Northern Ireland Office

ANNUAL REPORT AND ACCOUNTS 2014-15

HC 72

20 July 2015

Northern Ireland Office

Annual Report and Accounts 2014-15

(For the year ended 31 March 2015)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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This is part of a series of departmental publications which, along with the Main Estimates 2015-16 and the document Public Expenditure: Statistical Analyses 2015, present the Government's outturn for 2014-15 and planned expenditure for 2015-16

This publication is available at www.gov.uk/government/organisations/northern-ireland-office

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FOREWORD

By the Right Honourable Theresa Villiers MP, Secretary of State for Northern Ireland

I have pleasure in presenting the Annual Report and Accounts for the Northern Ireland Office 2014-15.

The twelve months since the last Annual Report and Accounts have been exceptionally busy for the Northern Ireland Office. A key focus was of course the cross-party talks which began in October, involved over 150 hours of discussions and which culminated in the Stormont House Agreement on 23 December 2014.

I would like to place on record my deep appreciation for the efforts of all members of the Northern Ireland Office who contributed to that outcome and to those who provided all the vital logistical support to ensure the smooth running of the process. It demonstrated the ability of a small government department to tackle big issues of national importance efficiently and professionally.

The Stormont House Agreement made significant progress on some of the most difficult issues facing Northern Ireland. It contains measures to address the long-term sustainability of the Executive's finances, new structures to deal with the legacy of the past and important proposals to make devolution work better.

For this to happen, the Agreement must be implemented faithfully and in full. The Government is committed to playing its part. Before the General Election we passed legislation to enable powers over Corporation Tax to be devolved to the Executive, subject to the conditions in the Agreement requiring it to place its finances on a stable footing. In the Queen's Speech presented to Parliament following the Election we announced our intention to bring forward legislation to establish new institutions on the past.

It is vital that those issues that are now holding up the implementation of other parts of the Agreement are resolved. The Government will, therefore, continue to work with all parties and with the Irish Government, as appropriate, as we seek to ensure that everybody fulfils their obligations under the Stormont House Agreement.

Over the past year Northern Ireland has continued to share in the economic recovery throughout the United Kingdom as a result of the Government's long-term economic plan. Unemployment has fallen while the numbers in work have risen. Northern Ireland maintains its ability to attract significant foreign direct investment.

Northern Ireland will benefit from the measures announced by the Government to support business and hardworking people. At the same time all of us need to recognise that our efforts to rebuild the economy remain work in progress. If we are to build lasting recovery it is essential that we stay the course we have set, in particular to eliminate the deficit and live within our means as a nation. That will mean difficult public expenditure decisions for everyone over the next three years.

Yet the UK Government continues to recognise Northern Ireland's particular circumstances. For example, public spending remains the highest per head of any country in the United Kingdom. The Stormont House Agreement contains a financial package worth up to £2billion of additional spending power. It is estimated that the devolution of Corporation Tax, if implemented, could have a significant impact on investment, jobs and prosperity.

Overall the security situation has remained relatively stable. Yet the threat level remains Severe and the need for vigilance is vital. I would like to state once again my admiration and appreciation for all the superb work done by the Police Service of Northern Ireland and the Security Service to keep people in Northern Ireland safe and secure. I would also like to acknowledge the major contribution of An Garda Siochana in the Republic of Ireland and thank them for their continued close co-operation. For our part the Government will always give the Police our fullest possible backing; there will be no let-up in our efforts to tackle the terrorist threat.

This annual report is presented shortly after the UK General Election. As we made clear at the election we are fully committed to building a Northern Ireland where politics works, the economy grows and where society is stronger and more united. We want to see a peaceful, stable and prosperous Northern Ireland where everybody can get on to the best of their ability – irrespective of their community background. That is what we will spend the next twelve months, and this Parliament, striving to achieve.

RT HON THERESA VILLIERS MP

DIRECTORS' REPORT

Scope

This is the Annual Report and Accounts for the Northern Ireland Office ("the Department") for the financial year ending 31 March 2015. These statements have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000.

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

Background

The Northern Ireland Office (NIO) represents Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland.

Statement of Strategic Direction

Our key purpose is to make the political settlement work and in partnership with the Northern Ireland Executive help bring about a stable, prosperous Northern Ireland at peace with itself and ready for new challenges and opportunities. To do this we:

- support and implement the political Agreements to increase the stability of the institutions;
- work with the Executive to rebalance the Northern Ireland economy, promoting growth, trade and encouraging inward investment;
- support reconciliation and the Executive's objective of building a shared future for all, while acknowledging the past;
- champion Northern Ireland's interests in Whitehall making sure Cabinet takes full account of Northern Ireland and that Whitehall policies are represented there effectively;
- support democracy and take the lead against the terrorism and violence that threatens national security;
- work closely with the Irish Government on matters of common interest.

We work hard as a Department to offer our best advice and support to our Ministers and colleagues, to help us all carry out our duties and statutory obligations to Parliament, the public and others. We maximise our people's talents and use our resources to carry all this work out as efficiently and effectively as possible.

Our Ministers

The Secretary of State retains ministerial responsibility for the operation of the NIO and represents the interests of Northern Ireland at Cabinet level. She is assisted in this role by the Parliamentary Under-Secretary of State.

The Secretary of State for Northern Ireland, Rt Hon Theresa Villiers MP, was appointed on 4 September 2012 and the Parliamentary Under-Secretary of State, Dr Andrew Murrison MP, was appointed on 16 July 2014, replacing Rt Hon Andrew Robathan MP. Following the 2015 general election, the Rt Hon Theresa Villiers MP was reappointed as Secretary of State for Northern Ireland and Ben Wallace MP became the Parliamentary Under-Secretary of State.

The Permanent Secretary / Director General

The Permanent Secretary of the NIO, as Accounting Officer, is accountable for the overall performance of the Departmental Group. Sir Jonathan Stephens KCB was appointed Permanent Secretary of the Northern Ireland Office on 9 June 2014. He succeeded Sir Julian King KCVO CMG who was Director General from 1 January 2012. The upgrading of the post underlines the importance the Prime Minister and the Secretary of State attach to the work the Department does.

The Management Board

The Permanent Secretary is supported by a Management Board, which provides corporate leadership to the organisation as a whole and takes ownership, in support of the Accounting Officer, of the Department's performance. The Management Board comprises the Permanent Secretary (or, up to June 2014, the Director General), the Directors and a non-executive director.

Subject to Ministerial agreement, the Management Board sets the Departmental Business Plan which aims to deliver the strategic direction and policies set by Ministers. The Management Board also prioritises the allocation of resources to match development and delivery requirements, and monitors and is accountable for Departmental performance. The business plan for 2014-15 is available at www.gov.uk/government/organisations/northern-ireland-office

The Management Board is supported in its work by three sub-committees: the Audit and Risk Committee, the Change and Resources Sub-Committee and the People Sub-Committee. Further details regarding the Board and its sub-committees can be found in the Governance Statement on page 47.

Directorships and Other Significant Interests

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

Disclosure of Audit information to the Comptroller and Auditor General

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

Sir Jonathan Stephens KCB
Accounting Officer

14 July 2015

STRATEGIC REPORT

1. Structure and Functions

Size and Shape of the Department

Throughout this reporting period, the core Department continued to adjust to and consolidate the changes to its role, responsibilities and structure following the devolution of policing and justice functions to the Northern Ireland Assembly on 12 April 2010. This change was significant in that it saw the NIO reduce in size from over 2,000 staff and a baseline budget of approximately £1.3bn (excluding the block grant to the Northern Ireland Executive) to, in 2014-15, approximately 133 core members of staff (including those on secondment from the Northern Ireland Civil Service) and a budget of £27.4m.

For 2014-15 the Department's baseline budget was set at £21.9m reducing to £20.8m in the 2015-16 financial year. The Department's budgets were set in SR2010 incorporating a real terms reduction of 25% and were reduced further by the Chancellor's Autumn Statement to the House of Commons on 5 December 2012 (budget reduction of 1% in 2013-14 and 2% in 2014-15), the 2013 Budget Report (additional top sliced reductions of 1% in 2013-14 and 2014-15) and the 2013 Autumn Statement (further top sliced reductions of 1% in 2013-14 and 2014-15). The Department's budget for the financial year 2015-16 was set in SR2013 and took account of a further 10% reduction in real terms.

The Department's Supply Estimate also includes parliamentary authority for the cash grant payable to the Northern Ireland Consolidated Fund (£14.9bn).

In recognition of the increasing pressure on resources, a key focus during recent years was the need to take action to ensure that the Department was as efficient and lean as possible. Accommodation costs have therefore been reduced through a reduction in the floor space of the London office and a review of staffing resources resulted in a significant reduction in support staff during 2014-15, further reducing expenditure. Another outcome of this work was the transfer of responsibility for the management of Hillsborough Castle to Historic Royal Palaces on 1 April 2014. Under the new model the Castle is expected to become self-financing which will further reduce the burden on the public purse.

At the end of 2014-15 there were 268 staff employed by or seconded to the Department, or on fixed term appointments. This includes 135 staff working in the Crown Solicitor's Office, the employees of the Chief Electoral Officer for Northern Ireland and other appointees working in offices funded by the Department. The core Department of 133 members of staff comprised of 105 members of the Home Civil Service (HCS) and 28 seconded from the Northern Ireland Civil Service (NICS).

The Department's work is delivered by the following Groups:

Constitutional and Political Group

The Group is responsible for advising on the implementation of successive political Agreements in Northern Ireland and on other constitutional and devolution issues. It drives the Department's efforts to support the Northern Ireland Executive ("the Executive") which this year has included coordination of the cross-party talks that led to the Stormont House Agreement. The Group looks after policy relating to Northern Ireland elections and human rights, and has some responsibility for equality matters. It sponsors the Northern Ireland Human Rights Commission, the Boundary Commission for Northern Ireland and the Chief Electoral Officer for Northern Ireland.

Economy Group

The Economy Group is responsible for advice on economic and fiscal issues that impact on the Northern Ireland economy as well as providing analytical support across the Department. It supports other Government Departments and the Executive to deliver the objective of rebalancing the Northern Ireland economy. This includes providing support towards the implementation of the economic pact, *Building a Prosperous and United Community*, and the financial elements of the Stormont House Agreement.

Security and Protection Group

The Security and Protection Group, previously Security and Legacy Group, is responsible for implementing the Government's National Security Strategy and related policy and legislation in Northern Ireland. Northern Ireland Related Terrorism (NIRT) was identified as a Tier One risk to national security in the government's National Security Strategy. The threat level from NIRT is SEVERE in Northern Ireland and MODERATE in Great Britain. As a result, the Group is responsible for coordinating delivery of a comprehensive strategic approach to deal with the threat from NIRT. The Group handles the NIO's responsibilities for the Home Protection Scheme and other security-related matters such as national security-related firearms appeals and maintaining the Department's crisis response arrangements. The Group also sponsors the Sentence Review Commissioners and liaises with the Executive and Department of Justice & Equality in the Republic of Ireland on security, policing and justice matters to ensure that there is a joined up approach.

Engagement Group

The Engagement Group provides targeted political outreach and engagement with key stakeholders across a range of particularly challenging policy areas. These include: parades and oversight of the Public Processions Act (NI) 1998, engagement with hard to reach communities (in particular loyalist and republican communities), commemorations and work on the shared future agenda. The division organises, coordinates and supports Royal, VIP and Ministerial visits to Northern Ireland. The Deputy Director of Engagement Group is also the British Joint Secretary of the British-Irish Intergovernmental Secretariat, liaising with the Irish Joint Secretary and his Belfast-based team. The Group also sponsors the Parades Commission for Northern Ireland.

Strategy and Communications Group

The Strategy and Communications Group delivered the NIO's strategy and managed the corporate side of the Department, including those teams which service Ministers and the Management Board. It coordinated Ministerial and wider Departmental activity including media, visits and Parliamentary business matter. Following restructuring in-year, the Group was dissolved and its activities were reassigned to other business areas.

Business Delivery Group

The Business Delivery Group provides the overarching support services for the day-to-day work of the Department including human resources (HR) and finance. As well as managing key contracts for IT, corporate services and HR support, the Group also manages the Departmental estate in Northern Ireland, as well as the Department's approach to business planning, risk management and records and information management. It has a sponsoring role in respect of the Civil Service Commissioners for Northern Ireland.

Legacy Group

The Legacy Group was formed in December 2014, separating from the wider Engagement Group. It has a challenging role at the heart of the Government's response to the legacy of the Troubles in Northern Ireland. It has principal responsibilities in taking forward the proposals from the Stormont House Agreement for new bodies to deal with the past, and in ensuring the effective management of UK Government interests in all Troubles-related legal casework. It has oversight responsibility for the work of the Independent Commission for the Location of Victims' Remains and engages with key legacy stakeholders both across Government and Northern Ireland.

Associated Bodies

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

Non-Departmental Public Bodies (NDPBs)

The Department's executive NDPBs are:

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

The Department's advisory NDPB is:

- The Boundary Commission for Northern Ireland

Statutory Office Holders

The Department's statutory office holders are:

- The Crown Solicitor for Northern Ireland
- The Chief Electoral Officer for Northern Ireland
- The Civil Service Commissioners for Northern Ireland
- The Sentence Review Commissioners
- The Independent Chairman of the Northern Ireland Committee on Protection (non-statutory)
- The Remission of Sentences Act Commissioners
- The Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007
- The District Electoral Areas Commissioner (currently in abeyance)

International Bodies

In partnership with the Republic of Ireland, during the 2014-15 financial year, the Department co-sponsored the Independent Commission for the Location of Victims' Remains.

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

Inquiries and Reviews

Although the Robert Hamill Inquiry was completed and wound down during the 2010-11 financial year, publication of the Inquiry's report has been delayed, pending the outcome of legal proceedings relevant to the case. On 12 March 2014, Lady Justice Hallett was appointed to conduct an inquiry into the 'On-the-Runs' administrative scheme. Her Report was published on 17 July 2014.

The Crown Solicitor's Office for Northern Ireland

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

Our People

As a small Department, successful delivery of the NIO's strategic priorities requires us to adopt a flexible approach to ensure that the right people, with the right skills, are in the right place. Following the devolution of policing and justice in April 2010, NIO staff moved on to Ministry of Justice (MOJ) terms and conditions. The NIO obtains HR services from the MOJ under a shared services provision and retains an in-house qualified HR professional to ensure that the Department is well placed to ensure compliance with HR policies and employment legislation. The challenge is to continue to bring in new talent whilst making effective use of the corporate knowledge and experience of existing members of staff and ensuring our workforce remains flexible and able to deliver business and Ministerial priorities. The recent establishment of the People sub-committee will provide a focus for our work in this area. Further details on the People sub-committee can be found on page 51. The NIO has developed a People Plan which provides the Department with an overarching vision for its people and a set of the guiding principles that drive and guide the department in delivering its objectives and supporting Ministerial priorities.

The Department participated in the annual Civil Service People Survey in October 2014. Our overall Engagement Index was 59. Although the Index remained the same as that for the previous year, there was a significant increase in response rates representing the views of a wider cross-section of the Department. This was in line with the average across the Civil Service and there were some areas where we outperformed the average. Of particular note was the increase in the percentage of our people who felt they were included in decision-making and an increase in the number of people who indicated that they understood the Department's purpose and objectives.

Recruitment of Staff

As a Whitehall department, the NIO follows Whitehall procedures for the recruitment of staff. During 2014-15, the core Department kept its recruitment processes under review and ensured compliance with the Civil Service Commissioners' Recruitment Principles. The NIO follows a competency based approach to interviewing and ensures that panels at all grades are mixed gender in line with best practice.

In recognition of our dual role of representing Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland, the Department can only carry out its core functions and deliver its strategic priorities by having direct access to individuals who have a detailed knowledge and understanding of Northern Ireland-related issues. This includes a knowledge and understanding of the devolved administration and the machinery of government including Northern Ireland departmental functions and structures. Equally, the devolved administration, and therefore the NICS, has an interest in assisting the NIO to further develop its capacity and capability to fully understand and appreciate the issues of key concern to the Executive. For these reasons, a Memorandum of Understanding was agreed formally between the NIO and NICS in October 2012 in recognition of the unique relationship between the two organisations and to provide an appropriate structure, and a degree of flexibility, around our secondment arrangements. The MOU was reviewed in 2013 and is due to be re-visited in 2015 in light of changes to the NICS secondment policy. This MOU has worked effectively for the NIO during 2014-15 and the NIO will continue to work closely with the NICS to ensure the secondment arrangements deliver maximum flexibility and mutual benefits.

