Fixed Assets as detailed in Note 1.28. This has resulted in a decrease of £2,533,821 expenditure from the 2006-07 figures.

The 2006-07 figures have also been restated to exclude expenditure of £568,995 relating to the transfer of the Criminal Injuries Compensation Appeals Panel for Northern Ireland from the Northern Ireland Office to the Northern Ireland Courts Service.

The impact of these adjustments on the 2006-07 and 2007-08 Financial Statements has been disclosed in Note 37.

The Northern Ireland Office's capital is employed for both administration and programme purposes. Its distribution amongst objectives is not markedly different from the proportion of the related gross operating costs and for the Core Department capital employed has been allocated to objectives in proportion to gross operating costs. Capital employed for the Northern Ireland Prison Service has been allocated to Objective 6 and for the Forensic Science Agency, the Compensation Agency and the Youth Justice Agency has been allocated to Objectives 3 and 5. No capital is employed in respect of RfR 2.

Capital Employed by Departmental Aims and Objectives at 31 March 2008

CONSOLIDATED	2007-08	2006-07
	£000	£000 <i>Restated</i>
	Consolidated	Consolidated
RfR1		
Objective 1	(36,956)	(29,202)
Objectives 2 & 4	58,510	132,514
Objectives 3 & 5	33,530	41,796
Objective 6	210,581	187,456
Total	265,665	332,564

26. Capital commitments

CORE DEPARTMENT AND CONSOLIDATED

	2007-08		2006-07	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	230	13,573	1,737	17,433
Authorised capital commitments at 31 March for which no provision has been made	11,700	11,700	14,086	14,086

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

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

CORE DEPARTMENT AND CONSOLIDATED

	2007-08		2006-07	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
<i>Land and buildings:</i>				
Expiry within 1 year	2,178	2,495	7,157	7,368
Expiry after 1 year but not more than 5 years	3,528	4,293	158	566
Expiry thereafter	2,276	2,694	460	726
	7,982	9,482	7,775	8,660
<i>Photocopiers and vehicles:</i>				
Expiry within 1 year	70	91	93	100
Expiry after 1 year but not more than 5 years	21	47	56	88
Expiry thereafter	-	-	-	-
	91	138	149	188
Total	8,073	9,620	7,924	8,848

27.2 Finance leases

The Department has no obligations under finance leases.

28. Commitments under PPP contracts

28.1 Off-balance sheet

The Causeway Programme was established to deliver significant improvements to the effectiveness and efficiency of criminal justice in Northern Ireland through improved integration of information systems. Following a tendering process advertised in the Official Journal of European Communities (OJEC), a PPP contract was let with Fujitsu Services in August 2003 to deliver a managed service for information exchange and storage over a 10 year period with an option to extend for a further 5 years. This contract has an estimated value of approximately £32.7m of which £9.3m is estimated to be the capital value. Amounts relating to prepayments totalling £1.0m at 31 March 2008, are released over the estimated life of the project - these are accounted for in Note 18.

28.2 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PPP transactions was £3,597,338 (2006-07: £3,363,104); and the payments to which the Department is committed during 2007-08, analysed by the period during which the commitment expires, is as follows:

CORE DEPARTMENT AND CONSOLIDATED	2007-08 £000	2006-07 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Expiry within 6 to 10 years	3,110	2,877
	3,110	2,877

PFI Service charges for off-balance sheet contracts are accounted for as Programme Costs from 2007-08 onwards rather than Administration Costs.

29. Other financial commitments

The Department has no non-cancellable contracts as at 31 March 2008.

30. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Northern Ireland Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities. As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

30.1 Liquidity risk

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

30.2 Interest-rate risk

All of the Department's financial assets and liabilities carry nil rates of interest, or are at floating rates of interest. The largest of the Department's financial liabilities consists of a number of loans from the National

Loans Fund (NLF), which have been on-lent to the Department of Finance and Personnel (DFP). As these loans are repayable to the NIO by DFP, they also appear in the Department's account as a financial asset.

The interest repayments on these loans are met by DFP, and therefore the Department is not exposed to any interest rate risks on these loans. The Department also has an overdraft facility with a commercial bank, upon which no interest is chargeable to the Department. The balance on any overdraft tends to be small and promptly cleared.

Consequently, the Department does not consider itself to be exposed to any significant interest rate risks.

