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# LABOUR RELATIONS AGENCY ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

*Laid before the Houses of Parliament by the Department for Employment and Learning  
in accordance with Paragraph 12(2) and 12(4) of the Schedule to the  
Northern Ireland Act 2000 and Paragraph 29 of the Schedule to the Northern Ireland Act 2000  
(Prescribed Documents) Order 2004*

30 November 2006

*Laid before the Northern Ireland Assembly under Paragraph 15(5) and  
Paragraph 116 of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992  
by the Department for Employment and Learning*

30 November 2006

*Ordered by the House of Commons to be printed*

30 November 2006





## Mission Statement

The Agency aims to be the leading organisation in Northern Ireland for improving employment relations. We will contribute to organisational effectiveness by providing, on a quality basis, impartial and independent services for promoting good employment practices and preventing and resolving disputes.

## Equality Statement

The Agency is fully committed to supporting the elimination of all forms of discrimination in employment and to using its services to help secure the objectives of fair employment, equality of opportunity and good relations. As a provider of services the Agency includes equality of treatment as a fundamental principle of good employment relations and best employment practice. As an employer the Agency seeks to ensure that its employment policies, procedures and practices conform to good practice as outlined in the relevant Codes of Practice.

The Agency is required, under Section 75 of the Northern Ireland Act 1998, to produce an Equality Scheme. The Agency's Equality Scheme was approved by the Equality Commission for Northern Ireland on 5 July 2001.

## Core Values

In delivering services the Agency will:

- be accessible;
- respond to customer needs;
- be open and accountable;
- act promptly;
- be professional;
- behave with integrity;
- maintain confidentiality;
- respect opinions.



22 June 2006

Dr Aideen McGinley  
Permanent Secretary  
Department for Employment and Learning  
Adelaide House  
39-49 Adelaide Street  
Belfast  
BT2 8FD

Dear Dr McGinley,

**Annual Report and Accounts of the Labour Relations Agency: 2005-2006**

In accordance with Article 16(1) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I have pleasure in submitting the Annual Report and Accounts of the Labour Relations Agency on its activities during the twelve month period ended 31st March 2006.

Yours sincerely



**Patrick McCartan**  
Chairman

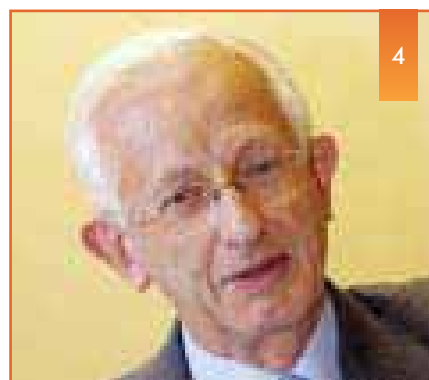
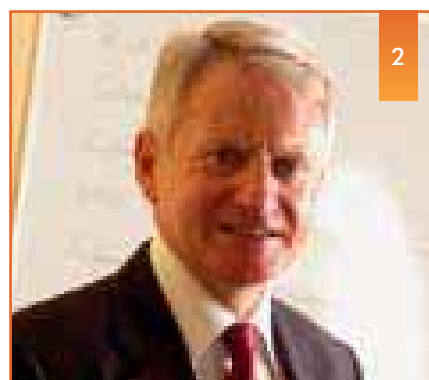


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# THE LRA BOARD



## 1. Patrick McCartan (Chairman)

Chairman of North and West Belfast Health and Social Services Trust and former Chairman of Co-Operation Ireland. Fellow of the Chartered Institute of Personnel and Development.

## 2. Dr Boyd Black

Senior Lecturer in the School of Management and Economics at Queen's University Belfast. He is Subject Leader in Economics and Business Economics, including employment relations. His research interests include comparative international employment relations, as well as the changing employment relations scene in NI.

## 3. Julie Anne Clarke

Associate Partner in Elliott Duffy Garrett Commercial Lawyers specialising in employment law.

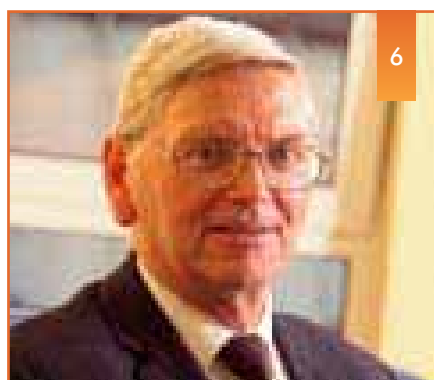
## 4. Harry Goodman OBE

Former Chief Executive of the Equality Commission for NI and prior to that Chief Executive of the Fair Employment Commission for NI. Member of the Council for Catholic Maintained Schools. Board Member of Stepping Stones (NI) Ltd.

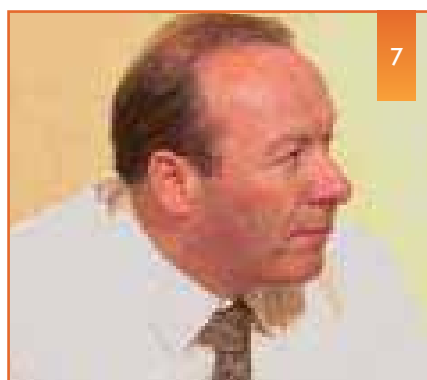
## 5. Norma Heaton

Senior Lecturer in Human Resource Management at the University of Ulster. Substantial record of research and publication in areas such as gender in the labour market and workplace partnerships. Member of the Chartered Institute of Personnel and Development and the Higher Education Academy.





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## 6. Jim McCusker

Former General Secretary of NIPSA and former member of the Northern Ireland Committee and the Executive Council of the Irish Congress of Trade Unions, Member of the European Economic and Social Committee, Council for Healthcare Regulatory Excellence, Economic Development Forum and Concordia.

## 7. Eugene McGlone

Deputy Regional Secretary of the Amalgamated Transport and General Workers' Union. Member and Vice-Chairman of the Northern Ireland Committee of the Irish Congress of Trade Unions. Formerly Regional Organiser of the ATGWU. Formerly a member of the Criminal Injuries Compensation Appeals Panel.

## 8. Gordon Milligan

Responsible for Human Resources within Nortel Networks' European Operations. Frequent lecturer at universities and conferences on the HR agenda.

## 9. Patricia O'Farrell

Teacher. Executive member of the Equality Committee, Irish National Teachers' Organisation. Formerly Chair and Vice-Chair of the Northern Ireland Committee, Irish National Teachers' Organisation. Member of the Northern Ireland Teachers' Council. Board Member of the Council for Curriculum Examinations and Assessment.

## 10. Roden Ward

Recently Head of Human Resources in the First Trust Bank where he had worked since 1991. Prior to that held managerial positions in human resources in both the public and private sectors in Northern Ireland. Fellow of the Chartered Institute of Personnel and Development.

## CHAIRMAN'S FOREWORD

It is my privilege to present the Annual Report and Accounts for the work of the Board of the Labour Relations Agency covering the period April 2005 to March 2006. The year has been marked by a number of high profile industrial disputes, and changes to the legislation and regulations governing our conciliation, mediation and arbitration services for outstanding individual claims asserting employment rights to Industrial and Fair Employment Tribunals. Also, the demands for our advisory and information services have continued to grow in numbers and complexity. These factors have combined to place special training and development demands on members of the Agency staff; however the dedication and skills of Agency staff continue to make Northern Ireland a better place in which to work.

Disputes in public services and utilities during the year, combined with approximately 10,000 outstanding individual cases at tribunals gives some measure of our workload. Owing to the introduction of new legislation (Employment Relations (Northern Ireland) Order 2003), we were required to prepare and publish new codes of practice. New individual rights have also added to our work. We are already preparing for age discrimination laws to be introduced later in 2006.

Our Board has been pleased to receive the continued support and encouragement of the social partners for our work throughout the past year. We rely on the social partners to help us with our policy development and good practice. The Northern Ireland Committee-ICTU and the CBI NI Branch do an excellent job in promoting positive employment relationships, in disseminating information, giving feedback and in participating in our events. We have further developed our co-operation and joint working with the Equality Commission for Northern Ireland, Invest NI, the Federation of Small Businesses and with the Chartered Institute of Personnel and Development. Our bi-annual conference held in April 2005 was well attended, with excellent speakers. A host of good ideas emerged for improving our services and for further developing good employment relations. All this would not have been possible but for the excellent co-operation received from our colleagues in the Labour Relations Commission Dublin, and ACAS, the Advisory, Conciliation and Arbitration Service.

The Agency has benefited from our international links by examining in detail the methods and legislative incentives used for promoting fast and effective conflict resolution and positive employment relations in workplaces in the US, the EU, Canada, South Africa, New Zealand and Australia. Our International colleague organisations assist us in benchmarking our methods, and in trying to promote greater involvement of the parties to disputes in solving problems within the workplace itself.

During the year our Board members made a significant contribution to leading employment relations for Northern Ireland. Apart from attending and contributing to all Board meetings and sub-committees, each of them specialised by leading a conference session and by contributing to Agency policy and strategy through the application of their specialist expertise. This work is greatly appreciated. We have finalised our new rolling corporate plan 2006-2009 having completed most of the major changes in improving our services arising from the 2003-2006 corporate plan, in so far as resources have allowed.

Above all we value the high level of trust, respect and co-operation invested in Agency staff from all with whom we interact - employees, unions, employers, large and small, public agencies, and government departments at all levels. But much more needs to be done to address the needs of the modern workplace. The Agency continues to be challenged in keeping up to date within an ever changing employment relations environment. Agency members of staff are in considerable demand to provide relevant services. We are using every means of communication to implement good workplace practice, respond to tribunal reforms, and improve our services in conflict resolution, arbitration, and third party intervention. There is no other more effective route to improving competitiveness, productivity and career opportunities in our workplaces.

The co-operation of the LRA Board, staff, and all of us engaged in employment relations is essential. Finally I wish to thank everyone for their hard work over the past year.



**Patrick McCartan**  
Chairman

# CHIEF EXECUTIVE'S INTRODUCTION

The financial year 2005-2006 was, in the main, a year of consolidation for the Agency. New members of staff recruited in the previous year have settled in well and made a considerable contribution to our work. We are now working to ensure a full establishment filled on a permanent basis.

At the beginning of the 2005/06 financial year the Agency was allocated £2.545m. Our final allocated spend for the year amounted to £2.965m. Of this £61K was spent on staff training in support of our efforts to maintain continuous improvement. This was a considerable increase in resource from the previous year. A Continuous Improvement Group (CIG) has been working throughout the year. Members of the CIG are taking the lead at the Agency annual staff conference scheduled for early April 2006, which will bring all the staff together to focus on a programme for comprehensively developing continuous improvement with a view to the attainment of the Investors in People award.

Apart from the normal audit and performance monitoring work a Stress Risk Assessment was undertaken. The Agency was also reviewed by DEL. The recommendations from both these projects were incorporated into the Agency Business Plan 2006/07. In November 2005 the Agency put in place a service evaluation policy. Over coming years we aim to develop an ongoing dialogue with our key stakeholders and customers with a view to making effective improvements to our services. Evaluation work has commenced in two areas, Individual Conciliation and the Enquiry Point.

Over recent years the Agency has sought to raise its public profile. The 2005/06 year has seen a considerable improvement in this area with the introduction of the Chairman's regular column 'The World of Work' in the Belfast Business Telegraph. Agency articles have also appeared in the Northern Ireland Economic Outlook and Business Review and in Business Eye. A very successful aspect of our public relations work has been the contributions made by Agency staff on Northern Ireland radio programmes.

In relation to our ongoing operational performance, standards have been at least maintained and in some areas have been significantly improved. Only 11% of individual conciliation cases proceeded to Tribunal which

means that 89% were either settled or withdrawn. However the overall number of individual claims received reduced compared with the previous year. We wait to see if this reduction in claims received is part of a trend or whether 2005/06 is a one-off year. Our work on collective conciliation and arbitration has remained steady.

The significant change for individual conciliation was the introduction on 3 April 2005 of the fixed periods for conciliation. The individual conciliation members of staff were well prepared for these changes. The new administration arrangements also have worked very effectively. However we await the full impact of these new arrangements in relation to the handling of Tribunal claims.

On the Advisory side the Agency published a new Code of Practice on Discipline and Grievance. This code is particularly important as it incorporated the new statutory provisions for the handling of discipline and grievances in the workplace. The advisory services also worked on the preparation of an age discrimination seminar in anticipation of the new age discrimination legislation to be introduced 1 October 2006. Work was also undertaken in support of reducing bullying and harassment in the workplace. It is anticipated that bullying in the workplace will become one of the key topics for Agency attention in coming years.

Our Enquiry Point continues to be very popular taking 26,336 calls and dealing with 46,804 enquiries during the year. The telephonic system for the enquiry service was reviewed. It is anticipated that the system will be upgraded during 2006/07. It is notable that we held 53 workshops during 2005/06 a considerable increase from the previous year. Our good practice assistance, seminar and long-term project work all reflect steady demand and are very well received.

Overall a very productive year that has seen the laying of sound foundations for meeting the considerable challenges that lie ahead.