Staff Development

The Department remains committed to supporting the learning and development of all staff to enable them to do their jobs to the best of their ability and to develop the necessary skills for the present and future. The NIO is committed to supporting staff to take up their “five days a year” learning and development and has maintained a ring-fenced budget for this. The Personal Development Strategy was launched in 2012-13 and throughout 2014-15 development panels have met to endorse requests for training opportunities. Staff at all grades made good use of the Civil Service Learning portal as well as face to face learning. In February, the senior management team undertook a 360° feedback exercise which proved to be an effective and beneficial process and will be rolled out to other staff during 2015. Staff also benefited from one-to-one coaching sessions on managing performance.

Employment of People with Disabilities

Since the devolution of policing and justice functions, the Department has adopted MOJ policies for staff-related matters, including making reasonable adjustments where necessary for staff with disabilities and the Guaranteed Interview Scheme. NIO staff have access to MOJ diversity networks as well as MOJ Welfare Support Services.

Managing Attendance

Throughout 2014-15, the Department has continued to take a robust approach to managing attendance. There are a range of policies and procedures to support line managers to address this key area of their responsibilities. These policies are aimed at ensuring staff are afforded every opportunity of returning to the workplace as soon as possible. Data from the latest 12 month rolling period ending December 2014 shows that the NIO had an average working days lost figure of 6.1, below the 7.4 Civil Service wide average. 64% of NIO absence relates to a very small number of long term absences.

Pay and Workforce Planning

The Department carefully monitors its headcount, workloads and working practices and looks for all available opportunities to maximise efficiency and effectiveness. During 2014-15, following a review carried out by the NIO's Efficiency and Reform Group in 2012-13, a decision was taken to end the long term secondments of 22 NICS members of staff. These staff were in roles no longer required due to changes in the NIO's operating model. All 22 staff were found alternative posts back in their NICS home departments or elected to retire. An independent review of the NIO in summer 2014 recommended that two Directors should be appointed to support critical relationships and business objectives, and two appointees took up posts in December 2014. More information on the NIO review can be found on page 48. In March 2015, the NIO commenced a strategic review of resources and this work will be taken forward in to the next financial year.

As part of the post-devolution integration with the MOJ, all staff members below the Senior Civil Service (SCS) were offered the opportunity to move to MOJ pay scales. The MOJ 2010 pay deal was implemented for staff members who had opted to move to MOJ terms and conditions. Following the 3-year pay freeze, the NIO has implemented pay awards in line with the MOJ. For 2013-14, the Department implemented a pay deal of 1%.

During 2014-15, the NIO continued to follow MOJ terms and conditions. The MOJ operates on the modernised terms in line with other Whitehall departments and the NIO mirrors these. Members of staff on secondment from the NICS remain on NICS terms and conditions, including NICS pay scales.

Pensions and Early Departure Costs

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

The Department is also required to meet the additional cost of benefits beyond the normal PCSPS (GB) and PCSPS (NI) benefits in respect of staff who retire early. The Department provides in full for this cost, charged against the Statement of Comprehensive Net Expenditure when the early retirement has been announced. There were no early retirement costs incurred in the year.

Corporate Governance

The role of the Department's Corporate Governance Team is to provide advice and support across the Departmental Group, including its ALBs, on governance and stewardship responsibilities. The Head of the Team also provides secretarial support to the Management Board, the Audit and Risk Committee and the Change and Resources and People sub-committees. During 2014-15, the Team continued to provide advice to Deputy Directors in undertaking their role as sponsor for the Department's ALB and supported them by running a number of public appointments processes. The Team also prepared and submitted the Department's Annual Progress Report to the Equality Commission for Northern Ireland. Detailed information regarding the Department's approach to governance, including its Management Board and associated Committees, can be found in the Governance Statement on page 47.

Sustainable Development

The NIO is exempt from complying with HM Treasury guidance on sustainability reporting as to collate the figures would be disproportionately expensive relative to the size of the Department. However, the Department is committed to the wider agenda of Greening Government and has taken steps to reduce carbon emissions and the amount of waste generated.

The Department's sustainability aim is to reduce the impact of its business on the environment, with a priority to reduce carbon dioxide emissions. The Department continues to monitor its carbon footprint reductions through the Carbon Reduction Energy Efficiency Scheme administered by the Department of Energy and Climate Change. The Department has enrolled into Phase 2 of the Carbon Reduction Commitment as a mandated participant and will, therefore, continue to monitor and evaluate its carbon emissions through the scheme.

As part of this, the NIO has halved the number of official and Ministerial cars, reducing from eight to four across both Belfast and London. Staff are required to consider the use of public transport, where appropriate, as the primary means of travel when on official business, making savings on both carbon emissions and financial resources.

Throughout 2014-15, the Department increased the use of its video conferencing facilities, minimising the need for travel between London and Belfast. There are currently four video conference facilities within the Department. These facilities are widely used between the NIO and the Northern Ireland departments, as well as with other Whitehall departments.

In addition, in June 2014 the Department reduced the office space in its London premises which has reduced energy costs accordingly.

The Department is committed to improving performance in relation to sustainability in the coming year.

Corporate Social Responsibility

The work of the Department is fundamentally about making a positive impact in the community in which it operates. However, going beyond this, during 2014-15 staff within the Department participated in a number of fundraising and volunteering activities for a range of local charities, including the NSPCC, the Cystic Fibrosis Trust and Macmillan Cancer Support.

Health and Safety

The Department remains committed to providing and continuing to develop an effective health and safety regime. During 2014-15, the Department refreshed its Health & Safety policy and updated a number of operating arrangements, thus ensuring the key areas which managers must take responsibility for are clearly defined and adhered to. Each building has an appointed person who monitors the health and safety risk assessments and identifies and provides training when required. In total there were eleven minor accidents none of which required reporting to the relevant authorities.

Health and safety guidance is available to all staff on the Department’s intranet.

Better Regulation

The Department is committed to producing less regulation and better regulation in line with the Government’s general principles of regulation. As such, the Department continually looks for ways to reduce regulation where possible. As part of this process, the Department is committed to actively promote the better regulation agenda across the Northern Ireland Executive, representing the needs of the devolved administration in Whitehall and vice versa.

Towards the end of the financial year, Continuous Improvement (CI) training was piloted within two teams in the Business Delivery Group. The aim of the CI process is to give staff the skills to identify the value in the work they carry out and eradicate waste by improving products, services or processes. Those who undertook the training reported a more effective and efficient working practice within their teams, including identifying the minimum resources required to carry out tasks and allowing resources to be realigned with wider business needs. The training is due to be rolled out more widely to all staff in 2015-16.

In addition, since October 2014, the Department has been actively involved in the Policy Profession, a community of practice for civil servants who work in, or are involved with, the formulation of government policy. The aim of the network is to ensure that policy development and delivery is open, professional and consistent, and that best practice is shared.

Complaints to the Parliamentary Ombudsman

There were no complaints about the Department which have been investigated by the Parliamentary Ombudsman.

Political and Charitable Donations

The Department did not make any political or charitable donations in 2014-15.

Transparency

The Department, in line with the Government's Transparency Agenda, regularly publishes information on any significant areas of expenditure at

https://www.gov.uk/government/latest?departments%5B%5D=northern-ireland-office

Expenditure on Consultancy and Temporary Staff

	Core Department[1]	Arm's Length Bodies	Consolidated
	£000	£000	£000
Consultancy Expenditure	-	30	30
Temporary Staff Costs	343	32	375

[1] Including the Crown Solicitor's Office.

2. Departmental Performance against Objectives

The Department exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. The Departmental Business Plan for 2011-15 contained four overarching objectives, and the following commentary explains how these were achieved during 2014-15.

Objective 1: Renewed politics

- **Devolved government capable of resolving differences, delivering its core business**
- **Society moving on, not held back by the legacy of the past**

In 2014, the Department facilitated the cross-party talks involving the UK and Irish Governments and the five parties of the Executive. The Stormont House Agreement sets out a way forward on the Executive's finances and welfare; flags, parading and dealing with the past; reform of the political institutions; commitments from previous political agreements. The Department is also leading the legislation to give effect to some aspects of the Stormont House Agreement, principally the new mechanisms for dealing with the past. The Government also contributed a significant financial package to assist the Executive to deliver certain fiscal measures as part of the Stormont House Agreement.

The Department maintained a close and productive relationship with the Irish Government, as well as with the United States Administration, including Senator Gary Hart and other international partners, as the NIO addressed the political challenges within Northern Ireland. The NIO and its Ministers continue to engage with a number of individuals and groups to hear their stories and ideas on how a range of issues related to the legacy of the Troubles might be advanced. The Stormont House Agreement sets out broad ranging new structures to deal with the legacy of Northern Ireland's past and the Government has agreed to contribute £150m over 5 years to help fund the new structures. The Department has continued to make a positive contribution to dealing with the legacy of the Troubles and to manage a broad portfolio of complex casework relating to the past. The Department published Lady Justice Hallett's inquiry into the 'On-the-Runs' administrative scheme in summer 2014 and has acted on all of its recommendations.

The NIO continues to carry out its role in promoting human rights and equality in Northern Ireland, including through sponsorship of the Northern Ireland Human Rights Commission. In 2014, the Secretary of State appointed Les Allamby as Chief Commissioner of the Northern Ireland Human Rights Commission.

The Department is responsible for sponsorship of the Chief Electoral Officer for Northern Ireland and the Boundary Commission for Northern Ireland, and for developing policy and legislation relating to electoral matters in Northern Ireland. The Department made secondary legislation to deliver the General Election in 2015 and also made secondary legislation to update all the electoral forms for the European, Assembly and local elections in Northern Ireland as well as the necessary legislation to implement anonymous registration in Northern Ireland.

The Department is also responsible for sponsorship of the Parades Commission for Northern Ireland. A public appointments process was completed successfully in this period to appoint an additional member of the Commission with effect from 1 April 2015. Parading remains a source of tension and the Department continued to work closely with the Parades Commission, the Department of Justice, the police, local politicians and community leaders to ensure that the majority of parades in Northern Ireland passed peacefully. In contrast to 2013 when serious public disorder occurred in a number of areas following 12th July parades, the 2014 parading season passed off without major incident.

Despite a peaceful parading season, the parading impasse in North Belfast, which began in July 2013 remains unresolved. While attempts to bring this dispute to an end have been unsuccessful to date, we remain committed to assisting in finding a resolution. The Department will continue to promote the need for local people to work together to reach local agreement on this and other contested parading routes across Northern Ireland.

The Department supported the local development and implementation of the Government's programme to mark the centenary of the First World War as part of the wider decade of commemorations marking events in UK, Irish and Northern Ireland history from 1912-1922. Officials lent significant assistance to local events in St Anne's Cathedral and Belfast City Hall on 4 August 2014 to mark the 100th anniversary of the outbreak of the First World War. A series of local centenary-related engagements was set up for the NIO's Parliamentary Under-Secretary of State in his role as the Prime Minister's Special Representative for centenary commemoration of the First World War. The NIO continues to co-ordinate closely with the Irish Government on commemorations and on a joint programme of events for Ministers. The Department is also engaging with a range of stakeholders on the significant centenaries of the Easter Rising and the Battle of the Somme in 2016.

Throughout the year the Department organised 11 visits to Northern Ireland by the Royal Family. This began with a visit by HRHs The Prince of Wales and the Duchess of Cornwall on 1 and 2 April 2014, coinciding with the hand-over of Hillsborough Castle to Historic Royal Palaces. Her Majesty The Queen and the Duke of Edinburgh visited NI on 23-25 June 2014, hosting the Hillsborough Castle Garden Party and visiting Belfast and Coleraine.

The Prime Minister visited Northern Ireland to attend the Stormont House negotiations with the Northern Ireland political parties in December. Other Government Ministers visited during the year and the Department supported each through their programme of engagement. During the year, 24 Citizenship Ceremonies were organised, resulting in 562 individuals receiving British Citizenship.

Objective 2: Economy on course to a healthier balance
- **Rebalancing the economy by promoting private sector growth**

The Government continues to work with the Executive to increase private sector investment and employment in Northern Ireland to help rebalance the economy.

There remain significant structural economic challenges including lower levels of prosperity, higher economic inactivity rates and the fact that the economy is more dependent on public spending than elsewhere in the UK. However, whilst also having experienced a deeper recession than the UK as a whole, progress has been made and the economic environment in Northern Ireland has significantly improved. Economic growth is increasing; unemployment is falling and employment is rising, driven by jobs growth in the private sector.

The Government has played its part in helping to rejuvenate the local economy. In July 2014 the Secretary of State together with the Prime Minister and the Northern Ireland First and deputy First Ministers, published a report on progress made since the economic pact '*Building a Prosperous and United Community'* which was signed in June 2013. This report set out a range of benefits delivered including improvements in access to finance, continuation of 100 per cent Assisted Area Status and record investment following the 2013 G8 Summit and Investment Conference.

It also set out a number of areas where work remained ongoing and since its publication the Government has progressed legislation for the devolution of corporation tax-setting powers to the Northern Ireland Assembly. The devolution of corporation tax recognises that Northern Ireland has a unique economic position within the UK; it shares a land border with the very low corporation tax environment in the Republic of Ireland; is more dependent on the public sector and economic prosperity is persistently below the UK average. Although devolution of corporation tax can go some way to help address these challenges, it cannot be relied on alone. The Government recognises that further efforts are required and will continue to work with the Executive towards rebalancing the economy. The corporation tax legislation also includes a commencement clause and new tax-setting powers will only commence if the Executive puts its finances on a long-term sustainable footing.

Objective 3: Threat from terrorism in Northern Ireland reducing
- **A decreased threat from terrorism in Northern Ireland, as a result of co-ordinated response**

A number of small, disparate but dangerous groupings of dissident republican terrorists continue with their attempts to undermine Northern Ireland's democratic institutions through the use of violence. Despite a challenging working environment, there have been notable successes which are a result of considerable effort, expertise, co-operation and resolve. But continued vigilance is needed. It is clear that these violent groupings retain lethal intent and will seek whatever opportunity they can to target police officers and others who help to keep families, businesses and communities across Northern Ireland safe. Overall the number of national security attacks remains broadly comparable with previous years.

The threat from NIRT has remained at SEVERE, meaning that an attack is highly likely in Northern Ireland. The threat level from NIRT in Great Britain is MODERATE meaning an attack is a possibility but not likely. There were 22 national security attacks in Northern Ireland during the 2014 calendar year, compared with 30 attacks in 2013. The threat continues to be tackled and suppressed and there have been some significant successes by the security forces which have bought both immediate and longer term benefits.

The NIO has continued to work with its partners to enhance its strategic approach to tackling the threat from NIRT, in line with the commitment made by the Government in the Strategic Defence and Security Review. These strong partnership arrangements are delivering demonstrable results in response to the current threat. This includes close working with counterparts in the Republic of Ireland.

The Department has worked to ensure that the Police Service of Northern Ireland (PSNI) has effective and proportionate powers to tackle terrorism.

Close co-operation between the Department and its partners across Government ensured that the threat from NIRT did not affect the Commonwealth Games, the Queen's Baton Relay and the Giro d'Italia events which took place across Northern Ireland during 2014.

The Department continues to work to build resilience to protect against, and respond to, terrorist attacks. Working with partners we support the provision of advice and guidance to business and commercial sectors across Northern Ireland.

The NIO delivers the Home Protection Scheme, which provides physical security measures to the homes of individuals who fall within certain occupations in public life and who are under a high level of threat from NIRT, and to provide secretariat support to the Northern Ireland Committee on Protection. The Department continues to handle firearms appeals to the Secretary of State in relation to personal protection weapons and liaises with the PSNI in the issuing of authorisations for prohibited weapons and for licenses for controlled explosive substances.

Objective 4: Maximising resources

- **A slimmer Northern Ireland Office, which lives within its means and maximises the value of its people and resources**
- **Hillsborough Castle is fully utilised meeting the needs of the Royal Household, Department and the wider community in Northern Ireland**

The Department remains committed to delivering the savings agreed in the Spending Review 2010, managing its resources effectively during the year to live within the funding allocated by

HM Treasury. By providing enhanced video-conferencing facilities in our new London base, we have also ensured that we can continue to make savings on our travel costs by conducting more of our day-to-day business via this medium.

A key focus during 2014-15 was to continue to ensure that our structures, our people and our finances were appropriately aligned to ensure delivery of agreed ministerial policy objectives whilst seeking opportunities to maximise value for money by redirecting limited resources from back-office functions towards policy delivery. We continued to work closely with colleagues in the Scotland Office and the Wales Office to explore further opportunities for providing shared services across the three Territorial Offices with a view to building resilience and, where possible, reducing costs. The NIO and Wales Office have now established shared Freedom of Information services. We have also looked for opportunities to develop shared services with other departments.

Throughout the year the Department performed well against targets for responding to Parliamentary Questions and requests for information under the Freedom of Information Act.

