Northern Ireland Office

ANNUAL REPORT AND ACCOUNTS 2010/11

HC 1259

18 July 2011

Northern Ireland Office

Annual Report and Accounts 2010/11

(For the year ended 31 March 2011)

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FOREWORD

By the Right Honourable Owen Paterson, MP, Secretary of State for Northern Ireland

Despite the immensely difficult economic climate which this Government inherited, this has been a year of real success for Northern Ireland and for the Northern Ireland Office.

Within a few weeks of the new Government, we published the Saville Report into the events of Bloody Sunday. This was a major task for the Department.

Working with the Northern Ireland Executive and the Treasury, we also agreed a successful outcome, after four years uncertainty, for the members of the Presbyterian Mutual Society.

A key commitment in the Coalition Programme for Government was the production of a government paper examining potential mechanisms for changing the corporation tax rate in Northern Ireland. We delivered this commitment through the publication of the Treasury Paper: *Rebalancing the Northern Ireland Economy*; the launch event was attended by all five of the Northern Ireland political parties in the Executive. These are important proposals. The Government will be considering carefully the response to the consultation.

We stand fully behind the political institutions established over the past decade in Northern Ireland. We want to see devolved government deliver for Northern Ireland.

The Government will continue to support the PSNI and the devolved administration in tackling the small number of people who seek to drag Northern Ireland back into a violent past. Their actions, including the tragic murder of PC Ronan Kerr, have only strengthened the unity and resolve of all those who support a peaceful, stable and prosperous society in Northern Ireland. On coming to office the Government endorsed an additional £50 million of funding for the PSNI. In February we agreed with the Treasury an exceptional four-year deal to provide an extra £200m to help tackle the terrorist threat.

The Northern Ireland Office is committed to playing its part to reduce the record deficit the country faces; the NIO will make 25 per cent savings over the course of the next four years.

I would like to thank my ministerial colleague, Rt Hon Hugo Swire MP, for his support and contribution and my House of Lords' spokesman, Lord Shutt of Greetland. My thanks also to the staff of the Department.

Owen Paterson

DIRECTORS' REPORT

Scope

This is the Annual Report and Accounts for the Northern Ireland Office (“the Department”) for the financial year ending 31 March 2011. These Statements have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000.

This report relates to the Northern Ireland Office only and its handling of matters “excepted” and “reserved” to the United Kingdom Parliament as set out in the Northern Ireland Act 1998.

Background

The Northern Ireland Office (NIO) is responsible for overseeing the Northern Ireland devolution settlement. We represent Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland.

Our vision is a stable, peaceful, prosperous, forward-looking, mainstream, ‘normalised’ Northern Ireland. We work through partnerships within Whitehall and with the Northern Ireland Executive, the Irish Government, and all those who share this ambition, in order to achieve our objectives.

Our Ministers

The Secretary of State retains ministerial responsibility for the operation of the Northern Ireland Office and represents the interests of Northern Ireland at Cabinet level. He is assisted in this role by the Minister of State.

The Secretary of State for Northern Ireland, the Rt Hon Owen Paterson MP, and the Minister of State, the Rt Hon Hugo Swire MP, were appointed on 12 May 2010 following the outcome of the General Election.

Prior to the election, the Secretary of State for Northern Ireland was the Rt Hon Shaun Woodward MP, and the Minister of State was the Rt Hon Paul Goggins MP.

The Management Board

The Director General of the Northern Ireland Office, as Accounting Officer, is accountable for the overall performance of the Department. Hilary Jackson was appointed Accounting Officer with effect from 6 May 2010, replacing the outgoing Permanent Secretary, Sir Jonathan Phillips.

The Director General is supported by a Management Board, which provides corporate leadership to the organisation as a whole and takes ownership, in support of the Accounting Officer, of the Department’s performance. The Management Board is comprised of Deputy Directors from across the Department. Details of Board members can be found in the remuneration report (see page 25).

The Management Board is supported by a non-executive Director, John King, who was formally reappointed in June 2011 having served on the NIO’s Departmental Board prior to devolution of policing and justice functions to the Northern Ireland Assembly.

The Board concluded that a single non-executive director, supported by two independent members on the Departmental Audit and Risk Committee (see below) is appropriate to the size of the Department and in line with similar bodies.

Subject to Ministerial agreement, the Management Board sets the strategic direction for the Department through the Departmental Business Plan, prioritises the allocation of resources to match development and delivery requirements, and monitors and is accountable for departmental performance. The business plan is available on our website: www.nio.gov.uk.

Departmental Audit and Risk Committee

During 2010/11 the Management Board was supported in its work by the Departmental Audit and Risk Committee, which is chaired by John King, the non-executive director. The Audit and Risk Committee has two independent members:

Vijay Rangarajan	Constitution Director, Cabinet Office
Chris Flatt	Deputy Director, Corporate and Constitutional Division, Scotland Office

Directorships and other significant interests

A register of interests is maintained for all members of the Management Board and the Audit Committee that includes details of company directorships and other significant interests which may conflict with their management responsibilities. This register is available for public inspection upon request.

Disclosure of Audit information to the Comptroller and Auditor General

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

MANAGEMENT COMMENTARY

1. Structure and Functions

Departmental Structure

With the devolution of policing and justice functions to the Northern Ireland Assembly on 12 April 2010, the Department's role and responsibilities changed significantly. Much of its funding and many of its staff transferred to the newly formed Department of Justice for Northern Ireland, meaning that the Northern Ireland Office reduced in size from over 2,000 staff and a baseline budget of approximately £1.3bn to 164 departmental staff and a budget for 2010/11 of £40.8m. This includes non-recurring costs for 2010/11 associated with the costs of devolution and a number of inquiries.

The completion of devolution was a major success for the Department. Considerable planning had gone into preparing for the significant changes to the way in which the Northern Ireland Office would need to operate as a much smaller department. A key challenge for the Department in 2010/11 has been implementing those changes as well as delivering the Department's core policy responsibilities. It has, therefore, been a year of transition in which the Department has put in place new corporate governance arrangements, established new arrangements for the provision of corporate services from the Ministry of Justice and Department of Justice for Northern Ireland, introduced new finance and HR procedures and begun a process of reviewing and updating all policy and procedures to ensure that they are appropriate and proportionate to the Department's new size and role. These changes are described in more detail throughout this report.

The Department's role focuses on overseeing the Northern Ireland devolution settlement and representing Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland. The Department also retains responsibility for national security policy in Northern Ireland as well as human rights, elections and legacy issues (including current public inquiries). A detailed organogram of the departmental structure is published online at the following web address: http://data.gov.uk/dataset/staff-organograms-and-pay-nio. The Department is organised around three core areas:

Constitutional and Political Group

Constitution and Political Group (CPG) is responsible for advising on the implementation of the Agreements and on other constitutional and devolution issues, and for providing advice on the political climate in Northern Ireland. CPG looks after policy relating to Northern Ireland elections and human rights, and has some responsibility for equality matters. It sponsors the Northern Ireland Human Rights Commission, the Boundary Commission for Northern Ireland, and the Electoral Office for Northern Ireland. It is also responsible for arranging and supporting VVIP visits. The British-Irish Intergovernmental Secretariat is also part of this group.

Security and Legacy Group

Security and Legacy Group (SLG) is responsible for national security policy and strategy in Northern Ireland. It leads on implementing the Government's approach to national security in Northern Ireland, and handles the NIO's responsibilities for the Home Protection Scheme and other security related matters such as, national security related firearms appeals, and maintaining the NIO's crisis response arrangements. SLG also leads on Northern Ireland counter-terrorism legislation, sponsors the Parades Commission and ICLVR and liaises with the NIE, as appropriate, on policing and justice matters. In addition, the Group deals with legacy issues, including developing policy on the past and sponsorship of the Rosemary Nelson and Robert Hamill inquiries.

Business Delivery Group

Business Delivery Group (BDG) provides the overarching support services for the day to day work of the Northern Ireland Office including both Press Office and Private Office functions. As well as managing key contracts for IT, corporate services and HR support, BDG also manages the Departmental estate including both Hillsborough Castle and Stormont House in Northern Ireland. BDG retains responsibility for managing the Department's information and physical security functions as well as providing the interface for evidential issues relating to the ongoing public inquiries. BDG also manages all corporate governance issues within the Department including support on sponsoring Arms Length Bodies (ALBs) as well as both risk management and business planning processes. It has a sponsoring role in respect of the Civil Service Commissioners for Northern Ireland.

Associated Bodies

In addition to the core Department, there are a range of matters which are dealt with through a network of associated bodies. These differ considerably from each other in terms of their formal status, intended purpose, statutory or other responsibilities, the degree of independence from government and their size.

Non-Departmental Public Bodies (NDPBs)

The Department's NDPBs are:

- Northern Ireland Human Rights Commission
- Parades Commission for Northern Ireland
- Boundary Commission for Northern Ireland

Independent Statutory Bodies

The Department's independent statutory bodies are:

- Electoral Office for Northern Ireland
- Civil Service Commissioners for Northern Ireland
- Sentence Review Commissioners

International Bodies

In partnership with the Republic of Ireland, the Department co-sponsored three international bodies during the 2010/11 financial year:

- Independent International Commission on Decommissioning (IICD)
- Independent Monitoring Commission (IMC)
- Independent Commission for the Location of Victims' Remains (ICLVR)

Both the IICD and the IMC were wound-up on 31 March 2011.

In addition, ministers are responsible, together with the Irish Government, for appointing the Board to the International Fund for Ireland (IFI). The IFI is governed by a fully independent Board, funded by international donors and administered by the British and Irish Governments. The Department also provides support for the British-Irish Intergovernmental Secretariat.

The Department also sponsored four public inquiries: the Bloody Sunday Inquiry, the Billy Wright Inquiry, the Rosemary Nelson Inquiry, and the Robert Hamill Inquiry. The Bloody Sunday Inquiry and Billy Wright Inquiry reported during the 2010/11 financial year, and were subsequently wound-up. The Robert Hamill Inquiry was wound down during the 2010/11 financial year as it had completed its work, although publication of the Inquiry's report has been delayed, pending the outcome of legal proceedings relevant to the case. The Rosemary Nelson Inquiry published its report early in the 2011/12 financial year.

The Crown Solicitor's Office for Northern Ireland

The Crown Solicitor for Northern Ireland is a statutory appointee under section 35 of the Northern Ireland Constitution Act 1973 (as amended). The staff of the Crown Solicitor's Office are all members of the Northern Ireland Civil Service, employed by the Department of Finance and Personnel (DFP) for Northern Ireland, seconded to the Northern Ireland Office and posted to the Crown Solicitor's Office. The Crown Solicitor's office does not form part of the core of the Northern Ireland Office operationally, but its budget forms part of the NIO Vote and accordingly its activities are recorded as part of these accounts.

Our People

The 2010/11 year has been one of transition for staff. Mid way through the year there was formal agreement for staff to have the opportunity to move to Ministry of Justice (MoJ) terms and conditions, as a result of a new "service provision" relationship with MoJ. The Department has adopted MoJ Human Resources policies and services.

The Department continues to hold Investor in People accreditation; this is next due for review in 2012.

Recruitment of staff

The Department has adopted MoJ recruitment policies for Home Civil Service staff. The Department continues to benefit from staff who are seconded from the Northern Ireland Civil Service under an agreement with the DFP.

Equal opportunity and diversity

Since devolution, the Department has been working with Ministry of Justice colleagues to establish arrangements for monitoring and supporting the NIO in relation to its equal opportunity and diversity issues and to align ourselves with their policies on these issues.

People with disabilities

The NIO follows MoJ policies with respect to persons with disabilities. These aim 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.

Managing attendance

There are a range of policies and procedures in place to manage attendance, 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 soon as possible. The NIO absence statistics for 2010/11 show the average for Home Civil Servants for the first three quarters of the year was 9.5 days. Four members of staff within this return have been on long term sick absence; if these members of staff are excluded, the overall average is 1.5 days. 78% of staff had no absence between January and December 2010. NIO staff has access to MoJ's Occupational Health Services and Employee Assistance programme.

Pay and workforce planning

As part of the spending review efficiency savings, the Department aims to reduce its staff costs and is developing a detailed workforce plan for achieving this.

As part of the integration with the Ministry of Justice, all staff members below the Senior Civil Service (SCS) were offered the opportunity to move to MoJ pay scales. We implemented the MoJ 2010 pay deal for staff members who had opted in to MoJ terms and conditions. Along with MoJ civil servants, our staff will now be subject to a two year pay freeze. Members of staff on secondment from the NICS remain on NICS terms and conditions, including NICS pay scales.

Pensions and early departure costs

Present and past employees of the Department are covered by either the GB or NI Principal Civil Service Pension Scheme (PCSPS). Those entities within the boundary covered by the scheme meet the costs of pensions provided for the staff they employ by the payment of charges called Accrued Superannuation Liability Charges. This is charged to the Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure when the early retirement has been announced.

Corporate Governance

Following the devolution of policing and justice functions, the Department was required to establish new corporate governance arrangements appropriate to its revised role and resources. Post-devolution, the Department established a new Management Board to replace the previous Departmental Board. It also created a new Corporate Governance Unit to strengthen governance arrangements across the NIO and its ALBs. Activities undertaken throughout the year included reviewing policies on risk management, conducting a review of the Department's relationship with its ALBs, and appointing two new independent members to the Departmental Audit and Risk Committee.

Management Board

The Management meets 11 times a year and is responsible for overseeing the delivery of departmental objectives and governance arrangements. Key issues discussed during 2010/11 included:

- Strategic objectives and business planning for the Department;
- Financial planning, efficiencies and management;

- Human resource policy;
- Risk management; and
- Management of Arms Length Bodies.

Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee's role is to support the Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) operating in the Department. The primary function of the Audit and Risk Committee is to test and challenge the assurances which are provided to the Accounting Officer, the way in which these assurances are developed and the management priorities and approaches on which the assurances are premised. Such assurances come from internal and external audit and are also provided by management across the Department. The Committee acts in an advisory capacity and has no executive powers. The Audit and Risk Committee is constituted as a sub-committee of the Board. Assurances are provided to the Accounting Officer and the Management Board by the Chair of the Audit and Risk Committee. During the course of the year, the Audit and Risk Committee was reconstituted to include two new independent members – Vijay Rangarajan, Constitution Director at the Cabinet Office, and Chris Flatt, Deputy Director, Corporate and Constitutional Division, at the Scotland Office.

The main focus for the Committee in 2010/11 was to give assurance to the Management Board on the preparation of this year's resource accounts – a particularly significant undertaking given that this was the first year of accounts preparation post-devolution and the previous finance function was transferred to the new Department of Justice. The Committee also agreed new procedures for giving assurance on risk management and internal controls, through regular meetings with executive Management Board members.

Arrangements with Arm's Length Bodies

The Department took a number of steps to ensure robust governance arrangements with its Arm's Length Bodies (ALBs) during 2010/11. A working-group was established to review Departmental performance against best practice. The Department also took steps to enhance strategic oversight of ALBs through a central corporate support function, provided by the Corporate Governance Unit. The Departmental Audit and Risk Committee received updates on management of ALBs throughout the year.

The Accounting Officer placed reliance on relevant departmental officials to ensure that the bodies they sponsor operated sound governance arrangements. Deputy Directors responsible for ALBs also provided assurance that they had reviewed the extent to which the governance requirements of the ALBs had been met and reported any variances in their bi-annual stewardship statements.

Information Assurance

Information is a key business asset for the Northern Ireland Office and the Department continues to make Information Assurance (IA) a priority. Following the devolution of policing and justice, the Management Board agreed the necessary structures, policies and training to ensure the Department continued to comply with Government standards. This included establishing a new network of Information Asset Owners (IAOs), accountable to the Senior Information Risk Owner (SIRO), to manage information assurance and risk across the Department and its ALBs. The Board also agreed a framework of objectives for IAOs setting out their specific roles and responsibilities.

During the past year, all staff completed the Data Handling e-learning package (Level 1) from the National School of Government. All staff with line management responsibilities were also recommended to complete Level 2 of this package. IAOs and the SIRO were instructed to complete Levels 1, 2 and 3.

During 2010/11, no information assurance incidents were reported and one near miss occurred. The near miss involved personal data held by the Electoral Office and was reported to the Information Commissioner's Office. The Information Commissioner's Office was satisfied that there was no breach of the seven key data protection principles. Any incident reported was thoroughly considered in terms of its impact on the organisation and for lessons to be learnt more widely.

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

SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE (ICO) IN 2010/11				
Date of incident (month)	**Nature of Incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification of steps**
March 2011	Theft from Electoral Office site	3 identity documents	3	N/A
Further action on information risk	The Department is committed to deliver the Cabinet Office Handling Review Mandatory Requirements, monitor and assess its information risks, in light of the event noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems. NIO are continuing to improve processes to manage the effectiveness of information risk management.			

Sustainable Development

The Department is signed up to the Carbon Reduction Energy Efficiency Scheme run by the Department of Energy and Climate Change. The aim of the scheme is to lower national carbon emissions by encouraging departments and businesses to become more energy efficient through energy saving projects.

In facilitating carbon footprint reductions, the Department has also taken significant steps in reducing air travel. Ministers and staff utilise the video conferencing facilities that exist between London and Northern Ireland. Across the Department there has been ongoing activity to encourage recycling and the use of recycled materials. No bottled water is used in the Department.

The Department continues to improve its energy efficiency by complying with both the Green ICT strategy and the Energy Performance of Building Regulations.

Corporate Social Responsibility

The Department's Corporate Social Responsibility policy reinforces its commitment to making a positive impact in the community in which it operates. The NIO is committed to delivering a range of obligations through:

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

The NIO provided practical advice and support through its ongoing relationship with the charity Centrepoint in London which works to support homeless young people aged 16-25 years through a wide range of programmes. Staff in the Department exchanged skills and knowledge with Centrepoint colleagues as well as participating in fundraising. Other events in the Department raised awareness and fundraising around social issues including work with MIND, MS Society and International Women's Day.

Health and Safety

The NIO remains committed to the continuing development of an effective health and safety regime. During 2010/11, the Department has continued to operate a health and safety management checklist, thus ensuring the key areas which managers need to take responsibility for are adhered to. For example, each building has a locally appointed person who monitors what risk assessments and training are required.

An SLA (service level agreement) is in place with the Department of Justice for Northern Ireland (DoJ) to ensure the health and safety needs of staff are met at both local and corporate level. Health and safety guidance is available to all staff on the Department's Intranet.

In total 2 accidents were reported in 2010/11 and these were under the category of 'slips, trips and falls'.

2. Departmental Performance against Objectives

The Department exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. The Departmental Business Plan for 2010/11 contained four overarching objectives, and the following commentary explains what steps we took to achieve these.[1]

Objective 1: Renewed politics

Devolved government capable of resolving differences, delivering its core business
Rebalancing the economy by promoting private sector growth
Society moving on, not held back by the legacy of the past

Following the transfer of policing and justice powers to the Northern Ireland Assembly and Executive on 12 April 2010, devolved government in Northern Ireland has been characterised by significantly greater stability. The Department has worked to support and underpin the institutions, and support them in focusing on the key economic and social challenges facing Northern Ireland. It has also sought to maintain a close and productive relationship with the Irish Government. Although the budget settlement has required the Northern Ireland Executive, like other parts of the public sector across the UK, to find ways of delivering its objectives more efficiently, the Government has nevertheless been ready to respond to Northern Ireland's particular needs, including through significant funding to permit a fair settlement for investors in the Presbyterian Mutual Society and additional funding for the Police Service of Northern Ireland (PSNI). See objective 2 below for more details.

A key challenge is to encourage private sector investment to rebalance the economy in Northern Ireland and to underpin Northern Ireland's future peace and prosperity. A Government paper on this issue, prepared in consultation with the Northern Ireland Executive, was published on 24 March 2011. It sets out a range of options, including the possibility of devolving the power to vary the corporation tax rate in Northern Ireland. It received support from all five political parties in the Executive.

This year, the Government has continued in its efforts to make a positive contribution to dealing with the legacy of the Troubles. The Department has managed the publication of two reports of public inquiries into legacy cases: the Bloody Sunday Inquiry Report and the Billy Wright Inquiry Report. The Department has also managed the wind-down and closure of these inquiry teams and their offices. In addition to these two inquiries, sponsorship of the Robert Hamill and Rosemary Nelson inquiries has continued. The Robert Hamill Inquiry was wound down during the year as it had completed its work, although the publication of the inquiry's report has been delayed, pending the outcome of legal proceedings relevant to the case. The Rosemary Nelson Inquiry published its report early in the 2011/12 financial year. In July 2010, we published the responses to the consultation on the Eames-Bradley Report. The responses showed that there is still little consensus on how to approach the past in Northern Ireland, but NIO Ministers have continued to listen to the ideas of interested parties on how to approach this difficult issue, with a view to building some consensus about the way forward.

The Department is responsible for sponsorship of the Electoral Office for Northern Ireland, and developing policy and legislation relating to electoral matters in Northern Ireland. During 2010/11 the

[1] A copy of the Departmental Business Plan can be found on our website at: http://www.nio.gov.uk

Department played a key role in preparations for local and Assembly elections and the Alternative Vote referendum held in May 2011, in particular taking forward legislation to substantially update local and Assembly election procedures well in advance of these elections. The Department undertook a full consultation on the publication of political donations in Northern Ireland and took forward legislation to extend the existing arrangements. The Department also worked to ensure that Northern Ireland interests were properly considered in the development of policy and legislation relating to the Government's political reform programme, in particular by securing specific Northern Ireland provision in important UK-wide legislation such as the Parliamentary Voting System and Constituencies Act 2011. The Department continued to pursue how best to reach an agreed way forward on further human rights protections for Northern Ireland and worked closely with the Ministry of Justice to ensure Northern Ireland interests were considered in the work of a Commission on a UK Bill of Rights.

Political analysis and support is provided to Ministers and officials by members of the Constitutional and Political Group. The nature of this support has adapted to meet the changing priorities of the Department since the devolution of policing and justice. Officials in this group also represent the UK Government on the standing joint secretariat of officials of the British Irish Intergovernmental Secretariat.

The Department was responsible for organising 8 royal visits to Northern Ireland during the 2010/11 financial year, including a two day visit by Her Majesty The Queen and HRH The Duke of Edinburgh in October when they carried out a wide range of engagements, including a visit to Ulster Television and a reception to mark 150 years of the Cadet Forces in Northern Ireland. Prior to their wedding, His Royal Highness Prince William of Wales and Catherine, Duchess of Cambridge, made their first official visit to Northern Ireland in March when they undertook a day of engagements, including a visit to Belfast City Hall where they met the Rt Hon the Lord Mayor of Belfast, Councillor Patrick Convery. The Rt Hon David Cameron MP made his first visit to Northern Ireland as Prime Minister in May 2010 and the Rt Hon Nick Clegg MP, Deputy Prime Minister, visited in October 2010.

Objective 2: Decreased threat from terrorism in Northern Ireland

A decreased threat from terrorism in Northern Ireland, as result of co-ordinated response

The threat from terrorism in Northern Ireland has remained SEVERE this year (meaning that an attack is highly likely); the threat from Northern Ireland-related terrorism to Great Britain increased to SUBSTANTIAL (meaning that an attack is a strong possibility). During 2010, there were 40 major attacks in Northern Ireland, as well as over 100 other smaller attacks. It is clear that the threat from the small, but dangerous number of terrorists active in Northern Ireland has grown during the last year; they remain unrepresentative, but nevertheless they are intent on defying the democratically expressed will of the majority of people to forge Northern Ireland's future by peaceful means.

In order to assist the PSNI in its efforts to tackle terrorism and develop policing with the community, over the last year, the NIO has secured substantial additional funding for the police. During the past financial year, an additional £50.3m was provided to the PSNI. In addition to this, the Government has agreed to provide an exceptional additional £200m to the PSNI over the next four years to ensure it is adequately resourced to deal with the threat from terrorism. During this year, the NIO has taken on the role of coordinating those aspects of counter-terrorism in Northern Ireland which are the responsibility of the Westminster Government. In addition, the NIO leads Government interaction with the devolved Department of Justice and PSNI on matters relating to national security.

The NIO's Home Protection Scheme continues to provide physical security measures to the homes of individuals who fall within certain occupations in public life and who are under a high level of threat from Northern Ireland-related terrorism. The NIO also handles firearms appeals to the Secretary of State in relation to personal protection weapons, and continues to liaise with the PSNI in the issuing of authorisations for prohibited weapons and of licenses for controlled explosive substances. The NIO also provides the secretariat to the Northern Ireland Committee on Protection which was established to determine the policy in relation to the provision of close protection and decide what level of protection, if any, is required. The Committee is chaired by Lord Carlile of Berriew QC.

Objective 3: Manage Hillsborough Castle

Hillsborough Castle is fully utilised meeting the needs of the Royal Household, Department and the wider community in Northern Ireland

Hillsborough Castle continued to be a focal point for many events and special occasions involving the wider community in Northern Ireland.

Hillsborough Castle hosted over 140 state, charity and community events during the year. These included 43 citizenship ceremonies and 13 charity events which raised money for local charities including the Princes Trust, Girl Guiding Ulster and Save the Children. The Castle also hosted significant economic and tourism events including the visits to Northern Ireland of several Ambassadors and trade delegations sponsored by Invest NI. In June, Their Royal Highnesses the Earl and Countess of Wessex were guests of honour at the Secretary of State’s Garden Party at Hillsborough Castle which was attended by over 2000 people from communities across Northern Ireland.

4,550 people visited Hillsborough Castle during the summer when the Castle and grounds were opened to the public for House tours. Over 30,000 people visited the Gardens during Garden Show Ireland Weekend. Hillsborough Castle also hosted the BBC Northern Ireland Proms in the Park event in partnership with Lisburn City council in September. This was attended by over 5,000 concert goers who enjoyed an evening of world class entertainment that was broadcast live throughout the United Kingdom and to a wider audience through BBC World.

Objective 4: A slimmer Northern Ireland Office

A slimmer Northern Ireland Office, which lives within its means and maximises the value of its people and resources

The Department managed its resources effectively during the year, living within the baseline agreed with HM Treasury. The Northern Ireland Office participated fully in the Spending Review 2010 process. It is committed to a 25% reduction in its current baseline by the end of the Spending Review period. A number of savings have already been delivered during the year including on accommodation costs, travel costs and the winding up of two ALBs. The savings identified across the Department are designed to ensure the effective delivery of departmental objectives in the most cost effective way. Part of this work also includes closer working with the Scotland Office and Wales Office and, where appropriate, the sharing of common central services across the three departments. The first result of this is a shared parliamentary function between the Northern Ireland Office and Scotland Office which began operation in May 2011.

At the end of the reporting year, there were 164 departmental staff employed in or seconded to the Department. The Department is engaging in a workforce planning programme to ensure that the right skills and resources are available to support Ministers in the deliver of their objectives. Members of staff continue to participate in personal development opportunities including an e-learning module on information assurance which was completed by all staff.

Throughout the year the Department has met targets on answering Parliamentary Questions and FOI requests. Following a recent period of monitoring by the Information Commissioner’s Office, the Department achieved 88% compliance for FOI requests and 100% compliance for Environmental Information Regulations. In describing the outcome as very positive, the Information Commissioner, Christopher Graham, also noted that this performance was all the more impressive due to the complex nature of many of the requests handled by the NIO.