**Bill Patterson**  
Chief Executive



# Chapter 1: Good Practice in the Workplace



## 1.1 Introduction

The Advisory Services of the Agency endeavour to promote good employment relations both in terms of compliance with legislative requirements and also through encouraging the adoption of good employment practice.

## 1.2 Advisory Support

This year the Agency assisted 357 organisations develop and maintain good practice in employment policies and procedures (351 in 2004-2005). In over 90% of cases this involved an Agency officer assisting with the vetting and updating of existing employment policies and procedures to ensure compliance with legislative requirements and to promote good practice. The Agency is of the view that sound policies and procedures are a desirable method of communicating rights and responsibilities in the workplace and form a valuable basis for the working relationship. In addition, sound procedures provide a means for disputes to be resolved in the workplace without the need for recourse to tribunals. The users of the service reflect the structure of the Northern Ireland economy in that the vast majority of clients (some 90%) employed less than 50 employees and came from a wide variety of market sectors.

## 1.3 Advisory Workshops on Employment Documentation

The Agency continues to assist in the preparation of new employment documentation through the provision of advisory workshops. At these workshops practical guidance is given on the preparation of employment documents such as Written Statements of Main Terms and Conditions of Employment, Disciplinary Rules and Procedures and Absence Notification and Certification Procedures. Whilst the workshops are designed primarily to provide participants with the necessary information to draft documentation which complies with statutory obligations and embraces good practice, they also provide an awareness of a range of employment-related matters which, in the view of the Agency, enables

disputes to be avoided and improves relationships in the workplace.

The Agency hosted a total of 53 advisory workshops during the year (33 in the previous year). The Agency also refined the standard documents issued at the workshops and continued to improve service delivery through the provision of working documents to participants by electronic means. This has helped organisations to further their drafting of basic employment documents. The Agency also offers a supplementary service of vetting these draft documents to ensure compliance with legislative requirements. As in previous years, feedback from the participants in the workshops remained very favourable.

## 1.4 Good Employment Practice Seminars

As part of its programme of promoting good employment practice and preventing disputes arising in the workplace, the Agency hosts a series of seminars led by experienced Agency staff. To publicise this service the Agency produces a brochure providing details of the seminars available. Twelve seminars are offered covering:

- A General Appreciation of Employment Legislation;
- Unfair Dismissal;
- The Working Time Regulations;
- The Less Favourable Treatment of Part-Time Workers Regulations;
- The Less Favourable Treatment of Fixed-Term Employees Regulations;
- The Right of Workers to be Accompanied at Certain Types of Grievance and Disciplinary Hearings;
- Statutory Trade Union Recognition;
- Bullying in the Workplace;
- The Employment (Northern Ireland) Order 2002;
- Labour Relations Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes;
- Recruitment and Selection.

In addition to the above the Agency has introduced a seminar to raise awareness of the Statutory Dismissal, Disciplinary and Grievance Procedures as set out in the

Employment (Northern Ireland) Order 2003. (These came into effect on 3 April 2005.)

These seminars, which are free and open to all, are held in the Agency's premises in either Belfast or Derry. Apart from the seminar on the statutory dismissal, disciplinary and grievance procedures, which are held on set dates, seminars are held according to demand. Interested parties are asked to register an 'expression of interest' and seminars are held depending on the level of interest expressed. Expressions of interest can be made by telephone, fax, letter, e-mail or completed online. Where any one organisation indicates a sufficient number of attendees the Agency can facilitate seminars for that specific group either in the Agency or on-site.

The Agency is currently reviewing whether to continue holding good practice seminars according to demand or to have set dates for a range of seminars. A seminar programme for 1 April 2006 to 30 June 2006 incorporating set dates is currently under discussion.

The Agency also joined with the Equality Commission for Northern Ireland in delivering a series of joint good practice seminars on "Bullying and Harassment in the Workplace". These seminars are promoted via the Equality Commission's Training Programmes and are designed to develop the skills of those attending. The Agency also partnered with the Equality Commission and Opportunity Now in delivering seminars on Family-Related Employment Law and Gender Equality.

Reflecting the continuing and constant demand for information and guidance on employment law, the Agency provided a total of 70 good practice seminars throughout the year compared to 73 in the previous year.

During the year work began on developing a good practice seminar on Age Discrimination in readiness for the introduction of the new Employment Equality (Age) Regulations (Northern Ireland) 2006. The Regulations are due to come into effect on 1 October 2006. The seminar will be delivered jointly with the Equality Commission for Northern Ireland.

## 1.5 Good Employment Practice

A great deal of the Good Employment Practice division's work during the year related to the implementation of new and significant employment legislation which came in the form of the Information and Consultation of Employees (Northern Ireland) Regulations 2005. A significant number of organisations contacted the Good Employment Practice division prior to and after the implementation date (6/5/05) in order to see what the legislation required and to address matters of compliance and good practice. The Information and Consultation of Employees (ICE) legislation will be further phased in during April 2007 and 2008 whereupon the threshold number of employees to trigger applicability is reduced to 100 and 50 respectively.

Many of the organisations that approached the Agency did so in advance of the legislation applying to them in order to prepare the management and staff for the requirements of the legislation. In some instances this meant engaging with organisations despite the legislation not applying to them for another 18-24 months.

In anticipation of significant interest in the ICE Regulations, four public seminars were held during the first quarter of 2005 and this in turn led to several in-company good practice seminars and subsequent project work on the Regulations which were tailored to the needs of the organisation. The Agency facilitated several unionised and non-unionised organisations in relation to how the ICE regulations could impact upon them and what, for example, constituted pre-existing, negotiated and standard agreements. Significantly, four of the aforementioned organisations were based in the far west of the Province. As a direct result of some of these seminars the Agency was approached by several non-unionised private sector organisations to assist in formulating "pre-existing" agreements under the Regulations in order to structurally formalise existing good practice via Agency expert facilitation and guidance.

Along with the public seminars the Agency facilitated several in-depth, bespoke sessions on the ICE Regulations for key stakeholder bodies including, CBI (Employment Affairs Committee), and the Chairman, staff and members of the Industrial Court for Northern Ireland.



The Good Employment Practice division also worked in tandem with the in-company assistance team regarding collaborative working projects whereupon organisations that had submitted discipline and grievance documentation also requested assistance in facilitating negotiations on changing existing policies to ensure, as a minimum, statutory compliance. As with the ICE Regulations, the Employment (Northern Ireland) Order 2003 Dispute Resolution Regulations (Northern Ireland) 2004 came into effect in April 2005 and during the year the Agency's assistance was required in this context in a variety of intra-sectional ways from ensuring compliance to reviewing and enhancing good practice over and above the requirements of statute.

During the year the Good Employment Practice division periodically engaged in working in partnership with other bodies such as the Department for Employment and Learning and the Equality Commission for Northern Ireland in relation to a number of matters. These included facilitating the promulgation of new legislation such as the Conduct of Employment Agencies and Employment Businesses Regulations (Northern Ireland) 2005 and training the enforcement inspectors, and amendments to existing anti-discrimination legislation in relation to the implementation of the generic definition of harassment.

Nine Good Employment Practice projects were continuing from the previous year. During the year the Agency received 11 requests for assistance and by March 2006, 10 of the projects were completed. Three of the completed projects were with public sector organisations and the remaining 7 were with private sector organisations. Currently, as of April 2006, 10 Good Employment Practice projects were ongoing.

The typical subject matter relevant to the core of the above projects ranged from conducting employee relations audits, conducting employee attitude surveys, and the collaborative formulation of policies facilitating in-house alternative dispute resolution mechanisms and devising policies and procedures to combat bullying and harassment in the workplace.

## 1.6 Enquiries and Advice

The Agency's enquiry lines continue to be a valuable resource in helping to resolve employment relations problems or a first port of call for those seeking information about their rights and responsibilities. For many people this is their first contact with the Agency. Telephone enquirers are put through to the enquiry service in either the Head or Regional Office. Here they have an opportunity to discuss with an enquiry officer the nature of their problem, and the range of options open to them to resolve it. Enquiry officers have considerable knowledge of employment law and practice and, while they will not give legal opinions, they will provide information and advice to enable employers, employees and their representatives to take informed decisions. The service is impartial, confidential and free. Approximately 40% of users raised enquiries on behalf of employers, and 60% on behalf of employees (39% and 61% respectively in the previous year).

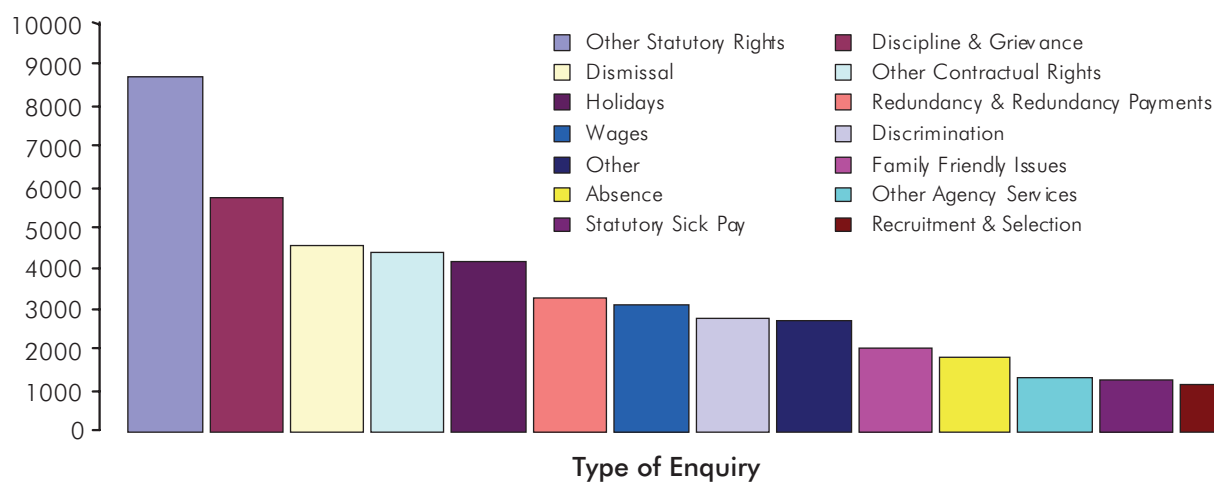
During the year ending 31 March 2006, the Agency dealt with 26,336 callers (compared to 25,041 in the previous year). Of the callers recorded, 25,982 contacted the Agency via the telephone and the remaining 354 were individuals who availed of the Agency's visitor booking system to come into the Agency's Head or Regional Office to discuss their enquiry in person.

The enquiry lines fill up very quickly during the course of a day, and unfortunately it is often necessary for the Agency to inform callers that due to the volume of enquiries received it will be necessary for them to phone again on the following day to speak to an officer. In such circumstances, callers will normally be referred to the Agency's website to see if any of the information available there can assist in the interim. Because of the complexity of most employment relations queries, it is not possible for the Agency to respond to enquiries received via e-mail.

The calls made to the Agency during the year generated a total of 46,804 separate enquiries on a wide range of employment-related topics (as shown in Table 1 below).

**Table 1:**

Type of Enquiry	
Other Statutory Rights	8661
Discipline & Grievance	5691
Dismissal	4516
Other Contractual Rights	4409
Holidays	4169
Redundancy and Redundancy Payments	3281
Wages	3065
Discrimination	2755
Other	2704
Family Friendly Issues	2079
Absence	1761
Other Agency Services	1302
Statutory Sick Pay	1269
Recruitment and Selection	1142
<b>Total</b>	<b>46804</b>



## 1.7 Codes of Practice

The Agency published a new Code of Practice on Disciplinary and Grievance Procedures in April 2005 to take account of the statutory dismissal and grievance procedures as set out in the Employment (Northern Ireland) Order 2003 and the Employment (Northern Ireland) Order 2003 (Dispute Resolution) Regulations (Northern Ireland) 2004. This new Code replaces a former Code introduced in December 2002 and provides practical guidance to employers, workers and their representatives on:

- the statutory requirements relating to disciplinary and grievance issues;
- what constitutes reasonable behaviour when dealing with disciplinary and grievance issues;
- producing and using disciplinary and grievance procedures; and
- a worker's statutory right to bring a companion to grievance and disciplinary hearings.

## 1.8 Website Development

This year has seen the continued expansion of the website as a means for the Agency to communicate advice and information on good employment practice. The news section of the website was expanded by the inclusion of topical issues such as summary articles relating to the new procedures for statutory discipline and grievance procedures, the Employment Relations (Northern Ireland) 2004 Order, the Information and Consultation Regulations and the increase in compensation limits. During the year the website was substantially revised to allow for online booking of good practice seminars on the new statutory dismissal, disciplinary and grievance procedures and the information and consultation regulations. In addition, online booking was made available for advisory workshops. The Employment Legislation page was augmented by the addition of supplementary legislation for 2004.

## 1.9 Research

During the year responsibility for research moved from the Corporate Services section to Advisory Services. Work is ongoing on the development of a formal research agenda. Discussions took place with DEL and representatives from universities both here and in GB regarding how best to further employment relations research in Northern Ireland. In addition, development of the Agency's website to enhance information relevant to research is underway.



## Chapter 2: Promoting a Culture of Alternative Dispute Resolution<sup>1</sup>



1. It should be noted that some figures from the previous year have been amended due to an error in the reporting mechanism for 2004 – 2005; unamended figures are in the LRA Annual Report 2004-2005 available from the Agency or on its website.



