



# **Education Authority**

**Annual Report and Accounts  
for the Year Ended 31 March 2018**





# **Education Authority Annual Report and Accounts for the Year Ended 31 March 2018**

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on

8 April 2019



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# PERFORMANCE REPORT

## Chairperson's Reflection



**I am pleased to present the Education Authority's (EA) third annual report and accounts. It has been a year of considerable financial challenge, as our budget for the second year running has not kept pace with growing service demands. We are keenly aware of the impact this has had on schools and other service users and we have endeavoured to engage with school and community leaders on the nature of this core challenge. Our drive for efficiency has brought change within the organisation, building on the foundations put in place during the first two years of our existence.**

We have now established a new directorate structure for the entire region. As restructuring has continued, long serving and experienced staff have moved on and I would like to pay tribute to all officers who have left EA's service in the past year and thank them for their service to the children and young people of Northern Ireland.

New methods of service delivery are emerging led by many talented people at all levels in EA and I welcome them and look forward to working with them in shaping educational services across the region. We are a regional body with a vision 'to inspire, support and challenge all our children and young people to be the best that they can be'.

Despite the challenges we have maintained our ambition to build a positive vision you will find articulated in EA's first strategic plan, which was published in September 2017, and emerged from extensive engagement with stakeholders and public consultation. The strategic plan provides a framework for our work and showcases how we will develop and monitor our services to schools, Boards of Governors, teachers, parents, young people and children as we move towards our goal of improving educational achievement.

The interim Strategic Plan 2017-2027 outlines what EA will do over the next decade to achieve key goals, deliver consistently high-quality services to the community and produce positive outcomes for all children and young people.

It is supported by a three-year Corporate Plan and annual business plans which enable EA to incorporate new priorities and respond to new challenges as they arise. EA is committed to building an organisation that has a truly regional focus, is innovative and forward-looking and delivers excellent education services for all.

I acknowledge the significant budgetary challenges faced by the education sector across the region. The demand for EA services continues to grow and budgets are under severe pressure. There are no easy short-term solutions and EA wants to work collaboratively with all of our partners to explore community approaches. The financial challenge underscores the need for change and EA will continue to focus on transforming its services over the coming years to deliver a strong, resilient and world-class education system in Northern Ireland.

Finally, I would like to thank EA board members who give of their time, expertise and diligence throughout the year in the interests of our children and young people. I commend this report to you.

A handwritten signature in black ink that reads "Sharon O'Connor". The signature is written in a cursive, flowing style.

Sharon O'Connor

Chairperson

## Chief Executive's Foreword

**The last twelve months have been characterised by ongoing, and very significant, financial pressures on schools and the Education Authority, at a time when we have been continuing our successful evolution from five Education and Library Boards into a single regional authority. I wish to congratulate everyone working in the sector, including my colleagues in EA for continuing to do our best for children and young people in very challenging circumstances.**



During the year I commented publicly that education in Northern Ireland is facing a funding crisis. The origin of this crisis goes back to 2011. Since then we have seen a reduction in annual funding of over £240m in real terms. Within EA, there has been a 20% reduction in funding and a similar reduction in core staffing levels. This means that we are no longer able to provide the same levels of service to children and schools as in previous years. It is clear that with increasing demand and decreasing budget, we cannot continue to deliver services as we currently do.

This inescapable pressure is driving the need for transformation. We must consider how we can fundamentally transform the education sector to manage our services within the resources that are available.

During the year we continued to restructure management. This restructuring has allowed us to reduce by almost 50% the number of senior positions inherited from the Education and Library Boards, and improve the efficiency of regional services. But such restructuring, whilst important in itself, will not solve our financial problems.

Our education system has many strengths and some aspects are world class. But too many of our young people don't get the start in life they deserve and we want to work with all interested parties to see how we can improve.

We would like to see a well-informed discussion, involving all stakeholders, to agree what our community wants our education system to look like and how it can be provided. EA began this conversation during the past year engaging with school principals, pupils and our staff at a number of venues throughout Northern Ireland. It is a conversation that needs to be continued throughout next year and indeed over the next number of years.

In September 2017, we published our Strategic Plan 2017-2027. This outlines the key priorities which will provide the framework to achieve EA's vision to inspire, support and challenge all our children and young people to be the best that they can be. Through our journey of transformation, all our activities will support the Programme of Government and Young People's Strategy, and be in support of the Department of Education's Corporate Goals.

Children and young people will remain at the heart of everything we do. We have a shared interest in improving outcomes for all of our children and young people to help them be the best that they can be.

A handwritten signature in blue ink, which appears to read 'Gavin Boyd'. The signature is written over a large, stylized blue triangle that serves as a graphic element.