In April 2014 the Department entered into a contract with Historic Royal Palaces (HRP), transferring to them the responsibility for managing, maintaining and presenting Hillsborough Castle. A further contract for security guarding was also signed with HRP in February 2015. These changes do not affect Hillsborough's role as Residence of the Royal family when visiting Northern Ireland. Hillsborough also remains the residence of the Secretary of State for Northern Ireland.

In the coming years, HRP will make significant changes and these will confer a range of benefits. HRP already runs a range of other premises including the Tower of London and Hampton Court, and accordingly they will bring great expertise in the preservation of historic buildings and the curation of art and artefacts. They have secured planning permission to create the infrastructure needed to open up the Castle and its grounds to much larger numbers of visitors. They envisage new educational opportunities, and working with a range of charities and community groups under their successful outreach and community engagement programme.

The project will have significant economic benefits for the surrounding area and Northern Ireland more generally, in line with the NIO's strategic objective to work with the Executive in growing the Northern Ireland economy. In particular, the project will create new jobs. The large increase in visitor numbers will also bring additional income for local businesses. A welcome benefit is that the HRP model is self-financing. So as their vision is realised, the burden on the public purse will be greatly reduced.

3. Report of the Crown Solicitor for Northern Ireland

Role and task

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

Aim and objectives

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

The objectives of the CSO are to:

- provide a high quality legal service;
- work in partnership with our clients to achieve the best legal outcomes in the most
- cost effective way possible;
- work to ensure that clients are satisfied with the legal service provided;
- recover the running costs of the CSO by charging for work done;
- recover from clients the outlay expended on their behalf;
- keep the use of resources under continuous review and where possible identify and
- deliver efficiency savings; and
- continue to train and develop staff in accordance with Investors in People principles.

Achievement of objectives

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

The CSO recovered its full running costs during the 2014-15 financial year. During 2014-15 the CSO put systems in place to provide additional information to NIO to enable improved monitoring of CSO's financial position. The CSO will continue to work closely with NIO Finance Team to ensure appropriate financial measures are in place.

The CSO retained its Investors in People (IiP) accreditation following a Post Recognition Review in May 2014. The Review confirmed that the CSO had provided sufficient, valid and reliable evidence to demonstrate that it continues to meet the requirements of the Investors in People core standard. The CSO was delighted by this recognition of their high standards of staff motivation, management and training.

Most notably throughout the period of this Report the CSO has worked with client departments in:

- over 60 legacy inquests and related satellite litigation;
- an increasing number of high profile civil cases dating back to the 1970s;
- applications for closed material procedure hearings under the Justice and Security Act 2013;
- a number of high profile judicial review challenges to a variety of decisions relating, amongst others, to Public Inquiries, Policing, Immigration and HMRC;
- dealt with novel arguments raised in export and import extradition cases; and
- continued to process large numbers of hearing loss cases and to progress the remaining PTSD group action cases towards conclusion.

The CSO continues to review its processes to ensure work is carried out as efficiently and cost effectively as possible to meet the needs of clients and at a cost which represents value for money.

This year has seen the retirement of James Conn as Crown Solicitor in January 2015 following seven successful years in office.

Fiona Chamberlain
Crown Solicitor for Northern Ireland

4. Financial position and results for the year

The Department's activities are financed mainly by Supply voted by Parliament. Each year the NIO is given Parliamentary approval for its expenditure when Parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the estimates may be amended during the year at the Supplementary Estimate stage. The estimates are published by The Stationery Office (TSO) and contain details of voted monies for all government departments. They are also available at https://www.gov.uk/government/publications

Departmental Expenditure Limit (DEL): £29,042,000 (including non-voted expenditure of £3,544,000)

Expenditure arising from:

- overseeing the effective operation of the devolution settlement in Northern Ireland and representing the interests of Northern Ireland within the UK Government;
- expenditure on administrative services;
- Head of State related costs and VIP visits to Northern Ireland;
- NI Human Rights Commission and other Reviews and Commissions arising from the Good Friday Agreement, the Northern Ireland Act 1998, the Northern Ireland Act 2000, the Northern Ireland Act 2009, political development and inquiries;
- parading;
- the Electoral Office for Northern Ireland, elections and boundary reviews;
- Civil Service Commissioners for Northern Ireland;
- legal services, security, victims of the Troubles including the work of the Independent Commission for the Location of Victims Remains and arms decommissioning;
- compensation schemes under the Justice and Security (Northern Ireland) Act 2007 and Terrorism Act 2000; and
- the running of Hillsborough Castle and certain other grants.

This includes associated depreciation and any other non-cash costs falling in DEL.

Income arising from:

Recoupment of electoral expenses, receipts from the use of video conferencing facilities, fees and costs recovered or received for work done for other departments, freedom of information receipts, data protection act receipts, recovery of compensation paid, recoupment of grant funding, costs and fees awarded in favour of the crown and receipts arising from arms decommissioning. Fees and costs recovered or received for the use of the NIO estate. Contributions from third parties to fund grant programmes and monies from other departments to fund projects in Northern Ireland.

Annually Managed Expenditure (AME): (£1,600,000)
Expenditure arising from:

- provisions relating to administrative services; and
- to compensation schemes under the Justice and Security (Northern Ireland) Act 2007, Criminal Justice Act 1988 and Terrorism Act 2000 and other non-cash costs falling in AME.

Non-Budget Expenditure: £14,905,200,000

Expenditure arising from:

- providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the Northern Ireland Act 1998, Northern Ireland Act 2000 and the Northern Ireland Act 2009; and
- grants to the Northern Ireland Consolidated Fund and transfers of EU funds.

The Department's final resource Estimate for 2014-15 was £14,931m (2013-14: £14,905m) and the Department's final capital Estimate for 2014-15 was £1.491m (2013-14: £0.396m)

Comparison of estimate and outturn
The total outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of the Department's financial objectives and an effective financial management performance for the year. The net resource outturn for 2014-15 was £13,987m (2013-14: £13,809m) compared with the Estimate of £14,931m (2013-14: £14,905m). This is a variance of £944m.

The majority of this variance (£942m) relates to funds requested not being drawn down by the Northern Ireland Departments. The Crown Solicitor's Office received higher than anticipated income (£0.9m). Additionally, the Department incurred a net resource underspend (£0.4m) in relation to a liability for compensation claims. The remainder of the variance relates to in-year saving realised as a result of the continuing drive to deliver efficiency savings.

The nature of the required accounting entries for the compensation claim is such that additional cover (£1.8m) was required in the Departmental Expenditure Limit (DEL) to accommodate the additional expenditure however, a credit to the Annually Managed Expenditure (AME) budget occurs when this expenditure is accrued. To accommodate this credit, the AME budget was reduced by the same amount. Ultimately the transaction did not take place resulting in an underspend against the DEL budget (£1.8m) and an overspend against the AME budget (£1.4m). A fuller explanation of this issue is provided in the Governance Statement at page 55.

A further overspend was incurred on the Capital DEL budget (£0.406m) when capital grants which exceeded the Capital DEL estimate were accrued by the Department. The Department after consulting HMT thought it could carry out virement to provide the additional Estimate cover for this expenditure but this is not permitted. A fuller explanation of this issue is provided in the Governance Statement at page 47.

The net cash requirement (note SOPS4) net total outturn was £13,982m (2013-14 £13,816m) compared with the Estimate of £14,929m (2013-14: £14,909m).

Statement of Comprehensive Net Expenditure

The Statement of Comprehensive Net Expenditure represents the total net administration and programme resources consumed during the year by Request for Resources. Net Operating Costs during 2014-15 were £13,988m (2013-14: £13,809m) as follows:

Northern Ireland Office

£25m (2013-14: £26m) analysed between:
Staff Costs £13m (2013-14: £16m);
Other Administration Costs £6m (2013-14: £8m);
Programme Costs £11m* (2013-14: £8m); and
Income £5m (2013-14: £6m).
*The increase in programme expenditure relates to the costs of running the European Elections.

Northern Ireland Executive

£13,963m (2013-14: £13,783m)

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

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

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2014-15 £000	2013-14 £000
Net Resource Outturn (Estimates)	**13,986,503**	**13,809,426**
Adjustments to remove non-budget elements:		
Prior Period Adjustments	-	(290)
Grants to Northern Ireland Consolidated Fund	(13,963,000)	(13,783,000)
Resource Budget Outturn (Budget)	**23,503**	**26,136**
of which:		
Departmental Expenditure Limits (DEL)	23,645	25,358
Annually Managed Expenditure (AME)	(142)	778
	23,503	**26,136**
Adjustments to include:		
Grants to Northern Ireland Consolidated Fund	13,963,000	13,783,000
Capital Grant expenditure	1,750	-
Net Operating Cost (Accounts)	**13,988,253**	**13,809,136**

Statement of Financial Position

The net assets at 31 March 2015 of £69m (2013-14: £66m) principally comprise property, plant and equipment of which Hillsborough Castle and its surrounding estate is £69m (2013-14: £64m) as the remainder of the other assets and liabilities offset.

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

Departmental Auditor

These accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed by statute and reports to Parliament on the audit examination. His certificate and reports are produced at pages 57 to 63. The audit of the financial statements for 2014-15 resulted in a group audit fee of £135,000 (cash audit fee £28,500, non-cash audit fee £106,500) (2013-14 £133,500; cash fee £27,000, non-cash fee £106,500).

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

Policy and practice on payment of creditors

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

The Department is fully committed to the prompt payment of invoices for goods and services received and delivering against the prompt payment targets set for all central government departments. During the financial year this was to pay 80% of all supplier invoices not in dispute within 5 working days of receipt of a properly rendered invoice.

During the year, 84% of invoices were paid within the five-day target and 98% were paid within 10 days. Performance during 2014-15 was maintained at a consistent level throughout the year.

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

Sir Jonathan Stephens KCB
Accounting Officer

14 July 2015

CORE TABLES

TABLE 1

The Northern Ireland Block 2010-11 to 2015-16

	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 outturn £'000	2014-15 outturn £'000	2015-16 plans £'000
Northern Ireland Office Resource (1) (2) (3)						
Northern Ireland Office Administration Costs(3)	15,530	11,041	13,499	13,902	11,284	13,317
Northern Ireland Office - other(3)	18,099	11,601	9,676	11,456	12,361	7,149
Northern Ireland Office Resource(3)	**33,629**	**22,642**	**23,175**	**25,358**	**23,645**	**20,466**
Northern Ireland Office Capital						
Northern Ireland Office	8,280	160	1,271	307	1,897	380
Northern Ireland Office Resource (1) Capital DEL(3)	**41,909**	**22,802**	**24,446**	**25,665**	**25,542**	**20,846**
less depreciation & impairments	*(2,196)*	*(1,858)*	*(1,764)*	*(1,869)*	*(1,528)*	*(2,100)*
Northern Ireland Office DEL (4)	**39,713**	**20,944**	**22,682**	**23,796**	**24,014**	**18,746**
Northern Ireland Executive (1) (2) (7)						
Northern Ireland Executive Resource	9,972,739	9,862,039	10,040,967	10,166,214	10,202,471	10,108,882
Northern Ireland Executive Capital	1,192,128	1,000,301	968,898	930,760	1,069,229	1,099,866
Northern Ireland Executive DEL(3)(7)	**11,164,867**	**10,862,340**	**11,009,865**	**11,096,974**	**11,271,700**	**11,208,748**
less depreciation & impairments	*(369,953)*	*(420,519)*	*(576,938)*	*(438,500)*	*(502,715)*	*(550,363)*
Northern Ireland Executive DEL(4) (7)	**10,794,914**	**10,441,821**	**10,432,927**	**10,658,474**	**10,768,985**	**10,658,385**
Total Northern Ireland Block(4) (5) (6)	**10,834,627**	**10,462,765**	**10,455,609**	**10,682,270**	**10,792,099**	**10,677,131**

(1) Totals may not sum due to roundings

(2) Includes Budgetary Changes as a result of Clear Line of Sight

(3) Including Depreciation and Impairments

(4) Resource and Capital –depreciation and impairments

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

(6) Northern Ireland Office DEL +Northern Ireland Executive DEL net of depreciation

(7) DEL figures for outturn years have been adjusted to reflect subsequent budgeting changes

(8) NIO outturn data represent final outturn and will accord with the accounts published elsewhere in this document. The NIE data shows provisional outturn as the NIE have yet to finalise their accounts

TABLE 2

Changes to Northern Ireland Executive Departmental Expenditure Limit for 2011-12 to 2015-16 since publication of 2012-13 Report & Accounts

	2011-12 £m Outturn	2012-13 £m Outturn	2013-14 £m Outturn	2014-15 £m Provisional outturn	2015-16 £m Plans
Capital DEL plus Resource DEL: June 2014	*10,862.3*	**11,009.9**	**11,093.8**	**11,208.7**	**11,333.7**
Interdepartmental transfers					
From Home Office – Health Migrant Levy	0.0	0.0	0.0	0.0	3.4
From Home Office: Marriage / Civil Partnership	0.0	0.0	0.0	0.0	0.0
Changes to NIO: Stormont Rent	0.0	0.0	0.0	0.0	0.0
Spending Policy					
2013 Spending Round Outcome	0.0	0.0	0.0	0.0	0.0
Budget Exchange	0.0	0.0	0.0	36.0	0.0
Coastal Communities Fund	0.0	0.0	0.0	0.6	0.0
Student Loan Impairment	0.0	0.0	0.0	53.7	0.0
Policing & Justice	0.0	0.0	0.0	41.7	0.0
Block Grant Adjustment for APD	0.0	0.0	0.0	(2.1)	0.0
DEL Reduction: Welfare Reform	0.0	0.0	0.0	(87.0)	(114.0)
Cash Management Charge	0.0	0.0	0.0	0.0	0.0
£100 million reserve support	0.0	0.0	0.0	100.0	(100.0)
Redistribution of LIBOR Fines to Blue Lights Charities	0.0	0.0	0.0	0.3	0.0
Barnett Consequentials					
Autumn Statement 2014	0.0	0.0	0.0	1.6	74.1
2014-15 Council Tax Freeze	0.0	0.0	0.0	10.9	0.0
Budget 2015	0.0	0.0	0.0	0.0	11.5
Departmental outturn (underspend compared to final plans)					
Provisional Outturn 2013-14	0.0	0.0	3.1	0.0	0.0
Final Outturn 2013-14	0.0	0.0	8.5	0.0	0.0
Estimated Outturn 2014-15	0.0	0.0	0.0	(92.6)	0.0
Budgeting Changes					
none					
Subtotal	*0.0*	*0.0*	*11.6*	*63.0*	*(125.0)*
Capital DEL plus Resource DEL: June 2014	**10,862.3**	**11,009.9**	**11,105.5**	***11,271.7***	***11,208.7***

(1) Totals may not sum due to roundings

TABLE 3

Cash grant paid to the Northern Ireland Consolidated Fund 2013-14: Provision and Final Outturn

	Original Provision £million	Final Provision £million	Final Outturn £million
Expenditure Classified as Departmental Expenditure Limit [1]	11,004	11,191	11,100
Expenditure Classified as Annually Managed Expenditure	8,718	8,855	8,480
RRI Borrowing	200	200	196
Total Managed Expenditure	**19,922**	**20,246**	**19,776**
Less:			
Non Cash charges	(2,926)	(2,925)	(2,938)
Non Voted (DEL ,AME & Other AME)	(10,516)	(10,790)	(10,778)
Add:			
Voted Other Expenditure outside DEL	7,725	7,815	7,436
Utilisation of Provisions	1,000	1,070	1,067
Movement in Debtors / Creditors	161	394	5
Prior Period Adjustment	0	0	51
Supply Expenditure	**15,367**	**15,809**	**14,619**
Interest Payable	84	80	79
District Council Rates	523	537	537
Consolidated Standing Services	0	0	9
Loans issued	0	0	27
Sums repaid	0	0	156
Temporary Investments	0	0	2,349
Advances from NI Consolidated Fund	0	0	12
Other Services	9	9	0
Total Expenditure	**15,984**	**16,435**	**17,788**
Income			
RRI Borrowing	200	200	196
District and Regional Rates	1,160	1,169	1,138
Interest Receivable	74	70	69
NICF Loan Repaid	0	0	89
Internal Departmental Funds	0	0	27
Temporary Investments	0	0	2,349
Advances from NI Consolidated Fund	0	0	12
Excess of Capital Issues over Capital Receipts	0	0	0
Miscellaneous receipts	**79**	**121**	**126**
of which:			
Continental Shelf	*2*	*2*	*2*
Misc – NIHE, Land Annuities,etc	*0*	*11*	*7*
Excess Accruing Resources	*38*	*2*	*3*
CFERS	*28*	*95*	*104*
EU CFERS	*10*	*12*	*10*
Total Income	**1,513**	**1,560**	**4,005**
Cash grant paid to Northern Ireland Consolidated Fund	**14,620**	**14,875**	**13,783**