## 2.1 Introduction

The resolution of employment relations disputes, whether individual or collective, is the core responsibility of the Conciliation and Arbitration Section. Disputes are resolved through individual or collective conciliation, mediation or arbitration. These services are referred to as third party alternative dispute resolution processes (ADR). They are an alternative to the use of the law or industrial action. The Agency offers these third party services on a voluntary and confidential basis.

Over recent years, the number of individual employment rights has been increasing with the introduction of new entitlements such as the right to apply for flexible working and the right not to be discriminated against on the grounds of sexual orientation. If an individual believes that there has been an infringement of their employment rights, they may refer the matter to the Office of the Industrial Tribunals and the Fair Employment Tribunal.

The Agency receives a copy of all the applications to the tribunal offices and has a statutory duty to try to promote a settlement of these claims without the need for a tribunal hearing. This process of settlement is referred to as "individual conciliation". In conciliation a third party conciliator assists the parties to the dispute to come to their own resolution. It should be noted that individuals are not prevented from taking their case to a tribunal hearing if the conciliation process is not successful in settling their case.

Industrial action can occur when a trade union becomes involved in a dispute with an employer about aspects of terms and conditions of employment. It can be noted that the origin of a dispute might lie in the decision of a union to put pressure on the employer's bargaining position, or the dispute might be provoked tactically by the employer. Wages are an issue that can often come under dispute. Industrial action can take the form of a 'go-slow', overtime ban or a strike. This form of dispute is known as a "collective dispute".

The Agency, with the agreement of both parties, can and does become involved in the process of resolving collective disputes. The participation of the parties in the process of resolution is voluntary. The time taken for the resolution of a collective dispute can vary. It is essentially

dependent on the nature and complexity of the dispute itself. In some instances the dispute can be resolved at a single meeting but in other cases a resolution may require a series of meetings over a period of weeks.

When, following conciliation, a dispute remains unresolved, the parties may decide to refer the issues to a mediator or an arbitrator for settlement. In employment relations, mediation is understood as the process whereby a third party makes a recommendation to the parties in dispute with respect to resolving the issues. Arbitration is the process whereby the arbitrator makes a decision on the resolution of the dispute. The decision is morally, but not usually legally, binding on both parties in dispute. The Agency retains a panel of qualified people to act as mediators or arbitrators in determining such disputes.

## 2.2 Individual Conciliation

The Agency's conciliation officers have a high success rate in dealing with claims to a tribunal. For example, the percentage of all claims proceeding to a tribunal hearing in the 2005-2006 reporting year was only 11%. This is a decrease of 5% on the percentage of all claims proceeding to a tribunal hearing in the 2004-2005 reporting year. This figure reflects the effectiveness of the conciliation team in resolving the vast majority of claims. It is notable that 89% of claims were either settled or withdrawn. This is an increase of 5% on the settlement and withdrawal rate for 2004-2005.

The number of claims other than fair employment claims received by the Agency for the year ended 31 March 2006 was 9,825. This figure includes 851 direct requests to the Agency which were settled by the Agency. The claims made direct to the Agency concerned claims that could have been lodged with the tribunal system, but at the time of request to the Agency no such lodgement had been made. If the Agency achieves a settlement in these cases, then the individuals cannot subsequently submit an application to a tribunal for the same alleged infringement of employment rights. The number of direct requests received and settled increased by 14% from 748 requests in 2004-2005.

The 9,825 claims other than fair employment claims received by the Agency for the year ended 31 March

2006 also includes a bulk case against one employer of 6,183 claims which had previously been separately recorded but have now been incorporated into the overall figures. Taking into account the bulk case, there has been a decrease of claims of 1,671 by comparison with the 2004-2005 year.

Claims, (including fair employment claims) received through the tribunal system amounted to 9,162. This figure also includes the bulk case of 6,183 claims referred to above. Taking into account the bulk case, there has been a decrease of claims (including fair employment claims) received through the tribunal system of 2,044 by comparison with the 2004-2005 year. It is too soon to tell if this signals the beginning of a trend

Table 2 summarises the claims other than fair employment received and dealt with during the year. The number of claims other than fair employment which were dealt with by the conciliation officers increased by 1,498 from 6,272 in the year 2004-2005 to 7,770 in the year 2005-2006. This represents a percentage increase of 24%. Over the past two years there has been an increase of claims dealt with by officers of 68% (claims dealt with by officers in the reporting year 2003-2004 numbered 4,610).

**Table 2: Individual Conciliation Claims Received and Dealt With (other than fair employment)**

(For comparison, the 2004-2005 figures are given in brackets)

Jurisdiction	Claims Received		Claims Dealt With	
Unfair Dismissal	1645	* (2015)	2462	(2346)
Wages Order	442	(921)	1252	(937)
Breach of Contract	468	* (563)	656	(816)
Other Employment Rights	6771	* (906)	1454	* (865)
Equal Pay	26	(90)	566	(153)
Sex Discrimination	245	* (415)	1099	(805)
Disability Discrimination	127	(158)	174	(183)
Race Discrimination	81	* (152)	86	(159)
Sexual Orientation Discrimination	11	* (17)	10	(2)
Flexible Working	9	* (16)	11	(6)
<b>Total</b>	<b>9825<sup>±</sup></b>	<b>* (5253)</b>	<b>7770</b>	<b>* (6272)</b>

\* Figures from previous year amended due to error in reporting mechanism for 2004-2005; unamended figures are in the LRA Annual Report 2004-2005 available from the Agency or on its website.

<sup>±</sup> This figure includes a bulk case against one employer of 6,183 claims which had previously been separately recorded but have now been incorporated into the overall figures.

Table 3 provides an analysis of the outcome of the 7,770 claims dealt with between 1 April 2005 and 31 March 2006. The claims dealt with include a number of bulk claims<sup>2</sup>. The number of conciliated settlements in 2005-2006 increased by 161 from 2,187 in 2004-2005 to 2,348 in 2005-2006. This represents an increase of 7.4%.

2 A bulk application is where a group of 5 or more individual claims are submitted at the same time, in respect of the same employer or group of employers and frequently in respect of the same alleged action/s by the employer.



**Table 3: Individual Conciliation Claims Dealt with and their Outcome (other than fair employment)**

(For comparison, the 2004-2005 figures are given in brackets)

Jurisdiction	Settled by Conciliation		Withdrawn During Conciliation		Referred to a Tribunal		Total Claims Dealt With	
Unfair Dismissal	1349	(1374)	930	(772)	183	(200)	2462	(2346)
Wages Order	282	(187)	801	(433)	169	(317)	1252	(937)
Breach of Contract	204	(172)	305	(521)	147	(123)	656	(816)
Other Employment Rights	201	*(212)	1073	*(467)	180	*(186)	1454	(865)
Equal Pay	29	(28)	507	(105)	30	(20)	566	(153)
Sex Discrimination	219	(146)	779	(599)	101	(60)	1099	(805)
Disability Discrimination	41	(43)	110	(116)	23	(24)	174	(183)
Race Discrimination	13	(24)	56	(116)	17	(19)	86	(159)
Sexual Orientation Discrimination	7	(0)	3	(2)	0	(0)	10	(2)
Flexible Working	3	(1)	8	(4)	0	(1)	11	(6)
<b>Total</b>	<b>2348</b>	<b>*(2187)</b>	<b>4572</b>	<b>(3135)</b>	<b>850</b>	<b>*(950)</b>	<b>7770</b>	<b>(6272)</b>

\* Figures from previous year amended due to error in reporting mechanism for 2004–2005; unamended figures are in the LRA Annual Report 2004-2005 available from the Agency or on its website.

## 2.3 Equal Pay for Work of Equal Value

The Agency maintains a list of independent experts who may be asked by an industrial tribunal to report on whether or not particular jobs are equally demanding. These requests usually arise out of equal pay for work of equal value claims. In the 2004-2005 year there were no requests from an industrial tribunal for the nomination of an independent expert. The members of the Agency's independent expert panel are listed below:

Mr R Allen

Mr W E Deane

Mr J N McCaul

Dr O Lundy

Dr J R Young

Mr J G Lytle

## 2.4 Religious/Political Discrimination (Fair Employment)

The Agency has a statutory duty to seek to promote settlement of claims relating to complaints of religious and/or political discrimination in the same way as with other employment jurisdictions. Tables 4 and 5 summarise the complaints, alleging religious and/or political discrimination, received and dealt with by the Agency. The number of claims received in respect of religious and/or political discrimination decreased by 59% in the 2005-2006 year.

The number of claims dealt with by the conciliation officers decreased by 36% in the year 2005-2006. The number of conciliated settlements in fair employment claims also decreased by 22 from 110 settlements in 2004-2005 to 88 settlements in 2005-2006, a decrease of 20%. Parties to fair employment claims generally delay entering into conciliation until the claim has been listed for hearing. The year 2005-2006 saw a 50% drop in the number of cases being listed for hearing compared to the previous year and this explains the drop in conciliated settlements and numbers of cases dealt with generally. During 2005-2006 the individual conciliation section has reviewed the manner in which it deals with all discrimination claims and officers have begun to target conciliation to the time when parties are known to be most open to the service.

**Table 4: Fair Employment Claims Received and Dealt With**

Claims	2005-2006	2004 - 2005
Received for Conciliation	188	* 458
Dealt With	505	* 791
* Figures from previous year amended due to error in reporting mechanism for 2004-2005		

**Table 5: Analysis of Fair Employment Claims Dealt With**

Claims	2005 - 2006	2004 - 2005
Withdrawn	354	578
To Tribunal	63	* 103
Settled by Conciliation	88	110
Total Dealt With	505	* 791
* Figures from previous year amended due to error in reporting mechanism for 2004-2005		

## 2.5 Developments in the Conciliation Section

The major change the conciliation section faced was the introduction of the fixed period of conciliation. This required a change in the way work was carried out in order that the Agency can offer conciliation within the fixed period. The purpose of the fixed period is to encourage parties to conciliate at an earlier stage in proceedings. The changes to the systems and processes within individual conciliation made in preparation for the introduction of the fixed period of conciliation have aided the management of these cases. While it has taken some time for these changes to impact on conciliation practice, the Agency has seen an increase in parties settling at an earlier stage. In this reporting year, just under 24% of fixed period cases conciliated within the fixed period (ie within either 7 or 13 weeks).

The Department for Employment and Learning requested suggestions for technical amendments to The Industrial Tribunals (Constitution of Rules and Procedure) (Amendment) Regulations (Northern Ireland) 2005 and the conciliation section put forward suggestions in this area and also put forward more substantive issues for their consideration at a later stage.

The conciliation section underwent the first part of an evaluation of their services which measured the service provision prior to the introduction of the fixed period of conciliation in order to establish a benchmark. The evaluation results were favourable and any areas for improvement identified have been addressed. The second part of the evaluation to assess the impact of the fixed period of conciliation is due to commence early in the next reporting year.

During the year conciliation officers attended several training courses, workshops and seminars. A number of officers are undertaking courses which will lead to CIPD qualification. A five-day training course in discrimination was provided by ACAS for all new conciliation officers.

The Individual Case Management System continues to undergo refinement to meet the changing needs of the conciliation staff. The changes in technology will enable the conciliation team to streamline their work.

During the year under review, relationships were further strengthened between the Agency and its partners in the provision of services to those with tribunal applications. Meetings were held with the relevant staff in the Department for Employment and Learning, the Equality Commission for Northern Ireland and the Office of the Industrial Tribunals and the Fair Employment Tribunal (OITFET).

Within the year the section has reviewed all operational guidelines and would hope that they will be put into operation shortly.

The conciliation section is reviewing its area of the Agency's website and would hope that it will make it more user friendly.

Within the year the conciliation section has looked at more qualitative ways to measure its performance to enable it to identify the areas which have added value. It is envisaged that this will be implemented for the next reporting year.

Within this reporting year the conciliation section piloted a system where the clerical officers would give administrative assistance to the individual conciliation officers in the preparation of correspondence to the relevant parties. This has enabled the individual conciliation officers to spend more time on direct conciliation.