Gavin Boyd

Chief Executive

# ABOUT THE EDUCATION AUTHORITY

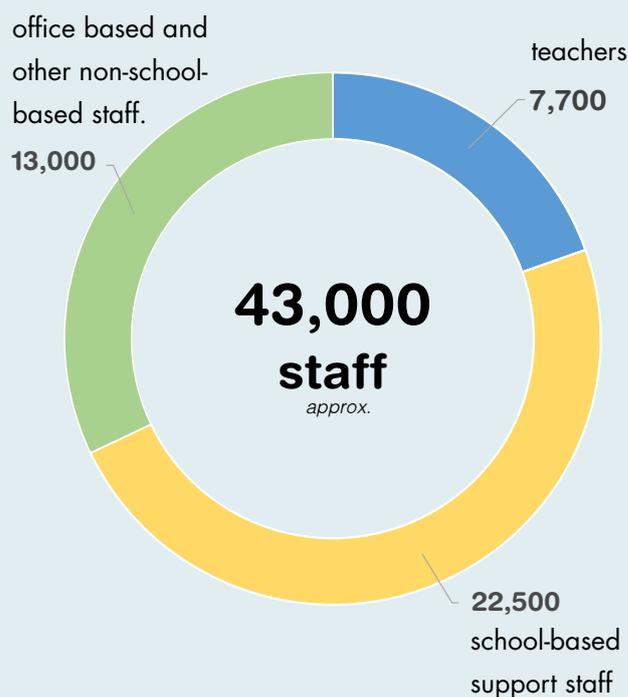
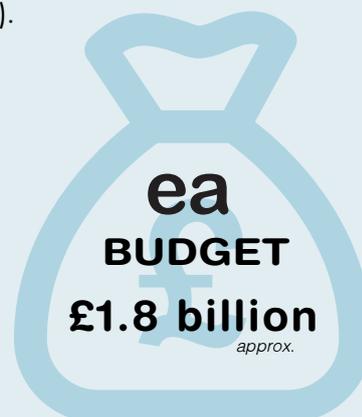
EA was established on 1 April 2015 under the Education Act (Northern Ireland) 2014. It replaced the five Education and Library Boards (ELBs) and their Staff Commission as a regional authority with responsibility for the delivery of education services in Northern Ireland.

EA is a non-departmental public body sponsored by the Department of Education (DE) and the Department for the Economy (DfE), responsible for ensuring that efficient and effective primary and secondary education and educational services are available to meet the needs of children and young people, and for ensuring the provision of efficient and effective youth services.

## EA's duties and responsibilities include:

- ▶ providing a wide range of functions for the funding and delivery of local education and youth services;
- ▶ ensuring there are sufficient schools providing primary and post-primary education to meet the needs of all the people in Northern Ireland;
- ▶ providing all the finance for controlled schools (i.e. grant-aided schools under the direct control and management of EA);
- ▶ equipping, maintaining and meeting other running costs of maintained schools (i.e. grant-aided schools which are not under the direct control and management of EA);
- ▶ providing milk and meals, free books, and free transport for eligible pupils;
- ▶ enforcing school attendance;
- ▶ securing the provision of youth service facilities;
- ▶ securing an efficient primary and secondary education; and
- ▶ managing the third level student grant function for the Department of the Economy.

EA has a budget of approximately £1.8 billion. It is Northern Ireland's biggest employer with over 43,000 staff including 7,700 teachers, 22,500 school-based staff and around 13,000 non-school-based staff (including transport staff, youth workers and HQ staff).



As the employing authority for teachers in controlled schools, EA is responsible for the management of the teaching appointments processes for teachers and principals and provision of learning and development opportunities for teachers.

In addition, EA has new duties in relation to Shared Education and the community use of school premises. In April 2016, EA took over funding allocation responsibilities for youth services funded through the Youth Council for Northern Ireland (YCNI) and became the funding authority for Voluntary Grammar and Grant-Maintained Integrated Schools (VG/GMIS).

In 2017-18 the Chairperson and Chief Executive were located at 40 Academy Street, Belfast with five main offices in Armagh, Ballymena, Belfast, Dundonald and Omagh.



**OUR VISION** To 'Inspire, support and challenge all our Children and Young People to be the best that they can be'

**OUR MISSION** To provide a high quality education for every child

**OUR VALUES** Openness, Respect, Reflection, Responsibility, Excellence, Equality

## EA STRATEGIC PRIORITIES

<p>Meeting the <b>LEARNING</b> needs of our children and young people</p>	<p>Providing <b>EXCELLENT</b> education support services</p>	<p>Developing <b>ALL OUR PEOPLE</b> to carry out their jobs successfully</p>	<p>Managing our <b>RESOURCES</b> effectively and efficiently</p>	<p><b>NURTURING LEADERSHIP</b> across the EA to give clear direction in a dynamic and complex environment</p>
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## OUR VALUES .....

<p><b>01</b></p> <p><b>Openness</b></p> <p>We will promote a culture of openness and will be transparent and honest in our dealings with the public, our partners and colleagues.</p>	<p><b>02</b></p> <p><b>Respect</b></p> <p>We will listen to and respect those we serve, as well as each other and will recognise effort, achievement and contribution.</p>	<p><b>03</b></p> <p><b>Reflection</b></p> <p>We will be a learning organisation, reflecting and taking on board the lessons learned from our own experiences and from comparable organisations.</p>	<p><b>04</b></p> <p><b>Responsibility</b></p> <p>We will act responsibly and acknowledge that our actions will impact on others. We will be helpful, conscientious, reliable and accountable for all our actions.</p>	<p><b>05</b></p> <p><b>Excellence</b></p> <p>We will strive for quality in everything we do. We will behave professionally and take pride and ownership for everything we say and do.</p>	<p><b>06</b></p> <p><b>Equality</b></p> <p>We will promote equality of opportunity through our employment practices, service delivery and engagement activities.</p>
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# PRINCIPAL RISKS AND UNCERTAINTIES

EA's key risk related to the failure to achieve DE's five strategic targets as detailed in the Business Plan, within the allocated budget.

The Corporate Risk Register, which was aligned to DE's Corporate Risk Register, was regularly updated during the period and was presented to the Audit and Risk Assurance Committee (ARAC) in April 2017, and January 2018. It was shared with the DE and discussed at each Governance and Accountability Review (GAR) meeting.

The DE has reviewed the EA Corporate Risk Register and made some recommendations which have been implemented. The EA Corporate Risk Register fully complies with Department of Education recommended format and practice and key risks to the achievement of business objectives have been identified.