Totals may not sum due to roundings

(1) Resource and capital DEL including depreciation

TABLE 4

Cash grant paid to the Northern Ireland Consolidated Fund 2014-15: Provision and Estimated Outturn

	Original Provision £million	Final Provision £million	Provisional Outturn [2] £million
Departmental Expenditure Limit [1]	11,209	11,364	11,364
Annually Managed Expenditure (inc Other AME & Reg Rates)	9,565	9,738	9,738
RRI Borrowing	300	265	265
Total Managed Expenditure (DEL, AME & Other AME)	**21,073**	**21,367**	**21,367**
Less:			
Non Cash charges	(3,332)	(3,401)	(3,401)
Non Voted (DEL ,AME & Other AME)	(10,995)	(11,734)	(11,734)
Add:			
Voted Other Expenditure outside DEL	7,638	8,191	8,191
Utilisation of Provisions	1,097	1,107	1,107
Movement in Debtors / Creditors	199	302	302
Supply Expenditure	**15,680**	**15,833**	**15,833**
Interest Payable	79	77	77
District Council Rates	532	540	540
Other Services	9	9	9
Total Expenditure	**16,300**	**16,459**	**16,459**
Income			
RRI Borrowing	300	265	265
District and Regional Rates	1,199	1,202	1,202
Interest Receivable	70	64	64
Miscellaneous receipts	**111**	**23**	**23**
of which:			
Misc – NIHE, Land Annuities, etc.	11	8	8
Continental Shelf	0	1	1
Excess Accruing Resources	7	0	0
CFERS	3	3	3
EU CFERS	91	12	12
Total Income	**1,680**	**1,554**	**1,554**
Block Grant	**14,471**	**14,905**	**14,905**

Totals may not sum due to roundings

(1) Resource and capital DEL including depreciation

(2) A detailed breakdown of the provisional outturn is not yet available. Table 4a below compares outturn and provision

TABLE 5

Cash grant paid to the Northern Ireland Consolidated Fund 2015-16: Provision

	Original Provision £million
Departmental Expenditure Limit	11,209
Annually Managed Expenditure (inc Other AME &Reg Rates)	9,087
Regional Rates	651
RRI Borrowing	327
Total Managed Expenditure (DEL, AME & Other AME)	**21,274**
Less:	
Less Non Cash charges	(3,768)
Less Non Voted (DEL,AME & Other AME)	(12,012)
Add:	
Voted Other Expenditure outside DEL	8,210
Utilisation of Provisions	1,176
Movement in debtors/creditors	307
Supply Expenditure	**15,188**
Add:	
Interest Payable	77
District Council Rates	558
Repayment of RRI Loan Principal	79
Other Services	8
Total Expenditure	**15,910**
Income	
RRI Borrowing	327
District and Regional Rates	1,288
Interest Receivable	65
Miscellaneous receipts	**26**
of which:	
Continental Shelf	2
Excess Accruing Resources	2
CFERS	17
EU CFERS	5
Total Income	**1,706**
Cash grant paid to Northern Ireland Consolidated Fund	**14,204**

Totals may not sum due to roundings

REMUNERATION REPORT

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

Remuneration policy

The salary of the Permanent Secretary of the NIO is considered by a Cabinet Office moderating committee.

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

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

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

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

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

Performance appraisal

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

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The Department currently has a single non-executive director, in line with practice across the Territorial Offices.

Remuneration (including salary) and pension entitlements

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

Remuneration (salary and payments in kind) [Audited]

Single total figure of remuneration								
Ministers	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000)[1]		Total (to nearest £1,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Minister 1 The Rt Hon Theresa Villiers MP – Secretary Of State	67,505	68,169	-	-	22,000	25,000	90,000	93,000
Minister 2 Mike Penning MP – Minister Of State *(from 4 September 2012 to 6 October 2013)*	-	18,867 (32,344 FTE)	-	-	-	6,000	-	25,000
Minister 3 The Rt Hon Andrew Robathan MP – Minister of State (from 7 October 2013 to 15 July 2014	18,480 (31,680 FTE)	13,477 (32,344 FTE)	-	-	3,000	3,000	21,000	16,000
Minister 4 The Rt Hon Dr. Andrew Murrison MP- Parliamentary Under-Secretary of State (from 15 July 2014)	14,917 (31,680 FTE)	-	-	-	6,000	-	21,000	-

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[Audited]

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus Payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest thousand)		Total (£'000)	
	14-15	13-14	14-15	13-14	14-15	13-14	14-15	13-14	14-15	13-14
Director General Julian King (to 15 June 2014)	20-25 (110-115 FTE)	110-115	15	15	330	6,100	5,000	21,000	40-45	150-155
Permanent Secretary Sir Jonathan Stephens (from 2 June 2014)	130-135 (155-160 FTE)	-	-	-	7,150	-	-	-	135-140	-
Director Richard Penman (to 19 September 2014)	45-50 (FTE 100-105)	95-100	-	-	-	-	43,000	42,000	85-90	135-140
Director Colin Perry (from 15 December 2014)	25-30 (85-90 FTE)	-	-	-	-	-	66,000	-	90-95	-
Director Mark Larmour (from 01 December 2014)	25-30 (85-90 FTE)	-	-	-	-	-	11,000	-	35-40	-
Crown Solicitor James Conn (to 16 January 2015)	75-80 (FTE 95-100)	95-100	-	-	-	-	7,000	23,000*	80-85	115-120*
Deputy Director Business Delivery (to 31 December 2013)	-	45-50 (65-70 FTE)	-	-	-	-	-	12,000	-	55-60
Deputy Director Business Delivery (to 16 February 2014)	-	55-60 (65-70 FTE)	-	-	-	-	-	7,000	-	60-65
Deputy Director Business Delivery (from 1 April 2014)	75-80	-	-	-	-	-	15,000	-	90-95	-
Deputy Director Security and Protection (from 02 February 2015)	10-15 (FTE 60-65)	-	-	-	-	-	5,000	-	15-20	-
Deputy Director Security and Protection (to 30 November 2014)	45-50 (FTE 65-70)	65-70	-	-	-	-	12,000	14,000	55-60	75-80
Deputy Director Engagement (from 7 May 2013)	65-70	55-60 (65-70 FTE)	-	-	-	-	21,000	35,000	85-90	90-95

Deputy Director Constitutional and Political	70-75	70-75	-	-	-	-	12,000	(2,000)	80-85	65-70
Deputy Director Economy (from 14 October 2013)	65-70	25-30 (60-65 FTE)	-	-	-	-	44,000	13,000	105-110	35-40
Deputy Director Strategy and Communications (to 31 March 2014)	-	60-65	-	-	-	-	-	20,000	-	80-85
Deputy Director Legacy (from 6 May 2014)	70-75 (75-80 FTE)	-	-	-	-	-	19,000	-	85-90	-
Deputy Director Legacy (from 23 February 2015)	5-10 (50-55 FTE)	-	-	-	-	-	2,000	-	5-10	-
Non-Executive Director John King (to 31 May 2013)	-	0-5	-	-	-	-	-	-	-	0-5
Non-Executive Director Dawn Johnson (from 1 June 2013)	5-10	5-10	-	-	-	-	-	-	-	5-10

* The 2013-14 pension benefits figure for James Conn has been restated due to the provision of additional information

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£66,396 from 1 April 2013, £67,060 from 1 April 2014) and various allowances to which they are entitled are borne centrally.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary (and Director Generals before him) received living accommodation in Belfast provided at public expense and chargeable to tax under S163 of the Income and Corporation Taxes Act 1988.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to the performance in 2013-14.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual).

The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pay Multiples

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

The banded remuneration of the highest-paid official in the Northern Ireland Office in the financial year 2014-15 was £160,000 - £165,000 (2013-14 £130,000 - £135,000).This was 5.03 (2013-14 4.69) times the median remuneration of the workforce, which was £32,313 (2013-14 £28,279).

In 2014-15, no (2013-14 0) employee received remuneration in excess of the highest-paid director.

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

The increase in pay multiples is due largely to the change in the banded remuneration of the highest-paid official but this has been offset by an increase in the median remuneration of the workforce. This increase in the median was due to restructuring as the reduction in staff numbers during 2014-15 was largely at lower pay grades.

Pension Benefits **[Audited]**

Minister	Accrued pension at age 65 as at 31/3/15	Real increase in pension at age 65	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV
	£000s	£000s	£000s	£000s	£000s
The Rt Hon Theresa Villiers MP – Secretary Of State	5-10	0-2.5	76	55	7
The Rt Hon Andrew Robathan MP – Minister of State	5-10	0-2.5	100	96	2
The Rt Hon Dr. Andrew Murrison MP- Parliamentary Under-Secretary of State	0-5	0-2.5	22	16	3

Ministerial pensions

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

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2014 members paid contributions between 8.4% and 17.9% depending on their level of seniority and chosen accrual rate.

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

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a Career Average pension scheme, have an accrual rate of 1.775%, revaluation based on the change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1%.

The Cash Equivalent Transfer Value (CETV)
This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

[Audited]

Officials	Accrued pension at pension age at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV	Employer contribution to partner-ship pension account
	£000	£000	£000	£000	£000	Nearest £100
Mark Larmour Director (from 1 December 2014)	10-15 plus lumps sum of 40-45	0-2.5 plus lump sum of 0-2.5	230	205	12	-
Colin Perry Director (from 15 December 2014)	25-30 plus lump sum of 80-85	0.25-5 plus lump sum of 7.5-10	489	422	52	-
Deputy Director, Security and Protection (from 2 February 2015)	5-10	0-2.5	58	53	2	-
Deputy Director , Business Delivery	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 2.5-5	348	316	14	-
Deputy Director, Economy	10-15	2.5-5	93	68	17	-
Deputy Director, Legacy (from 23 February 2015)	0-5	0-2.5	12	11	-	-
Deputy Director, Legacy	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 2.5-5	217	187	17	-
Deputy Director, Engagement	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 2.5-5	327	298	12	-
Deputy Director, Constitutional and Political	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	681	637	11	-
Dawn Johnson Non-Executive Director	-	-	-	-	-	-

The majority of the senior managers of the Department are members of the classic scheme with the exception of two who are members of the premium scheme and two more who are members of the nuvos scheme.

Sir Jonathan Stephens opted out of the government pension scheme prior to joining the Department.

No pension benefits are provided to non-executive directors.

Civil Service Pensions

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

Employee contributions are salary related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at http://www.civilservicepensionscheme.org.uk .

New Career Average pension arrangements will be introduced from 1st. April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at:

http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

No payments for compensation on early retirement or for loss of office have been made under the terms of an approved Compensation Scheme.

Sir Jonathan Stephens KCB
Accounting Officer

14 July 2015

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the NIO to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2014 nos.531 and 3314 (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at note 21 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the department as Accounting Officer of the NIO.

The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies is properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or sponsored body are set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT

Scope of Responsibility

As Accounting Officer, I have responsibility for the robustness of the control and governance arrangements operated by the Department. This Governance Statement outlines how I have discharged my responsibility to manage and control the resources of the NIO during the course of the year. The governance system, as outlined in this Statement supports the achievement of the Department's policies, aims and objectives, whilst safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in *Managing Public Money.*

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

Purpose of Governance Framework

The Department's governance framework is designed to manage its 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 governance framework is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place for the year ended 31 March 2015 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

The Management Board

The Board has a corporate responsibility for setting objectives, agreeing priorities and implementing ministerial policy. The Board, which normally meets on a monthly basis, 11 times a year, developed and agreed a business plan for 2014-15, which was formally approved by Ministers, and reviewed the progress and management of key risks associated with the delivery of Departmental objectives regularly throughout the financial year. The Board retained responsibility for monitoring financial and management information, and considering key strategic issues and corporate policies, such as those relating to risk management, information assurance and workforce planning.

In July 2014, I commissioned a review of the NIO role and purpose, building on the baseline health check undertaken in 2012. The purpose of the review was to consider the expectations that key partners, in London and Belfast, had of the NIO, and implications for the skills, capabilities and resources needed by the NIO going forward. The Reviewers reported on 9 September 2014. In addition to a number of other recommendations, which are discussed in more detail in the Strategic Report (page 6), the Reviewers recommended that the existing Board structure should change to strengthen corporate governance and drive a more focussed approach to management issues. They also recommended that the senior management team should be increased from one to two Directors to provide added resilience across the Department and that the structures of our sub-committees be reconsidered.

The Board accepted the recommendations and a new Management Board consisting of the Permanent Secretary, the two Directors, the non-executive Director and the Head of Business Delivery Group first met on 13 February 2015. In addition, the Change & Resources sub-committee and People sub-committee were also established in February 2015. Further information on the new sub-committees can be found on page 51.

Board Composition

Given that the NIO is considerably smaller than most central Government departments, and has a limited budget and responsibilities by comparison, it has been exempted from the Government's model for Enhanced Departmental Boards. As such, NIO Ministers do not generally sit on the Management Board, but will normally attend at least annually.

Board Composition (April 2014 – January 2015)

Member	No of meetings attended in year[2]
Sir Julian King, Chair, Director General (until 8 June 2014)	2/3
Sir Jonathan Stephens, Chair, Permanent Secretary (from 9 June 2014)	5/6
Richard Penman, Director (until 19 September 2014)	4/5
Dawn Johnson, Non-Executive Director	8/8
Deputy Director, Business Delivery	6/8
Deputy Director, Strategy and Communications (until 1 December 2015)	5/7
Deputy Director, Engagement	8/8

[2] The Board normally meets 11 times a year, but due to the Stormont House political talks, the meeting scheduled for December 2014 was cancelled and papers were cleared by correspondence.

Deputy Director, Constitutional and Political	6/8
Deputy Director, Security and Protection	6/8
Deputy Director, Economy	7/8
Deputy Director, Legacy (from 1 December 2015)	1/1
Jim Conn, Crown Solicitor (until 16 January 2015)	6/7

Board Composition (February 2015 – March 2015)

Member	No of meetings attended in year
Sir Jonathan Stephens, Chair, Permanent Secretary	2/2
Mark Larmour, Director (from 1 December 2014)	1/2
Colin Perry, Director (from 16 December 2014)	2/2
Dawn Johnson, Non-Executive Director	2/2
Deputy Director, Business Delivery	2/2

The NIO currently has a single non-executive director; however, the NIO Review recommended that a further non-executive appointment should be made to the reconstituted Board. It is my intention that an additional appointment will be made by the autumn of 2015.

Board Assessment of Effectiveness

Following last year's assessment of effectiveness, the Board held a session on 13 June 2014 where it discussed a number of issues relating to Board effectiveness. These included: the size and structure of the Board; its engagement with its sub-committees; its role in policy-making; its discussions on wider strategic issues and overall Departmental objectives; and the behaviours and attitudes of Board members. The Board did assess itself as effective; however, members noted that there was room for improvement in strategic discussions. Some members also commented that the large size of the Board was an inhibitor of free and frank discussion.

As previously mentioned, shortly after my arrival in the Department I commissioned a wide ranging review of the organisation that resulted in significant change to the Board and senior management team structures and the restructuring of the sub-committees to take forward specific areas of work defined by the Board. These changes were implemented towards the end of the reporting period and although the new structures are now in place there is still some work to be completed to refine the management information presented to the Board. In the next reporting period the Board intends to focus on agreeing the operational business plan, including strategic aims and objectives and reviewing the controls in place to manage risk.

Due to the scale of change it was agreed that an assessment of the Board's effectiveness was not appropriate in the remainder of 2014-15. The Board intends to review and assess its effectiveness in light of the new structures and reporting arrangements towards the end of 2015.

Audit and Risk Committee

During 2014-15, the Management Board was supported in its work by the Audit and Risk Committee, which is chaired by the non-executive director, Dawn Johnson. The Audit and Risk Committee has two further members: Sian Oborne, Deputy Director, Policy at the Wales Office who stood down in August 2014 and was replaced by Ben Connah, Deputy Director, Victim and Criminal Proceedings Policy at the Ministry of Justice in January 2015, and Ian Summers who is an independent external member. The Committee met four times during 2014-15.