## 2.6 Arbitration/Mediation

During the year under review, the Agency received 35 requests for arbitration. (This does not include cases raised under the Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes.) The sources of these requests are outlined below:

▪ from procedures agreed within the non-teaching sector of the Education service	13
▪ from procedures agreed within the teaching sector of the Education service	7
▪ from procedures agreed within other public sector voluntary bodies	8
▪ from procedures agreed within local government	1
▪ from procedures agreed within the further education sector	3
▪ from the private sector	3

The subjects of these 35 requests were:

▪ Discipline/Grievance	27
▪ Pay and Conditions of Employment	1
▪ Grading/Job Evaluation	4
▪ Redundancy	3

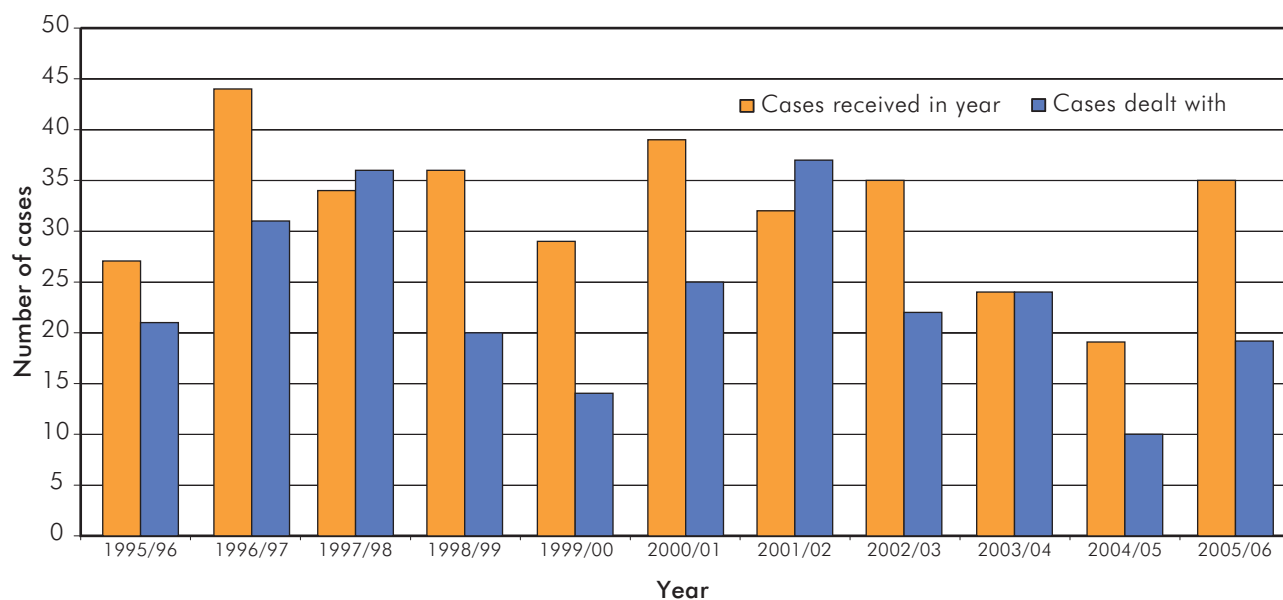
The 35 requests received when combined with the 11 cases brought forward from the previous year amounted to a caseload of 46 arbitration cases. A total of 19 cases were determined during the year. Independent arbitrators from the list of qualified people retained by the Agency were appointed to hearings and decisions were issued in all 19 cases. A total of seven cases were withdrawn and four cases were abandoned. In all 30 cases were cleared during the year. Sixteen requests have been carried forward into the 2006-2007 year.

Table 6 shows the arbitration cases received and dealt with from 1995-1996 to 2005-2006.

Arbitration and mediation remain effective means of resolving difficult disputes. The Agency is encouraging employers and trade unions to review internal procedures with a view to formally incorporating arbitration and/or mediation as alternatives to pursuing industrial action or taking legal proceedings.

**Table 6: Arbitration Cases Received and Dealt With 1995-2006**

Year	1995 /96	1996 /97	1997 /98	1998 /99	1999 /00	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06
Cases brought forward from previous year	2	2	14	8	19	18	21	12	18	8	11
Cases received in year	27	44	34	36	29	39	32	35	24	19	35
Total cases in hand	29	46	48	44	48	57	53	47	42	27	60
Cases dealt with	21	31	36	20	14	25	37	22	24	10	19
Cases withdrawn	6	1	4	5	16	11	4	7	10	6	11
Cases carried forward into next year	2	14	8	19	18	21	12	18	8	11	16



## 2.7 The Agency's Statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes

The Agency's Statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes (UDAS) offers an alternative to using the Industrial Tribunal. It became operational on 28 April 2002. An extensive range of documentation to support the Scheme is available and has been circulated widely to relevant organisations and individuals. These publications are also available on the Agency's website or on request from the Agency.

It is normal practice that all applicants, respondents and their representatives for cases of alleged unfair dismissal are sent appropriate documentation on the Scheme with their first contact letter from their allocated conciliation officer. This ensures that all relevant parties are fully informed about the Scheme as early as possible.

The Agency received one case under the Scheme in 2005/06. This case was heard and determined by an arbitrator from the Agency's Panel.

## 2.8 Appointment of Arbitrators/Mediators

The Agency retains a list of qualified people who are prepared to act as mediators or arbitrators.

Following certified training delivered by ACAS in October, arbitrators from the UDAS scheme and the Agency's general list of arbitrators were amalgamated into one panel of arbitrators.

Single arbitrators or panels of arbitration are appointed by the Agency after consultation with the parties to each dispute. An arbitration panel consists of an independent person in the Chair, a person to represent employer interests and a person to represent employee interests.

There is a preference for single arbitrators in the private sector, but most procedural agreements in the public sector provide for panels of arbitration to determine disputes. In the education sector, panels of arbitration are referred to in the agreed procedures as Independent Appeals Committees. These procedures require the Agency to appoint the Chairperson only and each party nominates its own panel member to serve on each Committee.

Occasionally parties will agree to refer a dispute to mediation. In such cases a single mediator is appointed by the Agency, after consultation with the parties, to make recommendations for a resolution.

From January 2005, the Arbitration Secretary appoints mediators under the Police Service of Northern Ireland (PSNI) Grievance Policy. Parties agree to undertake a voluntary mediation stage. The first case under this scheme was received in September 2005. At 31 March 2006, six requests had been received: three were completed, two were withdrawn, and one request has been carried forward.

The Agency also occasionally nominates individuals from its panel of arbitrators to facilitate parties who wish to make their own private arbitration arrangements.

## 2.9 Flexible Working Arbitration Scheme

A Flexible Working Arbitration Scheme was approved by the Board of the Agency and submitted to DEL where it is awaiting ministerial approval. It is due to be launched in May 2006.

## 2.10 Collective Conciliation

Collective disputes can arise in a number of ways, most commonly when an employer and a trade union are in dispute over pay and/or conditions of employment, trade union activities, discipline, redundancy or dismissal. The Agency has a statutory role to provide assistance to parties involved in such disputes. Article 96 of the Industrial Relations (Northern Ireland) Order 1992 defines, in comprehensive terms, the meaning of a trade dispute for the purpose of conciliation.

The Agency received 39 new requests for conciliation in trade disputes in the year under review. Of these, four were requests for mediation. The number of requests received was slightly higher than the number received in the previous year. In total, 42 cases were completed during the year under review.

An analysis of the cases received and dealt with compared to the previous year, is shown in Table 7.

**Table 7: Collective Conciliation Cases Received and Dealt With**

Cases	2005-2006	2004-2005
Brought forward from previous year	13	16
Received for conciliation	39	33
<b>Total</b>	<b>52</b>	<b>49</b>
Dealt with during the year	42	36
Carried forward to following year	10	13

The Agency may receive requests for assistance from either of the parties or may actively contact the parties in dispute to offer assistance. Table 8 shows the sources of requests for assistance.

**Table 8: Sources of Requests for Collective Conciliation**

	2005-2006	2004-2005
Trade Union Approach	18	10
Employer Approach	16	17
Joint Approach	4	6
LRA	1	0
<b>Total</b>	<b>39</b>	<b>33</b>

The sectors with the largest number of disputes were the manufacturing sector and a range of other industries including the voluntary sector and health – see Table 9.

**Table 9: Collective Conciliation Cases Received by Industry Classification**

Type of Industry	Cases Received
Retail	2
Transport	2
Education	8
Miscellaneous Manufacturing	13
Others	13
<b>Total</b>	<b>39</b>

The majority of requests for assistance were resolved relatively quickly. However the unofficial industrial action that occurred with postal workers in the Royal Mail led to a dispute situation which was difficult and protracted. The postal workers dispute involved conciliation through the Agency and a resolution was eventually agreed. A Review of the causes of the dispute through an independent third party is currently underway under the Chairmanship of Lord Sawyer.

At year end 11 cases were still the subject of ongoing conciliation assistance. One of these cases is the subject of a long-term conciliation with a view to enabling the parties to reach agreement on a range of issues, some of which are complex.

There have been a number of disputes in which the Agency has given advice to the parties and where the disputes have been subsequently resolved without the parties seeking formal conciliation assistance from the Agency.

The Agency is proactive in respect of contacting parties to known disputes at the earliest stage possible in order to offer assistance.

There have been four requests for a mediation service as a means of resolving individual disputes which have been dealt with by Agency staff.

The majority of the disputes have involved pay and conditions of employment. There has been an increase in the disputes involving other issues. Table 10 provides information on the nature of the disputes in the year under review.

**Table 10: Nature of Disputes**

	2005-2006	2004-2005
Conditions of Employment	12	8
General Pay Claim	9	11
Other	17	14
Trade Union Recognition	1	0
<b>Total</b>	<b>39</b>	<b>33</b>

## 2.11 Regional Office

The Regional Office of the Agency is located in Derry. The Regional Office provides advisory services, individual conciliation and collective conciliation services to employers and employees in the North West of the Province.

The Regional Office dealt with 16 of the 39 collective conciliation cases completed during the year.

Plans have been made for a refurbishment of the office in Derry in order to accommodate additional staff. A new telephony system has been planned which will enable conciliation staff to take direct telephone calls from clients.





# Chapter 3: Delivering and Promoting a Quality Service



Corporate Services provides support for the delivery of the Agency's employment relations services. The Agency recognises that it maintains credibility through the commitment and performance of staff. By raising its public profile, the Agency aims to stimulate debate on improving employment relations in Northern Ireland. A fundamental backdrop to this work is the Agency's compliance with its statutory duties as in the management of funding, or in the implementation of the Agency's equality obligations. These are significant areas of work all of which are fundamental to the contribution of Corporate Services to the Agency's success.

The strategic theme associated with Corporate Services is: **To continue to develop the skills and knowledge of Agency staff, to promote the Agency as the first choice organisation for dealing with employment relations matters and to manage the Agency effectively, efficiently and economically.**

## 3.1 Corporate Support

### Public Relations

The Corporate Plan indicates that the profile of the Agency will be raised through the systematic management of public relations and the marketing of Agency services.

The key public relations event during the year was the major Labour Relations Agency conference held on 19 April 2005 at the Stormont Hotel in Belfast. The theme was "The Changing World of Work – Key Issues for Northern Ireland".

The conference was introduced by the Agency's Chairman, Pat McCartan, and the morning session was dominated by speakers addressing the following topics:

- Will Haire, Permanent Secretary, Department for Employment and Learning – "The Changing World of Work – The Government View";
- John Cridland, CBI Deputy Director-General – "The Future of Employment Relations – An Employer's Perspective";
- Dave Begg, General Secretary of the Irish Congress of Trade Unions – "The ICTU View";

- John Taylor, Chief Executive of ACAS – "The ACAS View";
- David Guest, Professor of Organisational Psychology and Human Resource Management at the Management Centre of King's College, London – "Developing and Managing Employment Relations Policy and Practice in a Changing World".

In the afternoon, participants attended workshops which facilitated discussion on the following aspects of The Changing World of Work: Public Sector Pay and Pensions; Employment Relations and the Psychological Contract; Employment Relations for Migrant Workers in NI; Family-Friendly Policies and Employment Relations; Tribunal Processes and the Role of the LRA; The Future of Mediation and Arbitration in NI; Employment Relations – The Necessary Skills; and Employment Relations in Small Firms. The Conference was brought to a close by Professor Fabian Monds, Chairman of Invest NI.

Additionally, to promote the Agency:

- a Media and Public Relations Plan was implemented;
- the Agency's profile in the press has been raised through monthly articles from the Chairman of the Agency on topical employment relations issues;
- several high profile conferences/seminars have been held in partnership with other public sector organisations.

### Evaluation of Agency Services

The Agency sets out in its Corporate Plan that, in order to maintain continuous improvement in the quality of its services, client satisfaction surveys will be carried out and operational reassessments made for all the Agency's services.

A Service Evaluation Plan was introduced and is now being used to prioritise service evaluations.

A service evaluation of the Individual Conciliation function was completed in May 2005. The intention is to repeat this in 2006/07.

In the early part of 2006, an evaluation of the Agency's Enquiry Point was commenced and is expected to report by mid year.

## Funding

On a corporate level, the Agency aims to seek funding in support of service improvement in addition to the Agency's allocated grant-in-aid. Following four in-year injections of additional funds from the Department for Employment and Learning, the Agency and Certification Office funding was increased from £2,545,000 to £2,965,000. The allocation of these funds was as shown in Table 11 below.

**Table 11: Allocation of Funding**

	<b>Labour Relations Agency</b>	<b>Certification Office</b>	<b>Total</b>
Initial Funding	£2,422,000	£123,000	£2,545,000
In-year Additional Funding	£298,000	£122,000	£420,000
<b>Total</b>	<b>£2,720,000</b>	<b>£245,000</b>	<b>£2,965,000</b>

## People

During the year, the Agency carried out a stress risk assessment of all sections within the organisation.

In this period, the Agency also commenced a more structured and project driven approach to continuous improvement. At present, the focus is on achieving the standards associated with Investors in People.

Staff participated in some 30 training events in 2005/06. Key areas of interest were:

- Information technology skills;
- Personal communication;
- Professional skills;
- HR administration;
- Customer skills;
- Equality training;
- Project/programme management;
- Employment law;
- Retirement support.