Risks and Management actions to mitigate risks are a standing item on the agenda for the ARAC quarterly meetings. Some EA key risks remain high and are kept under close review.

Further information on the effectiveness of EA's system of internal control are provided in the Governance Statement. This also outlines the significant governance issues encountered during the 2017-18 financial year.

## The Corporate Risk Register reflects:

- ▶ the functions EA is required to provide under statutory legislation and Ministerial/ Departmental direction;
- ▶ EA's corporate aims and objectives;
- ▶ the business processes adopted; and
- ▶ the key risks which have impacted on the achievement of results and the execution of functions.

It also details how the Chief Executive, supported by Directors, strategically managed risks associated with:

- ▶ achieving education targets;
- ▶ the transformation and regionalisation of structures;
- ▶ delivering consistency and equity of treatment to customers and stakeholders;
- ▶ oversight of governance, training and information flows; and
- ▶ the timely and appropriate management of finance which includes budgetary control and the implementation of a voluntary severance scheme.

## EQUALITY STATEMENT

EA has a statutory responsibility, under section 75 of the Northern Ireland Act 1998, to have due regard to the need to promote equality of opportunity:

- ▶ between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- ▶ between men and women generally;
- ▶ between persons with disability and persons without; and
- ▶ between persons with dependents and persons without.

In addition, EA also has regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

## GOING CONCERN STATEMENT

Management has reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis. The Education Act (Northern Ireland) 2014 enabled EA to assume the functions and responsibilities of the former organisations and will continue to be funded by DE and DfE for the foreseeable future. For these reasons, EA has adopted the going concern basis in preparing the annual report and financial statements.



# PERFORMANCE OVERVIEW: KEY THEMES IN 2017-18

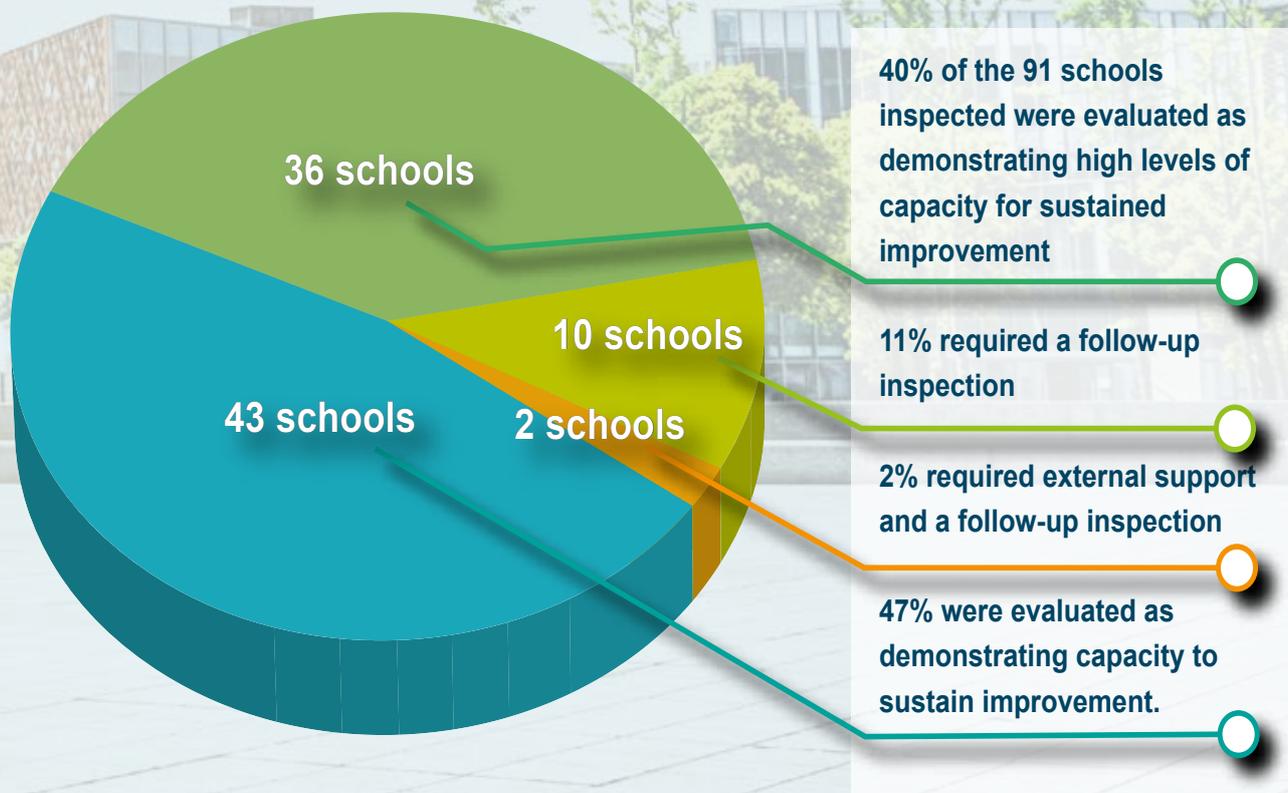
## Raising Standards for All: Focus on School Improvement

During 2017-18, EA continued to support the implementation of DE's 'Every School a Good School' (ESaGS) Policy in relation to school improvement, pupil attainment, formal intervention and school development planning.

### Between April 2017 and March 2018:

**332 schools were notified that they were due to have an inspection, as a result of industrial action 241 schools (73%) did not engage with formal inspection activity.**

### Of the 91 schools inspected:



The School Development Service provided appropriate post-inspection follow-up advice and support to those schools in need of tailored intervention. In accordance with the priorities of the service, schools in the formal intervention process and schools who received a conclusion requiring them 'to address important areas for improvement' received intensive support.