30.3 Interest rate profile

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

Financial Liabilities

Loan advances	Balance 31 March 2008 £000	Interest rate	Period until maturity
NLF loans on-lent to DFP	1,469,204	Set by NLF	9 - 25 years

All loans are repayable bi-annually over a period of 25 years, interest being charged at the NLF floating rate. Note 16 discloses only the principal element of NLF advances due to the disproportionate amount of work required to calculate an interest figure which has nil net impact on the account.

Overdraft Facilities	Balance 31 March 2008 £000	Interest rate	Period until maturity
Commercial Banks	8,818	Nil	Repayable on demand

Provisions	Balance 31 March 2008 £000	Interest rate	Period until maturity
Early Departure Costs	836	Nil	Dependent on proceedings
Compensation Payments	42,687	Nil	Dependent on proceedings
Staff Reduction Programme	32	Nil	2010
Litigation Claims	5,584	Nil	Dependent on proceedings
Others	10,705	Nil	Dependent on proceedings

Financial Assets

Excluding the Department's loan from the NLF (which is on-lent to the DFP and is therefore also a financial asset of the Department), the Department's primary financial asset as at 31 March 2008 is:

Bank and Cash	Balance 31 March 2008 £000	Interest rate	Period until maturity
Office of HM Paymaster General	78,696	Nil	Available on demand

The Department draws down vote money from the Consolidated Fund into the account of the Office of HM Paymaster General in order to cover running costs.

30.4 Foreign currency risk

All the material assets and liabilities of the Department are denominated in sterling, therefore the Department has no exposure to foreign currency risks.

30.5 Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2008.

	Book value	Fair Value	Basis of fair valuation
	£000	£000	
Primary financial instruments:			
Financial assets:			
NLF loans on-lent to DFP	1,469,204	1,469,204	Note a
Long-term debtors	3,357	3,357	Note b
Financial liabilities:			
NLF loans received for on-lending	(1,469,204)	(1,469,204)	Note a
Long-term creditors – consolidated fund	12	12	Note b
Provisions	59,844	59,844	Note b

Note:

- a. Loan is at NLF floating rate so fair value is not significantly different from book value.
- b. Fair value is not significantly different from book value.

31. Contingent liabilities disclosed under FRS 12

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

(i)

Description of liability: Supplier contracts, employment and personnel cases outstanding against the NIO Core Department.

Expected date of Settlement: Settlement dates are unknown.

Uncertainties and major assumptions: These claims have not been provided for in the Department's financial statements as they are considered unlikely to be successful.

(ii)

Description of liability: Litigation claims against the Northern Ireland Prison Service that are expected to be unsuccessful.

Expected date of Settlement: 2008 onwards (considerable number of individual cases).

Uncertainties and major assumptions: At year-end the NI Prison Service has estimated contingent liabilities of £510,000 (2006-07: £782,000) in respect of litigation claims against the Agency. These claims have not been provided for in the financial statements as the Prison Service believes it unlikely that they will be successful.

(iii)

Description of liability: At 31 March 2008 there is one claim against the Compensation Agency in respect of an industrial injury action.

Expected date of Settlement: Settlement date unknown.

Uncertainties and major assumptions: This case is being defended by the Compensation Agency. As at 31 March 2008, the Agency was unable to quantify the possible liability resulting from this claim.

(iv)

Description of liability: The Youth Justice Agency is currently contesting a number of personal injury or industrial tribunal claims brought by staff or young people.

Expected date of Settlement: Settlement date unknown.

Uncertainties and major assumptions: These cases are being defended by the Youth Justice Agency. The possible cost to the Agency has been estimated at £69k. These claims have not been provided for in the financial statements as the Youth Justice Agency believes it unlikely that they will be successful. If payments materialise, they will do so during the 2008-09 financial year.

32. Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability purposes

The Department has no contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability purposes as at 31 March 2008.

33. Losses and special payments**33(a) Losses Statement**

CORE DEPARTMENT AND CONSOLIDATED	2007-08	2006-07 <i>Restated</i>
	£000	£000
Total (578 cases)	5,508	6,079
46 cases amounting to £483,041 in relation to sundry write-offs and special payments	483	42
532 cases amounting to £5,024,706 for Compensation Payments	5,025	6,037

The Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid. Amounts not received are treated as a loss. There were 532 cases (2006-07: 483) cases amounting to £5,024,706 (2006-07: £6,036,930) where final compensation payments were made in 2007-08 and offenders identified but it was not considered economic to pursue recovery.