## Information Systems

The Agency implemented a new system for archiving its computerised information which offers greater security and ease of use and added a new server to its IS infrastructure to ensure better control of messaging and access to the internet. It completed an IS security audit which indicated that the IS infrastructure had a good level of control. However, the objective was also to identify weaknesses; those which have been found have in the main been addressed. A review of the technical infrastructure is now underway and this will support a formal IS strategy which is planned for 2006/07.

Considerable progress has been made in upgrading key applications particularly the financial systems, client management systems and the Agency's website.

A project to upgrade the Agency's telecommunications system has been progressed with the systems specification and tendering stages now completed. This has the potential to improve services to clients contacting the Agency's Enquiry Point and will significantly improve administrative efficiency.

## 3.2 Compliance

The Agency continues with its obligations as laid out in its Equality Scheme (approved July 2001) (see Annual Report to the Equality Commission for Northern Ireland).

The Agency's updated Health and Safety Manual is now in operation and is subject to ongoing amendment to comply with new legislation or guidelines and any other changes arising as a result of discussions with the trade union and staff.

The Agency has introduced resources and systems enabling it to respond effectively to the implementation of the Freedom of Information Act which came fully into operation in January 2005. Since that date, it has on average responded to at least one such query per month.

A risk management approach continues to be applied to provide assurance on matters of accountability and performance. The Agency's risk management strategy addresses the risks identified with the Corporate Plan such as those associated with the information technology programme and the increasing backlog of individual

conciliation cases. In this respect, a Corporate Risk Register review was completed with an improved methodology implemented in 2005/06.

### 3.3 Length of Service Awards

The Agency paid tribute to the contribution made by Patricia McQuillan and Suzanne Hamilton who completed 25 years' service in 2005/06.

### 3.4 Retirements

The Agency also acknowledged the long and productive service of Jim Lenaghan and Iris Wilson both of whom retired in 2005/06.



# Chapter 4: Management Commentary for the Year Ended 31 March 2006





## Background Information

The Labour Relations Agency is an executive Non-Departmental Public Body sponsored by the Department for Employment and Learning, established in 1976 under the Industrial Relations (Northern Ireland) Order 1976 and continued by the Industrial Relations Order (Northern Ireland) 1992.

## Principal Activities

The Agency's principal activities are to assist employers, employees and their representatives to improve the conduct of their employment relations.

The Labour Relations Agency provides effective, impartial and confidential services including:

- advice and assistance on all aspects of employment relations and employment practices;
- comprehensive conciliation and arbitration facilities for resolving both individual and collective matters;

to those engaged in industry, commerce and the public services in Northern Ireland. These services are available to employers, employers' associations, individual employees, trade unions and other organisations or to individuals who require assistance with any question relating to employment relations or employment matters.

## Certification Officer for Trade Unions and Employers' Associations

Under Article 69(3) of the 1992 Order, the Agency is required to pay the Certification Officer's remuneration and allowances and to provide support services. These costs are reflected in the financial statements.

The Certification Officer's functions are contained in the Industrial Relations (Northern Ireland) Order 1992 (as amended) and in the Trade Union and Labour Relations (Northern Ireland) Order 1995 and the Employment Relations (Northern Ireland) Order 1999. The Certification Officer is responsible for ensuring that Trade Unions and Employers' Associations comply with statutory provisions relating to the regulation of Trade Unions and Employers' Associations.

## Review of Activities

The development and performance of the Agency during the year can be summarised as implementing new employment legislation which applied from the beginning of the financial year. This required an increase in staffing of about 16% and changes to processes. Within Conciliation and Arbitration this was the introduction of a fixed term for conciliation within certain legislative jurisdictions. Within Advisory Services, Codes of Practice had to be revised to incorporate the new statutory requirements.

At the end of the year, the Agency had spent all of the grant allocated to it other than a balance in the bank of £227k which includes payments for projects which had moved from March 2006 to the first quarter of 2006/07, cover for payments for staff costs where payment was not made until April 2006 and sundry other costs relating to 2005/06 which were not paid for until after the year end.

The main trends affecting the development, performance and position of the Agency are:

- **Staff**, where a key trend is knowledge loss through the retirement of long-experienced staff and where the training needs of remaining staff is a growing strategic consideration;
- **Systems**, where new requirements for systems shared with other organisations have become strategically desirable; and
- **Stakeholders**, where a structured process of evaluation across all areas of the Agency's business has been identified.

The Agency intends to continue developing the main trends identified in the Review of Activities above:

- **Staff**, where the Agency is actively engaged in continuous improvement, currently involving attainment of liP accreditation;
- **Systems**, where the Agency envisages an integrated approach to upgrading its systems supported by a formal Information Systems Strategy; and
- **Stakeholders**, where institutions and resources are to be tuned on an ongoing basis to ensure that the requirements of Government, professional staff and the public operate as seamlessly as possible.

The Agency's policy and achievement of policy on social and community issues during the year was:

- Support for implementation of a new legislative environment requiring:
  - Exercise of internal procedures prior to citizens taking cases to the Industrial Tribunals; and
  - Adjustments to internal processes to enable new "Fixed Term Conciliation" arrangements to be put into effect;
- Collective conciliation with regard to a small number of industrial disputes, one of which was strategic to the Province.

The Agency's policy and achievement of policy on environmental matters during the course of the year was a move away from oil to the much more environmentally friendly fuel, natural gas, to heat its Headquarters in Belfast.

## Pension Liabilities

Details of how pension liabilities are treated in the accounts are given in the Remuneration Report which follows and notes 1.4, 4(e) and 4(f) to the accounts.

## Results for the Year

The results of the Labour Relations Agency and The Certification Officer for Northern Ireland are set out in detail in the Income and Expenditure Account. The surplus for the year was £2,176 (2005: deficit of £174,990).

## Fixed Assets

Details of the movement of fixed assets are set out in note 8 to the accounts.

## Important Events Occurring after the Year End

There have been no significant events since the year end which would affect these accounts.

## Charitable Donations

One charitable donation was made for £200 payable to St Anne's Cathedral Dean's Christmas Sit-Out (2005: £250). Any other charitable donations made did not exceed £200.

## Board Members

The following served as Board members during the year:

- Mr P McCartan – Chairman, part-time
- Mr E McGlone
- Mr H Goodman, OBE
- Dr B Black
- Mr G Milligan
- Mr W R Ward
- Ms J A Clarke
- Mr J McCusker
- Mrs N Heaton
- Mrs P O'Farrell

Between the end of the financial year and the date on which these accounts were approved there were no changes to the composition of the Board.

## Board Members' Interests

An up-to-date register of Board members' interests is maintained by the Chief Executive, as Accounting Officer, and is available for inspection at the Agency's Head Office, 2-8 Gordon Street, Belfast, BT1 2LG.

## Research and Development

The Agency was not involved in any research and development during 2005/06.

## Disabled Employees

The policy of the Agency in relation to disabled persons is to ensure compliance with the spirit and purpose of related legislation and the requirements set out in relevant Codes of Practice. The detail of the Agency's policy is set out in the Agency's Equal Opportunities Policy.

## Employee Involvement

Information is provided and consultation undertaken with employees through day-to-day contact, regular section briefings, notice boards and staff circulars. The Agency and the recognised trade union NIPSA has in place a Joint Negotiating and Consultative Committee which meets quarterly and on an as and when, basis.

## Equality Statement

The Agency is fully committed to supporting the elimination of all forms of discrimination in employment and to using its services to help secure the objectives of fair employment and equality of opportunity and good relations. As a provider of services the Agency includes equality of treatment as a fundamental principle of good employment relations and best employment practice.

As an employer the Agency seeks to ensure that its employment policies, procedures and practices conform to good practice as outlined in the relevant Codes of Practice.

## Payment to Suppliers

The Labour Relations Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. With ongoing administrative pressures (staff turnover and exceptional administrative responsibilities), the average payment to suppliers within 30 days was 37% (2005: 78%) for the Agency, and was 72% (2005: 66%) for the Certification Officer.



# Chapter 5: Remuneration Report for the Year Ended 31 March 2006



## Remuneration Policy

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

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

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

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

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

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries' pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

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

## Service Contracts

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

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

The Agency does not have a Remuneration Committee. Although members of staff are not civil servants, all members of staff including the Board are paid within Northern Ireland Civil Service pay framework.

Within this framework, notice entitlements are as follows:

### Notice Entitlements/Requirements

In the event of termination of employment, except in the case of summary dismissal, the following periods of notice, which meet (but improve upon) the minimum provisions of the Employment Rights (Northern Ireland) Order 1996, as subsequently amended are to be given to staff who have satisfactorily served the specified probationary period.

Period of Continuous Service	Notice Entitlement
Less than 4 years' continuous service	5 weeks
4 or more years' continuous service	one week for each year of continuous service plus one week up to a maximum of 13 weeks

### Board Members

The Board is appointed by the Agency's sponsoring Department (Department for Employment and Learning, DEL) and Board salaries prescribed at the outset. These salaries are not altered without an express instruction from DEL. Usually any instructions of this type are centrally agreed through the Department of Finance and Personnel (DFP) and reflect adjustments for inflation.

All Board members with the exception of the Chairman are paid the same rate.

The above sets the current remuneration policy in respect of Board members and this is expected to continue in future years.

A standard set of criteria is used to assess the performance of each Board member. This is processed annually by the Chairman and forwarded to DEL.

This methodology is a requirement of DEL and is incorporated in the terms of Board Member appointment. It reflects the approach to be taken for public sector boards in general as set out in Treasury and DFP guidelines.

Board members are paid a flat rate which is not subject to performance conditions.

Board members are appointed for a period of three years which is renewable only once for a further three years.

There are no termination payments available to Board members.

The details of the service contracts for each Board member who served in the year are as follows:

<b>Board Members</b>	<b>Date of Contract</b>	<b>Unexpired Term of Current Contract (months from 31 March 2006)</b>
Mr P McCartan, Chairman	1 February 2002	22
Dr B Black	1 October 2002	30
Mr H Goodman, OBE	1 January 2001	9
Mr E McGlone	1 October 2000	6
Mr G Milligan	1 October 2002	30
Mr W R Ward	1 October 2003	6
Ms J A Clarke	1 October 2003	6
Mr J McCusker	1 October 2003	6
Mrs N Heaton	1 December 2004	20
Mrs P O'Farrell	1 December 2004	20

No compensation provision exists for early termination.

### Senior Managers

The Senior Management Team is appointed by the Board of the Agency. Senior managers progress through scales for their grade in the same way as do all more junior grades of staff.

Each year, a central agreement on pay is implemented with specific instructions from the Department of Finance and Personnel applied. This defines how progress is made through the grades. This is dependent on performance and can be a combination of consolidated and non-consolidated payments.

Performance of the Chief Executive is assessed by the Chairman and agreed with the Finance and Personnel Subcommittee of the Board. Performance of Directors is assessed by the Chief Executive and countersigned by the Chairman.

The performance assessment methods used originated with those developed for the NICS and are consistent with current practice in the public sector.

They were chosen and further developed because they are considered to provide a good alignment with the nature of the Agency's values, competencies and objectives.

Members of the Senior Management Team are on permanent contracts which in the main mirror those of civil servants.

The award to Chief Executive who operates within a performance-related pay band structure of the Senior Civil Service was 3.75%.

For Directors who are within Grade 7 of the Civil Service, the award was premised on an overall package to staff for all grades at Grade 7 and below. This settlement which rewarded staff for the reporting year 1 April 2004 to 31 March 2005 and was payable from the settlement date 1 August 2005, was worth an earnings growth of 3.49%. The pay award also included 0.76% in respect of non-consolidated bonuses, giving an overall value of 4.25%.

There are no termination payments available to members of the Senior Management Team.

### Salary and Pension Entitlements

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

No element of the remuneration package for Board members or senior management is not cash.

No amounts were payable to third parties for services of Board members or senior management during the year.



## Salary

'Salary' includes gross salary; performance pay or bonuses; any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

## Benefits in kind

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

Details are given overleaf of salary and pension entitlement (excluding any pension benefits arising from Additional Voluntary Contributions or the pension benefits transferred from another scheme) of the Chairman, other Board members, the Chief Executive and other senior management. Other than the Chairman, the Board members are not in the pension scheme.