Member	**No of meetings attended in year**[3]
Dawn Johnson, Chair, non-executive director	4/4
Ian Summers, independent member	4/4
Sian Oborne, Deputy Director, Policy at the Wales Office, external member (until 22 August 2014)	1/2
Ben Connah, Deputy Director, Victim and Criminal Proceedings Policy at the Ministry of Justice (Appointed 28 January 2015)	1/1

The Audit and Risk Committee is constituted as a sub-committee of the Board. Its role is to support me as Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) operating in the Department. Its primary function is to test and challenge the assurances which are provided to me as Accounting Officer, the way in which these assurances are developed and the management priorities and approaches on which the assurances are premised. Such assurances come from internal and external audit and are also provided by senior managers across the Department and its ALBs. The Committee acts in an advisory capacity and has no executive powers. Assurances are provided to the Accounting Officer and the Management Board by the Chair of the Audit and Risk Committee who is also a Board member.

The Committee met four times throughout 2014-15, and agreed a work plan for the year ahead. It undertook a range of activities to fulfil its role in providing advice and challenge to the Accounting Officer and the Board, and to support them in their corporate governance responsibilities. Activities during 2014-15 included: monitoring the preparation and final draft of the 2013-14 Annual Report and Accounts, including the Governance Statement, in order to give assurance to the Accounting Officer as to their accuracy and timely delivery; monitoring the implementation of internal and external audit recommendations; reviewing the Departmental risk register and providing feedback and challenge to the Management Board; and considering the governance arrangements in place between the Department and its ALBs.

[3] Although the Committee carried a vacancy at its September 2014 meeting it was quorate.

Following each meeting, the Chair provided an update to the Management Board and the minutes of the meeting were circulated to Board members. On the basis of the issues discussed and evidence presented at its meetings, the Audit and Risk Committee concluded that the assurances it received throughout the year were satisfactory, and it was not aware of any significant internal control issues for inclusion in the 2014-15 accounts.

People Sub-Committee

As part of the implementation of the recommendations from the NIO Review, a new People sub-committee was established in-year and was charged by the Board to keep under review the Department's People Plan and its policies in respect of performance management, reward and recognition, loans and secondments, absence management and vacancies. The People sub-committee replaced the People Group which had been established in December 2012. The new sub-committee will build on the work of the People Group and continue to bring focus and momentum to ensuring that the Department has the right people, with the right skills, in the right place at the right time.

Change and Resources Sub-Committee

In addition to proposing changes to the remit of the People Group sub-committee, the NIO Review also recommended that the scope of the Efficiency & Reform Group should be reviewed to ensure that its delegated functions were still relevant to the current and future issues facing the Department. The Board agreed that a new Change and Resources sub-committee should be created to take forward residual work from the Efficiency & Reform Group; lead on the delivery of outcomes recommended in the NIO Review; programme manage a number of change management initiatives; consider ALB shared services and take forward the results of the annual Staff Survey. The sub-committee's focus will extend beyond identifying efficiency savings and will instead concentrate on delivering a flexible and more streamlined Department that can live within future budget reductions.

Both the People and Change and Resources sub-committees are supported by lower level working groups representing staff from all grades across the Department.

Internal Audit

During 2014-15, the Department's internal audit service was provided by the Ministry of Justice. Internal audit identifies and agrees areas for investigation through its own analysis based on the Departmental risk register, and through discussions with the Audit and Risk Committee and senior managers.

Internal audit reports were commissioned at the start of the year for: Budget Management; Financial Management Controls; ALB Sponsorship and Organisational Culture. In year, the plan was reviewed and it was decided that the proposed Organisational Culture audit would be removed given the ongoing NIO Review. The number of days allocated to each audit were also kept under review and revised with the agreement of senior management and the Audit and Risk Committee to ensure that the Department maximised the benefits from the audits. In addition, two follow-up reports were completed in respect of Business Continuity and Procurement. Both reports indicated that actions had been taken to address the recommendations accepted by the Management Board. The status of internal audit recommendations was reported to the Audit and Risk Committee at every meeting.

The internal audit opinion for 2014-15 reports a moderate[4] level of assurance. The opinion is based primarily on the agreed programme of work conducted during the year which covered a range of areas, identified good levels of control and found only a small number of significant control issues. It also reflects auditors' observations during attendance at Audit and Risk Committee meetings and the confidence of auditors in the extent to which agreed actions to remedy weaknesses were implemented by due dates.

It is in this context that I am able to report a reasonable level of assurance that the Department's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks to the Department are being effectively managed.

Compliance with the Corporate Governance Code

Corporate governance in central government departments: code of good practice was published in July 2011. The Code sets out principles and provisions relating to the role and responsibilities, composition and functions of enhanced departmental boards. The Code is designed to cover all central Government departments which have enhanced Departmental Boards. Most of these departments have multi-billion pound budgets and deliver a range of front line services. The NIO is one of the smallest Whitehall departments with a budget of £27.4m in 2014-15 and further reducing in 2015-16, and does not have an enhanced departmental board, as outlined on page 48. While the NIO ensures that, as far as possible, it abides by the principles and spirit of the Code, it would be disproportionate to implement many of the detailed provisions.

Risk Management

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk within the NIO. In meeting this responsibility, I am supported by the Board, which I chair. Risk management is embedded across the Department, and we manage our business in a manner which takes account of the risks we face. Over the year, we have undertaken a number of measures to safeguard the effectiveness of our processes, to ensure they are proportionate to the Department as currently structured. The Department's Risk Register aligns closely with the Departmental Business Plan, and the Board has identified and owns a set of strategic risks

[4] Definition of *moderate*: Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

which are distributed among our four main business objectives outlined on pages 17-21. They include risks relating to: the safety and security of Northern Ireland; risks to the devolved political environment, including the economy; and to our operational delivery should we be faced with resource pressures.

Risk management is a standing agenda item at the Management Board, with the Board viewing the register as a living document, to be monitored and discussed on a monthly basis. Each month risk owners consider the risks, the internal controls and mitigating factors in place and alert the Board to any increase in the likelihood or impact of each risk. Consideration of risk by the Board was a key part of its regular strategic discussions on policy areas.

The risk register is also provided to the Audit and Risk Committee at each meeting to ensure that it is able to effectively oversee the process for identification and management of risk including the actions taken to mitigate significant risks across the Department.

Information and tools for effective risk management are available to all staff in procedures and policies accessible on the Department's intranet. In addition, online training for staff is available via the Ministry of Justice's web-portal. The effectiveness of the risk management system in place has been demonstrated through the manner in which the Department has continued to deliver its objectives, through a period of comprehensive and continuous restructuring. I received assurance from Deputy Directors that risk management was considered as an integral part of the policy development process within their business areas, including incorporating details of risk in advice to Ministers. I also received assurance first hand through discussions with staff and Ministers on key policy issues and through sight of submissions and other documentation setting out advice and guidance to Ministers and senior officials.

The reconstituted Board have recently commissioned a review of the risk management process with a view to improving our process for identifying, recording, presenting and managing risk across the Department. It has also introduced new methods of reporting, including through the use of dashboards.

Information Assurance

I am responsible for ensuring that information risks are assessed and mitigated to an acceptable level. Information is a key business asset and the Department continues to make Information Assurance (IA) a priority. The Management Board has agreed the necessary structures, policies and training to ensure the Department continues to comply with Government standards. A network of Information Asset Owners (IAOs), accountable to the Senior Information Risk Owner (SIRO), manages information assurance and risk across the Department and its ALBs.

In support of this network the Departmental Security Committee chaired by the Departmental Security Officer (DSO) meets on a quarterly basis to review protective security and information assurance arrangements. Additionally, a Security Managers' Forum, comprising representatives from each of the business areas and ALBs also meets on a quarterly basis. The purpose of this Forum is to improve and implement the Department's policies and guidance in relation to security and information assurance and to provide a forum for promoting and sharing best practice across the departmental group.

During 2014-15, all staff were required to complete the annual mandatory Data Handling e-learning package, "Responsible for Information", provided by Civil Service Learning (CSL). Separate arrangements were made for ALB staff, without access to CSL, to access and complete the relevant training. During 2014-15, no information assurance incidents occurred which were attributed to the Department.

Stewardship Statements

Each Deputy Director in the core Department and senior official in each ALB signs a stewardship statement bi-annually, providing assurance on governance, risk management and the operation of internal controls within their business areas. These stewardship statements clearly set out the controls in place and the steps taken to monitor the effectiveness of the controls. These are reviewed mid-year and an assessment of the effectiveness of these controls is carried out at the end of the year. I am satisfied that the statements provide me with an appropriate level of assurance.

Arm's Length Bodies (ALBs)

During 2014-15, the Corporate Governance Team, together with Deputy Directors and other support areas, continued to work closely with the Department's sponsored bodies to strengthen governance arrangements. Regular meetings between the Department and the sponsored bodies were held and attended by the sponsoring Deputy Director supported by the Corporate Governance Team and Finance Team as necessary. The Corporate Governance Team continued to keep under review the framework documents that set out the arm's length relationships with the Department to ensure robust governance arrangements were in place.

In-year, the Department also continued to improve and strengthen the close working arrangements with its sponsored bodies and ALBs. In January 2015, I chaired a joint meeting with the chief executives of the sponsored bodies to explore the scope for the Department to share its resources with the sponsored bodies, and to encourage the sponsored bodies to share services with each other, with a view to making efficiency savings and improving resilience. A second meeting was convened in March 2015 and further meetings will be held over the course of the next reporting period.

In carrying out my duties as Accounting Officer, I sought assurance that each sponsored body operated sound governance arrangements from the relevant sponsoring Deputy Directors who were required to provide me with written assurance that they had reviewed the extent to which these governance requirements were met both mid-year and at the end of the financial year.

The Audit and Risk Committee also received quarterly updates on the management of the governance arrangements of the ALBs, including details of internal audits completed and progress on the implementation of recommendations.

For the two Non-Departmental Public Bodies (the Northern Ireland Human Rights Commission and the Parades Commission for Northern Ireland), I relied principally on the Governance Statement that each body's Accounting Officer made as part of its annual accounts. These were supplemented by stewardship statements provided by Deputy Directors in the Department responsible for sponsoring each body.

In respect of both NDPBs, the interim accounts presented no material issues and we anticipate timely publication of the 2014-15 accounts.

Assessment of system of internal control

On the basis of this review, I am able to report that there were no significant weaknesses in the Department's system of internal controls which affected the achievement of the Department's key policies, aims and objectives.

Supply Breach

The Comptroller and Auditor General has concluded that he is required to report, as part of his opinion on regularity, a breach of the Parliamentary Supply Estimate for Annually Managed Resource Expenditure (AME) of £1.458m (non-cash) and a breach of the Capital Departmental Expenditure Estimate (CDEL) of £0.406m.

The breach of the AME Estimate relates to a liability which the Department had previously treated as an accounting provision due to uncertainty over the amount and the timing of payments. This provision relates to claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007. The Department had been assured by the Independent Assessor appointed to these cases that assessments would be finalised in January 2015, removing the uncertainty. This would have resulted in a different accounting treatment with the expenditure being accrued against the Department's Resource Departmental Expenditure Limit (RDEL) and the provision being released resulting in a reduction in AME expenditure. In line with the requirement for taut and realistic budgeting, the Department secured Parliamentary authority via the Supplementary Estimate to increase the RDEL limit by £1.8m and decrease the AME limit by the same amount. In the event, the Independent Assessor did not complete his assessments by the end of the financial year, meaning no payments could be made. This has resulted in an easement in RDEL of £1.8m and an equivalent pressure against the AME limit which has ultimately created a breach.

I believe the Department acted appropriately based on the assurances provided by the Independent Assessor and that the breach did not arise as a result of failings of financial management within the Northern Ireland Office. The rules on accounting and budgeting for provisions within Government make this a difficult area to manage. This issue was raised by the National Audit Office (NAO) with HM Treasury in 2014.

The Northern Ireland Office has also exceeded its CDEL. This excess was the result of the Department making capital grant payments to Historic Royal Palaces during the year. The Department received HM Treasury agreement to vire £0.406 million of this expenditure from RDEL to CDEL. However, Parliamentary approval for such virement was needed but was not sought as the Department was relying on HM Treasury's Consolidated Budgeting Guidance (which does not mention the need for such Parliamentary approval) and the Treasury's agreement, rather than the Supply Estimates Guidance Manual. These capital grant payments therefore resulted in outturn exceeding the authorised limit by £0.406 million. I am pleased that the NAO have asked HM Treasury to consider whether the supply and budgeting guidance is clear enough in these areas.

I have reviewed these matters with my Audit and Risk Committee and will consider further whether any steps need to be taken to minimise the risk of such supply breaches in future.

Sir Jonathan Stephens KCB
Accounting Officer

14 July 2015

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

I certify that I have audited the financial statements of the Northern Ireland Office and of its Departmental Group for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2014. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Basis for qualified opinion on regularity

Parliament authorised a Capital Departmental Expenditure Limit for the Northern Ireland Office of £1.491 million. Against this limit, the Departmental Group achieved net expenditure of £1.897 million therefore breaching the authorised limit by £0.406 million as shown in the Statement of Parliamentary Supply.

Parliament authorised an Annually Managed Resource Expenditure limit for the Northern Ireland Office of minus £1.6 million. Against this limit, the Departmental Group achieved net expenditure of minus £0.142 million, therefore breaching the authorised limit by £1.458 million as shown in the Statement of Parliamentary Supply.

Qualified opinion on regularity

In my opinion, except for the breaches described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2015 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the sections of the Annual Report entitled Strategic Report, Directors' Report and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 15 July 2015

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

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

Introduction

The Northern Ireland Office (the Department) is a ministerial government department that represents Northern Ireland interests at UK government level and UK government interests in Northern Ireland.

In 2014-15, the Department was responsible for £13,988 million of UK public expenditure, of which £11.3 million related to its administration costs. The Department secures the approval to incur expenditure through the parliamentary supply process on an annual basis. The Department accounts to Parliament on its expenditure under an accounts direction issued by HM Treasury under the Government Resources and Accounts Act 2000. This requires the Department to prepare financial statements in accordance with the Government Financial Reporting Manual (FReM).

Purpose of Report

The Department prepares an Annual Estimate of its net expenditure; authorisation to incur the net expenditure is then provided by Acts of Parliament.

These Acts set a series of annual limits on the net expenditure which the Department may not exceed and on the total overall cash they can use. Where these limits are breached, I qualify my regularity opinion on the financial statements since this means the Department has incurred expenditure that is not in line with Parliament's intentions. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons approves the expenditure, which is then given statutory authority as part of a Supply and Appropriations (Anticipation and Adjustments) Act. Further detail on the authorised limits can be found within the Supply Estimates for 2014-15.

Parliament authorised a Capital Departmental Expenditure Limit of £1.491 million and an Annually Managed Resource Expenditure limit of minus £1.6 million for the Department. The Department's outturn against these limits was £1.897 million and minus £0.142 million respectively. This means that the authorised limits were breached by £0.406 million for Capital and £1.458 million for Annually Managed Resource Expenditure and so I have qualified my regularity opinion on the Department's financial statements in these respects. HM Treasury proposes to ask Parliament to authorise a further £0.406 million of Capital expenditure and £1.458 million of Annually Managed Resource expenditure.

Explanation for Qualified Audit Opinion in respect of Capital Expenditure

In March 2014, the Northern Ireland Office entered into a contract with Historic Royal Palaces for the care, conservation and presentation to the public of Hillsborough Castle. The contract made provision for the Department to pay Historic Royal Palaces £4 million of capital development grants by 31 March 2019 for investment in the castle.

In March 2015, the Department committed to pay Historic Royal Palaces £1.75 million of the capital development grant and recognised this expenditure in its 2014-15 financial statements. At this date the Department did not have sufficient supply cover within in its Capital Departmental Expenditure Limit but believed that it could utilise unspent resource expenditure to cover these costs. This was agreed by the Department's spending team in HM Treasury. However, since 2011-12, Parliament has voted separate limits for resource and capital expenditure and as such a transfer (known as a 'virement') is not permitted between resource and capital limits. As such, the Department should not have made this virement and the grant expenditure remains within Capital Departmental Expenditure Limits. Accordingly the Department has exceeded its Capital limit, approved by Parliament, by £0.406 million.

Explanation for Qualified Audit Opinion in respect of Annually Managed Expenditure

The Department carries a provision in its Statement of Financial Position in respect of claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007. At the start of the financial year the Department estimated these liabilities to be £1.821 million but awaited the findings of an independent assessor to confirm awards.

The Department believed that the independent assessor would submit his findings before 31 March 2015, meaning that awards would be certain and the associated liabilities would be reclassified from provisions to accruals. The utilisation of existing provisions, including the reclassification of provisions to accruals, is accounted for as negative Annually Managed Resource expenditure in parliamentary supply with an equal and opposite charge to Departmental Expenditure Limit Resource expenditure. As such, in preparing its Supplementary

Estimate, the Department increased the limit for Departmental Expenditure Limit Resource expenditure and reduced the limit for Annually Managed Resource expenditure by £1.8 million reducing the limit for Annually Managed Resource Expenditure from £0.2 million to minus £1.6 million.