3. Report of the Crown Solicitor for Northern Ireland

Role and task

The Crown Solicitor's Office (CSO) provides a legal service to United Kingdom Government Ministers, some departments and agencies, the Chief Constable of the Police Service of Northern Ireland, the Policing Board for Northern Ireland, the Chief Electoral Officer for Northern Ireland and others, principally, but not exclusively, where civil proceedings are brought by or against them. The CSO is thus involved in a wide range of legal work including extradition, public and employer's liability litigation, insolvency, debt recovery, employment law, judicial review, inquests, including over thirty legacy inquests relating to events which occurred decades ago and which are particularly problematic to conduct at this remove, applications for injunctions, habeas corpus applications, bona vacantia, public inquiries and general legal advice.

Aim and objectives

The aim of the CSO is to provide a high quality and best value legal service to its clients.

The objectives of the CSO are to:

- Provide a high quality legal service;
- Work in partnership with our clients to achieve the best legal outcomes in the most cost effective way possible;
- Work to ensure that clients are satisfied with the legal service provided;
- Recover the running costs of the CSO by charging for work done;
- Recover from clients the outlay expended on their behalf;
- Keep under continuous review and seek to improve efficiency in the use of resources;
- Continue to train and develop staff in accordance with Investors in People principles.

Operational activities

The CSO provided its services to its clients in both advice work and in terms of representation. The Office represents clients at every tier of the Civil Courts in Northern Ireland from the County Courts to the High Court, to the Supreme Court. In the Magistrates' Courts it represents Her Majesty's Revenue and Customs (HMRC) in condemnation proceedings, before the "appropriate judge". In extradition proceedings the Office represents the judicial authorities of the various countries seeking the extradition of accused or convicted fugitives. Clients are also represented in the Fair Employment Tribunal, the Industrial Tribunals and public inquiries. The Secretary of State for Northern Ireland is represented by the Office before the Sentence Review Commissioners and the Remission of Sentences Commissioners.

The CSO recovered its full running costs during the 2010/11 financial year.

The CSO initially achieved Investor in People accreditation in 1999 and was re-accredited in 2002, 2004 and 2007. The Office intends to seek re-accreditation in 2011. In addition the Office is embarking on a programme to enable it to seek LEXCEL accreditation in 2011/12 which will serve to reinforce and provide independent assurance to its clients that the Office meets the LEXCEL standards of excellence, particularly in areas such as client care, case management and risk management.

Most notably throughout the period of this Report the CSO has:

- dealt with unprecedented numbers of hearing loss cases;
- dealt with judicial reviews arising from ongoing legacy inquests with one such case proceeding to the Supreme Court and in which judgment is awaited involving the recurring question of retrospectivity and the Human Rights Act 1998;
- defended a challenge to a witness summons wherein policy documentation held by the NIO was sought in a Crown Court prosecution;
- successfully defended an incompatibility challenge to the extension of detention provisions under the Terrorism Act 2000;
- successfully defended the power of the Director of Public Prosecutions in Northern Ireland to certify that some criminal trials should be conducted without a jury under the Justice and Security (Northern Ireland) Act 2007;
- dealt with a number of high profile civil cases involving the use of public interest immunity certificates;
- dealt with the outcome of the Bloody Sunday Inquiry and the Billy Wright Inquiry;
- dealt with judicial reviews involving challenges to the retention of DNA and photographs by PSNI, the publication of images of people who were allegedly involved in riots, the use and deployment of tasers; the exercise of the Royal Prerogative to pardon convicted persons; the use of covert surveillance involving consultations between legal representatives and their clients;
- dealt with a variety of immigration judicial reviews most of which are urgent and arise outside of normal office hours; and
- defended an Election Petition arising from the May 2010 election result in the Fermanagh and South Tyrone Constituency.

There are also a number of cases where the Supreme Court has been petitioned to allow appeals and which, if granted, are likely to be heard later in 2011 or early 2012.

Jim Conn
Crown Solicitor for Northern Ireland

4. Financial position and results for the year

The Department's activities are financed mainly by Supply voted by parliament. Each year the NIO is given parliamentary approval for its expenditure when Parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the estimates may be amended during the year at one of the Supplementary Estimate stages. The estimates are published by TSO and contain details of voted monies for all government departments. They are also available on the Treasury website at http://www.hm-treasury.gov.uk/psr_estimates_index.htm.

As devolution happened after the Main Supply Estimate for the financial year was set, considerable effort was expended during the year to separate the budgets of the devolved NIO from the Department of Justice and the Public Prosecution Service. This exercise was undertaken as part of the Supplementary Estimates process.

The Department's final resource Estimate for 2010/11 was £15,291m (2009/10 £14,196m). This was later increased, by a Treasury approved virement from capital, to £15,294m. As the NIO provides funding for the Northern Ireland Executive, the budgetary effect of devolution is more apparent when the estimate is considered at the request for resources level.

Request for Resources 1 - £41m (2009/10 £1,369m)
Overseeing the effective operation of the devolution settlement in Northern Ireland and representing the interests of Northern Ireland within the UK Government

Request for Resources 2 - £15,253m (2009/10 £12,827m)
Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the Northern Ireland Act 1998, Northern Ireland Act 2000 and the Northern Ireland Act 2009

Comparison of estimate and outturn

The outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of the Department's financial objectives and an effective financial management performance for the year. The net resource outturn for 2010/11 was £13,414m (2009/10: £13,114m). This represents a saving of £1,880m (2009/10: £1,082m) compared to the Estimate.

The reconciliation of resources to net cash requirement (Note 4) highlights a saving of £1,947m (2009/10: £1,106m) in terms of Net Total Outturn compared with Estimate.

The main reason for these savings was that funds requested by the Northern Ireland Consolidated Fund (RfR 2) were not drawn by the Northern Ireland Departments during the financial year.

Statement of Comprehensive Net Expenditure

In order to provide comparable figures for 2009/10 in the financial statements, last year's figures have been restated where appropriate. Note 31 explains in more detail the adjustments made for this restatement, but they are largely to reflect the machinery of government changes arising from the devolution of policing and justice from the Northern Ireland Office to the Northern Ireland Executive, and the change in accounting policy removing cost of capital charges.

The Statement of Comprehensive Net Expenditure represents the total net administration and programme resources consumed during the year by Request for Resources. Net Operating Costs during 2010/11 were £13,414m (2009/10: £13,111m restated) as follows:

Northern Ireland Office
£41m (2009/10: £47m restated) analysed between:

Staff Costs £15m (2009/10: £14m restated);
Other Administration Costs £10m (2009/10: £10m restated);
Programme Costs £24m (2009/10: £31m); and
Income £8m (2009/10: £8m restated).

Northern Ireland Executive
£13,373m (2009/10: £13,065m restated)

Details of how funding to the Northern Ireland Executive is spent is managed by the devolved administration and is allocated to the NI departments by DFP. Each of the Northern Ireland departments, including DFP, publishes their own financial statements.

Additional information regarding the budgets of the Northern Ireland Executive and the grants paid by the Northern Ireland Office to the Northern Ireland Consolidated Fund are included in an annex at the end of this document.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2010/11 £000	2009/10 Restated £000
Net Resource Outturn (Estimates)	**15,293,825**	**14,196,006**
Adjustments to additionally include:		
Excess A-in-A	2,849	-
Non-supply expenditure	(2,868)	-
Saving against estimate	(1,876,961)	(1,084,600)
Net Operating Cost (Accounts)	**13,413,842**	**13,111,406**
Adjustments to remove:		
European Union income and related adjustments	43,931	159,422
Voted expenditure outside budget	(13,416,931)	(13,224,223)
Adjustments to additionally include:		
Resource consumption of non departmental public bodies	64	32
Unallocated resource provision	-	-
Resource Budget Outturn (Budget)	**40,906**	**46,637**
of which:		
Departmental Expenditure Limits (DEL)	40,391	45,939
Annually Managed Expenditure (AME)	135	698

Statement of Financial Position

The net assets at 31 March 2011 of £60m (2009/10: £65m restated) principally comprise property, plant and equipment of which Hillsborough Castle is £59m (2009/10: £60m).

The financial assets include loans issued to DFP under the National Loans Fund, but these are balanced by corresponding amounts in current and non-current liabilities.

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 are produced at pages 40 and 41. The audit of the financial statements for 2010/11 resulted in a group audit fee of £75,100 (cash audit fee £19,000, non-cash audit fee £56,100) (2009/10 pro-rata £17,000). The full fee last year was £218,200; the reduction is in line with the reduced size and complexity of the Department post devolution. (See notes 10 & 11)

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 reports were published during the year and therefore no fee was paid to the C&AG.

Policy and practice on payment of creditors

The Northern Ireland Office (NIO) is a signatory to the prompt payment code launched in December 2008 by the Department of Business, Innovation and Skills which aims to establish a clear and consistent policy across government in the payment of business bills. Further details regarding this are available at www.promptpaymentcode.org.uk.

The Department is fully committed to the prompt payment of invoices for goods and services received and delivering against the prompt payment targets set for all central government departments which during the financial year were as follows:

- Up to 30 April 2010, to pay 80% of all supplier invoices not in dispute within 10 working days of receipt of a properly rendered invoice; and,
- From 1 May 2010 to pay 80% of all supplier invoices not in dispute within 5 working days of receipt of a properly rendered invoice.

For the period up to 30 April 2010, 87% of invoices were paid within the 10 day target

From 1 May 2010, 43% of invoices were paid within the 5 day target and 97% were paid within 10 days.

The aggregate amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during year, expressed as a number of days in the same proportion to the total number of days in the financial year is 3 days.

There were no interest charges of arising and payable by the Department during the year under The 'Late Payment of Commercial Debts (Interest) Act 1998' and the 'Late Payment of Commercial Debts Regulations 2002'.

Hilary Jackson

Accounting Officer **11 July 2011**

REMUNERATION REPORT

In accordance with the requirement of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, only certain sections of the Remuneration Report have been subject to full external audit. These comprise the sections on salary and pension entitlements.

Remuneration committee

The salary of the Permanent Secretary was considered by the Permanent Secretaries' Remuneration Committee, which required approval from the former Prime Minister.

The salary of the Director General of the NIO is considered by a Cabinet Office moderating committee.

The NIO Pay Committee comprised the Director General, the Non-Executive Director and a Director General from the Cabinet Office and considered SCS PB1 general service pay of Home Civil Servants (HCS) in line with the parameters of the Senior Salaries Review Body. There is currently no bonus system in place for Senior Civil Servants (SCS) in the Northern Ireland Civil Service (NICS). NICS SCS members of staff were not considered as part of the HCS Pay Committee.

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.

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

Performance appraisal

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

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The Northern Ireland Office currently has a single non-executive director, in line with practice across the territorial offices. Following the devolution of policing and justice functions and the restructuring of the Department's Management Board, the non-executive director's contract was renewed in June 2010 for a maximum period of two further years. The Department and the non-executive director may terminate the appointment before the expiry of the fixed period by giving one month's notice in writing.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

Remuneration (salary and payments in kind)

	2010/11		2009/10	
Ministers	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Shaun Woodward MP - Secretary Of State *(to 11 May 2010)*	-	-	-	-
The Rt Hon Paul Goggins MP - Minister Of State *(to 11 May 2010)*	4,589[2]	-	40,646	-
The Rt Hon Owen Paterson MP – Secretary Of State *(from 12 May 2010)*	61,056[3]	-	-	-
The Rt Hon Hugo Swire MP – Minister Of State *(from 13 May 2010)*	29,187[4]	-	-	-

[2] Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £40,646.
[3] Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £68,827.
[4] Figure quoted is for the period 13 May 2010 to 31 March 2011. The full year equivalent is £33,002.

As in previous years, the Rt Hon Shaun Woodward MP chose not to take a salary for his role as Secretary of State. However if a salary had been paid, the cost in 2010/11 would have been £79,754 (2009/10: £79,754). Ministers have elected to waive their rights to salary increases since November 2007 and in May 2010 agreed to reduce their salaries by 5%.

	2010/11			2009/10		
Officials						
Sir Jonathan Phillips, Permanent Secretary *(until 12 May 2010)*	15-20 (160-165 full year equivalent)	-[5]	-	160-165	-	4,600
Hilary Jackson, Director General, Political *(until 11 May 2010)* Director General *(from 12 May 2010)*	115-120	-	2,600	115-120	10-15	
Dennis Godfrey Director of Communications	80-85	-	21,600	80-85	5-10	21,600
James Conn Crown Solicitor	95-100	-	-	95-100	-	-
Deputy Director, Security and Protection[6]	55-60	-	-	-	-	-
Deputy Director, Inquiries and Corporate Services	60-65	-	36,100	-	-	-
Deputy Director, Political Liaison and Protocol	85-90	-	-	-	-	-
Deputy Director, Constitutional Policy and Liaison	70-75	5-10	-	-	-	-
Deputy Director, Rights, Elections and Legacy	60-65	5-10	-	-	-	-
Deputy Director, Security and Protection	75-80	-	-	-	-	-
John King Non-Executive Director *(from 1 July 2010)* (note b)	0-5	-	-	10-15	-	-

Note:

a. Following the devolution of policing and justice functions on 12 April 2010, a number of Directors transferred to the Department of Justice within the Northern Ireland Executive. They were Nick Perry, Carol Moore, Peter May and Anthony Harbinson. Robin Masefield was a member of the HCS transferring to DoJ on loan from NIO from 12 April 2010 until his retirement. Details of the current year remuneration in respect of their new roles have been fully disclosed in the 2010/11 financial

[5] Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2008/09 and the 2009/10 performance years.
[6] Deputy Director has been partially retired since 30/04/2010.

statements for the Department of Justice (www.dojni.gov.uk) and details of their remuneration for last year are disclosed in the 2009/10 financial statements for the NIO available at www.nio.gov.uk.

b. Pre-devolution the remuneration payable to a Non-Executive Director was £13,750. From 1 July 2010 the Non-Executive Director in the NIO is paid on a per diem basis (£450/day).

Salary

'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The net benefits in kind shown above are in respect of costs incurred in relation to detached duty, on which the tax payable is met by the Department.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010/11 relate to performance in 2010/11 and the comparative bonuses reported for 2009/10 relate to the performance in 2009/10.