<b>Board Members</b>	<b>2005/06 Salary £</b>	<b>2004/05 Salary £</b>
Mr P McCartan Chairman	<b>22,128</b>	21,588
Dr B Black	<b>4,760</b>	4,645
Mr H Goodman, OBE	<b>4,760</b>	4,645
Mr E McGlone	<b>4,760</b>	4,645
Mr A S Mercer – term ended 30/11/04	-	3,097
Mr G Milligan	<b>4,760</b>	4,645
Mrs M Watson – term ended 31/10/04	-	2,710
Mr W R Ward	<b>4,760</b>	4,645
Ms J A Clarke	<b>4,760</b>	4,645
Mr J McCusker	<b>4,760</b>	4,645
Mrs N Heaton – appointed 01/12/04	<b>4,760</b>	1,548
Mrs P O'Farrell – appointed 01/12/04	<b>4,760</b>	1,548
	<b>64,968</b>	63,006
<b>Management</b>		
W Patterson Chief Executive & highest paid employee	<b>75,687</b>	72,951
P Holloway	<b>40,065</b>	39,154
D McGrath	<b>45,174</b>	44,280
G O'Neill	<b>47,649</b>	46,829
	<b>208,575</b>	203,214

	<b>P McCartan</b> £	<b>W Patterson</b> £	<b>P Holloway</b> £	<b>D McGrath</b> £	<b>G O'Neill</b> £
Pension increase at 31/03/05 – 31/03/06	0-2,500	0-2,500	0-2,500	0-2,500	0-2,500
Lump sum increase at 31/03/05 – 31/03/06	0-2,500	2,500-5,000	0-2,500	0-2,500	0-2,500
Accrued pension at 31/03/06 or date of leaving	2,500-5,000	22,500-25,000	15,000-17,500	15,000-17,500	12,500-15,000
Accrued lump sum at 31/03/06 or date of leaving	12,500-15,000	70,000-72,500	45,000-47,500	50,000-52,500	40,000-42,500
CETV @ 31/03/05 or at date of leaving (to nearest £k)	*	368	240	289	221
CETV @ 31/03/06 or at date of leaving (to nearest £k)	*	409	290	307	240
Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	*	22	21	10	10
Other than P McCartan, no other UK Board member benefits from a pension with the Agency. * having reached 60 years of age in 2005/06, Mr McCartan can no longer transfer his fund out of the Civil Service pension scheme.					

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

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

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

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

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves

a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Labour Relations Agency is unable to identify its share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005-06, employers' contributions of £250,610 were payable to the PCSPS(NI) (2004-05: £164,728) at one of four rates in the range 16.5% to 23.5% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### Uprating factor for 2005/06

The inflation adjustment factor for carrying out the calculation of the increase in real terms of the accrued pension for someone covered by the full reporting year to 31 March 2006 is 2.7%.



# Annual Report to the Equality Commission for Northern Ireland





The Agency continues with its obligations laid out in its Equality Scheme (approved July 2001).

During the course of 2005/06, the Agency continued to deploy equality training into its staff development programmes. This included seminars on: bullying and harassment in the workplace; assertive communication for women; conflict resolution; discrimination; retirement age issues; stress management; counselling skills; migrant worker awareness and how public authorities provide services to minority groups. Several members of staff also attended the Belfast Conference for Women.

The Agency has developed a broad brush approach to the definition of what are “policies” within the definition of Section 75 and aims to ensure that all of the operational decisions introduced under its control are screened.

Although the Agency has not yet been able to resource two equality impact assessments which it considers to be beneficial to its operations, staff have been trained to continually review their activities in the context of their impact on minority groups and it is the Agency’s ethos to make positive steps to reduce all barriers which might be encountered by minority groups in the field of employment relations.

During the course of 2005/06, the Agency has engaged in joint endeavours with the Equality Commission for Northern Ireland where there is an overlap between the rights of minorities and the introduction of revised practices and procedures in the workplace.





# Current Publications





# CURRENT PUBLICATIONS

## Codes of Practice (£1 per copy plus p&p)

Disclosure of Information to Trade Unions for Collective Bargaining Purposes

Disciplinary and Grievance Procedures

Time-Off for Trade Union Duties and Activities

Redundancy Consultation and Procedures

## Advisory Guides (£1 per copy plus p&p)

No.1 Collective Disputes Resolution

No.2 Varying a Contract of Employment

No.3 Bullying at Work (Under Revision)

## Research Reports

Industrial Relations in Northern Ireland - The LRA Survey: Private Sector (1988)

Industrial Relations in Northern Ireland - The LRA Survey: The Public Services (1992) (£12.50)

Some Perspectives on Employee Involvement in Five Companies in Northern Ireland (1995) (£6.00 inc p&p)

## Occasional Papers

An Examination of Recent and Likely Future Development in Employment Law in Northern Ireland, Patricia Maxwell, Jan 2004

The Changing World of Work, Boyd Black, Dec 2004

Developments in Employment Law in Northern Ireland, Patricia Maxwell, Jan 2005

New Developments in Public Sector Pay Setting, May 2005

## The LRA's Journal - Review of Employment Topics

Volume 1 No. 1 - April 1993 (£10.00 inc p&p)

Volume 2 No. 1 - June 1994 (£10.00 inc p&p)

Volume 3 No. 1 - August 1995 (£10.00 inc p&p)

Volume 4 No. 1 - August 1996 (£15.00 inc p&p)

Volume 5 No. 1 - September 1997 (£17.00 inc p&p)

Volume 6 No. 1 - September 2003 (£15.00 inc p&p)

## Annual Reports

### Information Notes Series (showing dates of last revision/issue)

<b>No.1</b>	Recruitment, Selection and Induction	Under Revision
<b>No.2</b>	Employment Particulars and Itemised Pay Statement	March 1997
<b>No.3</b>	Employee Grievances	Under Revision
<b>No.4</b>	Disciplinary Matters	Under Revision
<b>No.5</b>	Holidays, Holiday Pay and Entitlements	Under Revision
<b>No.6</b>	Sickness Absence Notification and SSP	Under Revision
<b>No.7</b>	Lay-Off/Guarantee Payments	September 2000
<b>No.8</b>	Transfer of Undertakings (Protection of Employment) Regulations 1981	Under Revision
<b>No.9</b>	Consultation on Collective Redundancies	March 2000
<b>No.10</b>	The Employment Rights (Dispute Resolution) (Northern Ireland) Order 1998	September 2002
<b>No.11</b>	Discrimination against Disabled Workers	Under Revision
<b>No.12</b>	Industrial Relations and Employment Law Differences between Northern Ireland and Great Britain	Under Revision
<b>No.13</b>	Family-Friendly Employment Policies	Under Revision
<b>No.14</b>	Ill Health Absence	May 1997
<b>No.15</b>	Continuity of Employment	March 1997
<b>No.16</b>	Access to Medical Reports for Employment Purposes	January 1992
<b>No.17</b>	Equal Pay for Work of Equal Value	October 1989
<b>No.18</b>	Data Protection Act 1984	Under Revision
<b>No.19</b>	Federations, Associations and Other Organisations of Employers	March 2002
<b>No.20</b>	Trade Unions and Other Employees' Associations	Under Revision
<b>No.21</b>	Employment Relations (Northern Ireland) Order 1999	October 2002
<b>No.22</b>	Chairmen/Members of Statutory Bodies	December 2002

<b>No.23</b>	The Statutory Employment Rights of Employees	Under Revision
<b>No.24</b>	Statutory Maternity Pay	Under Revision
<b>No.25</b>	Europe and the Social Dimension	Under Revision
<b>No.26</b>	Protection of Workers in Relation to Wage Deductions by and Payments to Employers	March 1997
<b>No.27</b>	The Trade Union and Labour Relations (Northern Ireland) Order 1995	October 2002
<b>No.28</b>	Bullied at Work? - Guidance for Employees	Under Revision

Single copies of individual Agency Information Notes are available free of charge; a full set requires a stamped addressed envelope (stamps to the value of £1.20). Copies can also be downloaded from the Agency's website at [www.lra.org.uk](http://www.lra.org.uk).

## Other Publications

Equality Scheme

Conciliation in Complaints to Industrial Tribunals

Conciliation in Complaints to the Fair Employment Tribunal

Guide to Services

Charter

Corporate Plan 2003-2006

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. Notes for Guidance

Choosing our Arbitration Scheme. How the LRA can Help

An Introduction to the LRA Arbitration Scheme

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. A Guide to the Scheme



The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes



# Financial Statements







Annual Report And Accounts  
of  
The Labour Relations Agency  
and  
The Certification Officer for Northern Ireland  
31st March 2006

22 June 2006

Dr Aideen McGinley  
Permanent Secretary  
Department for Employment and Learning  
Adelaide House  
39-49 Adelaide Street  
Belfast  
BT2 8FD

Dear Dr McGinley,

**Labour Relations Agency (and The Certification Officer for Northern Ireland)  
Annual Report and Accounts for year ended 31st March 2006**

In accordance with paragraph 15(4) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I enclose two copies of the Annual Report and Accounts for the year ended 31st March 2006.

Yours sincerely



**Patrick McCartan**  
Chairman

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# FOREWORD TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

## Background Information

The Labour Relations Agency is an executive Non-Departmental Public Body sponsored by the Department for Employment and Learning established in 1976 under the Industrial Relations (Northern Ireland) Order 1976 and continued by the Industrial Relations Order (Northern Ireland) 1992.

These accounts have been prepared in accordance with paragraph 15(2) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992 and in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury and accounting and disclosure requirements issued by the Department for Employment and Learning with the approval of the Department of Finance and Personnel insofar as these are relevant.

## Auditor Details

The Northern Ireland Audit Office has been appointed under statute to examine these accounts and report to the Parliament on the audit examination. The agreed fees of £5,100 (2005:£4,657) to cover the Labour Relations Agency and the Certification Office are confined to the statutory audit and neither include or permit other services which might diminish auditor independence. The prior year charge in the income and expenditure account also included £4,072 additional audit costs incurred in respect of the 2004 audit.

The Chief Executive, as Accounting Officer, has taken steps to make himself aware of all relevant audit information and to establish that the Agency's auditors are aware of that information.

Insofar as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

## Principal Activities

The Agency's principal activities are to assist employers, employees and their representatives to improve the conduct of their employment relations.

The Labour Relations Agency provides effective, impartial and confidential services including:

- advice and assistance on all aspects of employment relations and employment practices;
- comprehensive conciliation and arbitration facilities for resolving both individual and collective matters;

to those engaged in industry, commerce and the public services in Northern Ireland. This service is available to employers, employers' associations, individual employees, trade unions and other organisations or to individuals who require assistance with any question relating to employment relations or employment matters.

## Certification Officer for Trade Unions and Employers' Associations

Under Article 69(3) of the 1992 Order, the Agency is required to pay the Certification Officer's remuneration and allowances and to provide support services. These costs are reflected in the financial statements.

The Certification Officer's functions are contained in the Industrial Relations (Northern Ireland) Order 1992 (as amended) and in the Trade Union and Labour Relations (Northern Ireland) Order 1995 and the Employment Relations (Northern Ireland) Order 1999. The Certification Officer is responsible for ensuring that Trade Unions and Employers' Associations comply with statutory provisions relating to the regulation of Trade Unions and Employers' Associations.

## Results for the Year

The results of the Labour Relations Agency and The Certification Officer for Northern Ireland are set out in detail in the Income and Expenditure Account. The surplus for the year was £2,176 (2005: deficit of £174,990).

## Fixed Assets

Details of the movement of fixed assets are set out in note 8 to the accounts.

## Important Events Occurring after the Year End

There have been no significant events since the year end which would affect these accounts.

## Charitable Donations

Noting one donation for £200 payable to St Anne's Cathedral Dean's Christmas Sit-Out (2005: £250), any charitable donations made did not exceed £200.

## Board Members

The following served as Board members during the year:

- Mr P McCartan – Chairman, part-time
- Mr E McGlone
- Mr H Goodman, OBE
- Dr B Black
- Mr G Milligan
- Mr W R Ward
- Ms J A Clarke
- Mr J McCusker
- Mrs N Heaton
- Mrs P O'Farrell

Between the end of the financial year and the date on which these accounts were approved there were no changes to the composition of the Board.

## Board Members' Interests

An up-to-date register of Board members' interests is maintained by the Chief Executive, as Accounting Officer, and is available for inspection at the Agency's Head Office, 2-8 Gordon Street, Belfast, BT1 2LG.

## Research and Development

The Agency was not involved in any research and development during 2005/06.

## Payment to Suppliers

The Labour Relations Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. With ongoing administrative pressures (staff turnover and exceptional administrative responsibilities), the average payment to suppliers within 30 days was 37% (2005: 78%) for the Agency, and was 72% (2005: 66%) for the Certification Officer.

# STATEMENT OF THE AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

## Background Information

The Labour Relations Agency is an executive Non-Departmental Public Body sponsored by the Department for Employment and Learning established in 1976 under the Industrial Relations (Northern Ireland) Order 1976 and continued by the Industrial Relations Order (Northern Ireland) 1992.

Under paragraph 15(2) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992 the Agency is required to prepare a statement of accounts in the form and on the basis determined by the Department for Employment and Learning, with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the Department for Employment and Learning, 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Labour Relations Agency will continue in operation.

The Accounting Officer of the Department for Employment and Learning has designated the Chief Executive of the Agency as the Accounting Officer. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officer's Memorandum, issued by the Department of Finance and Personnel.

# STATEMENT ON INTERNAL CONTROLS

## 1. Scope of Responsibility

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

In the above context, Agency's Financial Memorandum sets out the accountability arrangements which, *inter alia*, include the approval of a corporate plan and an annual operating plan which establishes specific goals supporting the corporate plan. This is monitored through formalised quarterly meetings involving the Assistant Secretary of the Department and myself as the Accounting Officer of the Agency.

## 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency 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 Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

## 3. Capacity to Handle Risk

Agency internal controls are designed to manage rather than eliminate the risk of failure in achieving the Agency's policies, aims and objectives; the system of internal control can therefore only provide a reasonable and not an absolute assurance of effectiveness.

The system of internal control comprises ongoing processes designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

Through its Audit Committee, the Board receives periodic reports concerning internal control. As detailed further in section 4, the appropriate steps are being taken to manage risks in significant areas of responsibility.