This support included assisting the schools in developing strategies and processes to address the areas for improvement as identified by the Education Training Inspectorate (ETI), and supporting them to monitor and evaluate the progress against their action plans. As a result, 17 of the 32 schools who participated in follow-up inspections within this period improved their grades.

Outcome conclusions	Number of Schools	% Schools
(1) The school has a high level of capacity for sustained improvement in the interest of all the learners. ETI will monitor how the school sustains improvement.	36	40%
(2) The school demonstrates the capacity to identify and bring about improvement in the interest of all the learners. ETI will monitor how the school sustains improvement.	43	47%
(3) The school needs to address (an) important area(s) for improvement in the interest of all the learners. ETI will monitor the report on the school's progress in addressing the area(s) for improvement. There will be a formal follow-up inspection	10	11%
(4) The school needs to address urgently the significant areas for improvement identified in the interest of all the learners. It requires external support to do so. ETI will monitor and report on the school's progress in addressing the areas for improvement. There will be a formal follow-up inspection.	2	2%
<b>Total</b>	<b>91</b>	<b>100</b>



## AREA PLANNING – SCHOOLS

### The right type, the right size, and in the right place

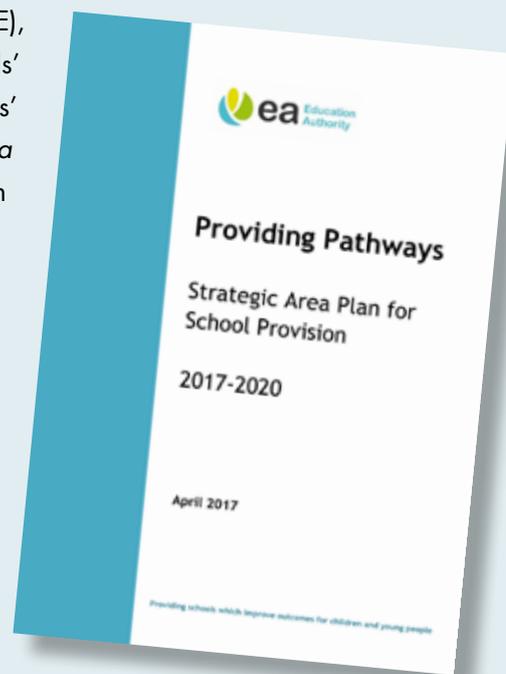
EA is the lead statutory planning authority for schools in Northern Ireland. As such it has responsibility for ensuring that efficient primary and post primary education is available to meet the educational needs of all pupils, and that each of its area planning districts has sufficient schools of the right size and of the right type.

Peter Weir, MLA, former Minister of Education, highlighted the challenge that faces almost all Local Government Districts (LGDs). Mr Weir stated we have many schools that are too small to adequately provide for their pupils and ensure they have the opportunity to fulfil their potential. In particular there are too many primary schools with more than two composite classes and Sixth Forms with fewer than 100 pupils.

On 28 April 2017, the EA, on behalf of the Council for Catholic Maintained Schools (CCMS), Comhairle na Gaelscolaíochta (CnaG), Northern Ireland Council for Integrated Education (NICIE), the Governing Bodies Association (GBA), the Controlled Schools' Support Council (CSSC) and the Catholic Schools Trustees' Service (CSTS) published 'Providing Pathways – A Strategic Area Plan for School Provision 2017 – 2020' (the Area Plan), with an accompanying Area Plan Annual Action Plan for 2017-18.

#### Examples of issues to be addressed in the action plan are:

- ▶ school places are not located as required;
- ▶ current school provision is not sustainable;
- ▶ additional learning support and autism specific provision is required;
- ▶ there is not equitable access to the Entitlement Framework pathways;
- ▶ provision needs reconfigured to reduce or increase the number of available places in schools.



[www.eani.org.uk/schools/area-planning](http://www.eani.org.uk/schools/area-planning)

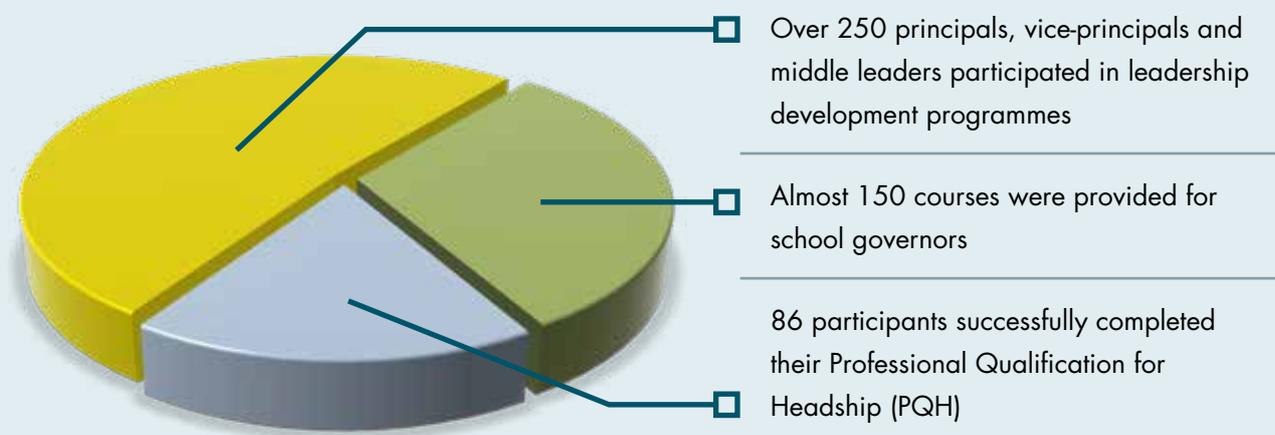
Solutions may be in the form of amalgamation, closure, increasing or decreasing enrolments, shared education, sharing resources or change of school management type.