Pension Benefits

Minister	Accrued pension at age 65 as at 31/3/11	Real increase in pension at age 65	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£000s	£000s	£000s	£000s	£000s
The Rt Hon Shaun Woodward MP - Secretary Of State *(to 11 May 2010)*	-	-	-	-	-
The Rt Hon Paul Goggins MP - Minister Of State *(to 11 May 2010)*	5-10	0-2.5	88	87	1
The Rt Hon Owen Paterson MP – Secretary Of State *(from 12 May 2010)*	0-5	0-2.5	17	0	11
The Rt Hon Hugo Swire MP – Minister Of State *(from 13 May 2010)*	0-5	0-2.5	11	0	6

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 Statutory Instrument SI 1993 No 3253, as amended).

The Rt Hon Shaun Woodward MP chose 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 all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

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 re-valued annually in line with Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary 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 28.7% of the Ministerial salary.

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

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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 taken.

The real increase in the value of the CETV

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

Officials	Accrued pension at pension age at 31/03/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/11	CETV at 31/03/10[7]	Real increase in CETV	Employer contribution to partner-ship pension account
	£'000	£'000	£000	£000	£000	Nearest £100
Sir Jonathan Phillips, Permanent Secretary *(until 12 May 2010)*	75-80 plus lump sum of 225-230	-2.5-0 plus lump sum of -2.5-0	1,620	1,603	-1	-
Hilary Jackson, Director General, Political *(until 11 May 2010)* Director General *(from 12 May 2010)*	55-60 plus lump sum of 120-125	0-2.5 plus lump sum of -2.5-5	1,221	1,083	-3	-
Dennis Godfrey Director of Communications (note b)	20-25 plus lump sum of 70-75	20-22.5 plus lump sum of 62.5-65	574	63	502	-
James Conn Crown Solicitor	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	525	452	8	-
Deputy Director, Security and Protection[8]	35-40 plus lump sum of 110-115	-2.5-0 plus lump sum of -2.5-0	842	831	-10	
Deputy Director, Inquiries and Corporate Services	5-10 plus lump sum of 25-30	0-2.5 plus lump sum of 0-2.5	122	107	5	-
Deputy Director, Political Liaison and Protocol	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	844	783	-6	-
Deputy Director, Constitutional Policy and Liaison	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	578	505	1	-
Deputy Director, Rights, Elections and Legacy	0-5	0-2.5	33	20	8	-

[7] The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

[8] Member has been partially retired since 30/04/2010. £35-£40k of the accrued pension is in payment, abated in accordance with partial retirement rules. £105-£110k of the lump sum has been paid.

Officials	Accrued pension at pension age at 31/03/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/11	CETV at 31/03/10[7]	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£000	£000	£000	Nearest £100
Deputy Director, Security and Protection	30-35 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	611	536	0	-
Non-Executive Director *(from 1 July 2010)*	-	-	-	-	-	-

Note:

a. Following the devolution of policing and justice functions on 12 April 2010, a number of Directors transferred to the Department of Justice within the Northern Ireland Executive. They were Nick Perry, Carol Moore, Peter May and Anthony Harbinson. Robin Masefield was a member of the HCS transferring to DoJ on loan from NIO from 12 April 2010 until his retirement. Details of the current year remuneration in respect of their new roles have been fully disclosed in the 2010/11 financial statements for the Department of Justice (www.dojni.gov.uk) and details of their remuneration for last year are disclosed in the 2009/10 financial statements for the NIO available at www.nio.gov.uk.

b. The Director of Communications completed the transfer of pension benefits from the Principal Civil Service Pension Scheme (Northern Ireland) to the Principal Civil Service Pension Scheme in year.

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 and one who is a member of the premium/classic plus scheme.

No pension benefits are provided to Non-Executive Directors.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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 initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 taken.

Real increase in CETV

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

Compensation for Loss of Office

Sir Jonathan Phillips left under Flexible Early Retirement terms on 12 May 2010. The capitalised cost of the package received was £257,868.

Mr Robin Masefield left under Compulsory Early Retirement terms on 30 November 2010. The capitalised cost of the package received was £159,481.

The capitalised costs include both any initial payments and the total value of all monthly pension payments due to be paid until retirement age is reached.

Hilary Jackson

Accounting Officer **11 July 2011**

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Northern Ireland Office to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

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

HM Treasury appointed the Permanent Head of the Department as Accounting Officer of the Northern Ireland Office. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the 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 2010/11

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*.

Ministers decide on high-level policy risks based on advice from officials. The Secretary of State takes decisions on the Department's overall policy, and key components of policy, including approving the Department's business plan. Risk identification and management issues are regularly discussed by the Department's Management Board ("the Board").

Management Statements are in place with the Department's NDPBs. These are reviewed regularly, and, where necessary, will be updated in 2011/12 in line with the latest Framework Document guidance. To the extent that those documents delegate control to the organisations and the respective Accounting Officers, I place reliance upon their Statements on Internal Control, as published in their annual reports and accounts.

The Department receives financial transactions support from the Department of Justice for Northern Ireland, with a Service Level Agreement (SLA) in place to set out the parameters of this relationship. HR and a range of other corporate support is provided by the Ministry of Justice, and an SLA is currently being developed to formalise this relationship. A significant number of the Department's staff are employees of the Northern Ireland Civil Service on secondment to the Northern Ireland Office; this arrangement is managed through contact with the Department for Finance and Personnel in Northern Ireland.

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 Northern Ireland Office for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk within the Northern Ireland Office. In meeting this responsibility, I am supported by the Board, which I chair. Risk management is fully embedded across the Department, and we manage our business in a manner which takes account of the risks we face. Over the year, we have undertaken a number of measures to safeguard the effectiveness of our processes, to ensure they are proportionate to the Department as currently structured:

- In September 2010, the Board commissioned a review of the Department's risk management policy, it subsequently approved a revised policy in November 2010, which introduced new arrangements to reflect the changes to the size and structure of the Department post-devolution of policing and justice functions.
- The Board maintains the Departmental risk register, which sets out the key strategic risk facing the Department and controls in place to manage these risks, and reviewed this document on a quarterly basis. The register is also provided to the Departmental Audit and Risk Committee for periodic review.
- Registers that identify, assess, and set out mitigating actions to significant risks, are in place across the NIO and its ALBs.
- Staff had access to information on risk management procedures and policies through the Department's intranet. Online training for staff is available via the Ministry of Justice's web-portal, and face-to-face training is planned for staff during the 2011/12 financial year.
- As part of its 2010/11 work programme, internal audit conducted reviews of both risk management and information assurance within the Department.

The effectiveness of the risk management system in place has been demonstrated through the manner in which the Department has continued to deliver its objectives, through a period of comprehensive restructuring following the devolution of policing and justice functions in April 2010, and further management-led changes which commenced in January 2011 and were undertaken to ensure the Department's structure was fully aligned to its current business objectives.

Looking forward, the Department has now produced a high-level business plan for the period 2011/2015, which defines the strategic direction of the Department for the remainder of the current Parliament. Over the next year, the Board will be keen to embed and refine the new systems and structures in place post-devolution of policing and justice to deliver continuing improvements in organisational effectiveness.

The risk and control framework

The Department operates a range of high level and operational controls to manage the conduct of its business. These include detailed policies and guidelines setting out procedures, and including clearly defined delegated authorities. The Management Board is supported and advised in this by the Audit and Risk Committee, Internal Audit, and staff in Business Delivery Group.

The Board operates a systematic approach to monitoring the financial and business performance of the Department and its risk management arrangements. Key strategic risks were considered by the Board as a whole in the context of overall corporate risk tolerance levels and were reviewed, at least quarterly. The Board agreed a risk appetite framework which set a profile for different categories of risk within the Department.

As Accounting Officer, I relied on individual deputy directors to ensure that risk management was considered as an integral part of the policy development process within their business areas, including incorporating details of risk in advice to ministers. I received assurance first hand through discussions with staff and ministers on key policy issues and through sight of submissions and other documentation setting out advice and guidance to ministers and senior officials.

In respect of the Department's Arm's Length Bodies, I sought assurance that each sponsored body operated sound governance arrangements from the relevant sponsoring deputy director. Relevant deputy directors were required to provide me with written assurance that they had reviewed the extent to which these governance requirements were met both mid-year and at the end of the financial year.

Information assurance

I am responsible for ensuring that information risks are assessed and mitigated to an acceptable level. I am supported in the discharge of this responsibility by the Board level Senior Information Risk Owner, the Departmental Security Officer, IT Security Officer, and a number of Information Asset Owners who cover all the information assets held. To ensure effective management of information risk, the Department complies with the requirements set out in the Cabinet Office's Security Policy Framework. The Department has policies in place to manage information security and risks to information assets. As a result of the resource commitment required by the preparations for devolution, the Department previously put on hold its intention to progress to level 2 of the Cabinet Office Information Assurance Maturity Model by March 2010. Now that we are fully established, post-devolution, the Department now aspires to do so during the 2011/12 financial year.

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 Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Management Board

The Board has a corporate responsibility for setting objectives, agreeing priorities and implementing Ministerial policy. The Board, which normally meets on a monthly basis, developed and agreed a business plan for the 2010/11 year, which was formally approved by ministers, and reviewed the progress and management of key risks associated with the delivery of Departmental objectives regularly throughout the financial year. The Board also was responsible for monitoring financial performance and considering key strategic issues and policies, such as those relating to risk management, information assurance and workforce planning.

The Treasury Code of good practice for *Corporate Governance in Central Government Departments* states that boards should be comprised of a minimum of two independent non-executive members. However, the code provides scope for alternative approaches to be adopted provided that they are justifiable. Given that the Northern Ireland Office is vastly smaller than most central government departments, it has opted to have a single non-executive director. The Board will continue to be alert to whether this approach remains appropriate. Given its size, the Northern Ireland Office has been exempted from the Government's model for Enhanced Departmental Boards.

The Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee, which was chaired throughout the year by our non-executive Director, monitored the Department's risk management and internal controls on a regular basis during the financial year. The Committee provides assurance to the Board on systems of corporate governance, risk management and internal control within the Department. As an interim measure following devolution, the Committee membership comprised of the non-executive Director and three executive members of the Management Board. However, the Committee was reconstituted in January 2011 and is now comprised wholly of independent members.

Internal audit

Internal audit identify areas for investigation through its own risk based analysis and through discussions with the Audit and Risk Committee and senior managers. Recommendations have been accepted by management and have been implemented or are being progressed in accordance with agreed timetables. The status of Internal Audit recommendations is regularly reported to the Audit and Risk Committee.

The annual report of the Head of Internal Audit for 2010/11 concluded that there were no significant weaknesses.

From 2011/12 the Department's internal audit service will be provided by the Ministry of Justice.

Arm's Length Bodies

For the Arm's Length Body which fall outside of the departmental boundary, I relied principally on the Statement on Internal Control that each body's Accounting Officer made as part of its annual accounts. These were supplemented by assurance statements provided by Directors in the Department responsible for sponsoring each body. During the course of the year, the Department conducted a review of the systems in place for managing its relationship with its ALBs. The review concluded that on the whole, the Department effectively managed its relationship with its ALBs but that steps could be taken to introduce greater strategic oversight. To this end, a new team was established to support sponsoring directors in fulfilling their corporate management responsibilities towards the Department's main satellite bodies.

Legacy systems

As a result of devolution of policing and justice, the Department has continued to operate a number of policies which were designed for the Department as structured pre-devolution. These policies have been sufficiently robust to allow the Department to operate as currently structured, though in the interests of maintaining effective governance over the longer-term, the Department will be taking steps to review current corporate policies and practices to ensure that they remain appropriate to the Department as now structured.

In line with a recommendation from internal audit, policies to be reviewed in 2011/12 will include the Department's Fraud Policy and Fraud Response Plan. Post-devolution, the Department has adopted the Ministry of Justice's Fraud Policy and procedures, though maintained its own whistle-blowing arrangements to provide a first line of contact for staff. We will ensure that implementation of this policy remains appropriate to the Department's specific needs.

Stewardship statements

Heads of Business groups sign stewardship statements biannually, providing assurance as to governance, risk management and operation of internal controls within their business areas. In March 2011, the Department's Audit and Risk Committee provided constructive feedback on this process, noting that it would benefit from review. Work to do so will be undertaken during the 2011/12 financial year.

Significant internal control issues

A number of significant internal control issues were listed in the 2009/10 accounts, however these related to areas which now fall to the devolved Department of Justice for Northern Ireland.

For the period 2010/11, I am able to report that there were no significant weaknesses in the Office's system of internal controls which affected the achievement of the Office's key policies, aims, and objectives.

Hilary Jackson

Accounting Officer **11 July 2011**

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 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.
Opinion on Financial Statements
In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Director's Report, Management Commentary and Financial position and results for the year sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

14 July 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010/11

								2010/11 £000	2009/10 £000
				Estimate			Outturn		Outturn
Request for Resources	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
1: Northern Ireland Office	2	45,774	(4,950)	40,824	45,773	(4,950)	40,823	1	1,277,946
2: Northern Ireland Executive	2	15,253,001	-	15,253,001	13,373,000	-	13,373,000	1,880,001	11,836,000
Total Resources		**15,298,775**	**(4,950)**	**15,293,825**	**13,418,773**	**(4,950)**	**13,413,823**	**1,880,002**	**13,113,946**
Non-operating cost In A in A		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**902**

Net cash requirement 2010/11

				2010/11 £000	2009/10 £000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement	4	15,356,390	13,409,178	1,947,212	13,120,205

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):

		2010/11 Forecast	£000	2010/11 Outturn	£000
	Note	Income	*Receipts*	Income	*Receipts*
Total	5	-	-	2,878	*2,878*

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

HM Treasury approved virement from capital to revenue for £3,041k; capital expenditure is not reported in the Statement of Parliamentary Supply. As a result, gross expenditure in the Estimate section above differs from that in the published Spring Supplementary Estimate. However this is not an increase in the Estimate that requires Parliamentary approval.

The notes on pages 47 to 78 form part of these accounts.