By the year end, the professional assessment had not been prepared and the provision of £1.821 million could not be transferred to accruals. Instead, the Department incurred only minus £0.142 million of Annually Managed Resource expenditure, such that the Estimate was breached by £1.458 million. Since expenditure relating to the creation of a provision does not result in an outlay of cash, this breach is considered to be ‘non-cash’.

As outlined in the Governance Statement, the Accounting Office is reviewing the steps that the Northern Ireland Office can take to minimise the risk of supply breaches in future.

I have also asked HM Treasury to consider whether the supply and budgeting guidance is clear enough in these areas.

Sir Amyas C E Morse **Date: 15 July 2015**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
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STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource and Capital Outturn 2014-15

£000		Estimate			Outturn			2014-15 £000	2013-14 £000 Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving	Net Total
Departmental Expenditure Limit									
Resource	2.1	24,007	3,544	27,551	20,311	3,334	23,645	3,696	25,358
Capital	2.2	1,491	-	1,491	1,897	-	1,897	(406)	307
Annually Managed Expenditure									
Resource	2.1	(1,600)	-	(1,600)	(142)	-	(142)	(1,458)	778
Capital		-	-	-	-	-	-	-	-
Total Budget		**23,898**	**3,544**	**27,442**	**22,066**	**3,334**	**25,400**	**1,832**	**26,443**
Non-Budget									
Resource	2.1	14,905,200	-	14,905,200	13,963,000	-	13,963,000	942,200	13,783,290
Total		**14,929,098**	**3,544**	**14,932,642**	**13,985,066**	**3,334**	**13,988,400**	**944,032**	**13,809,733**
Total Resource		**14,927,607**	**3,544**	**14,931,151**	**13,983,169**	**3,334**	**13,986,503**	**944,438**	**13,809,426**
Total Capital		**1,491**	**-**	**1,491**	**1,897**	**-**	**1,897**	**(406)**	**307**
Total		**14,929,098**	**3,544**	**14,932,642**	**13,985,066**	**3,334**	**13,988,400**	**944,032**	**13,809,733**

Net cash requirement 2014-15

£000	Note	2014-15 Estimate	Outturn	2014-15 Outturn compared with Estimate: saving/(excess)	2013-14 Outturn
	4	14,928,795	13,982,158	946,637	**13,815,529**

Administration Costs 2014-15

		2014-15 Estimate	2014-15 Outturn	2013-14 Outturn
	3.2	15,496	11,284	12,969

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

The notes on pages 65 to 71 form part of these accounts. Explanations of variances between the Estimate and Outturn are given in SOPS note 2 and on page 25. An excess vote has arisen due to the non-occurrence of a planned provision release for compensation payments. A full explanation is provided in the Governance Statement on pages 55-56.

NOTES TO THE DEPARTMENTAL ACCOUNTS (STATEMENT OF PARLIAMENTARY SUPPLY)

SOPS1. Statement of accounting policies
The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention
The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts
Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS1.3 Capital Grants
Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS1.4 Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

SOPS1.5 Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. Reconciliation is provided in SoPS note 3.2

SOPS2. Net Outturn

SOPS2.1 Analysis of net resource outturn by section

										2014-15 £000	2013-14 £000
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
A - Northern Ireland Office	16,518	(5,234)	11,284	6,937	(147)	6,790	18,074	21,833	3,759	3,633	22,927
B - Northern Ireland Human Rights Commission	-	-	-	1,278	-	1,278	1,278	1,341	63	63	1,446
C – Parades Commission	-	-	-	959	-	959	959	833	(126)	-	914
Non-voted:											
D - Funding of elections	-	-	-	3,334	-	3,334	3,334	3,544	210	210	71
	16,518	(5,234)	11,284	12,508	(147)	12,361	23,645	27,551	3,906	3,906	25,358
Annually Managed Expenditure (AME)											
Voted											
E - Northern Ireland Office	-	-	-	(142)	-	(142)	(142)	(1,600)	(1,458)	(1,458)	778
				(142)		(142)	(142)	(1,600)	(1,458)	(1,458)	778
Non-budget											
F - Grant Payable to the Northern Ireland Consolidated Fund	-	-	-	13,963,000	-	13,963,000	13,963,000	14,905,200	942,200	942,200	13,783,000
G – Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	290
Total	**16,518**	**(5,234)**	**11,284**	**13,975,366**	**(147)**	**13,975,219**	**13,986,503**	**14,931,151**	**944,648**	**944,648**	**13,809,426**

£1.8m of the Resource DEL underspend was due to lower than anticipated expenditure on legal cases due to unexpected delays in the legal process. Additionally, a further £1.1m of underspend against the Resource DEL Estimate was due to greater than anticipated income in the Crown Solicitor's Office.

The unexpected delays in legal process had a corresponding impact on the AME budget as provisions which were expected to be released in year were not resulting in an overspend of £1.46m.

In addition, funds requested by the Northern Ireland Executive were not drawn by the Northern Ireland Departments during the financial year.

SOPS2.2 Analysis of net capital outturn by section

						2014-15 £000	2013-14 £000
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net Total Outturn Compared with estimate	Net total compared to Estimate, adjusted for virements	Net
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
A - Northern Ireland Office	1,883	-	1,883	1,491	(392)	(406)	207
B - Northern Ireland Human Rights Commission	4	-	4	-	(4)	-	-
C - Parades Commission	10	-	10	-	(10)	-	100
Non-voted:							
D - Funding of elections	-	-	-	-	-	-	-
	1,897	-	1,897	1,491	(406)	(406)	307
Total	**1,897**	**-**	**1,897**	**1,491**	**(406)**	**(406)**	**307**

Explanation of variances

The overspend in this budget was due to greater than anticipated capital grant payments in respect of Hillsborough Castle. This has resulted in an overspend against estimate. A fuller explanation of this issue is provided in the Governance Statement at pages 55-56.

SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating cost

		Note	2014-15 £000 Outturn	2013-14 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	2.1	23,503	26,136
	Non-budget	2.1	13,963,000	13,783,290
			13,986,503	13,809,426
Prior Period adjustments			-	(290)
Capital Grant HRP			1,750	-
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**13,988,253**	**13,809,136**

SOPS3.2 Outturn against final Administration Budget and Administration net operating cost

	2014-15 £000	2013-14 £000
Estimate – administration costs limit	**15,496**	**15,551**
Outturn –Gross administration costs	16,518	18,548
Outturn – Gross Income relating to administration costs	(5,234)	(5,579)
Outturn – Net administration costs	**11,284**	**12,969**
Reconciliation to operating costs:		
Less: Prior Period Adjustment for WIP	-	-
Administration net operating costs	**11,284**	**12,969**

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn Compared with Estimate: saving/(excess) £000
Resource Outturn	SOPS 2.1	14,931,151	13,986,503	944,648
Capital Outturn	SOPS 2.2	1,491	1,897	(406)
Accruals to cash adjustments:				
Adjustment to remove non-cash items:				
Depreciation/Amortisation		(1,711)	(1,569)	(142)
New Provisions and adjustments to previous provisions		(260)	-	(260)
Departmental Unallocated Provision				
Prior Period Adjustments				
Other non-cash items	4,5	(130)	(119)	(11)
Adjustments for NDPBs:				
Remove voted resource and capital		(2,174)	(2,247)	73
Add Cash grant-in-aid		2,112	2,295	(183)
Adjustment for NDPB's			(7)	7
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables	13	-	(469)	469
(Increase)/decrease in payables	14	-	(1,009)	1,009
Use of provisions	15	1,860	-	1,860
		14,932,339	**13,985,275**	**947,064**
Removal of non-voted budget items:				
Consolidated Fund Standing Services		(3,544)	(3,334)	(210)
Non-Voted Supply Payable			217	(217)
Net Cash Requirement		**14,928,795**	**13,982,158**	**946,637**

SOPS5. Income payable to the Consolidated Fund

SOPS5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2014-15		Outturn 2013-14	
	Income	£000 *Receipts*	Income	£000 *Receipts*
Operating income outside the ambit of the estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**-**	**-**	**-**	**-**

SOPS5.2 Consolidated Fund Income

Consolidated Fund income shown in note 5.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2014-15	2013-14
	£000	£000
Income from Election Office activities funded by the Consolidated Fund	20	1
Amount payable to the Consolidated Fund	20	1
Balance held at the start of the year	1	120
Payments into the Consolidated Fund	-	(120)
Balance held in trust at the end of the year	21	1

All income shown above had been received at 31 March 2015.

Consolidated Statement of Comprehensive Net Expenditure for the Year ended 31 March 2015

	Note	2014-15		2013-14	
		£000	£000	£000	£000
		Core Dept	Departmental Group	Core Dept	Departmental Group
Administration costs					
Staff costs	3	10,267	10,267	10,855	10,855
Other costs	4	6,251	6,251	7,693	7,693
Income	6	(5,234)	(5,234)	(5,579)	(5,579)
Programme costs					
Staff costs	3	1,859	3,226	4,144	5,615
Other costs	5	14,139,157	14,140,032	13,913,133	13,914,370
Income	6	(166,285)	(166,289)	(123,511)	(123,818)
Grant in aid to NDPBs		2,295	-	2,856	-
Net Operating Costs for the year ended 31 March 2015		**13,988,310**	**13,988,253**	**13,809,591**	**13,809,136**
Total Expenditure		**14,159,829**	**14,159,776**	**13,938,681**	**13,938,533**
Total Income		**(171,519)**	**(171,523)**	**(129,090)**	**(129,397)**
Net Operating Costs for the year ended 31 March 2015		**13,988,310**	**13,988,253**	**13,809,591**	**13,809,136**
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
Revaluation of property, plant and equipment		(5,994)	(5,994)	(5,280)	(5,277)
Revaluation of Intangibles		(2)	(5)	-	-
Total comprehensive expenditure for the year ended 31 March 2015		**13,982,314**	**13,982,254**	**13,804,311**	**13,803,859**

The notes on pages 77 to 106 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	31 March 2015 £000 Core Department	31 March 2015 £000 Departmental Group	31 March 2014 £000 Core Department	31 March 2014 £000 Departmental Group
Non-current assets					
Property, plant and equipment	7	70,628	70,674	66,075	66,158
Intangible assets	8	123	190	130	197
Financial Assets	11	1,758,279	1,758,279	1,632,506	1,632,506
Total non-current assets		**1,829,030**	**1,829,143**	**1,698,711**	**1,698,861**
Current assets					
Trade and other receivables	13	6,486	6,589	6,955	7,092
Financial assets	11	132,780	132,780	132,452	132,452
Cash and cash equivalents	12	138,225	138,727	255,904	256,236
Total current assets		**277,491**	**278,096**	**395,311**	**395,780**
Total assets		**2,106,521**	**2,107,239**	**2,094,022**	**2,094,641**
Current Liabilities					
Trade and other payables	14	277,187	277,757	393,746	394,136
Provisions	15	1,821	1,841	-	202
Total current liabilities		**279,008**	**279,598**	**393,746**	**394,338**
Non-current assets plus/less net current assets/liabilities		**1,827,513**	**1,827,641**	**1,700,276**	**1,700,303**
Non-current liabilities					
Provisions	15	-	40	1,821	1,821
Other payables	14	1,758,279	1,758,279	1,632,506	1,632,506
Total non-current liabilities		**1,758,279**	**1,758,319**	**1,634,327**	**1,634,327**
Total assets less liabilities		**69,234**	**69,322**	**65,949**	**65,976**
Taxpayers' equity					
General fund		46,633	46,716	49,344	49,369
Revaluation reserve		22,601	22,606	16,605	16,607
Total equity		**69,234**	**69,322**	**65,949**	**65,976**

Signed:

Accounting Officer: Sir Jonathan Stephens KCB
Date: 14 July 2015

The notes on pages 77 to 106 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

		2014-15		2013-14	
		Core Dept	Departmental Group	Core Dept	Departmental Group
	Note				
Cash flows from operating activities					
Net operating cost		(13,988,310)	(13,988,253)	(13,809,591)	(13,809,136)
Adjustment for non-cash transactions	4,5	1,688	1,713	2,473	2,689
(Increase)/decrease in trade and other receivables	13	469	503	(807)	(890)
Increase/(decrease) in trade payables	14	9,214	9,394	34,577	34,101
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	14	(8,260)	(8,215)	(41,935)	(41,980)
Use of provisions	15	-	(112)	(82)	(141)
Other adjusting item for NDPB's		4	2	-	-
Net cash outflow from operating activities		**(13,985,195)**	**(13,984,968)**	**(13,815,365)**	**(13,815,357)**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(60)	(115)	(164)	(190)
Purchase of intangible assets	8	-	(2)	-	(29)
Loans to other bodies	11	(259,243)	(259,243)	(195,936)	(195,936)
Repayment from other bodies	11	133,142	133,142	127,208	127,208
Net cash outflow from investing activities		**(126,161)**	**(126,218)**	**(68,892)**	**(68,947)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		13,864,262	13,864,262	13,789,756	13,789,770
From the Consolidated Fund (Supply) – prior year		-	-	-	-
From the Consolidated Fund (non-supply)		3,334	3,334	-	-
Loans received from the National Loans Fund	11	259,243	259,243	195,936	195,936
Repayments of loans from the National Loans Fund	11	(133,142)	(133,142)	(127,208)	(127,208)
Net financing		**13,993,697**	**13,993,697**	**13,858,484**	**13,858,498**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(117,659)**	**(117,489)**	**(25,773)**	**(25,806)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(20)	(20)	(1)	(1)
Payments of amounts due to the Consolidated Fund		-	-	(120)	(120)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(117,679)**	**(117,509)**	**(25,894)**	**(25,927)**
Cash and cash equivalents at the beginning of the period	12	255,904	256,236	281,798	282,163
Cash and cash equivalents at the end of the period	12	138,225	138,727	255,904	256,236

The notes on pages 77 to 106 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2015 – Core Department

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013		**43,229**	**11,325**	**54,554**
		43,229	**11,325**	**54,554**
Net Parliamentary Funding - drawn down		13,789,756	-	13,789,756
Net Parliamentary Funding - deemed		281,677	-	281,677
Consolidated Fund Standing Services	5	70	-	70
Supply payable adjustment	14	(255,904)	-	(255,904)
		13,815,599	-	**13,815,599**
Changes in taxpayers equity for 2013-14				
Net gain on revaluation of property, plant and equipment		-	5,280	5,280
Net (loss) on revaluation of intangible assets		-	-	-
Non-cash charges - auditor's remuneration	4,5	107	-	107
Non-cash charges - other notional	4,5	-	-	-
Machinery of Government transfers		-	-	-
Net operating cost for the year		(13,809,591)	-	(13,809,591)
Total recognised income and expense for 2013-2014		**(13,809,484)**	**5,280**	**(13,804,204)**
Balance at 31 March 2014		**49,344**	**16,605**	**65,949**
Net Parliamentary Funding - drawn down		13,864,262	-	13,864,262
Net Parliamentary Funding - deemed		255,904	-	255,904
Consolidated Fund Standing Services	5	3,334	-	3,334
Unspent Supply payable to the Consolidated Fund	14	(138,008)	-	(138,008)
		13,985,492	**-**	**13,985,492**
Changes in taxpayers equity for 2014-15				
Net gain on revaluation of property, plant and equipment		-	5,994	5,994
Net gain on revaluation of intangible assets		-	2	2
Non-cash charges - auditor's remuneration	4,5	107	-	107
Non-cash charges - other notional	4,5	-	-	-
Machinery of Government transfers		-	-	-
Net operating cost for the year		(13,988,310)	-	(13,988,310)
Total recognised income and expense for 2014-15		**(13,988,203)**	**5,996**	**(13,982,207)**
Balance at 31 March 2015		**46,633**	**22,601**	**69,234**

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

The notes on pages 77 to 106 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2015 – Departmental Group

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013		**42,799**	**11,334**	**54,133**
		42,799	**11,334**	**54,133**
Net Parliamentary Funding - drawn down		13,789,756	-	13,789,756
Net Parliamentary Funding - deemed		281,677	-	281,677
Consolidated Fund Standing Services	5	70	-	70
Supply payable adjustment	14	(255,904)	-	(255,904)
		13,815,599	-	**13,815,599**
Changes in taxpayers equity for 2013-14				
Net gain on revaluation of property, plant and equipment		-	5,277	5,277
Net (loss) on revaluation of intangible assets		-	-	-
Non-cash charges - auditor's remuneration	4,5	107	-	107
Non-cash charges - other notional	4,5	-	-	-
Machinery of Government transfers		-	-	-
Net operating cost for the year		(13,809,136)	(4)	(13,809,140)
Total recognised income and expense for 2013-2014		**(13,809,029)**	**5,273**	**(13,803,756)**
Balance at 31 March 2014		**49,369**	**16,607**	**65,976**
Net Parliamentary Funding - drawn down		13,864,262	-	13,864,262
Net Parliamentary Funding - deemed		255,904	-	255,904
Consolidated Fund Standing Services	5	3,334	-	3,334
Unspent Supply payable to the Consolidated Fund	14	(138,008)	-	(138,008)
		13,985,492	**-**	**13,985,492**
Changes in taxpayers equity for 2014-15				
Net gain on revaluation of property, plant and equipment		-	5,994	5,994
Net gain on revaluation of intangible assets		-	5	5
Non-cash charges - auditor's remuneration	4,5	107	-	107
Non-cash charges - other notional	4,5	-	-	-
Net operating cost for the year		(13,988,253)	-	(13,988,253)
Adjustment for NDPB's		1	-	1
Total recognised income and expense for 2014-15		**(13,988,145)**	**5,999**	**(13,982,146)**
Balance at 31 March 2015		**46,716**	**22,606**	**69,322**

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

The notes on pages 77 to 106 form part of these accounts.