During 2007-08, final compensation payments were made in 3,156 cases (2006-07: 4,070) (this includes the 532 cases mentioned above). The total amount of compensation paid in these cases was £42,488,638 (2006-07: £38,927,059). This figure incorporates interim payments made in previous years.

34. Related party transactions

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

Executive Agencies:

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

Non-departmental public bodies:

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

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

The Public Prosecutions Service (PPS) paid professional fees of £128k to a barrister who is related to an Assistant Director in the PPS.

The Core Department paid consultancy fees of £15k to a consultant engineer who is related to a Senior Legal Advisor in the Crown Solicitor's Office.

The Prisoner Ombudsman paid amounts totalling £2k for an annual subscription fee in respect of an electronic information advice system to Citizens Advice Services, a company in which a NIPS Non-Executive Director is President. The individual played no part in the award of this contract and all transactions were conducted on a commercial basis at arm's length.

An acting Director within Youth Justice Agency, is a member of 'Include Youth' and NIACRO, to which the Youth Justice Agency paid amounts of £7k and £276k to 'Include Youth' and NIACRO respectively for services provided to the Agency during the year. The Youth Justice Agency also received £44k from NIACRO for the reimbursement of salary costs incurred by the Agency. The individual played no part in the award of this contract and all transactions were conducted on a commercial basis at arm's length.

An Assistant Director of Community Services is married to a manager in Glenmona Resource Centre. During 2007-08, the Agency paid £7k to the Centre for the rental of premises. The individual played no part in the award of the contracts and all transactions were conducted on a commercial basis at arm's length.

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

35. Third-party assets

Crown Solicitor's Office restitution monies, received for subsequent payover to other departments, are not regarded as a Departmental asset. The balance held by the Department as at 31 March 2008 amounted to £Nil (31 March 2007: £nil). In 2007-08 the CSO paid out more than it recovered in respect of restitution monies, resulting in a balance owing at 31 March 2008 of £143,522.36. This amount is wholly recoverable by CSO and is therefore included within the primary statements.

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

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

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

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

	31 March 2007	Gross Inflows	Gross Outflows	31 March 2008
	£000	£000	£000	£000
Monetary assets such as bank balances and monies on deposit	2,497	3,377	(2,971)	2,903

36. Entities within the Departmental boundary

The entities within the boundary during 2007-08 were as follows:

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

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

Non-Executive NDPBs: Criminal Injuries Compensation Appeals Panel for Northern Ireland*
(transferred to Northern Ireland Courts Service on 1 December 2007 but effective from 1 April 2007 – see Note 37)
Parades Commission*
Office of the Oversight Commissioner*
Boundary Commission for Northern Ireland
Independent Assessor for PSNI Recruitment Applications
Independent Assessor of Military Complaints Procedures

Other entities:*Commissions*

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

Other Judicial Bodies/Reviews

Bloody Sunday Inquiry
Billy Wright Inquiry
Robert Hamill Inquiry
Rosemary Nelson Inquiry
Consultative Group on the Past
Bill of Rights Forum

Others

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

*Separate accruals accounts are produced for these entities.

37. Corresponding amounts

During the financial year 2007-08, the following changes took place:

Machinery of Government transfer

On 1 December 2007, responsibility for the Criminal Injuries Compensation Appeals Panel for Northern Ireland function transferred to the Northern Ireland Courts Service. The purpose of the Appeals Panel is to support the victims of violent crime by determining promptly, impartially, fairly and independently in accordance with the Scheme, appeals against review decisions made by the Compensation Agency.

The transfer has been accounted for using merger accounting principles in accordance with FReM. Accordingly, the results relating to the transferred service have been excluded from the start of the financial year and prior year comparative figures have been restated.

Change in accounting policy – Note 1.28

In prior years, the Department's accounting policy for the treatment of fit-out costs of leased accommodation has been that all costs are regarded as Resource expenditure and charged in full to the Operating Cost Statement in the year incurred. However, as the Department plans ahead for devolution, it is important that its accounting policies are consistent with those of the other Northern Ireland Departments. It has been decided therefore to change the NIO's accounting policy to capitalise fit-out costs and depreciate over the period of the individual lease on the basis of a minimum threshold of £500,000 expenditure and leases which have a minimum period of 10 years.