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Note	Staff Costs	Other Costs	Income 2010/11 £000	2009/10 £000 *Restated*
Administration costs					
Staff costs	9	12,494			12,129
Other administration costs	10		9,823		9,688
Income	12			(7,274)	(6,437)
Programme costs					
Request for Resource 1:					
Staff costs	9	2,800			1,603
Programme costs	11		23,523		30,695
Operating Income	12			(524)	(1,083)
Request for Resource 2:					
Funding to Northern Ireland Executive	11		13,507,967		13,224,233
Income	12			(134,967)	(159,422)
Totals		**15,294**	**13,541,313**	**(142,765)**	**13,111,406**
Net Operating Cost for the year ended 31 March 2011	3			**13,413,842**	**13,111,406**

Figures for 2009/10 have been restated to reflect machinery of government changes arising from the devolution of policing and justice and for the change in accounting policy which removes cost of capital charges.

The impact of the above adjustments on the Statement of Financial Position and Statement of Net Comprehensive Expenditure at 1 April 2009 and financial year 2009/10 have been disclosed in Note 31. 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.

Apart from £291k income and £790k expenditure, relating to the Independent Monitoring Commission which closed on 31 March 2011, all income and expenditure derives from continuing operations.

The notes on pages 47 to 78 form part of these accounts.

Statement of Financial Position

As at 31 March 2011

	Note	£000	2010/11 £000	2009/10 £000 *Restated*	1 April 2009 £000 *Restated*
Non-current assets					
Property, plant and equipment	13	60,518		62,384	80,688
Intangible assets	14	229		203	292
Financial Assets	15	1,294,403		1,365,520	1,366,489
Total non-current assets			**1,355,150**	**1,428,107**	**1,447,469**
Current assets					
Trade and other receivables	18	7,072		7,098	5,749
Financial assets	15	108,017		113,759	119,315
Cash and cash equivalents	19	271,860		11,273	202,496
Total current assets			**386,949**	**132,130**	**327,559**
Total assets			**1,742,099**	**1,560,237**	**1,775,028**
Current Liabilities					
Cash and cash equivalents	19	-		(576)	(583)
Trade and other payables	21	(386,246)		(128,322)	(331,872)
Total current liabilities			**(386,246)**	**(128,898)**	**(332,455)**
Non-current assets plus/less net current assets/liabilities			**1,355,853**	**1,431,339**	**1,442,573**
Non-current liabilities					
Provisions	22	(999)		(864)	(165)
Other payables	21	(1,294,403)		(1,365,520)	(1,366,489)
Total non-current liabilities			**(1,295,402)**	**(1,366,384)**	**(1,366,654)**
Assets less liabilities			**60,451**	**64,955**	**75,918**
Taxpayers' equity					
General fund			52,586	57,171	52,256
Revaluation reserve			7,865	7,784	23,662
Total taxpayers' equity			**60,451**	**64,955**	**75,918**

Hilary Jackson
Accounting Officer

11 July 2011

The notes on pages 47 to 78 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2011

	Note	2010/11 £000	2009/10 £000 *Restated*
Cash flows from operating activities			
Net operating cost		(13,413,842)	(13,111,406)
Adjustment for non-cash transactions	10,11	2,760	3,744
(Increase)/decrease in trade and other receivables	18	26	(1,349)
less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	18	-	-
Increase/(decrease) in trade payables	21	186,807	(11,765)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	21	(180,090)	5,177
Use of provisions	22	(272)	(153)
Machinery of Government		-	1,222,014
Net cash outflow from operating activities		**(13,404,611)**	**(11,893,738)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(315)	(489)
Purchase of intangible assets		-	(11)
Proceeds of disposal of property, plant and equipment		-	82
Loans to other bodies	15	(36,900)	(113,103)
(Repayment) from other bodies	15	113,759	119,628
Net cash outflow from investing activities		**76,544**	**6,107**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		13,666,308	11,701,812
From the Consolidated Fund (non-supply)		2,783	2,634
Loans received from the National Loans Fund	15	36,900	113,103
Repayments of loans from the National Loans Fund	15	(113,759)	(119,628)
Net financing		**13,592,232**	**11,697,921**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**264,165**	**(189,710)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		29	182
Payments of amounts due to the Consolidated Fund		(3,031)	(1,687)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**261,163**	**(191,215)**
Cash and cash equivalents at the beginning of the period	19	10,697	201,912
Less cash and cash equivalents at the end of the period	19	271,860	10,697
Net (increase)/decrease in cash and cash equivalents		261,163	(191,215)

The notes on pages 47 to 78 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Note	General Fund *Restated* £000	Revaluation Reserve *Restated* £000	Total Reserves *Restated* £000
Balance at 1 April 2009		**52,256**	**23,662**	**75,918**
Changes in taxpayers equity for 2009/10				
Net gain/(loss) on revaluation of property, plant and equipment		-	(15,905)	(15,905)
Net gain/(loss) on revaluation of intangible assets		-	26	26
Non-cash charges – cost of capital		2,458	-	2,458
Non-cash charges - auditor's remuneration	10, 11	17	-	17
Non-cash charges - other notional	10, 11	-	-	-
Transfers between reserves		-	-	-
Machinery of Government transfers		1,222,017	-	1,222,017
Net operating cost for the year		(13,111,406)	-	(13,111,406)
Total recognised income and expense for 2009/10		**(11,886,914)**	**(15,879)**	**(11,902,793)**
Net Parliamentary Funding - drawn down		11,701,812	-	11,701,812
Net Parliamentary Funding - deemed		200,225	-	200,225
Consolidated Fund Standing Services		2,767	-	2,767
Supply payable(receivable) adjustment		(7,667)	-	(7,667)
Excess Appropriations-in-Aid		-	-	-
CFERs payable to the Consolidated Fund		(2,849)	-	(2,849)
		11,894,288	**-**	**11,894,288**
Balance at 31 March 2010		**59,630**	**7,783**	**67,413**
Changes in accounting policy		(2,458)	-	(2,458)
Restated balance at 1 April 2010		**57,172**	**7,783**	**64,955**
Changes in taxpayers equity for 2010/11				
Net gain/(loss) on revaluation of property, plant and equipment		-	85	85
Net gain/(loss) on revaluation of intangible assets		-	(3)	(3)
Non-cash charges - auditor's remuneration	10, 11	56	-	56
Non-cash charges - other notional	10, 11	-	-	-
Transfers between reserves		-	-	-
Machinery of Government transfers		3	-	3
Net operating cost for the year		(13,413,842)	-	(13,413,842)
Total recognised income and expense for 2010-2011		**(13,413,783)**	**82**	**(13,413,701)**
Net Parliamentary Funding - drawn down		13,666,308	-	13,666,308
Net Parliamentary Funding - deemed		7,667	-	7,667
Consolidated Fund Standing Services		2,868	-	2,868
Supply payable/(receivable) adjustment		(264,797)	-	(264,797)
Excess Appropriations-in-Aid		(2,849)	-	(2,849)
		13,409,197	**-**	**13,409,197**
Balance at 31 March 2011		**52,586**	**7,865**	**60,451**

The General Fund serves as the chief operating fund and is used to account for all financial resources except those required to be accounted for in a another fund. The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

The notes on pages 47 to 78 form part of these accounts.

Notes to the Departmental Resource Accounts

Statement of accounting policies

The financial statements have been prepared in accordance with the 2010/11 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Northern Ireland Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare 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 Department's date of transition to the adoption of IFRS 1 was 1 April 2008.

1.1 Accounting convention

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

The accounts are stated in sterling, which is the Department's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

1.2 Property, plant and equipment

Property, plant and equipment comprise heritage assets (including antiques), vehicles, plant and machinery, computer equipment and assets under construction.

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

In addition, the NIO occupies a number of properties within the Northern Ireland Executive Estate and the Civil Estate in Great Britain for which rent is paid. Terms of occupancy of these buildings are outlined in agreements known as the Memoranda of Terms of Occupancy (MOTOs).

Consolidation of asset categories

The property, plant and equipment note requires the amalgamation of asset categories under the Vehicles, Plant and Machinery heading. The asset categories represented by this heading include:

- Plant and machinery
- Motor vehicles
- Furniture and fittings
- Office equipment
- Security equipment

1.3 Valuation of property, plant and equipment

Property, plant and equipment are stated at the lower of replacement cost and recoverable amount. All non-heritage property, plant and equipment are restated to current value each year by reference to indices compiled by the Office for National Statistics (ONS)

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 property, plant and equipment of over £1,000 is capitalised. Within the Core Department the grouping of a range of property, plant and equipment has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

In compliance with IAS 16, 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 property, plant and equipment are charged to the Statement of Net Comprehensive Expenditure. Any subsequent revaluation of assets is credited to the Statement of Net Comprehensive Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense in the Statement of Net Comprehensive Expenditure.

1.4 Depreciation

All property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. 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
Vehicles, plant and machinery	3 - 25 years
Computer equipment	3 - 16 years
Assets under construction	No depreciation
Intangible assets (software licences)	2 - 10 years

1.5 Realised Element of Depreciation from Revaluation Reserve

Depreciation is charged to expenditure on the re-valued amount of property, plant and equipment. An element of depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on disposal and is transferred from the Revaluation Reserve to the General Fund.

1.6 Donated assets

The Department does not have any donated assets.

The Department does hold a number of “works of art” which are not on the NIO’s Statement of Financial Position. 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.

1.7 Intangible assets

Expenditure on computer software licenses lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets. Software licences are amortised over the shorter of the term of the licence and the useful economic life. Software licences are revalued annually using indices provided by the ONS.

1.8 Heritage assets

In accordance with the Financial Reporting Manual (FReM) as issued by HM Treasury, heritage assets are capitalised and recognised in the Statement of Financial Position at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Such items are depreciated as set out in Note 1.4 and subject to quinquennial professional valuations, with indices supplied by the Land and Property Services used in the intervening years.

1.9 National Loans Fund

The NIO administers loans from the National Loans Fund (NLF), as required by the Northern Ireland (Loans) Act 1975 and 1985, on behalf of the Secretary of State for Northern Ireland. During 2010/11 the NIO on-lent £36,900,000 (2009/10: £113,103,000) to the Department of Finance and Personnel for further distribution, and a repayment of £113,758,613 (2009/10: £119,628,450) principal and £91,035,880 (2009/10: £97,519,149) interest was received. The outstanding principal balance on the NLF as at 31 March 2011 was £1,402,420,265 (2009/10: £1,479,278,878) 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 1975.

1.10 Work in progress

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 accounts to reflect work completed to date. Outstanding balances at the year-end are represented in the receivables figure on the Statement of Financial Position.

1.11 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).

Further details regarding the above schemes are contained in Note 9 to the Accounts.

1.12 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.

1.13 Financing and Operating income

Financing

The Department is primarily resourced by funds approved by Parliament through the annual Supply process. Resources are drawn down each month to meet expenditure requirements.

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 and National Loans Fund interest. This income is netted off gross expenditure in the Statement of Parliamentary Supply. Operating income also includes charges provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

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

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

- Administration costs
- Programme costs

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

1.14 Administration and Programme expenditure

The Statement of Net Comprehensive Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure as administration or as programme follows the definitions set out in HM Treasury's *Consolidated Budgeting Guidance*. Broadly, administrative expenditure reflects the costs of running the Department while programme costs relate directly to service delivery activities.

1.15 Grants payable and paid

The Department recognises the grant due to its executive Non-Departmental Public Body, the Northern Ireland Human Rights Commission, in the period in which it is paid.

The Department also makes a small number of grants to a variety of public sector, private sector and voluntary bodies and these are recognised in the period in which they are paid.

1.16 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 the Department of Finance and Personnel (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 under Request for Resources 2.

The Department recognises these grants when received.

1.17 Leases

Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the Statement of Net Comprehensive Expenditure on a straight-line basis over the period of the lease.

1.18 Provisions

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

1.19 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* 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 IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.20 Prior Period Adjustments

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge and the FReM adaption of IAS 36, Impairment of assets were not included in Spring Supplementary Estimates for 2010/11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009/10 are shown in 1.21. PPAs arising from a change in accounting policy were included in the Estimates in line with conventional arrangements.

1.21 Prior Period Adjustments – Statement of Parliamentary Supply

The removal of the cost of capital charge and the adaptation of IAS *36, Impairment of assets* has the following effect on Resource outturn in 2009/10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	2009/10 **£000**
Net Resource Outturn (Statement of Parliamentary Supply)	13,113,946
Removal of the cost of capital charge	(2,458)
Adaptation of IAS 36, *Impairment of assets*	-
Adjusted Net Resource Outturn	13,111,488

1.22 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.

1.23 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 non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.24 Insurance

Only insurance costs in respect of motor vehicles are charged to the Statement of Net Comprehensive Expenditure.

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 Statement of Net Comprehensive Expenditure. Instead, expenditure in connection with uninsured risks is charged as incurred.

1.25 Notional charges

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

1.26 Staff Costs

Under IAS19 *Employee Benefits*, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the costs of any untaken leave as at the year end. The cost of untaken leave has been determined using data from staff leave records.

1.27 Financial Instruments

Recognition and de-recognition of financial assets and financial liabilities

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when, and only when, the Department becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Department no longer has rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management. Financial assets held in this category are initially recognised and subsequently measure at fair value, with changes in value recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

Loans and receivables

Loans and receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the Statement of Net Comprehensive Expenditure in a manner which most appropriately reflects the nature of the item or transaction.

Trade and other receivables

Financial assets within trade and other receivables are recognised at fair value, which is usually the original invoiced amount. Provisions for bad debt are made specifically where there is objective evidence of a dispute or inability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts.

Impairment of financial assets

The Department assesses at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Net Comprehensive Expenditure. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is only reversed if it can be related objectively to an event after the impairment was recognised and is reversed to the extent that carrying value of the asset does not exceed its amortised cost at the date of reversal.

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

Impairment losses are recognised in the Statement of Net Comprehensive Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. If a financial asset is deemed unrecoverable, the amount of the asset is reduced directly and the impairment loss recognised in the Statement of Net Comprehensive Expenditure to the extent a provision was not previously recognised.