NOTES TO THE DEPARTMENTAL ACCOUNTS

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared under the House of Commons Pursuant to Section 6(4) of the Government Resources and Accounts Act 2000.

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

1.1 Accounting convention

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

1.2 Basis of consolidation

The accounts comprise a consolidation of the core Department and its two designated NDPBs, the Parades Commission and the Northern Ireland Human Rights Commission, on a line by line basis. Counterparty transactions have been eliminated on consolidation in accordance with relevant accounting standards.

1.3 Property, plant and equipment

Property, plant and equipment comprise heritage assets, art and antiques, leasehold improvements, fixtures and fittings, vehicles, plant and machinery, computer equipment, office equipment, security equipment and assets under construction.

The Department's heritage assets comprise Hillsborough Castle and its surrounding estate.

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

Consolidation of asset categories

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

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

1.3.1 Valuation of property, plant and equipment

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

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

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

In compliance with IAS 16, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is expensed through the Consolidated Statement of Comprehensive Net Expenditure.

Upward revaluations are credited to the revaluation reserve and permanent reductions in the value of property, plant and equipment are charged to the Consolidated Statement of Comprehensive Net Expenditure. Any subsequent revaluation of assets is credited to the Consolidated Statement of Comprehensive Net Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense in the Consolidated Statement of Comprehensive Net Expenditure.

1.4 Heritage assets

In accordance with the Financial Reporting Manual (FReM) as issued by HM Treasury, heritage assets are capitalised and recognised in the Statement of Financial Position at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Hillsborough Castle is depreciated as set out in Note 1.6 and subject to quinquennial professional valuations, with indices supplied by Land and Property Services used in the intervening years.

Arts and antiques are not depreciated and are subject to quinquennial professional valuations.

1.5 Intangible assets

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

1.6 Depreciation/Amortisation

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Estimated useful lives, which are reviewed regularly, are:

Asset category	**Useful Life**
Heritage assets	50 years
Art and Antiques	No Depreciation
Leasehold improvements	10 years (or the life of the lease, whichever is least)
Plant and machinery	3 - 25 years
Information Technology	2 - 16 years
Assets under construction	No depreciation
Intangible assets (software licences)	2 - 10 years

1.7 Realised Element of Depreciation from Revaluation Reserve

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

1.8 Donated assets

The Department does not have any donated assets.

1.9 Work in progress

Work in progress relates only to the provision of professional services provided by the Crown Solicitor's Office (CSO) which is accounted for as part of the Core Department. Professional fees and costs incurred in relation to this work are invoiced on completion of cases, rather than on an on-going basis. Consequently an estimated work in progress figure is included in the accounts to reflect work undertaken to date net of costs deemed to be irrecoverable. Outstanding balances at the year-end are presented in the receivables figure on the Statement of Financial Position.

1.10 Employee Benefits

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

Further details regarding the above schemes are contained in Note 3 to the Accounts.

1.11 Early departure costs

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

1.12 Financing and Operating income

Financing

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

Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises monies received in respect of EU grants and National Loans Fund interest.

Operating income also includes charges provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

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

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

- Administration costs
- Programme costs

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

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

1.14 Grants payable and paid
The Core Department recognises the grants due to its executive Non-Departmental Public Bodies, (the Northern Ireland Human Rights Commission and the Parades Commission), in the period in which they are paid.

The Core Department processes receipts and payments on behalf of the Parades Commission. Grant-in-aid paid during the year, is calculated by recording the details of payments processed and cash that has been paid out.

The Department also makes a small number of grants to a variety of public sector, private sector and voluntary bodies and these are recognised in the period in which there is reasonable assurance that they will be paid and that the conditions attaching them will be complied with.

1.15 Leases

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

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

1.17 Contingent liabilities
In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.
Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

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

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

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

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

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

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

1.23 Financial Instruments

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

Financial assets
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management. Financial assets held in this category are initially recognised and subsequently measured at fair value, with changes in

value recognised in the Consolidated Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

Loans and receivables

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

Trade and other receivables

Financial assets within trade and other receivables are recognised at fair value, which is usually the original invoiced amount. Provisions for bad debt are made specifically where there is objective evidence of a dispute or inability to pay. NIO and CSO only write off debts after all attempts to recover monies have been exhausted.

Prepayments

Prepayments include any expenditure exceeding £500 that has been made in advance of receipt of goods or services and as such are treated as a financial asset to the Department.

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

Financial Liabilities

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

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

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

(i) – Depreciation of non-current assets
Depreciation is provided in the consolidated accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.6.

(ii) – Impairment of non-current assets
Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances, management will exercise judgement in estimating the value of the impairment.

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

(iv) – Work in Progress
The Crown Solicitor's Office recognises the income relating to the cost of solicitor activity in relation to cases that have not completed at the reporting date. This is an estimate of the fees earned as a result of work undertaken up to the reporting date using an estimate of cost based on actual bills issued and an assessment of the progress on the case to date. Account has been taken of the recoverability of the receivable in the calculation. Any differences between the amount charged to the client upon the completion of the case and the value recognised as work in progress will be accounted for in the accounting period when the client invoice is raised.

1.25 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2015
The Department has reviewed all standards that were effective at the start of the year, and those which became effective during the year, and considered whether these affect the presentation, disclosure and measurement of balances within the financial statements. These changes had no impact on the financial statements.

1.26 Accounting standards, interpretations and amendments to published standards not yet effective
The following new standards, interpretations and amendments, which have been adopted by the EU but are not yet effective, may have an impact on the future Northern Ireland Office accounts:

IFRS 13 – Fair Value Measurement was issued on 1 January 2013 and has been adopted by the EU. This will be effective from 2015-16. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. Guidance on how this should be applied across government has yet to be issued by the Treasury. Until guidance on its adoption is issued by HMT in the FReM, we are unable to provide an assessment on the impact of adopting this Standard.

IFRS 15 – Revenue from Contracts with Customers (IAS 18 Replacement – Revenue Recognition) (effective 1 January 2017, not yet EU adopted). Until guidance on its adoption is issued by HMT in the FReM, we are unable to provide an assessment on the impact of adopting this Standard.

IAS 17 Replacement – Leases. The IASB plans to issue a new standard before the end of 2015. Until guidance on its adoption is issued by HMT in the FReM, we are unable to provide an assessment on the impact of adopting this Standard.

The above standards to be adopted are not expected to have a material impact on the Northern Ireland Office.

2. Statement of Operating Costs by Operating Segment

The Department organises itself by group and reports income and expenditure by group to the Board each month. The current groups are

- Business Delivery Group (BDG);
- Engagement Group (EnG);
- Constitutional and Political Group (CPG);
- Economy Group (EG);
- Legacy Group;
- Security and Protection Group (SPG); and
- Crown Solicitor's Office (CSO).

Additionally, information on amounts paid to the Northern Ireland Consolidated Fund (NICF) is separately reported to the Board on a monthly basis and is therefore included as a separate operating segment below.

The Board received management information containing summary of spend on a monthly basis throughout the year. Information on the same basis is reproduced in the table below.

The Department does not consider that assets and liabilities can be meaningfully allocated to segments, and manages and reports on assets and liabilities in total. Therefore, no breakdown of assets and liabilities is given.

	£000 NICF	£000 BDG	£000 EnG	£000 CPG	£000 EG	£000 Legacy	£000 SPG	£000 CSO	2014-15 £000 Total
Administration									
Gross administration costs	-	7,832	810	845	195	1,574	1,280	4,057	**16,593**
Receipts	-	(40)	(39)	-	-	-	(10)	(5,144)	**(5,233)**
Net Administration Costs	-	7,792	771	845	195	1,574	1,270	(1,087)	**11,360**
Programme									
Gross programme costs	13,963,000	3,693	994	4,002	-	715	1,583	(82)	**13,973,905**
Receipts	-	-	-	(147)	-	-	-	-	**(147)**
Net programme costs	13,963,000	3,693	994	3,855	-	715	1,583	(82)	**13,973,758**
Overall Costs	**13,963,000**	**11,485**	**1,765**	**4,700**	**195**	**2,289**	**2,853**	**(1,169)**	**13,985,118**

Descriptions of the operating segment are provided in the Strategic Report.

	£000 NICF	£000 BDG	£000 EnG	£000 CPG	£000 EG	£000 SCG	£000 SPG	£000 CSO	2013-14 £000 Total
Administration									
Gross administration costs	-	9,569	621	752	71	1,535	1,728	4,592	**18,868**
Receipts	-	(311)	-	-	-	-	(70)	(5,384)	**(5,765)**
Net Administration Costs	-	9,258	621	752	71	1,535	1,658	(792)	**13,103**
Programme									
Gross programme costs	13,783,000	1,334	1,338	8,193	-	-	1,720	-	**13,795,585**
Receipts	-	-	(97)	(324)	-	-	4	-	**(417)**
Net programme costs	13,783,000	1,334	1,241	7,869	-	-	1,724	-	**13,795,168**
Overall Costs	**13,783,000**	**10,592**	**1,862**	**8,621**	**71**	**1,535**	**3,382**	**(792)**	**13,808,271**

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2014-15 £000 Total	2013-14 £000 Total
Total net expenditure by operating segment	**13,985,118**	**13,808,271**
Reconciling items:		
AME and non voted expenditure not included in analysis	3,192	778
Accounting adjustments	(57)	87
Total net expenditure per statement of comprehensive net expenditure	**13,988,253**	**13,809,136**

3. Staff numbers and related costs

Staff costs comprise:

	2014-15					2013-14
	£000					£000
	Total	Permanently Employed and inward seconded Staff	Others	Ministers	Special Advisors	Total
Wages and salaries	11,022	9,558	1,303	92	69	13,783
Social security costs	845	789	40	9	7	945
Other pension costs	1,875	1,823	36	-	16	2,090
Sub Total	**13,742**	**12,170**	**1,379**	**101**	**92**	**16,818**
Less recoveries in respect of outward secondments	(249)	(249)	-	-	-	(348)
Total net costs*	**13,493**	**11,921**	**1,379**	**101**	**92**	**16,470**
Of which:						
Core department	**12,126**	**10,850**	**1,083**	**101**	**92**	**14,999**
Other designated bodies	**1,367**	**1,071**	**296**	**-**	**-**	**1,471**

Of which:	Charged to Administration budgets	Charged to Programme budgets	Total
	£000	£000	£000
Core Department	10,267	1,859	12,126
Other Designated Bodies	-	1,367	1,367
Total	10,267	3,226	13,493

The Principal Civil Service Pension Scheme (PCSPS) and PCSPS (NI) are unfunded multi-employer defined benefit schemes in which Northern Ireland Office is unable to identify its share of the underlying assets and liabilities. Full actuarial valuations of both the PCSPS and PCSPS (NI) were carried out as at 31 March 2012. Details of the PCSPS can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions). Details of the PCSPS (NI) are available in the PCSPS (NI) resource accounts.

For 2014-15, total employers' contributions of £1,785,300 (2013-14: £1,889,217) were payable to PCSPS (NI) and PCSPS at rates in the range 20.0 to 24.5 per cent of pensionable pay for PCSPS and 18 to 25 per cent of pensionable pay for PCSPS (NI), based on salary bands. The difference between this amount and the amount disclosed above relates to pension costs recouped on seconded staff. The PCSPS and PCSPS (NI) schemes actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2013-14: £nil) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2013-14: 3 to 12.5 per cent) of pensionable pay. In addition, employer contributions of 0.8 per cent (2013-14: 0.8 per cent) of the individuals' pensionable earnings were payable to the PCSPS and to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

No person (2013-14: Nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £nil (2013-14 £nil)

Average number of persons employed

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

						2014-15 Number	2013-14 Number
	Total	**Permanent Staff**	**Inward Secondments**	**Others**	**Ministers**	**Special Advisors**	**Total**
Northern Ireland Office core department staff	271	106	162	-	2	1	314
Other staff**	32	14	8	10	-	-	41
Total*	303	120	170	10	2	1	355

*No staff members were engaged on capital projects. (2013-14: Nil)

**Other staff includes those working in the NIO's designated Arm's Length bodies, consolidated within the departmental group accounts.

3.1 Reporting of Civil Service and other compensation schemes – exit packages

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

Exit package cost band	Departmental Group Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£100,000	1 (nil)	nil (nil)	1 (nil)
£100,000-£150,000	nil (nil)	nil (nil)	nil (nil)
£150,000-£200,000	nil (nil)	nil (nil)	nil (nil)
£200,000-£250,000	nil (nil)	nil (nil)	nil (nil)
£250,000-£300,000	nil (nil)	nil (nil)	nil (nil)
Total number of exit packages	**1 (nil)**	**nil (nil)**	**1 (nil)**

No staff left under any compensation scheme during the year.

Figures in brackets relate to 2013-14.

4. Other Administration Costs

		2014-15 £000		2013-14 £000	
	Note	Core Department	Departmental Group	Core Department	Departmental Group
Rentals under operating leases:					
Hire of plant and machinery		27	27	27	27
Other operating leases		1,025	1,025	1,035	1,035
Non-cash items (Note a):					
Depreciation and amortisation of non-current assets:					
Property, plant and equipment	7	1,496	1,496	1,327	1,327
Intangible assets	8	-	-	15	15
(Profit)/Loss on disposal of non-current assets	7,8	9	9	4	4
Impairments	7,8	-	-	-	-
Auditor's remuneration and expenses		94	94	94	94
Provisions:					
Provided in year	15	-	-	-	-
Other expenditure:					
Auditor's remuneration and expenses		-	-	-	-
All other expenditure		3,600	3,600	5,191	5,191
Total		**6,251**	**6,251**	**7,693**	**7,693**

During the year the department did not purchase any non-audit services from its auditor, the National Audit Office.

5. Programme Costs

	Note	2014-15 £000 Core Department	2014-15 £000 Departmental Group	2013-14 £000 Core Department	2013-14 £000 Departmental Group
Current grants and other expenditure					
Other expenditure		6,338	7,003	5,587	6,430
Auditors remuneration and expenses		-	29	-	27
Rentals under operating leases:					
Hire of plant and machines		179	179	191	243
Other operating leases		79	235	132	233
Non-cash items:					
Depreciation	7	66	108	81	125
Amortisation	8	7	21	51	54
Impairments	7,8	-	-	-	-
Revaluation	7,8	-	-	-	7
Loss on disposal of non-current assets	7,8	3	2	6	6
Provisions:			-		
Provided in year	15	-	15	811	971
Written back in year	15	-	(45)	-	-
Auditor's remuneration and expenses		13	13	13	13
Consolidated Fund Standing Services					
Election Funding		3,261	3,261	-	-
Consolidated Fund Standing Services (note a)		73	73	71	71
		10,019	10,894	6,943	8,180
Northern Ireland Consolidated Fund :					
Grant		13,963,000	13,963,000	13,783,000	13,783,000
National Loans Fund interest		76,674	76,674	79,211	79,211
EU grants		89,464	89,464	43,979	43,979
		14,129,138	**14,129,138**	**13,906,190**	**13,906,190**
Total		**14,139,157**	**14,140,032**	**13,913,133**	**13,914,370**

Note:

a. By statute the remuneration and associated employers' earnings-related National Insurance Contributions of the Chief Electoral Officer (CEO) are met directly from the Consolidated Fund, rather than Parliamentary Supply. These costs are included under Other Programme Costs along with election running costs and are referred to as Consolidated Fund Standing Services.

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

6. Income

Operating income not within the budget (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2014-15, all operating income was within the budget.