Some solutions may require that a development proposal is published.

The Annual Action Plan for 2017-18 identified 106 work streams across primary, post-primary and special schools and, of these 62 have been carried forward into the Annual Action Plan for 2018-19.

## DEVELOPING ALL OUR PEOPLE

EA remains committed to developing the education workforce and throughout 2017-18 has worked in collaboration with a range of partners to take forward implementation of the DE 'Learning Leaders' Strategy for Teacher Professional Learning.



## SHARED EDUCATION

EA continued to manage and support a number of projects and programmes delivering on the statutory duty around Shared Education. This included the CASE (Collaborating and Sharing in Education) Project funded through PEACE IV, and the Delivering Social Change, Shared Education Signature Project (SESP) funded by the Executive Office, the Department of Education and Atlantic Philanthropies.

EA also supported the Strule Shared Education Campus and five other shared education campuses that are in the process of being developed.

The CASE project is delivered in partnership with LEARGAS in the Republic of Ireland. The project targets schools that are new to shared education and assists them in creating and developing cross-sectoral partnerships. The involvement of LEARGAS facilitates cross border collaboration as well as partnerships in the border counties. EA is the lead partner and has a team of development officers supporting schools to develop teacher capacity and shared pupil activity.

EA continues to manage the implementation of the Delivering Social Change, Shared Education Signature Project (SESP) funded by The Executive Office, the Department of Education and Atlantic Philanthropies. Funded partnership activity commenced in September 2015. The Shared Education Signature Project aims to grow existing school partnerships and develop collaboration and shared activity between schools.

Ongoing work includes the development of partnership clusters focusing on school improvement through a shared basis, building on existing relationships of trust. There is also ongoing work to establish a mainstream model for shared education.

## IMPLEMENTING A NEW HR OPERATING MODEL

In 2017-18, the HR Directorate conducted a review of its interim operating model that had been in place since January 2017. The review commenced in the autumn of 2017 and was completed in January 2018.

The review identified a number of deficiencies and areas for improvement and informed a new fit for purpose model that will be better placed to meet the challenges ahead.

**The new HR operating model will focus on four key areas:**

**Customers**  
(Line Managers and Employees)

**Business Partners**

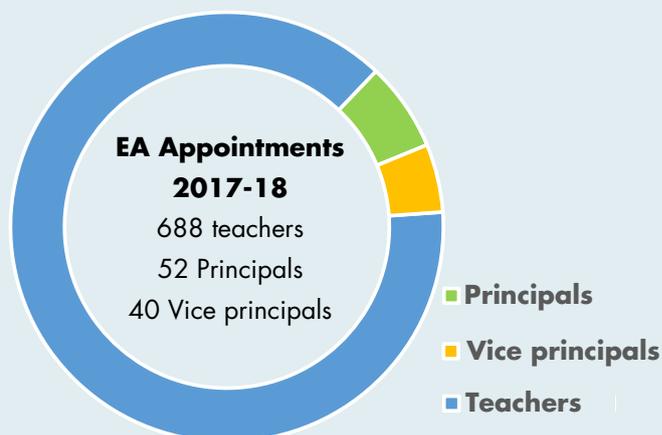
**People Services**

**HR Centres of Expertise**

Consultation on the model took place in February 2018 and recruitment to functional manager posts commenced in March 2018 with the majority of posts appointed by the end of the month. HR has now set a challenging target to complete the full implementation of the new model by March 2019.

## TEACHING APPOINTMENTS SCHEME IMPROVEMENTS

The Membership and Teaching Appointments Committee (MTAC) has responsibility for approving appointments to principal, vice-principal and teaching posts in controlled schools.



A Post-Implementation Review of the Teaching Appointments Scheme conducted during 2017 made a number of recommendations aimed at improving working practices and methodologies for candidate assessment. These recommendations continue to be implemented alongside a programme of Recruitment and Selection training which is available to school governors and principals in their capacity as Secretary to the Board of Governors.



## INDUSTRIAL RELATIONS

EA and trade unions agreed negotiating arrangements, in principle, for support staff (Joint Negotiating Council) and implemented these arrangements in 'shadow form' during 2017-18.

Two Council meetings and 16 Directorate Joint Forum meetings were held during the year. Feedback has generally been positive in terms of consultation and negotiation on developments and changes specific to each Directorate. Management and trade unions worked constructively during 2017-18 to agree a revised JNC constitution which will take full effect during 2018-2019.

In 2017-18 the teaching unions continued their industrial action short of strike. EA, collaborating with the other employers, representative bodies and the Department through the Management Side of TNC, has remained committed to resolving this issue as soon as possible. Direct and intensive engagement with the teaching unions continues to progress and this work remains a priority with a view to arriving at a full resolution.

## HEALTH & WELLBEING

A small team of four Health and Wellbeing officers has been established during the year. The remit of the team will be to focus on:

- ▶ health promotion
- ▶ training and the development of toolkits to guide and support managers in managing the health and wellbeing of their employees;
- ▶ policy and strategy development; and
- ▶ supporting complex disability related cases.

It is intended that these arrangements will be embedded during the 2018-19 year.