Financial Liabilities

Trade and other payables

Financial liabilities within trade and other payables are recognised at fair value, which is usually the original invoiced amount.

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transactions costs. Where loans and other borrowings contain a separable embedded derivative, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the loan or borrowing. The fair value of the embedded derivative and the loan or borrowing is recorded separately on initial recognition.

1.29 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Department's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts are discussed below.

(i) – Depreciation of non-current assets
Depreciation is provided in the consolidated accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.4.

(ii) – Impairment of non-current assets
Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

(iii) – Provisions for compensation
Provisions have been made for compensation which will be payable at a future date. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(iv) – Work in Progress
The Crown Solicitor Office recognises the income relating to the cost of solicitor activity in relation to cases that have not completed at the reporting date. This is an estimate of the fees earned as a result of work undertaken up to the reporting date using the appropriate charge-out rates and unbilled time charges. Any differences between the amount charged to the client upon the completion of the case and the value recognised as work in progress will be accounted for in the accounting period when the client invoice is raised.

1.30 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2011

The Department implemented IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) with the date of transition to IFRS being 1 April 2008 for the purposes of preparing the opening IFRS statement of financial position.

The following standards had a material impact on the financial statements:

- IAS 19 - Employee Benefits;
- IFRIC 12 - Service Concession Arrangements; and
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

The Department has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2010/11 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the Department's financial position or results.

1.31 Accounting standards, interpretations and amendments to published standards not yet effective

The NIO has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that any Standards or Interpretations that have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

1.32 Machinery of Government Changes

Machinery of Government changes which involve the transfer of functions or responsibilities between two or more government departments are accounted for in accordance using merger accounting in accordance with FReM. The prior year comparatives are restated as if the current departmental structure had always existed in its present form.

2. Analysis of net resource outturn by section

							2010/11 £000		2009/10 £000
						Outturn		Estimate	Prior-year Outturn
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total Outturn Compared with estimate: saving/ (excess)	Net Total
Request for Resources 1									
Spending in Departmental Expenditure Limits (DEL)									
Northern Ireland Office	22,317	21,411	-	43,728	(4,950)	38,778	38,773	(5)	37,429
NIO (now Northern Ireland Executive following devolution)	-	-	-	-	-	-	-	-	1,238,557
Northern Ireland Human Rights Commission	-	-	1,638	1,638	-	1,638	1,644	6	1,657
Spending in Annually Managed Expenditure (AME)									
Northern Ireland Office	-	407	-	407	-	407	407	-	303
Total RfR1	**22,317**	**21,818**	**1,638**	**45,773**	**(4,950)**	**40,823**	**40,824**	**1**	**1,277,946**
Request for Resources 2									
Non-budget									
Grants to the Northern Ireland Consolidated Fund	-	-	13,373,000	13,373,000	-	13,373,000	15,253,000	1,880,000	11,836,000
European Institutions (net)	-	-	-	-	-	-	1	1	-
Total RfR2	**-**	**-**	**13,373,000**	**13,373,000**	**-**	**13,373,000**	**15,253,001**	**1,880,001**	**11,836,000**
Resource Outturn	**22,317**	**21,818**	**13,374,638**	**13,418,773**	**(4,950)**	**13,413,823**	**15,293,825**	**1,880,002**	**13,113,946**

To ensure consistency with the Statement of Parliamentary Supply, the prior year outturn figures have not been adjusted to reflect the transfer of resources from RfR 1 to RfR 2 to reflect the transfer of policing and justice functions to the Northern Ireland Executive following Stage 2 devolution from 12 April 2010.

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

A saving of £1,880m was made on the net total outturn compared to estimate, resulting from an underspend in the funding requirement of the Northern Ireland Consolidated Fund, which is used to fund expenditure for the Northern Ireland Executive.

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

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

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2010/11 £000 Outturn	2010/11 £000 Supply Estimate	2010/11 £000 Outturn compared with Estimate: saving/ (excess)	2009/10 £000 *Restated* Outturn
Net Resource Outturn	2	13,413,823	15,293,825	1,880,002	13,113,946
Prior period adjustments	1.21	-	-	-	(2,458)
Non-supply income(CFERs) (Note a)	5	(2,849)	-	2,849	(2,849)
Non-supply Expenditure *(Note b)*	11	2,868	-	(2,868)	2,767
Net Operating Cost		**13,413,842**	**15,293,825**	**1,879,983**	**13,111,406**

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 Statement of Net Comprehensive Expenditure.

See also Note 31 for further details of the restated balances for 2009/10.

Notes:

a. Operating Income payable to Consolidated Fund is included as income in the Statement of Net Comprehensive Expenditure.

b. Non-supply expenditure comprises costs in respect of Chief Electoral Officer and election expenses funded directly by the Consolidated Fund and expenditure from non-supply funding.

3.2 Outturn against final Administration Budget

	2010/11 £000 Budget	2010/11 £000 Outturn	2009/10 £000 *Restated* Outturn
Gross Administration Budget	22,533	22,317	21,817
Income allowable against the Administration Budget	(4,390)	(7,274)	(6,437)
Net outturn against final Administration Budget	**18,143**	**15,043**	**15,380**

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2010/11 £000 Net Total Outturn compared with estimate: saving/(excess)
Resource Outturn	2,3	15,293,825	13,413,823	1,880,002
Capital:				
Acquisition of non-current assets:	13,14	5,716	287	5,500
Accruals adjustments:				
Non-cash items	10	(2,100)	(2,675)	613
Changes in working capital other than cash		59,027	(2,529)	61,447
Use of provision	22	(78)	272	(350)
Net cash requirement		**15,356,390**	**13,409,178**	**1,947,212**

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

5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund

	Forecast 2010/11 £000 Income	Forecast 2010/11 £000 *Receipts*	Outturn 2010/11 £000 Income	Outturn 2010/11 £000 *Receipts*
Operating income and receipts – excess A in A	-	-	2,849	*2,849*
Other operating income and receipts not classified as A in A	-	-	-	-
			2,849	*2,849*
Other non-operating income and receipts not classified as A in A	-	-	29	*29*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
	-	-	2,878	*2,878*
Total income payable to the Consolidated Fund	**-**	**-**	**2,878**	***2,878***

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

	Note	2010/11 £000	2009/10 £000 Restated
Operating income	12	7,798	7,520
Income authorised to be appropriated in aid		(4,950)	(22,356)
Machinery of Government		-	17,685
Operating income payable to the Consolidated Fund	**5**	**2,849**	**2,849**

7. Consolidated Fund Income

The Department does not act as an agent of the Consolidated Fund and therefore does not publish a separate Trust statement.

8. Non-Operating Income – Excess A in A

The Department did not have any non-operating income. (2009/10 £902k)

9. Staff numbers and related costs

a. Staff costs comprise:

	2010/11 £000					2009/10 £000 *Restated*
	Total	**Permanently Employed Staff**	**Others**	**Ministers**	**Special Advisors**	**Total**
Wages and salaries	12,071	11,467	405	95	104	**11,065**
Social security costs	1,204	1,181	2	9	11	**834**
Other pension costs	2,075	2,055	-	-	21	**1,833**
Sub Total	**15,350**	**14,703**	**407**	**104**	**136**	**13,732**
Less recoveries in respect of outward secondments	(56)	(56)	-	-	-	**-**
Total net costs*	**15,294**	**14,631**	**407**	**120**	**136**	**13,732**

*Of the total, £0 (2009/10: £0) has been charged to capital

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

For 2010/11, total employers' contributions of £1,862,942 (2009/10: £2,061,928) were payable to the PCSPS (NI) and PCSPS at rates in the range 16.7 to 24.3 per cent of pensionable pay for PCSPS and 18 to 25 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 and PCSPS (NI) schemes actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,698 (2009/10: £0) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2009/10: 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 (2009/10: 0.8 per cent) of the individuals pensionable earnings were payable to the PCSPS and 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 reporting date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

3 persons (2009/10: 2 persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £18,679 (2009/10: £3,090).

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 other bodies included within the Departmental resource account (including senior management, ministers, special advisors, staff on secondment or loan into the Department and agency/temporary staff, but excluding staff on secondment to other organisations).

					2010/11	2009/10 Restated
	Total	**Permanent Staff**	**Others**	**Ministers**	**Special Advisors**	**Total**
Northern Ireland Office department staff	160	151	6	2	1	169
Other staff**	178	153	25	-	-	189
Total*	338	304	31	2	1	**358**

*No staff members were engaged on capital projects. (2009/10: Nil)

**Other staff includes those working in the NIO's associated bodies included within the departmental accounting boundary. (See note 30)

9.1 Reporting of Civil Service and other compensation schemes - exit packages [9]

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£100,000	- (-)	- (-)	- (-)
£100,000-£150,000	- (-)	- (-)	- (-)
£150,000-£200,000	- (-)	1 (-)	1 (-)
£200,000-£250,000	- (-)	- (-)	- (-)
£250,000-£300,000	- (-)	1 (-)	1 (-)
Total number of exit packages	**- (-)**	**2 (-)**	**2 (-)**
Total resource cost /£		**417,349(-)**	**417,349 (-)**

[9] Data shown in brackets is comparative data for previous year

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of the departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service Pension scheme. Ill-health retirement costs are met by the Department and are not included in the table.

10. Other Administration Costs

	Note	2010/11 £000	2009/10 *Restated* £000
Rentals under operating leases:			
Hire of plant and machinery		36	60
Other operating leases		1,300	1,561
		1,336	**1,621**
Non-cash items (Note a):			
Depreciation and amortisation of non-current assets:			
Property, plant and equipment	13	1,608	1,776
Intangible assets	14	163	53
(Profit)/Loss on disposal of non-current assets	13,14	3	13
Permanent diminution	13,14	81	(26)
Auditor's remuneration and expenses		48	17
Provisions:			
Provided in year	22	14	400
		1,917	**2,233**
Other expenditure:			
Auditor's remuneration and expenses		19	-
All other expenditure		6,551	5,834
		6,570	**5,834**
Total		**9,823**	**9,688**

11. Programme Costs

	Note	2010/11 £000	2009/10 £000 Restated
Current grants and other expenditure – RfR 1		18,410	24,231
Northern Ireland Consolidated Fund – RfR 2			
Grant in aid		13,373,000	13,082,496
National Loans Fund interest		91,036	97,519
EU grants		43,931	44,218
		13,507,967	**13,224,233**
Rentals under operating leases:			
Hire of plant and machines		11	16
Other operating leases		1,476	2,303
		1,487	**2,319**
Non-cash items:			
Depreciation	13	242	878
Amortisation	14	56	73
Permanent Diminution	13,14	9	(74)
(Profit)/Loss on disposal of non-current assets	13,14	50	50
Provisions:			
Provided in year	22	483	463
Written back in year	22	(90)	(12)
Consolidated Fund Standing Services (note a)		85	133
Auditor's remuneration and expenses		8	-
		843	**1,511**
Consolidated Fund Standing Services		2,783	2,634
Programme costs		**13,531,490**	**13,254,928**
Less: programme income	12.1	(135,491)	(160,505)
Total		**13,395,999**	**13,094,423**

Note:

a. By statute the remuneration and associated employers' earnings-related National Insurance Contributions of the Chief Electoral Officer (CEO) are met directly from the Consolidated Fund, rather than Parliamentary Supply. These costs are included under Other Programme Costs and are referred to as Consolidated Fund Standing Services. As the cash does not pass through the Department's accounts, the expenditure is accounted for as a non-cash item.

Pension benefits for the CEO for Northern Ireland are on a broadly by-analogy to the Principal Civil Service Pension Scheme (PCSPS) basis. This provides for benefits on a final salary basis accruing at $1/80^{th}$ of pensionable salary for each year of service and an automatic lump sum of three 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 Pensions Increase legislation. The actual payments come from the Consolidated Fund under section 14(8) of the Electoral Law Act (NI) 1962.

12. 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 2010/11, all operating income not classified as A in A was within public expenditure.

12.1 Analysis of operating income

	2010/11 £000	2009/10 £000 Restated
Administration income:		
RfR 1		
Fees and charges to external customers	151	251
Fees and charges to other departments	7,121	6,186
Royalties	2	-
	7,274	**6,437**
Programme income:		
RfR 1		
Recovery of costs - International Bodies	369	466
Other	155	617
	524	**1,083**
RfR 2		
National Loans Fund interest	91,036	97,519
Income from EU for NI programmes	43,931	44,218
Machinery of government	-	17,685
	134,967	**159,422**
Total	**142,765**	**166,942**

12.2 Fees and charges

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

	2010/11 £000			2009/10 £000 *Restated*		
	Income	**Full Cost**	**Surplus/ (deficit)**	**Income**	**Full Cost**	**Surplus/ (deficit)**
Crown Solicitor's Office	6,990	(5,391)	1,599	6,039	(5,237)	802
Total	**6,990**	**(5,391)**	**1,599**	**6,039**	**(5,237)**	**802**

In accordance with Managing Public Money, the Department is required to disclose results for the areas of its activities where fees and charges are made. The foregoing analysis not intended to meet the requirements of IFRS 8 Segmental Reporting, which is not applicable to the Department under the Financial Reporting Manual (FreM).

The Crown Solicitor's Office (CSO) generates income for legal work undertaken for all clients other than the Northern Ireland Office, for which no charges are made. The financial objective is to recover all costs associated with delivering these services. A schedule of fees is determined at the beginning of each financial year based on estimated costs and forecast activity levels.

The CSO has reported an over recovery of costs mainly as a result of considerably higher than expected activity in a particular case type. In light of this, and to reflect process efficiency improvements in the delivery of these cases, the Office reduced the relevant fees by 5% from 01 September 2010 and by a further 15% from 01 April 2011.