To provide an internal audit service for the Agency, the organisation retains the services of Southern Internal Audit Services which operates to standards defined in the Government Internal Audit Manual. The work of Southern Internal Audit Services is informed by an analysis of the risks to which the Agency is exposed. Annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Agency's Audit Committee and approved by the Chief Executive. At least annually, Southern Internal Audit Services provides me with a report on internal audit activity in the Agency. The report includes their independent opinion on the adequacy and effectiveness of the Agency's system of internal control.

My review of the effectiveness of internal control is informed by the work of Southern Internal Audit Services, the Audit Committee which oversees the work of Southern Internal Audit Services, the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.



The Statement of Assurance issued by Southern Internal Audit Services following their work carried out in 2005/06 opined that the Agency has a sound framework of Control which provides reasonable assurance regarding the effective and efficient achievement of the Agency's objectives, with minor reservations, none of which were high risk, in respect of a small number of areas.

Certain work has already been done in addressing these issues. The remaining matters are in the course of being addressed.

Each year, as Chief Executive Officer, I ensure that business risks are identified and evaluated on a directorate basis. I check the outcome to ensure that a sufficiently strategic view is applied.

A revised framework agreed with the Board in 2005 indicates that the Risk Register will be reviewed by the Audit Committee every year.

All management layers undergo training in risk management. To date there have been two training exercises (in 2002 and 2003). Section meetings to develop risk registers have been supported by Corporate Services to supplement this training.

## 4. The Risk and Control Framework

The Agency has in place a framework for risk management which includes arrangements to identify, assess and manage risks across all aspects of its governance and business.

Risk is considered to be a function of the potential impact and the likelihood of materialisation,

ie Risk = probability x impact (or consequence)

Impact is classified as insignificant (score = 1), minor (score = 2), moderate (score = 3), major (score = 4) or catastrophic (score = 5).

Probability is scored as rare (score = 1), unlikely (score = 2), moderate (score = 3), likely (score = 4) or almost certain (score = 5).

Risk strategies depend on individual circumstances. They include:

Tolerate – accept the risks and their associated costs (in the main);

Treat – accepting the risks, establishing controls, parameters and tolerance limits;

Transfer – not performing the activity, insuring, paying a third party to take the risk, considering other courses of action, deferring a decision pending more information;

Terminate – avoiding the risk say by closing down a programme or postponing until further information or contingencies can be determined;

Through the Board, the Agency is essentially risk averse. However, it recognises that risks must be taken in the furtherance of Government objectives and at times of resource constraint. All ensuing risks identified which are greater than "low" as classified above, are subject to close senior management team scrutiny and prompt action.

## 5. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers

within the Agency 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, the Audit Committee and a plan to address weaknesses and ensure continuous improvement is in place.

As part of the risk management framework, the following arrangements apply:

- the Board through its Audit Committee oversees the policy and framework for risk management and reviews the most significant risks on an annual basis;
- the Chief Executive (CEO) is accountable for approving, implementing, monitoring and evaluating an adequate risk policy, framework and arrangements. The CEO submits an annual Risk Management Report to the Board through the Audit Committee. This includes key risk indicators and sets out the status of management in covering exposed areas of risk;
- directors have general responsibility for identifying any new areas of risk, or significant changes in risk, and bringing these to the attention of the CEO. As the Chief Executive must formally address risk reporting on an annual basis, Directors should expect to review the risks associated with their operational area on an ongoing and, at minimum, a six-monthly monthly basis and to report the outcome to the Director (Corporate Services) who has formal responsibility for maintaining the Risk Register;
- internal Audit base their planning on the Agency's Risk Register (as a starting point) and focus their findings on priorities set by the Agency.



**William Patterson**  
Chief Executive/Accounting Officer

Date: 22 June 2006

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

I certify that I have audited the financial statements of the Labour Relations Agency for the year ended 31 March 2006 under the Industrial Relations (Northern Ireland) Order 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective Responsibilities of the Agency, Chief Executive and Auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Industrial Relations (Northern Ireland) Order 1992 and Department for Employment and Learning directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Agency's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and Department for Employment and Learning directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 66 to 68 reflect the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only: Mission Statement; Equality Statement; Core Values; the LRA Board; Chairman's Foreword; Chief Executive's Introduction; Good Practice in the Workplace; Promoting a Culture of Alternative Dispute Resolution; Delivering and Promoting a Quality Service; Management Commentary; and the unaudited part of the Remuneration Report and the Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of Audit Opinion

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

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

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with Industrial Relations (Northern Ireland) Order 1992 and Department for Employment and Learning directions made thereunder, of the state of the Agency's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and Department for Employment and Learning directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**JM Dowdall CB**  
**Comptroller and Auditor General**  
**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast BT7 1EU**

21st September 2006

# INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Agency £	Certification Officer £	2006 Total £	2005 Total £
<b>Income</b>					
Grant from Department for Employment and Learning	2	2,727,887	241,322	<b>2,969,209</b>	2,467,090
Other operating income	3	702	-	<b>702</b>	1,011
<b>Total income</b>		<u>2,728,589</u>	<u>241,322</u>	<b><u>2,969,911</u></b>	<u>2,468,101</u>
<b>Expenditure</b>					
Staffing costs	4	1,859,158	154,244	<b>2,013,402</b>	1,790,764
Depreciation	8	58,850	5,425	<b>64,275</b>	75,976
Release of grant on capital expenditure	12	(66,348)	(6,085)	<b>(72,433)</b>	(81,269)
Amounts written off fixed assets	8	7,498	660	<b>8,158</b>	5,293
Other operating costs	6	<u>869,603</u>	<u>75,751</u>	<b><u>945,354</u></b>	<u>841,278</u>
		2,728,761	229,995	<b>2,958,756</b>	2,632,042
Notional cost of capital	7	<u>8,900</u>	<u>79</u>	<b><u>8,979</u></b>	<u>11,049</u>
<b>Total expenditure</b>		<u>2,737,661</u>	<u>230,074</u>	<b><u>2,967,735</u></b>	<u>2,643,091</u>
<b>(Deficit)/surplus for the year</b>		(9,072)	11,248	<b>2,176</b>	(174,990)
Credit in respect of notional cost of capital	7	<u>8,900</u>	<u>79</u>	<b><u>8,979</u></b>	<u>11,049</u>
Amount (deducted from) transferred to reserves		<u>(172)</u>	<u>11,327</u>	<b><u>11,155</u></b>	<u>(163,941)</u>

All amounts above relate to continuing activities.

Notes 1 to 18 form part of these financial statements.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
<b>Result for the year</b> (prior to adjustment in respect of notional cost of capital)		<b>2,176</b>	(174,990)
Unrealised surplus (deficit) on revaluation of fixed assets	13	<u>2,014</u>	<u>(488)</u>
Total recognised gains (losses) for the year		<u><b>4,190</b></u>	<u>(175,478)</u>

Notes 1 to 18 form part of these financial statements.

# BALANCE SHEET

## AS AT 31 MARCH 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	8	<u>209,948</u>	<u>285,919</u>
<b>Current assets</b>			
Debtors	9	<b>36,308</b>	73,369
Cash at bank and in hand	10	<u>226,986</u>	<u>233,781</u>
		<b>263,294</b>	307,150
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	11	<u>(248,432)</u>	<u>(304,786)</u>
<b>Net current assets</b>		<u>14,862</u>	<u>2,364</u>
<b>Total assets less current liabilities</b>		<b>224,810</b>	288,283
Deferred income	12	<u>(183,435)</u>	<u>(260,077)</u>
<b>NET ASSETS</b>		<u><b>41,375</b></u>	<u>28,206</u>
<b>Financed by: Capital and Reserves</b>			
General Fund	13	<b>20,446</b>	7,623
Revaluation Reserve	13	<u>20,929</u>	<u>20,583</u>
		<u><b>41,375</b></u>	<u>28,206</u>

The financial statements were approved by the Board on 22 June 2006 and were signed on its behalf by:



Patrick McCartan,  
Chairman



William Patterson,  
Chief Executive and Accounting Officer

Notes 1 to 18 form part of these financial statements.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	14.1	<b>22,391</b>	61,853
Payments to acquire fixed assets		<b>(24,977)</b>	(156,732)
Capital grant received		<b>(4,209)</b>	190,918
(Decrease)increase in cash	14.2	<b>(6,795)</b>	96,039

Notes 1 to 18 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

## 1 Accounting Policies

### 1.1 Accounting Convention

The Agency has the responsibility under Article 69 of the Industrial Relations (Northern Ireland) Order 1992 to provide the Certification Officer for Northern Ireland with the requisite accommodation, equipment, facilities, remuneration, travelling and other expenses, together with such sums as he may require for the carrying out of his duties. The Agency also has the responsibility under paragraph 15(2) of Schedule 4 to the 1992 Order to show separately sums disbursed to or on behalf of the Certification Officer.

The financial statements incorporate the results for The Certification Officer for Northern Ireland, and have been prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets, and with the Industrial Relations (Northern Ireland) Order 1992.

Without limiting the information given, the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the United Kingdom accounting standards issued or adopted by the Accounting Standards Board, the Financial Reporting Manual (FRM) issued by HM Treasury, and accounting and disclosure requirements issued by the Department of Finance and Personnel, insofar as those requirements are appropriate.

### 1.2 Grant Income

Grant that is applied towards capital expenditure is transferred as deferred income which is credited to the income and expenditure account over the useful lives of the related assets. Other grant income is credited to the income and expenditure account in the year to which it relates.

### 1.3 Fixed Assets

The cost of fixed assets comprises the purchase price and any installation charge.

A capitalisation threshold of £250 (2005:£100) is applied.

For all assets depreciation is calculated to write off their cost or valuation over their useful lives. Additions in the year bear a due proportion of the annual charge.

The methods adopted and rates used are:

Adaptations to short leasehold buildings	-	10% straight line
Office furniture and fittings	-	20% straight line
Computer equipment	-	33 1/3% straight line

Fixed assets are revalued by reference to appropriate "Price Index Numbers for Current Cost Accounting" published by the Central Statistical Office. Surpluses on revaluation of assets are credited to revaluation reserve pending their realisation.

To the extent that depreciation based on the revalued amount exceeds the corresponding depreciation on historical cost, the excess represents realisation of the surplus and is transferred annually from the revaluation reserve to income and expenditure account.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 1.4 Treatment of Pension Liabilities

During the year the Agency participated in the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The Agency meets the cost of pension cover provided for staff they employ by payment of charges calculated on an accruing basis.

### 1.5 Value Added Tax

The Agency does not have any income which is subject to output VAT. Accordingly, the Agency cannot recover any input VAT.

## 2. Grant from the Department for Employment and Learning Request for Resources B (2005: Request for Resources B)

	<b>2006</b> £	<b>2005</b> £
Total grant receivable [including £245,000 (2005: £183,008) re The Certification Officer]	<b>2,965,000</b>	2,658,008
Less: transfer to deferred income in respect of capital expenditure [including £3,678 (2005: £10,419) re The Certification Officer] (notes 8 and 12)	<b>4,209</b>	(190,918)
Grants credited to revenue account	<b>2,969,209</b>	2,467,090

## 3. Other Operating Income

	<b>2006</b> £	<b>2005</b> £
Other operating income comprises:		
Receipts from sale of publications	-	116
Miscellaneous receipts	<b>702</b>	895
Total	<b>702</b>	1,011

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 4. Staff Costs

(a) The number of Board members serving at any one time during the year was:	2006 No	2005 No
Board members (including Chairman)	10	10
The average weekly number (full time equivalent) of: Management (including Chief Executive)	4	4
Operational (permanent)	39	34
Operational (temporary)	1	1
Support	10	9
The Certification Officer (part-time)	1	1
Certification Office Support Staff (inc. seconded staff)	5	4
	60	53
Employment Agency staff	4	6
Total (including The Certification Officer)	74	69

(b) The costs incurred in respect of these staff were:	2006 £	2005 £
<b>Agency</b> (excluding Certification Office):		
Wages and salaries (permanent staff)	1,404,631	1,264,486
Wages and salaries (temporary staff)	20,225	25,111
Social security costs	105,391	96,271
Other pension costs – superannuation	242,024	163,023
Employment Agency staff	86,887	120,252
Total (excluding Certification Office)	1,859,158	1,669,143
<b>Certification Office:</b>		
The Certification Officer and assistants		
Wages and salaries	93,184	32,591
Social security costs	7,544	2,629
Other pension costs – superannuation	11,364	1,705
Employment Agency Staff	-	913
	112,092	37,838
Seconded staff assistants to The Certification Office	42,152	83,783
Total (re the Certification Office)	154,244	121,621
<b>TOTAL STAFF COSTS</b>	<b>2,013,402</b>	<b>1,790,764</b>

NB: With effect from 2005/06, support staff in operational departments have been classified as operational staff. For purposes of meaningful comparison prior year staff numbers in 4(a) and costs in 4(c) have been reclassified accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

(c) The above staff costs are analysed as follows:	2006 £	2005 £
<b>Board members</b>		
Chairman's salary and other Board member's fees	64,968	63,006
Social security costs	2,282	1,642
Other pension costs – superannuation re Chairman	4,865	2,806
	<u>72,115</u>	<u>67,454</u>
<b>Staff: Chief Executive and other management</b>		
Salary	208,575	203,214
Social security costs	20,200	19,718
Other pension costs – superannuation	41,085	32,411
	<u>269,860</u>	<u>255,343</u>
<b>Operational: Salaries (permanent staff)</b>		
Salaries (temporary staff)	20,225	25,111
Social security costs	66,074	61,151
Other pension costs – superannuation	153,587	104,388
	<u>1,172,245</u>	<u>990,172</u>
<b>Support: Salaries</b>		
Social security costs	16,835	13,760
Other pension costs – superannuation	42,487	23,418
Employment Agency staff	86,887	120,252
	<u>344,939</u>	<u>356,174</u>
Total staff costs (excluding Certification Officer)	<u>1,859,159</u>	<u>1,669,143</u>
<b>Certification Officer: Salary</b>		
Social security costs	2,957	1,691
	<u>28,984</u>	<u>20,737</u>
<b>Support: Salaries</b>		
Social security costs	4,587	938
Other pension costs – superannuation	11,364	1,705
Employment Agency staff	-	913
	<u>83,107</u>	<u>17,101</u>
Seconded staff assistants to the Certification Office	42,152	83,783
Total Certification Office staff costs	<u>154,243</u>	<u>121,621</u>
<b>TOTAL STAFF COSTS</b>	<u><b>2,013,402</b></u>	<u><b>1,790,764</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

- (d) 'Salary' includes gross salary; performance pay or bonuses; overtime and any other allowances to the extent that it is subject to UK taxation.
- (e) Pension arrangements: Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**Classic, Premium and Classic Plus**). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of **Premium** or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (**partnership pension account**).