A new occupational health provider was also appointed for the year 2018-19 and significant effort has been made to improve the referral process to ensure that it is meeting the needs of line managers and employees. There has been a particular focus on reducing the number of review appointments with the aim of ensuring that the manager is provided with more definitive occupational health advice.

To that end the number of referrals has fallen from 2,540 in 2016-17 to 2,162 in 2017-18, a reduction of 378. A new EA referral form was also introduced to assist managers in providing all the required information to the occupational health doctor in a consistent format to help ensure an effective medical examination.

## COMMUNICATING EA'S STRATEGIC PRIORITIES

The communications team ensures that EA actively engages and communicates with key stakeholders around EA's strategic priorities and develops comprehensive communications plans to support these engagements.

In 2017-18, among the priorities identified were the Strategic Review of Nursery Provision in Special Schools, Digital Transformation, Area Planning, Shared Education, Governor Recruitment, Pupil Safety and the General Data Protection Regulation (GDPR).

EA uses a variety of media to communicate with its stakeholders and the wider public, choosing the most appropriate and relevant method for its audience.





# DELIVERING OUR RANGE OF EDUCATION SERVICES... THE FINANCIAL CONTEXT

Over 99% of EA's funding is spent directly in schools and on services directly supporting schools, children and young people. The remaining 1% is spent on a range of statutory obligations, including the recovery of around £50m of VAT per annum.

EA is delivering its services in an extremely challenging financial environment, as recognised in the 2016-17 Accounts and NI Audit Office Public Interest Report. From 2010-11 to 2017-18 the spending power of budgets has reduced by over £240m while demand for services, which must be met within certain timescales, has increased and with over 90% of EA's cost base driven by policy, statute and contract-based services.

EA has worked hard to mitigate the impact of these challenges and has delivered a number of positive outcomes:

- ▶ The 2017-18 financial outturn is within 0.2% of the 2016-17 outturn after adjusting for new responsibilities and inflation, despite a 4% increase in SEN related pressures and a 33% decline in schools financial positions
- ▶ In-year savings estimated at £30m have been delivered, increasing from £7m in 2015-16 and £26m in 2016-17
- ▶ Asset base uplifted by £19m over 2016-17 and 2017-18 due to improved financial management

Engagement events with schools were held in March 2018 during which EA senior management met with principals and set out the financial context in education and EA's new approach to schools' financial planning. These engagements events with 900-plus schools are paying dividends.

In many cases there are limited actions that schools can take and EA's new approach to schools financial plans for 2018-19 is enabling us to identify what further actions can reasonably be taken without impacting on educational outcomes and experiences.

EA has developed a new approach to school financial planning in 2018-19. In 2018-19 schools have indicated and estimated £10m of savings and additional income based on the work to date. Nearly all schools are actively engaged and showing commitment to enhancing financial management, with a number of schools indicating that they will do stock counts in 2018-19.

In 2017-18, £9m from school stock counts was recognised and EA will continue to promote rollout.

# BALANCING THE BUDGET

The spending power of budgets has been declining. DE analysis indicates that spending power is over £240m lower from 2010-11 to 2017-18. Despite the decline in budget spending power EA must meet policy, statute and contract requirements and demand for services and pay and price requirements. In 2017-18 EA continued to operate at significant financial risk.

EA reported an overall overspend of 1% (£19m) against reduced 2016-17 budgets. Whilst EA has controlled its costs in 2017-18 with spending 0.02% higher than 2016-17 after adjusting for new responsibilities and inflation, the extent of financial risk continued into 2017-18 due to insufficient budgets to meet requirements for schools and services supporting schools, children and young people.

The initial block grant budget was £5m higher than the comparable 2016-17 budget. Additional allocations received in year were very welcome, but could not meet the scale of the financial pressures. The final EA Block Grant budget was only sufficient to meet the outturn for 2016-17 after adjusting for one off savings. The budget was not sufficient to meet the impact of unavoidable demand for policy, statute and contract based services, declines in schools' finances and new unavoidable costs such as the Apprenticeship Levy.

As a result in 2017-18 EA is reporting an overall overspend of 1% (£17.7million) against 2017-18 budget. This reflects that EA can deal with the impact of pay and price but cannot deal with the combined impact of reducing budgets, pay and price inflation, unavoidable demand for policy, statute and contract based services, the ongoing decline in schools finances and new areas/emerging pressures such as the Apprenticeship Levy.

## The 2017-18 overspend is a result of a combination of factors:

- ▶ insufficient budgets to meet requirements for schools and services supporting schools, children and young people;
- ▶ ongoing decline in schools' financial positions impacted by broadly cash flat allocations;
- ▶ schools exceeded their initial allocations by £22.5million; and
- ▶ continuing rise in special educational needs, driven by demand, statutory requirements, policy directives, and custom and practice.

The EA has made clear the pressures facing the Block Grant and schools over the course of the year. The scale of financial risk has been reflected to the EA Board, Finance & General Purposes Committee and DE throughout the year, whilst savings have been delivered taking account of service cost drivers and constraints.

Transformation is needed to address structural issues and meet the needs of the 21st century. Transformation will take time and will require political support, investment to deliver and to support the current system as it transforms.