13. Property, plant and equipment

	Heritage Assets & Antiques £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation					
At 1 April 2010	64,544	2,112	3,611	506	**70,773**
Additions	-	103	19	165	**287**
Disposals	-	(35)	(114)	-	**(149)**
Transfers to Intangibles	-	-	-	(250)	**(250)**
Transfers to PPE	-	-	256	(256)	-
Transfers MOG	-	(1)	(3)		**(4)**
Permanent diminution	-	(9)	(107)	-	**(116)**
Revaluations (note a&b)	174	127	(41)	-	**260**
At 31 March 2011	**64,718**	**2,297**	**3,621**	**165**	**70,801**
Depreciation					
At 1 April 2010	4,581	1,146	2,662	-	**8,389**
Op balance adjustment	-	-	-	-	**-**
Revised opening balance	4,581	1,146	2,662	-	**8,389**
Charged in year	1,147	225	477	-	**1,849**
Disposals	-	(14)	(82)	-	**(96)**
Transfer to MOG	-	(1)	(7)	-	**(8)**
Permanent diminution	-	(4)	(23)	-	**(27)**
Revaluations (note a&b)	132	85	(40)	-	**177**
At 31 March 2011	**5,860**	**1,437**	**2,987**	**-**	**10,284**
Net book value at 31 March 2011	**58,858**	**860**	**635**	**165**	**60,518**
Net book value at 31 March 2010	**59,963**	**966**	**949**	**506**	**62,384**

All of the assets above are fully owned; no finance arrangements are in place.

13. Property, plant and equipment (continued)

	Heritage Assets & Antiques £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total Restated £000
Cost or valuation					
At 1 April 2009	81,104	2,018	4,311	448	**87,881**
Additions	-	182	34	83	**299**
Disposals	(82)	(154)	(1,189)	-	**(1,425)**
Completed assets under construction	-	-	25	(25)	**-**
Permanent diminution	-	-	101	-	**101**
Revaluations *(Note a)*	(16,477)	65	329	-	**(16,083)**
At 31 March 2010	**64,544**	**2,112**	**3,611**	**506**	**70,773**
Depreciation					
At 1 April 2009	3,831	1,021	2,341	-	**7,193**
Charged in year	1,266	189	1,199	-	**2,654**
Disposals	-	(98)	(1,182)	-	**(1,280)**
Revaluations	(516)	34	304	-	**(178)**
At 31 March 2010	**4,581**	**1,146**	**2,662**	**-**	**8,389**
Net book value at 31 March 2010	**59,963**	**966**	**949**	**506**	**62,384**
Net book value at 31 March 2009	**77,272**	**998**	**1,970**	**448**	**80,688**
Asset financing:					
Owned	59,963	966	949	506	**62,384**
Net book value at 31 March 2010	**59,963**	**966**	**949**	**506**	**62,384**

Notes:

a. Hillsborough Castle and its contents, has been valued by the LPS and an independent estate agent for the purposes of these accounts. The next valuation by the LPS will be effective from 1 April 2011.

b. Heritage assets and antiques comprise Hillsborough Castle and its surrounding estate. It has historical importance as the principal seat in Ireland of the Marquessses of Downshire for well over 200 years. The present building dates from the 1770s with 19th and 20th century additions. It passed into public ownership in the 1920s and was used, until direct rule, as the residence of the Governors of Northern Ireland. Currently, the Castle is the venue for official functions including supporting many Royal and other distinguished visitors and is also open to the public in the summer months.

14. Intangible assets

The Department's intangible assets comprise purchased software licences with a finite life.

	2010/11 £000	2009/10 Restated £000
Cost or valuation		
Opening balance	1,461	1,342
Additions	-	11
Transfer from Assets Under Construction	250	-
Disposals	(61)	(75)
Transfers	(7)	-
Permanent diminution	(5)	-
Revaluation	(29)	183
Closing balance	**1,609**	**1,461**
Amortisation		
Opening balance	1,258	1,050
Charged in year	218	126
Disposals	(61)	(75)
Transfers	(6)	-
Permanent diminution	(3)	-
Revaluation	(26)	157
Closing balance	**1,380**	**1,258**
Net book value at 31 March 2011	**229**	
Net book value at 31 March 2010	**203**	

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

15. Financial Instruments

Department of Finance & Personnel On-lent National Loans Fund Loans

	2010/11 £000	2009/10 £000
Balance at 1 April	1,479,279	1,485,804
Additions	36,900	113,103
Repayments	(113,759)	(119,628)
Balance at 31 March	**1,402,420**	**1,479,279**

The balances within Core Department represent the principal element of National Loans Fund advances on lent by the Secretary of State for Northern Ireland to the Northern Ireland Executive. Interest has been excluded from the disclosure due to the disproportionate amount of work required to calculate an accurate figure, which has as overall nil net impact on the Statement of Financial Position.

The balances above can be further analysed as:

	2010/11 £000	2009/10 £000
Current assets	108,017	113,759
Non-current assets	1,294,403	1,365,520
Balance at 31 March	**1,402,420**	**1,479,279**

IFRS 7 *Financial Instruments: Disclosures* requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the non-trading nature of its activities and the way in which Government Departments are financed, the Northern Ireland Office is not exposed to the degree of financial risk faced by business entities.

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

Classification of financial instruments

All departmental financial instruments are measured at amortised cost. The Department's financial assets are classified as loans and receivables and comprise trade and other receivables (Note 18) and cash and cash equivalents (Note 19). The Department's financial liabilities comprise payables excluding tax assets, accruals and deferred income (Note 22). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. The Department recognises the components of net gain/loss through the Statement of Net Comprehensive Expenditure. Interest on financial instruments is recognised in finance costs (Note 11) under Programme Costs.

Risk Management

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

Credit risk

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

Liquidity risk

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

Currency Risk

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

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

Interest Rate Risk

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

16. Impairments

The Department did not have any fixed asset impairments.

17. Inventories

The Department does not hold any inventories

18. Trade receivables and other current assets

	2010/11 £000	2009/10 £000 *Restated*
Amounts falling due within one year:		
Trade receivables	1,736	1,453
Work in progress	4,333	3,769
Other receivables	91	713
Prepayments and accrued income	912	1,163
	7,072	**7,098**
Amounts falling due after more than one year:	-	-
Total	**7,072**	**7,098**

18.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010/11 £000	2009/10 £000 *Restated*	2010/11 £000	2009/10 £000 *Restated*
Balances with other central government bodies	6,146	5,935	-	-
Balances with local authorities	129	-	-	-
Balances with public corporations and trading funds	13	-	-	-
Subtotal: Intra-government balances	6,288	5,935	-	-
Balances with bodies external to government	784	1,163	-	-
Total Debtors at 31 March	**7,072**	**7,098**	-	-

19. Cash and cash equivalents

	2010/11 **£000**	**2009/10** **£000**
Balance at 1 April	10,697	201,912
Net change in cash balance	261,163	(191,215)
Balance at 31 March	**271,860**	**10,697**
The following balances at 31 March are held at:		
Government Banking Service	266,648	15,683
Commercial banks and cash in hand	5,212	(4,986)
Balance at 31 March	**271,860**	**10,697**

20. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2010/11 **£000**	**2009/10** **£000**
Net Cash requirement	(13,409,178)	(13,120,205)
From the Consolidated Fund(Supply) – current year	13,666,308	11,701,812
Amounts due to the Consolidated Fund received and paid over	(3,031)	(1,687)
Amounts due to the Consolidated Fund received and not yet paid over	2,878	3,031
Amount payable to Department of Justice	4,186	-
Machinery of Government	-	1,225,834
Increase/(Decrease) in cash	**261,163**	**(191,215)**

21. Trade payables and other current liabilities

	2010/11 £000	2009/10 £000 *Restated*
Amounts falling due within one year:		
VAT	79	6
Trade payables	5,106	328
Other payables	41	-
Accruals and deferred income	5,327	3,502
Property, plant and equipment accruals	1	29
Current element of repayment of National Loans Fund	108,017	113,759
Amounts issued from the Consolidated Fund but not spent at year end	264,797	7,667
Consolidated Fund Extra Receipts received due to be paid to the Consolidated Fund	2,878	3,031
	386,246	**128,322**
Amounts falling due after more than one year:		
Repayment of National Loans Fund	1,294,403	1,365,520
	1,294,403	**1,365,520**
Total	**1,680,649**	**1,493,842**

21.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010/11 £000	2009/10 £000 *Restated*	2010/11 £000	2009/10 £000 *Restated*
Balances with other central government bodies	384,247	124,789	1,294,403	1,365,520
Subtotal: Intra-government balances	384,247	124,789	1,294,403	1,365,520
Balances with bodies external to government	1,999	3,534	-	-
Total Payables at 31 March	**386,246**	**128,322**	**1,294,403**	**1,365,520**

22. Provisions for liabilities and charges

	Early Departure Costs	Compen-sation Payments	Litigation Claims	2010/11 £000 Total	2009/10 £000 Total
Balance at 1 April	28	436	400	**864**	**166**
Provided in the year	417	-	80	**497**	**864**
Provisions not required written back	(13)	(77)	-	**(90)**	**(13)**
Provisions utilised in the year	(172)	(100)	-	**(272)**	**(153)**
Balance at 31 March	**260**	**259**	**480**	**999**	**864**

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

22.1 Early Departure Costs: £260k (2009/10: £28k)

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.

22.2 Compensation Payments: £259k (2009/10: £436k)

The Department provides for future obligations arising from all claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007 at the reporting date. All such claims will either be allowed or denied (including abandoned/withdrawn claims). The likely ratio of settled claims together with the potential average value of each allowed claim are estimated is including in arriving at the total expected future liability.

22.3 Provision for Litigation Claims: £480k (2009/10: £400k)

The litigation provision relates to claims against the Department by staff and third parties for damages including contractual supply 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.

23. Commitments under leases

23.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2010/11 £000	2009/10 £000 *Restated*
Obligations under operating leases for the following periods comprise:		
Buildings:		
Due within one year	1,273	2,101
Due after one year but not more than 5 years	158	1,202
Later than five years	4	-
	1,435	**3,303**
Other:		
Due within one year	77	97
Due after one year but not more than 5 years	27	68
Later than five years	-	-
	104	**165**
Total	**1,539**	**3,468**

23.2 Finance leases

The Department has no obligations under finance leases

24. Commitments under PPP/PFI contracts

The Department is not currently engaged in any PFI contracts or service concession arrangements

25. Other financial commitments

The Department has no financial commitments.

25.1 Financial Guarantees, Indemnities and Letters of Comfort

The Department has indemnified members of the public inquiries and commissions against any civil liability which is incurred in the execution of their functions, unless they acted recklessly and provided that they have acted in good faith. None of these indemnities represent contingent liabilities within the meaning of IAS 39 *Financial Instruments: Recognition and Measurement* since the likelihood of a transfer of economic benefit in settlement is too remote.

26.Contingent liabilities disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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.

(a) Employment and personnel cases

There are a number of cases pending against the Department for which it is not possible to quantify the liability and the expected date of settlement in respect of these cases at the reporting date.

The Parades Commission has a contingent liability in respect of Employer's national insurance contributions. The Parades Commission do not consider it probable that payment will be required to settle the obligation.

(b) Others

There are a small number of further cases pending against the Department or the Secretary of State for which it is not possible to quantify any potential liability

27. Losses and special payments

The Department has no material losses or special payments. (2009/10 £nil)

28. 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 the Northern Ireland Human Rights Commission, the Northern Ireland Parades Commission and the Boundary Commission for Northern Ireland.

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies.

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.

John King is a non-executive board member of Entrust. He is also a director in Abbey National Group Pension Trustees Ltd and National & Provincial BS Pension Fund Trustees Ltd as well as being a trustee of Scottish Mutual Assurance plc and Alliance & Leicester Pension Scheme. The Department had no transactions with these organisations.

29. Third-party assets

The Department does not hold as custodian or trustee monies belonging to third parties, over and above those monies disclosed in Note 19 Cash and cash equivalents.

30. Entities within the Departmental boundary

The entities within the boundary during 2010/11 were as follows:

Northern Ireland Parades Commission *
Boundary Commission
Chief Electoral Office
Civil Service Commissioners
Sentence Review Commission
Commission for the Location of Victims' Remains
Independent International Commission for Decommissioning
Independent Monitoring Commission*
District Electoral Areas Commissioner
Independent Reviewer of Justice and Terrorism Act
Office of the Surveillance Commissioner
Bloody Sunday Inquiry
Billy Wright Inquiry
Robert Hamill Inquiry
Rosemary Nelson Inquiry

*****Separate Annual Accounts are produced by these entities.

31. Corresponding amounts

During the financial year 2010/11, the following changes took place:

Machinery of Government Changes

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly. In line with the guidance contained in the Government Financial Reporting Manual (FReM), this has been accounted for in the 2010/11 Resource Accounts of the Northern Ireland Office, Department of Justice and Public Prosecution Service using merger accounting principles.

Any adjustments arising from the machinery of government changes have been taken through the General Fund.

Change in accounting policy

In accordance with guidance contained in FReM, cost of capital charging has been removed from the accounts with effect from 1 April 2010 for all public sector bodies. 2009/10 comparatives have been restate d accordingly to exclude cost of capital charges. Prior year expenditure included within Net Operating Cost decreased by £2,458k. These decreases were off-set by corresponding reductions in the level of notional charges against the General Fund.

Impact on Financial Statements

The tables below summarise the overall impact of the above on corresponding amounts in the Statement of Comprehensive Net Expenditure and Statement of Financial Position. 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.