6.1 Analysis of operating income

		2014-15 £000		2013-14 £000
	Core department	Departmental group	Core department	Departmental group
Administration income:				
CSO Fees and Charges	5,144	5,144	5,197	5,197
Other administrative income	90	90	382	382
	5,234	**5,234**	**5,579**	**5,579**
Programme income:				
Operating income				
Other	147	151	321	628
Other income (Note a)				
National Loans Fund interest	76,674	76,674	79,211	79,211
Income from EU for NI programmes	89,464	89,464	43,979	43,979
	166,285	**166,289**	**123,511**	**123,818**
Total	**171,519**	**171,523**	**129,090**	**129,397**

Note:

a. Other income relates to the following transactions with the Northern Ireland Consolidated Fund;

- Interest receivable on loans made by the Northern Ireland Office to the Northern Ireland Consolidated Fund. The Northern Ireland Office uses this interest to pay interest due to the NLF in respect of the loans made to the Northern Ireland Office, equal to the amount of loan made from the Northern Ireland Office to the Northern Ireland Consolidated Fund.
- Income from the EU, which is received by the Northern Ireland Office to be paid over directly to the Northern Ireland Consolidated Fund.

Both amounts are offset by an equal and opposite expense as shown in note 5.

6.2 Fees and charges

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

			2014-15 £000			2013-14 £000
	Income	**Full Cost**	**Surplus/ (deficit)**	**Income**	**Full Cost**	**Revised Surplus/ (deficit)**
Crown Solicitor's Office	5,144	(4,030)	1,114	5,197	(4,230)	967
Total	**5,144**	**(4,030)**	**1,114**	**5,197**	**(4,230)**	**967**

In accordance with Managing Public Money, the Department is required to disclose results for the areas of its activities where fees and charges are made. The foregoing analysis is not intended to meet the requirements of IFRS 8 Segmental Reporting. The Northern Ireland Office has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector information guidance.

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

The figure for CSO full costs for 2013-14 has been revised to remove legal disbursements that relate solely to the Northern Ireland Office. During 2014-15 these legal disbursements were allocated directly to the spending groups that they related to.

7. Property, plant and equipment – Departmental Group

	Heritage Assets £000	Antiques £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2014	63,230	2,347	1,072	2,854	2,927	193	**72,623**
Additions	-	-	-	9	86	10	**105**
Disposals	-	-	(20)	(298)	(2,781)	-	**(3,099)**
Transfers within PPE	-	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	-	**-**
Impairment	-	-	-	-	-	-	**-**
Revaluations (note a&b)	4,863	-	-	9	12	-	**4,884**
Reclassification	**-**	**-**	185	(1,359)	1,599	-	**425**
At 31 March 2015	**68,093**	**2,347**	**1,237**	**1,215**	**1,843**	**203**	**74,938**
Depreciation							
At 1 April 2014	1,153	-	250	2,453	2,609	-	**6,465**
Charged in year	1,207	-	105	140	152	-	**1,604**
Disposals	-	-	(20)	(291)	(2,778)	-	**(3,089)**
Transfers/Reclassification	-	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	-	**-**
Impairment	-	-	-	-	-	-	**-**
Revaluations(note a&b)	(1,110)	-	-	-	-	-	**(1,110)**
Reclassifications			185	(1,253)	1,462	-	**394**
At 31 March 2015	**1,250**	**-**	**520**	**1,049**	**1,445**	**-**	**4,264**
Carrying Amount at 31 March 2015	**66,843**	**2,347**	**717**	**166**	**398**	**203**	**70,674**
Carrying Amount at 31 March 2014	**62,077**	**2,347**	**822**	**401**	**318**	**193**	**66,158**
Of the total:							
Department	**66,843**	**2,347**	**707**	**162**	**366**	**203**	**70,628**
Other designated bodies	**-**	**-**	**10**	**4**	**32**	**-**	**46**
Carrying amount at 31 March 2015	**66,843**	**2,347**	**717**	**166**	**398**	**203**	**70,674**

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

7.1 Property, plant and equipment – Departmental group (continued)

	Heritage Assets £000	Antiques £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2013	58,696	2,347	1,156	2,950	4,464	255	**69,868**
Additions	-	-	(84)	14	345	(62)	**213**
Disposals	-	-	-	(28)	(1,664)	-	**(1,692)**
Transfers within PPE	-	-	-	-	-	-	**-**
Transfers/Reclass	-	-	-	-	(67)	-	**(67)**
Impairment	-	-	-	-	-	-	**-**
Revaluations (note a&b)	4,534	-	-	(82)	(151)	-	**4,301**
At 31 March 2014	**63,230**	**2,347**	**1,072**	**2,854**	**2,927**	**193**	**72,623**
Depreciation							
At 1 April 2013	1,061	-	131	2,359	4,157	-	**7,708**
Charged in year	1,067	-	119	113	152	-	**1,451**
Disposals	-	-	-	(19)	(1,656)	-	**(1,675)**
Transfers to Intangibles	-	-	-	-	(7)	-	**(7)**
Transfers/Reclassification	-	-	-	-	(36)	-	**(36)**
Revaluations(note a&b)	(975)	-	-	-	(1)	-	**(976)**
At 31 March 2014	**1,153**	**-**	**250**	**2,453**	**2,609**	**-**	**6,465**
Carrying Amount at 31 March 2014	**62,077**	**2,347**	**822**	**401**	**318**	**193**	**66,158**
Carrying Amount at 31 March 2013	**57,635**	**2,347**	**1,025**	**591**	**307**	**255**	**62,160**
Of the total:							
Department	**62,077**	**2,347**	**788**	**397**	**273**	**193**	**66,075**
Other designated bodies	**-**	**-**	**34**	**4**	**45**	**-**	**83**
Carrying amount at 31 March 2014	**62,077**	**2,347**	**822**	**401**	**318**	**193**	**66,158**

Notes

a. Hillsborough Castle has been valued by Land and Property Services in line with standards published by the Royal Institute of Chartered Surveyors (RCIS) and the antiques are valued by John Ross and Company for the purposes of these accounts. The most recent valuation was at 31 March 2012.

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

8. Intangible assets – Departmental Group

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

	Software Licenses 2014-15 £000	Software Licenses 2013-14 £000
Cost or valuation		
Opening balance	1,956	1,831
Additions	2	94
Transfer from Assets Under Construction	-	-
Disposals	(102)	(36)
Transfers	10	67
Impairment	-	-
Revaluation	3	-
Reclassification	(722)	
Closing balance	**1,147**	**1,956**
Amortisation		
Opening balance	1,759	1,719
Charged in year	21	69
Disposals	(99)	(36)
Transfers	-	7
Impairment	-	-
Revaluation	(2)	-
Reclassification	(722)	-
Closing balance	**957**	**1,759**
Carrying Amount at 31 March 2015	**190**	**197**
Carrying Amount at 31 March 2014	**197**	**112**
Of the total:		
Department	123	130
Other designated bodies	67	67
	190	**197**

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

9. Impairments

The Department did not have any impairments in the reporting period 2014-15.

10. Capital and Other commitments

10.1 Operating leases

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

	2014-15 £000		2013-14 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Obligations under operating leases for the following periods comprise:				
Buildings:				
Not later than one year	1,218	1,240	1,237	1,372
Later than one year and not later than 5 years	3,709	3,746	3,770	3,770
Later than five years	2,420	2,420	3,297	3,297
	7,347	**7,406**	**8,304**	**8,439**
Other:				
Not later than one year	22	22	39	40
Later than one year and not later than 5 years	-	-	6	6
Later than five years	-	-	-	-
	22	**22**	**45**	**46**
Total	**7,369**	**7,428**	**8,349**	**8,485**

10.2 Finance leases

The Department has no obligations under finance leases.

10.3 Commitments under PFI contracts and other service concession arrangements

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

10.4 Other financial and capital commitments

The Department entered into a contract with Historic Royal Palaces for the running of Hillsborough Castle in April 2014 and agreed to provide financial support to this project over the initial years. Grant payments have been made to HRP in 2014 and 2015 and there remains a final commitment to pay £1.25m by March 2019.

11. Financial Instruments

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

	2014-15 £000	2013-14 £000
Balance at 1 April	1,764,958	1,696,230
Additions	259,243	195,936
Repayments	(133,142)	(127,208)
Balance at 31 March 2015	**1,891,059**	**1,764,958**

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

The balances above can be further analysed as:

	2014-15	2013-14
	£000	£000
Current assets	132,780	132,452
Non-current assets	1,758,279	1,632,506
Balance at 31 December 2014	**1,891,059**	**1,764,958**

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

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

Classification of financial instruments

All departmental financial instruments are measured at amortised cost. The Department's financial assets are classified as loans and receivables and comprise trade and other receivables (Note 13) and cash and cash equivalents (Note 12). The Department's financial liabilities comprise payables excluding tax assets, accruals and deferred income (Note 14). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. The Department recognises the components of net gain/loss through the Consolidated Statement of Comprehensive Net Expenditure. Interest on financial instruments is recognised in finance costs (Note 5) under Programme Costs.

Risk Management

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

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

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

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

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

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

12. Cash and cash equivalents

	2014-15 £000		**2013-14 £000**	
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April 2014	255,904	256,236	281,798	282,163
Net change in cash balance	(117,679)	(117,509)	(25,894)	(25,927)
Balance at 31 December 2014	**138,225**	**138,727**	**255,904**	**256,236**
The following balances at 31 March are held at:				
Government Banking Service	135,357	135,688	254,253	254,253
Commercial banks and cash in hand	2,868	3,039	1,651	1,983
Balance at 31 March 2015	**138,225**	**138,727**	**255,904**	**256,236**

£24,500 of candidate deposits were held in Electoral Office bank accounts at 31 March 2015. These balances have not been recorded in this account as they relate to the General Election in May 2015.

13. Trade receivables, financial and other assets

	2014-15 £000		2013-14 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:				
VAT Receivables	2	2	-	-
Trade receivables	3,001	3,032	3,227	3,274
Other receivables	13	13	19	19
Prepayments and accrued income	3,470	3,542	3,709	3,799
	6,486	**6,589**	**6,955**	**7,092**
Amounts falling due after more than one year:	-	-	-	-
Total	**6,486**	**6,589**	**6,955**	**7,092**

13.1 Intra-Government Balances – Core Department

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Balances with other central government bodies	6,130	6,250	-	-
Balances with local authorities	128	313	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: Intra-government balances	**6,258**	**6,563**	-	-
Balances with bodies external to government	228	392	-	-
Total receivable at 31 March 2015	**6,486**	**6,955**	-	-

13.2 Intra-Government Balances – Departmental Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Balances with other central government bodies	6,131	6,252	-	-
Balances with local authorities	128	313	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: Intra-government balances	**6,259**	**6,565**	-	-
Balances with bodies external to government	330	527	-	-
Total receivable at 31 March 2015	**6,589**	**7,092**	-	-

The Department of Finance and Personnel On-Lent National Loans Fund loans are all held with central government bodies. At 31 March 2015 £ 132,780,000 were held as current assets (2014: £132,452,000) and £ 1,758,279,000 were held as non-current assets (2014: £1,632,506,000).

14. Trade payables and other current liabilities

	2014-15 £000		2013-14 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:				
VAT	-	-	401	401
Taxation and social security	203	216	184	206
Trade payables	830	836	2,065	2,119
Other payables	-	8	167	172
Accruals and deferred income	4,986	5,529	2,465	2,729
Property, plant and equipment accruals	142	142	107	152
Current element of repayment of National Loans Fund	132,780	132,780	132,452	132,452
Amounts issued from the Consolidated Fund but not spent at year end	138,008	138,008	255,904	255,904
Non-Voted Supply Payable	217	217		
Amounts received due to be paid to the Consolidated Fund	21	21	1	1
	277,187	**277,757**	**393,746**	**394,136**
Amounts falling due after more than one year:				
Repayment of National Loans Fund	1,758,279	1,758,279	1,632,506	1,632,506
Other Payables	-	-	-	-
Total	**2,035,466**	**2,036,036**	**2,026,252**	**2,026,642**

14.1 Intra-Government Balances – Core Department

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15	2013-14	2014-15	2013-14
	£000	£000	£000	£000
Balances with other central government bodies	272,611	390,899	1,758,279	1,632,506
Balances with local authorities	-	6	-	-
Balances with public corporations and trading funds	3,255	-	-	-
Subtotal: Intra-government balances	**275,866**	**390,905**	**1,758,279**	**1,632,506**
Balances with bodies external to government	1,321	2,841	-	-
Total Payables at 31 March 2015	**277,187**	**393,746**	**1,758,279**	**1,632,506**

14.2 Intra-Government Balances – Departmental Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Balances with other central government bodies	272,718	390,985	1,758,279	1,632,506
Balances with local authorities	13	6	-	-
Balances with public corporations and trading funds	3,255	-	-	-
Subtotal: Intra-government balances	**275,986**	**390,991**	**1,758,279**	**1,632,506**
Balances with bodies external to government	1,771	3,145	-	-
Total Payables at 31 March 2015	**277,757**	**394,136**	**1,758,279**	**1,632,506**

15. Provisions for liabilities and charges

		2014-15 £000		2013-14 £000
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April	1,821	2,023	1,092	1,245
Provided in the year	-	15	811	971
Provisions not required written back	-	(45)	-	-
Provisions utilised in the year	-	(112)	(82)	(193)
Balance at 31 March 2015	**1,821**	**1,881**	**1,821**	**2,023**

Analysis of expected timing of discounted flows:

	2014-15 £000 Core Department	2014-15 £000 Departmental Group	2013-14 £000 Core Department	2013-14 £000 Departmental Group
Not later than one year	1,821	1,841	-	202
Later than one year and not later than five years	-	40	1,821	1,821
Later than five years	-	-	-	-
Balance at 31 March 2015	**1,821**	**1,881**	**1,821**	**2,023**

	Compensation Payments	Litigation Claims	Total
Not Later than one year	1,821	20	1,841
Later than one year and not later than five years	-	40	40
Later than five years	-	-	-
Balance at 31 March 2015	1,821	60	**1,881**

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

15.1 Compensation Payments: £1,821k (2013-14: £1,821k)

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

15.2 Provision for Litigation Claims: £60k (2013-14: £202k)

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

16. Contingent liabilities disclosed under IAS 37

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

(a) Employment and personnel cases

There are a number of cases pending against the Department. The potential liability has been estimated although there is continuing uncertainty over the expected date of settlement in respect of these cases at the reporting date.

(b) Others

There are a number of other cases pending against the Department or the Secretary of State for which it is not possible to quantify any potential liability. This includes two ongoing Judicial Reviews, six Judicial Reviews that have not yet been granted for hearing and four other legal cases.

17. Losses and special payments

The Northern Ireland Office made two special payments in year for compensation for £30,000 and £5000. These payments were made with HM Treasury approval and deemed to be proper use of public money as failure to settle would have resulted in expensive Tribunal proceedings.

18. Financial Guarantees, Indemnities and Letters of Comfort

The Department has indemnified members of the public inquiries and commissions against any civil liability which is incurred in the execution of their functions, unless they acted recklessly and provided that they have acted in good faith. None of these indemnities represent contingent liabilities within the meaning of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* since the likelihood of a transfer of economic benefit in settlement is too remote.

19. Related-party transactions

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

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies, including the Department of Finance and Personnel, and HM Treasury with regard to National Loans Fund.

With the exception of the above, none of the board members, key managerial staff or other related parties has undertaken any other material transactions with the NIO during the year. The remuneration report sets out compensation paid to management.

Dawn Johnson is a non-executive director of CIPFA Business Limited. The NIO occasionally purchases minor services, though Dawn has had no involvement in any of these transactions.

20. Third-party assets
The Department does not hold as custodian or trustee monies belonging to third parties, over and above those monies disclosed in Note 12 Cash and cash equivalents.

21. Entities within the Departmental boundary
The entities within the boundary during 2014-15 were as follows:

Executive
Northern Ireland Parades Commission *
Northern Ireland Human Rights Commission *

Non-executive / Advisory
Boundary Commission for Northern Ireland
Chief Electoral Officer for Northern Ireland
Civil Service Commissioners for Northern Ireland
Crown Solicitor
Sentence Review Commissioners
Independent Commission for the Location of Victims' Remains
District Electoral Areas Commissioner (ad-hoc)
Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007
Remission of Sentences Act Commissioners
Independent Chairman of the Northern Ireland Committee on Protection

*Separate Annual Accounts are produced by these entities and are available at:
http://www.paradescommission.org

and

http://www.nihrc.org

22. Events after the reporting period date
The Northern Ireland Office's Annual Report and Accounts is laid before the House of Commons by HM Treasury. The Northern Ireland Office is required to disclose the date on which the accounts are authorised for issue.

The Annual Report and Accounts were authorised for issue on the same date as the Comptroller and Auditor General signed the audit certificate.

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