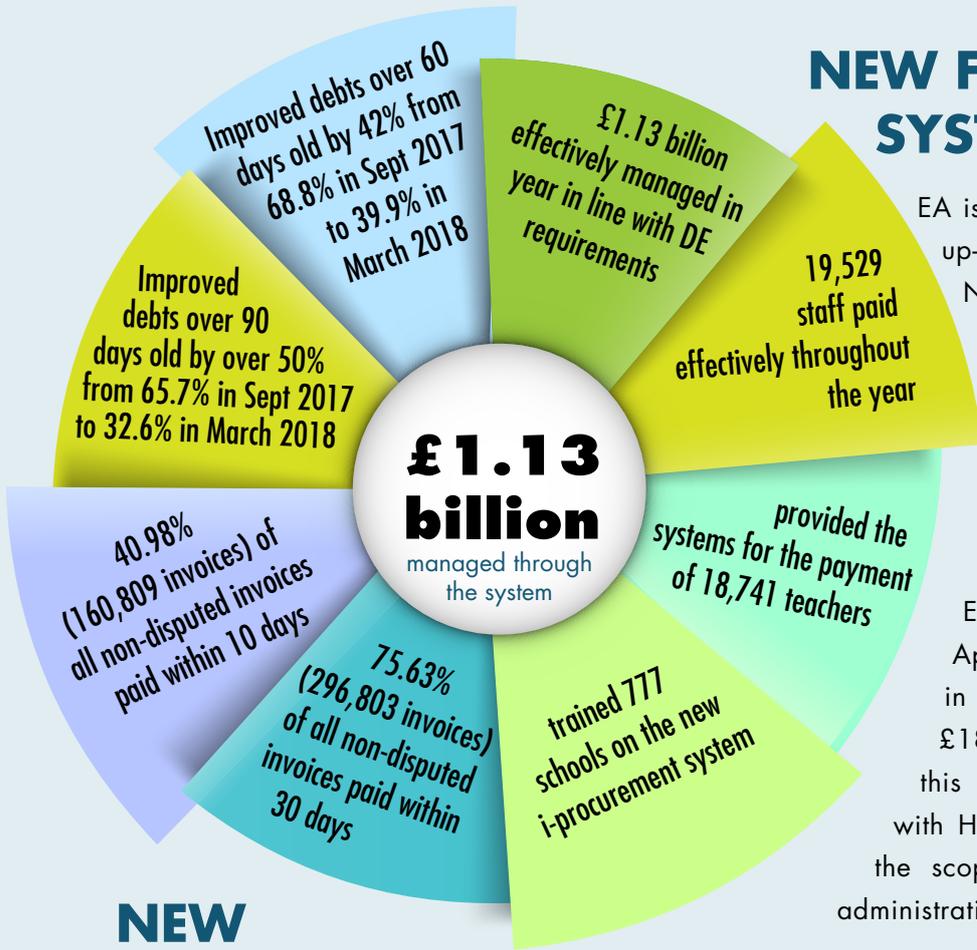
## MOVING FORWARD...

Financial analysis by EA's Finance and ICT Directorate (FICT) has improved understanding of service drivers within education leading to the conclusion that there are two options moving forward:

- ▶ significant and increasing additional funding to support the current system, or
- ▶ transformation of education and associated support to enable the transformation process

The Department of Finance supported EA's identified need for transformation in its December 2017 Budget briefing document. The EA Board has endorsed the need for transformation, 'levers for change' have been established and 15 phase 1 transformation projects have been identified.

EA are working with DE on reviewing the Common Funding Formula (CFF) and have made suggestions to improve and align accountability with financial implications, and make the most of the resources within the system. This has again reinforced the need for transformation.



## NEW FINANCE SYSTEMS

EA is using one of the most advanced, up-to-date finance systems in the Northern Ireland public sector. The finance system is now providing a shared service for some 900-plus schools across Northern Ireland with costs, in percentage terms, among the lowest in the public sector.

EA has also implemented the new Apprenticeship Levy, and work in 2017-18 is expected to deliver £180k of savings in 2018-19 for this unfunded tax. Making the case with HMRC, EA has been taken outside the scope of Corporation Tax reducing administrative burdens and cost.

## NEW FUNDING AUTHORITY RESPONSIBILITIES FOR EA

The transfer of the funding authority responsibility for all Voluntary Grammar Schools and Grant Maintained Integrated schools transferred from the Department of Education to EA from 1 April 2017.

Phase one of the transfer has been successfully delivered, covering the common funding allocation, excepted items, financial monitoring, governance, and accountability arrangements. Phase two is progressing in 2018-19. A co-ordinated programme has been undertaken to establish relationships with these sectors and take the next steps.

This includes streamlining services, enhancing efficiency and effectiveness, financial management support, reducing transactional costs, digitalisation and ensuring interventions are targeted at the areas which can best improve outcomes.

## SHARED SERVICES

EA is an active participant in the Northern Ireland Shared Services Programme.

Shared services have been introduced in finance, HR and payroll. There are proactive plans to improve these and enable further collaboration. Work on other shared services and transactional areas has proved successful.