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

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

Further details about the CSP arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk).

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 that 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. Where quoted, the CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

(f) Pension costs

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

For 2005/06, employer's contributions of £250,610 were payable to the PCSPS(NI) (2004/05: £164,728) at one of four rates in the range 16.5 to 23.5 percent of pensionable pay, based on salary bands. From 1 April 2006 the four



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

rates remain in the range 16.5 to 23.5 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions due to the partnership pension providers and paid over to the providers at the balance sheet date were £2,858 (2004/05: £4,026). Contributions prepaid at that date were £0. Employer contributions are age-related and range from 3 to 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer contributions of £148 (2004/05: £146), this being 0.8 percent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of this employee.

## 5. Performance Against Key Financial Targets

Subject to the restriction of not accumulating unnecessary bank and cash balances in year and at year end, the Department for Employment and Learning does not consider it appropriate to set key financial targets for the Agency.



## 6. Other Operating Costs (including VAT, where relevant)

	Agency £	Certific. Officer £	2006 Total £	Agency £	Certific. Officer £	2005 Total £
Rent, including car parks	169,267	12,762	182,029	165,609	14,731	180,340
Rates, including car parks	64,104	10,111	74,215	54,312	9,303	63,615
Service charges, maintenance, cleaning, heating, lighting and insurance	50,570	2,894	53,464	90,332	2,746	93,078
Security	34,512	-	34,512	35,617	-	35,617
Arbitration fees and expenses	29,582	-	29,582	5,597	-	5,597
Advisors' fees and expenses	17,600	321	17,921	2,836	18,492	21,328
Office supplies, printing and stationery	21,384	3,495	24,879	24,041	5,287	29,328
Postage and telephones	45,843	3,524	49,367	47,884	6,218	54,102
External auditors' remuneration						
- re current year	4,500	-	4,500	4,000	500	4,500
- re prior year	-	-	-	4,072	-	4,072
Internal auditors' remuneration	9,597	-	9,597	7,000	-	7,000
Legal fees	14,513	2,056	16,569	12,734	1,645	14,379
Other professional fees	59,868	4,580	64,448	20,334	12,338	32,672
IT Managed Services	31,927	-	31,927	36,355	-	36,355
IT Maintenance and licenses	47,280	-	47,280	59,296	-	59,296
IT Development and implementation	60,437	900	61,337	42,417	2,185	44,602
Travel and subsistence	24,233	4,307	28,540	17,633	3,829	21,462
Staff training	61,083	5,003	66,086	25,699	-	25,699
Publications and advertising	52,104	17,264	69,368	32,507	1,425	33,932
Conference & Seminars	10,829	3,150	13,979	18,448	5,642	24,090
Advertising (staff vacancies)	10,210	-	10,210	17,351	-	17,351
Library services	25,558	1,876	27,434	17,801	607	18,408
Hospitality	7,819	981	8,800	6,054	1,008	7,062
Miscellaneous expenditure and venue hire	5,983	1,024	7,007	1,657	542	2,199
Professional subscriptions	9,527	-	9,527	3,208	-	3,208
Bank charges	1,273	160	1,433	1,038	227	1,265
Cost of disposing of computer equipment	-	-	-	721	-	721
Loss on disposal of fixed asset	-	1,343	1,343	-	-	-
	<b>869,603</b>	<b>75,751</b>	<b>945,354</b>	754,553	86,725	841,278

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 7. Notional Costs

#### **Notional cost of capital**

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the Labour Relations Agency. The basis of the charge is 3.5% (2005 – 3.5%) of the average capital employed by the Agency during the year, defined as total assets less current liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 8. Fixed Assets

	<b>Adaptations to Agency Short Leasehold Buildings</b> £	<b>Agency Office Furniture &amp; Fittings</b> £	<b>Agency Computer Equipment</b> £	<b>Certific. Officer Office Furniture &amp; Fittings</b> £	<b>Certific. Officer Computer Equipment</b> £	<b>Total</b> £
<b>Cost or valuation</b>						
At start of year	250,157	213,453	223,531	21,806	12,993	721,940
Additions	+(23,387)	2,167	13,333	-	3,678	(4,209)
Disposals	-	-	-	-	(1,913)	(1,913)
Adjustment arising on revaluation	(248)	2,134	(36,389)	128	(2,115)	(36,490)
At end of year	<u>226,522</u>	<u>217,754</u>	<u>200,475</u>	<u>21,934</u>	<u>12,643</u>	<u>679,328</u>
<b>Depreciation</b>						
At start of year	72,565	163,673	177,467	13,385	8,931	436,021
Provision for year	20,118	18,153	18,989	2,267	3,080	62,607
Depreciation on disposals	-	-	-	-	(570)	(570)
Adjustment arising on revaluation	(72)	1,662	(28,891)	78	(1,455)	(28,678)
At end of year	<u>92,611</u>	<u>183,488</u>	<u>167,565</u>	<u>15,730</u>	<u>9,986</u>	<u>469,380</u>
<b>Net Book Value</b>						
At 31 March 2006	<u>133,911</u>	<u>34,266</u>	<u>32,910</u>	<u>6,204</u>	<u>2,657</u>	<u>209,948</u>
At 31 March 2005	<u>177,592</u>	<u>49,780</u>	<u>46,064</u>	<u>8,421</u>	<u>4,062</u>	<u>285,919</u>
If stated under historical cost principles the comparable amounts would be:						
Cost	213,558	201,984	329,193	21,933	12,643	779,311
Accumulated depreciation	<u>83,489</u>	<u>168,571</u>	<u>291,674</u>	<u>15,729</u>	<u>9,985</u>	<u>569,448</u>
<b>Historical cost value</b>						
At 31 March 2006	<u>130,069</u>	<u>33,413</u>	<u>37,519</u>	<u>6,204</u>	<u>2,658</u>	<u>209,863</u>
At 31 March 2005	<u>172,277</u>	<u>48,866</u>	<u>47,860</u>	<u>8,318</u>	<u>4,311</u>	<u>281,632</u>

+: Capital expenditure on adaptations to premises is stated net of a refund of £39,863 received in respect of prior year capital expenditure.

NB: The depreciation charge of £64,275 (2005: £75,976) for the year reflects the depreciation provision of £62,607 (2005: £75,759) together with net revaluation adjustments totalling a charge of £1,668 (2005: credit of £40) in respect of those asset categories where amortised current value exceeds amortised historic cost. In the prior year only there was also a depreciation adjustment charge of £257 in respect of an equipment disposal.

\*: Where the written down value of re-valued assets is less than their written down value under historic cost principles this deficit is recognised in the income and expenditure account, rather than deducted from the revaluation surpluses. During the year the amount written off computer equipment for this reason was as follows:

	<b>£</b>
Agency	7,498
Certification Officer	660
	<u>8,158</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 9. Debtors: Amounts Due Within One Year

	<b>2006</b> £	<b>2005</b> £
Debtors	<b>960</b>	344
Prepayments	<b>35,348</b>	73,025
	<b>36,308</b>	73,369

### 10. Cash at Bank and in Hand

	<b>Agency</b> £	<b>Certification</b> <b>Officer</b> £	<b>2006 Total</b> £	<b>2005 Total</b> £
Cash at bank	190,411	36,215	<b>226,626</b>	233,531
Cash held at Londonderry	110	-	<b>110</b>	50
Cash held at Headquarters	100	150	<b>250</b>	200
Total	<b>190,621</b>	<b>36,365</b>	<b>226,986</b>	233,781

### 11. Creditors: Amounts Falling Due Within One Year

	<b>2006</b> £	<b>2005</b> £
Purchase creditors	<b>24,088</b>	148,336
PAYE/NIC creditor	<b>37,000</b>	41,186
Superannuation creditor	<b>71,855</b>	37,573
Capital creditors	<b>5,000</b>	34,186
Accruals and other creditors	<b>110,489</b>	43,505
Total	<b>248,432</b>	304,786

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 12. Deferred Capital Grant Income

Capital allocations not yet released to income and expenditure account.

	<b>2006</b> £	<b>2005</b> £
At start of year	<b>260,077</b>	150,428
Received in year	<b>(4,209)</b>	190,918
Released to income and expenditure account in respect of depreciation and other amounts written off fixed assets	<b>(72,433)</b>	(81,269)
At end of year	<b>183,435</b>	260,077

### 13. Reconciliation of Movements in Reserves and General Fund

	<b>Note</b>	<b>General Fund</b> £	<b>Revaluation Reserve</b> £	<b>2006 Total</b> £	<b>2005 Total</b> £
At start of year		7,623	20,583	<b>28,206</b>	192,635
Result for the year		2,176	-	<b>2,176</b>	(174,990)
Credit in respect of notional cost of capital		8,979	-	<b>8,979</b>	11,049
Unrealised surplus (deficit) on revaluation of fixed assets	8	-	2,014	<b>2,014</b>	(488)
Transfer of amount equivalent to additional depreciation on assets where revaluation is more than historical cost		1,668	(1,668)	-	-
At end of year		<b>20,446</b>	<b>20,929</b>	<b>41,375</b>	28,206

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 14. Notes to Cash Flow Statement

#### 14.1 Reconciliation of result for the year to net cash inflow from operating activities

	2006 £	2005 £
Result for the year	2,176	(174,990)
Credit in respect of notional cost of capital	8,979	11,049
<b>Adjustment for non cash transactions</b>		
Depreciation	64,275	75,976
Loss on disposal of fixed asset	1,343	-
Release of grant on capital expenditure	(72,433)	(81,269)
Amounts written off fixed assets	8,158	5,293
<b>Adjustments for movements in working capital</b>		
Decrease (increase) in debtors	37,061	(24,612)
(Decrease) increase in creditors (excl capital creditor)	(27,168)	250,406
<b>Net cash inflow from operating activities</b>	<b>22,391</b>	<b>61,853</b>

#### 14.2 Reconciliation of net cash inflow to movement in net funds

	2006 £	2005 £
Cash in bank at start of year	233,781	137,742
Net cash (outflow)/inflow	(6,795)	96,039
Cash in bank at end of year	<b>226,986</b>	<b>233,781</b>

### 15. Future Capital Expenditure

	2006 £	2005 £
Contracted	-	5,499
Authorised but not contracted for	71,000	-
Total	<b>71,000</b>	<b>5,499</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

### 16. Contingent Liabilities

The Agency has staff tribunal cases unresolved at the year end. It is contesting these vigorously and an outcome may arise in 2006/07. The Agency's current assessment of the contingent liabilities continues to be kept under review. However, the Agency wishes to avoid prejudicing the case by attempting to publish estimates of the potential liability and is therefore invoking the exemption allowed by paragraph 97 of Financial Reporting Standard 12 in respect of provisions and contingent liabilities.

There are no other contingent liabilities at the year end (2005 - £nil).

### 17. Financial Commitments

Commitments existed at the year end under property leases in respect of annual rentals which expire:

	2006 £	2005 £
Within one to two years	-	-
Within two to five years	-	-
After five years	<b>163,738</b>	161,562
	<b>163,738</b>	161,562

In addition, expenditure of £13,625 for a management training programme together with £8,000 remaining of last year's commitment for the remainder of the evaluation survey (2005: £16,450 for an evaluation survey) has been contracted for at 31 March 2006.

### 18. Related Party Transactions

The Labour Relations Agency is a Non-Departmental Public Body sponsored by the Department for Employment and Learning. The Department for Employment and Learning is regarded as a related party. During the year the only transactions which the Agency has had with the Department is the receipt of grant, as disclosed. None of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the Agency during the year.

Intra government balances re outstanding PAYE/NIC and Superannuation creditors are given in note 11.