The table below summarises the impact of the above on corresponding amounts.

CONSOLIDATED	2006-07 Published Resource Accounts £000	Machinery of Government Transfer £000	Change in Accounting Policy £000	2006-07 Restated £000
<u>Operating Cost Statement</u>				
Administration costs				
Staff costs	47,509	(210)	-	47,299
Other administration costs	43,347	(85)	(172)	43,090
Operating Income	(12,078)	-	-	(12,078)
Programme costs				
Request for Resources 1				
Staff costs	110,369	-	-	110,369
Programme costs	1,049,473	(274)	(2,362)	1,046,837
Less: income	(1,290)	-	-	(1,290)
Request for Resources 2				
Staff costs				
Programme costs	9,854,490	-	-	9,854,490
Less: income	(115,821)	-	-	(115,821)
EU income	(221,169)	-	-	(221,169)
Net Operating Cost	10,754,830	(569)	(2,534)	10,751,727

CONSOLIDATED	2006-07 Published Resource Accounts £000	Machinery of Government Transfer £000	Change in Accounting Policy £000	2006-07 <i>Restated</i> £000
<u>Balance Sheet</u>				
Tangible Assets	409,156	(58)	7,617	416,715
Intangible Assets	2,395	-	-	2,395
Investments	1,492,189	-	-	1,492,189
Stock	1,635	-	-	1,635
Debtors	133,364	-	-	133,364
Cash at bank and in hand	43,723	-	-	43,723
Creditors	(1,703,298)	-	(2,539)	(1,705,837)
Provision for liabilities and charges	(51,620)	-	-	(51,260)
	327,544	(58)	5,078	332,564
Taxpayers' equity				
General Fund	181,096	(627)	5,555	186,024
Revaluation Reserve	146,448	-	92	146,540
	327,544	(627)	5,647	332,564
<u>Average numbers of staff employed</u>				
Ministers	5	-	-	5
Senior Management	11	-	-	11
Officials	3,937	(9)	-	3,928
Staff on inward secondment	4	-	-	4
Agency, temporary and contract staff	115	-	-	115
	4,072	(9)	-	4,063

Comparative figures in the Statement of Parliamentary Supply and Note 2 have not been restated as, for the purposes of Parliamentary Control, these figures are indelible.

CORE DEPARTMENT	2006-07 Published Resource Accounts £000	Machinery of Government Transfer £000	Change in Accounting Policy £000	2006-07 <i>Restated</i> £000
<u>Operating Cost Statement</u>				
Administration costs				
Staff costs	29,966	(210)	-	29,756
Other administration costs	34,700	(85)	(172)	34,443
Operating Income	(3,625)	-	-	(3,625)
Programme costs				
Request for Resources 1				
Staff costs	15,275	-	-	15,275
Programme costs	971,768	(274)	(2,362)	969,132
Less: income	(779)	-	-	(779)
Request for Resources 2				
Staff costs				
Programme costs	9,854,490	-	-	9,854,490
Less: income	(115,821)	-	-	(115,821)
EU income	(221,169)	-	-	(221,169)
Net Operating Cost	10,564,805	(569)	(2,534)	10,561,702
<u>Balance Sheet</u>				
Tangible Assets	175,174	(58)	7,617	182,733
Intangible Assets	1,935	-	-	1,935
Investments	1,492,189	-	-	1,492,189
Stock	29	-	-	29
Debtors	127,552	-	-	127,552
Cash at bank and in hand	48,742	-	-	48,742
Creditors	(1,636,966)	-	(2,540)	(1,639,506)
Provision for liabilities and charges	(2,798)	-	-	(2,798)
	205,857	(58)	5,077	210,876
Taxpayers' equity				
General Fund	115,708	(627)	5,554	120,635
Revaluation Reserve	90,149	-	92	90,241
	205,857	(627)	5,646	210,876
<u>Average numbers of staff employed</u>				
Ministers	5	-	-	5
Senior Management	10	-	-	10
Officials	1,204	(9)	-	1,195
Staff on inward secondment	2	-	-	2
Agency, temporary and contract staff	21	-	-	21
	1,242	(9)	-	1,233

38. Events after the balance sheet date

There were no events occurring after the balance sheet date that require disclosure. The financial statements were authorised for issue by the Accounting Officer on 10 July 2008.