Statement of Financial Position
as at 1 April 2009

	2008-09 Published Resource Accounts	Transfer to Department of Justice	Transfer to Public Prosecution Service	1 April 2009 *Restated*
	£000	£000	£000	£000
Non-current assets:				
Property, plant and equipment	377,415	(284,684)	(12,043)	**80,688**
Intangible assets	2,362	(1,708)	(362)	**292**
Trade and other receivables	1,597	(1,597)	-	**-**
Financial assets	1,368,942	(2,453)	-	**1,366,489**
Total non-current assets	**1,750,316**	**(290,442)**	**(12,405)**	**1,447,469**
Current assets:				
Assets classified as held for sale	1,287	(1,287)	-	**-**
Inventories	1,780	(1,780)	-	**-**
Trade and other receivables	15,142	(8,749)	(645)	**5,748**
Financial assets	119,726	(411)	-	**119,315**
Cash and cash equivalents	206,172	(3,676)	-	**202,496**
Total current assets	**344,107**	**(15,903)**	**(645)**	**327,559**
Total assets	**2,094,423**	**(306,345)**	**(13,050)**	**1,775,028**
Current Liabilities:				
Cash and cash equivalents	(4,260)	3,677	-	**(583)**
Trade and other payables	(369,591)	26,509	11,210	**(331,872)**
Total current liabilities	**(373,851)**	**30,186**	**11,210**	**(332,455)**
Non-current assets plus/less net current assets/liabilities	**1,720,572**	**(276,159)**	**(1,840)**	**1,442,573**
Non-Current Liabilities:				
Provisions	(81,741)	77,483	4,093	**(165)**
Other payables	(1,371,854)	4,444	921	**(1,366,489)**
Total non-current liabilities	**(1,453,595)**	**81,927**	**5,014**	**(1,366,654)**
Assets less liabilities	**266,977**	**(194,232)**	**3,174**	**75,919**
Taxpayer's Equity:				
General Fund	189,789	(141,341)	3,810	**52,257**
Revaluation Reserve	77,188	(52,891)	(636)	**23,662**
	266,977	**(194,232)**	**3,174**	**75,919**

Statement of Net Comprehensive Expenditure
For the year ended 31 March 2010

	2009/10 Published Resource Accounts	Transfer to Department of Justice	Transfer to Public Prosecution Service	Change in Policy	2009/10 *Restated*
	£000	£000	£000	£000	£000
Administration costs					
Staff costs	37,477	(23,464)	(1,884)	-	**12,129**
Other administration costs	26,698	(14,535)	(623)	(1,852)	**9,688**
Operating Income	(6,917)	480	-	-	**(6,437)**
Programme costs					
Request for Resources 1:					
Staff costs	126,695	(109,612)	(15,480)	-	**1,603**
Programme costs	1,112,199	(1,067,418)	(13,480)	(606)	**30,695**
Income	(18,288)	16,838	367	-	**(1,083)**
Request for Resources 2:					
Funding to Northern Ireland Executive	11,977,737	1,215,029	31,467	-	**13,224,233**
Income	(141,737)	(17,318)	(367)	-	**(159,422)**
Net Operating Cost for the year ended 31 March 2010	**13,113,864**	**-**	**-**	**(2,458)**	13,111,406

Statement of Financial Position

As at 31 March 2010

	2009/10 Published Resource Accounts	Transfer to Department of Justice	Transfer to Public Prosecution Service	1 April 2010 *Restated*
	£000	£000	£000	£000
Non-current assets:				
Property, plant and equipment	333,287	(258,971)	(11,932)	62,384
Intangible assets	2,408	(1,604)	(601)	203
Trade and other receivables	75	(75)	-	-
Financial assets	1,367,624	(2,104)	-	1,365,520
Total non-current assets	1,703,394	(262,754)	(12,533)	1,428,107
Current assets:				
Assets classified as held for sale	1,313	(1,313)	-	-
Inventories	1,901	(1,901)	-	-
Trade and other receivables	15,129	(7,163)	(868)	7,098
Financial assets	114,160	(401)	-	113,759
Cash and cash equivalents	18,782	(7,509)	-	11,273
Total current assets	151,285	(18,287)	(868)	132,130
Total assets	**1,854,679**	**(281,041)**	**(13,401)**	**1,560,237**
Current Liabilities:				
Cash and cash equivalents	(8,085)	7,509	-	(576)
Trade and other payables	(161,042)	24,846	7,874	(128,322)
Total current liabilities	(169,127)	32,355	7,874	(128,898)
Non-current assets plus/less net current assets/liabilities	**1,685,552**	**(248,686)**	**(5,527)**	**1,431,339**
Non-Current Liabilities:				
Provisions	(73,380)	67,369	5,147	(864)
Other payables	(1,369,375)	3,239	616	(1,365,520)
Total non-current liabilities	(1,442,755)	70,608	5,763	(1,366,384)
Assets less liabilities	**242,797**	**(178,078)**	**236**	**64,955**
Taxpayer's Equity:				
General Fund	204,874	(148,810)	1,107	57,171
Revaluation Reserve	37,923	(29,268)	(871)	7,784
	242,797	**(178,078)**	**236**	**64,955**

32. Events after the reporting date

There were no other events occurring after the reporting date that require disclosure. The accounts were authorised for issue on the same date the Comptroller and Auditor General certified the accounts

Annex

Additional financial and budgetary information

Changes to Northern Ireland Executive Departmental Expenditure Limit for 2009/10 to 2014/15 since PESA 2010

	2009/10 £m Outturn	2010/11 £m Provisional Outturn	2011/12 £m Plans	2012/13 £m Plans	2013/14 £m Plans	2014/15 £m Plans
Position at publication of PESA 2010 (Table 1.8) net of depreciation & impairments	9,810	9,516				
Depreciation & impairments	205	251				
Subtotal	**10,015**	**9,767**				
2010 Spending Review Settlement	0.0	0.0	10,740.1	10,717.9	10,707.7	10,789.2
Outturn adjustments	-478.9	-174.9	0.0	0.0	0.0	0.0
End Year Flexibility	0.0	217.1	0.0	0.0	0.0	0.0
Spending Policy:						
NIE share of £6 billion cuts	0.0	-127.8	0.0	0.0	0.0	0.0
Department of Justice	0.0	80.5	0.0	0.0	0.0	0.0
Modernisation Funding	0.0	10.4	0.0	0.0	0.0	0.0
Student Loans	0.0	50.0	0.0	0.0	0.0	0.0
2011 Budget - Apprenticeships	0.0	0.0	2.8	1.7	1.3	0.1
2011 Budget - Enterprise Zones	0.0	0.0	0.0	0.4	1.1	1.9
2011 Budget - Small Business Rates Relief	0.0	0.0	5.7	5.7	0.0	0.0
2011 Budget - University Technical Colleges	0.0	0.0	4.2	0.0	0.0	0.0
2011 Budget - First Buy	0.0	0.0	7.1	0.0	0.0	0.0
2011 Budget - Skills for young people	0.0	0.0	0.6	0.6	0.0	0.0
Interdepartmental transfers	1,380.5	1,355.1	-5.2	0.4	0.4	0.4
Classifications changes	0.0	1.2	1.2	1.3	1.3	1.4
Subtotal	***902***	***1,412***	***10,757***	***10,728***	***10,712***	***10,793***
Capital DEL plus Resource DEL	10,916	11,178	10,757	10,728	10,712	10,793
Less depreciation & impairments	283	279	351	370	357	356
Position at publication of PESA 2011 (Table 1.8) net of depreciation & impairments	**10,634**	**10,899**	**10,406**	**10,358**	**10,355**	**10,437**
Position at publication of PESA 2010 (Table 1.8) net of depreciation & impairments	9,810	9,516				
Depreciation & impairments	205	251				

Departmental Expenditure Limit - Northern Ireland Executive & Northern Ireland Office (1)

	2005/06 outturn £'000	2006/07 outturn £'000	2007/08 outturn £'000	2008/09 outturn £'000	2009/10 outturn £'000	2010/11 provisional outturn £'000	2011/12 plans £'000	2012/13 plans £'000	2013/14 plans £'000	2014/15 plans £'000
Northern Ireland Office Resource										
Northern Ireland Office Administration Costs	18,033	20,256	18,569	17,511	15,112	15,530	13,274	12,595	11,629	10,664
Northern Ireland Office - other(3)	27,513	38,185	34,376	44,792	31,022	14,302	11,755	11,647	11,714	10,626
Resource(3)	45,546	58,441	52,945	62,303	46,134	29,832	25,029	24,242	23,343	21,290
less depreciation & impairments	-1,229	-2,243	-2,122	-2,425	-2,836	-2,196	-2,062	-1,966	-1,869	-1,773
Northern Ireland Office Resource	44,317	56,198	50,823	59,878	43,298	27,636	22,967	22,276	21,474	19,517
Northern Ireland Office Capital										
Northern Ireland Office	1,177	1,915	846	1,033	301	8,280	390	341	291	241
Northern Ireland Office DEL (4) (5)	**45,494**	**58,113**	**51,669**	**60,911**	**43,599**	**35,916**	**23,357**	**22,617**	**21,765**	**19,758**
Northern Ireland Executive Resource	7,983,983	8,366,897	8,842,733	9,185,824	9,634,217	9,992,041	9,841,835	9,869,017	9,931,185	9,989,219
Northern Ireland Executive Capital	904,997	823,726	1,109,559	1,307,811	1,282,271	1,185,815	914,717	858,949	780,624	803,785
less depreciation & impairments	-196,154	-202,894	-214,009	-236,937	-282,590	-278,664	-351,027	-369,912	-356,723	-355,873
Northern Ireland Executive DEL(4)	**8,692,826**	**8,987,729**	**9,738,283**	**10,256,698**	**10,633,898**	**10,899,192**	**10,405,525**	**10,358,054**	**10,355,086**	**10,437,131**
Total Northern Ireland Block	**8,738,320**	**9,045,842**	**9,789,952**	**10,317,609**	**10,677,497**	**10,935,108**	**10,428,882**	**10,380,671**	**10,376,851**	**10,456,889**

(1) Totals may not sum due to roundings.
(2) Includes Budgetary Changes as a result of CLOS
(3) Including depreciation & impairments
(4) Resource + capital - depreciation & impairments

(5) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation & impairments. Therefore the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference being depreciation & impairments.

Grant payable to the Northern Ireland Consolidated Fund 2009/10

	Original Provision £million	Final Provision £million	Final Outturn £million
Departmental Expenditure Limit	9,473	10,235	10,194
Annually Managed Expenditure (inc Other AME & Regional Rates)	9,592	8,875	8,526
RRI Borrowing	317	246	246
Total Managed Expenditure (DEL, AME & Other AME)	**19,382**	**19,356**	**18,966**
Less:			
Non Cash charges	-3,058	-3,945	-2,662
Non Voted (DEL, AME & Other AME)	-8,942	-8,095	-9,339
Add: Voted Other Expenditure outside DEL	5,792	6,336	5,747
Adjustment for Prior year 2008/09			60
Adjustment for Prior year 2009/10			-30
Accruals to cash adjustment			-2
Supply Expenditure	**13,173**	**13,652**	**12,741**
Interest Payable	119	106	98
District Council Rates	414	455	446
Miscellaneous	1	1	1
Loans Repaid			149
Loans Issued			45
Temporary Investments			2,547
Advances From NI Consolidated Fund			20
NICF closing balance			0
Total Expenditure	**13,707**	**14,214**	**16,047**
Income			
Add in RRI	317	246	246
District Council Rates	414	455	961
Regional Rates	554	547	
Interest Receivable	110	99	98
NICF Loans repaid			109
Internal Departmental Funds			32
Temporary Investments			2,547
Repayment of Advances from the NICF			1
Miscellaneous receipts	**52**	**40**	**217**
of which:			
NICF Balance	0	1	1
Continental Shelf	2	0	0
Central Receipts	11	9	14
Excess Accruing Resources	28	24	78
CFERS	11	6	121
EU CFERS	0	0	4
Total Income	**1,446**	**1,387**	**4,211**
Grant payable to Northern Ireland Consolidated Fund	**12,261**	**12,827**	**11,836**

[1]Totals may not sum due to roundings

Grant payable to the Northern Ireland Consolidated Fund for 2010/11

	Original Provision £million	Final Provision £million
Departmental Expenditure Limit	9,754	11,330
Annually Managed Expenditure (inc Other AME & Reg Rates)	7,953	8,850
RRI Borrowing	271	241
Total Managed Expenditure (DEL, AME & Other AME)	**17,978**	**20,421**
Less:		
Non Cash charges	-1,645	-737
Non Voted (DEL, AME & Other AME)	-8,310	-10,465
Add: Voted Other Expenditure outside DEL	5,838	7,387
Supply Expenditure	**13,860**	**16,606**
Interest Payable	119	93
District Council Rates	414	455
Miscellaneous	8	8
Total Expenditure	**14,401**	**17,162**
Income		
Add in RRI	271	241
District Council Rates	414	455
Regional Rates	572	564
Interest Receivable	102	98
Miscellaneous receipts	**39**	**552**
of which:		
NICF Balance	*1*	*0*
Continental Shelf	*0*	*2*
Central Receipts	*9*	*0*
Excess Accruing Resources	*24*	*27*
CFERS	*6*	*522*
EU CFERS	*0*	*0*
Total Income	**1,399**	**1,909**
Grant payable to Northern Ireland Consolidated Fund	**13,002**	**15,253**

[1]Totals may not sum due to roundings

Grant payable to the Northern Ireland Consolidated Fund for 2011/12

	Original Provision £million
Departmental Expenditure Limit	10,757
Annually Managed Expenditure (inc Other AME & Reg Rates)	8,987
RRI Borrowing	200
Total Managed Expenditure (DEL, AME & Other AME)	**19,944**
Less:	
Non Cash charges	-1,812
Non Voted (DEL, AME & Other AME)	-10,068
Add: Voted Other Expenditure outside DEL	6,820
Supply Expenditure	**14,885**
Interest Payable	93
District Council Rates	455
Miscellaneous	8
Total Expenditure	**15,441**
Income	
Add in RRI	200
District Council Rates	455
Regional Rates	606
Interest Receivable	98
Miscellaneous receipts	**54**
of which:	
NICF Balance	0
Continental Shelf	2
Central Receipts	27
Excess Accruing Resources	25
CFERS	0
EU CFERS	0
Total Income	**1,413**
Grant payable to Northern Ireland Consolidated Fund	**14,027**

1Totals may not sum due to roundings

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