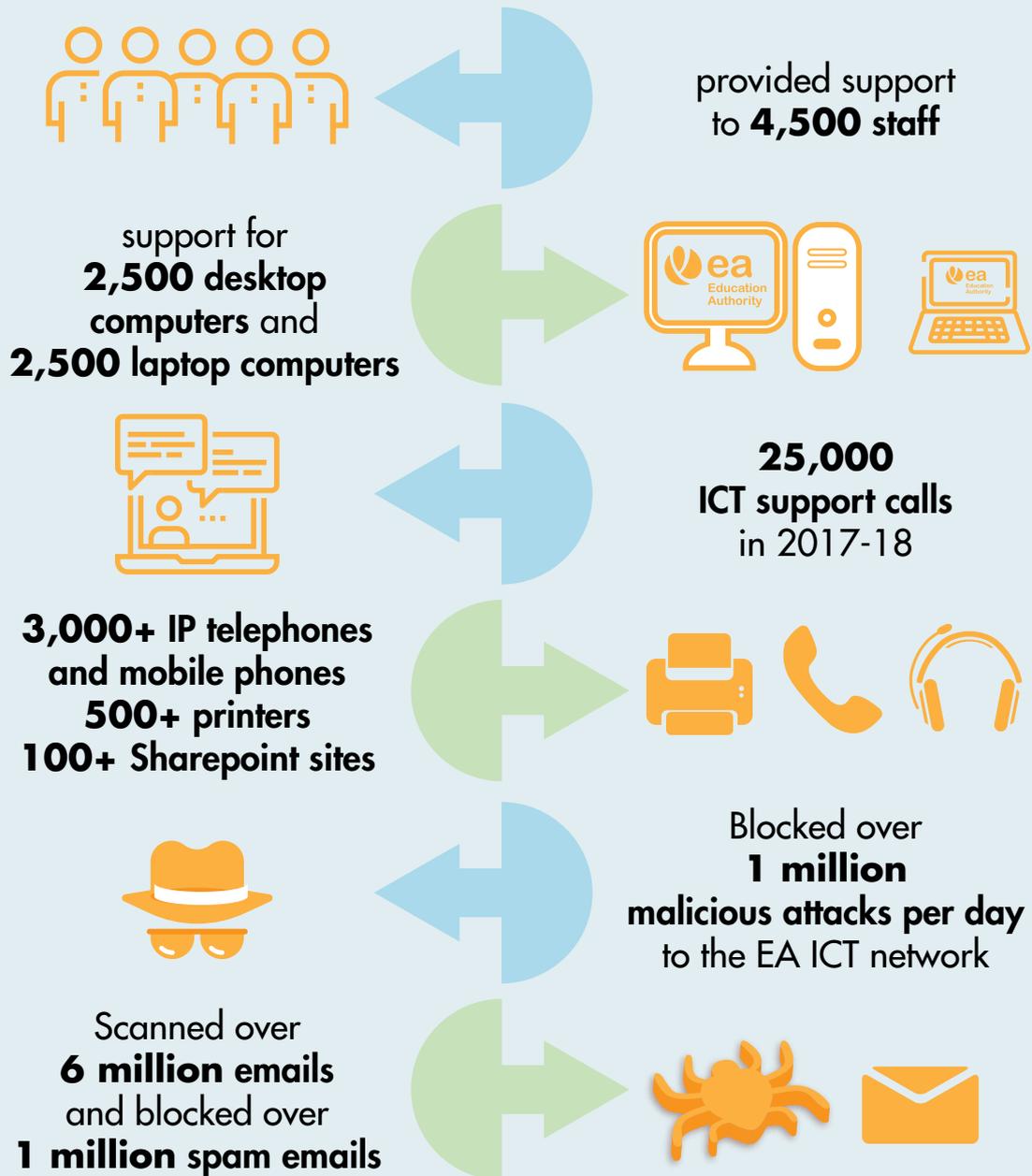
Finance costs as a percentage of resources handled are the lowest across the Northern Ireland Civil Service and Health sectors. A new recruitment solution will go live in 2018-19 and EA will commence migrating payrolls to an advanced system in August 2019. A new target operating model will improve efficiency, effectiveness and enhance job skills.

# EA'S ICT SUPPORT DEPARTMENT



The FICT directorate has reduced costs by establishing a single telephony system throughout four of the five main EA sites. Funding for the fifth EA site was approved in 2017-18 and work will commence early in the 2018-19 year. Skype for Business use has also reduced travel requirements.

ICT have commenced the implementation of Office 365 (e-mail) to modernise e-mail services and established a SharePoint approach for EA data storage and management. ICT have developed, tested and established a backup recovery strategy across EA.



# INVESTING IN THE SCHOOLS' ESTATE

One of EA's key objectives is to improve the learning environment for all learners.

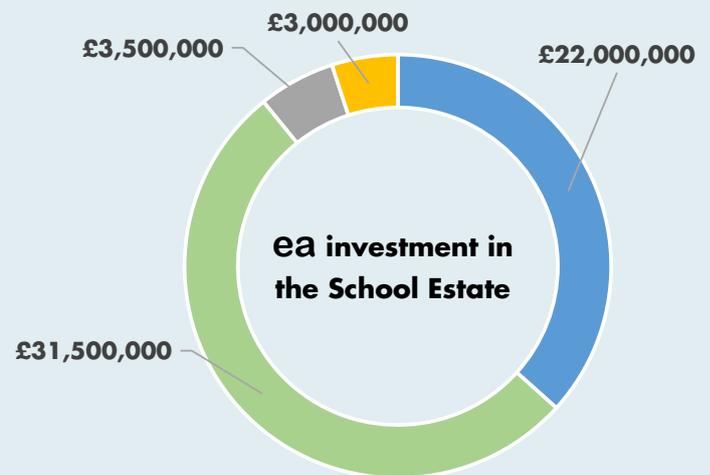


► EA Chairperson, Sharon O'Connor, and Department of Education Permanent Secretary, Derek Baker, with pupils from Castle Tower School officially opening the new £20M new build.

EA's Infrastructure and Capital Development Division leads on all aspects of capital investment and asset management. In addition to the types of projects listed, the quality of the school estate has been enhanced through extensions, mobile replacements, internal remodelling and provision of Special Educational Needs (SEN) suites as well as targeted investment in the structure and fabric of many buildings.

In addition, EA continued to carry out feasibility studies, develop business cases and advance design work through the planning phases to enable it to continue to make targeted capital investment into 2018-19 and beyond.

Furthermore, EA's Infrastructure and Capital Development Division managed the planning and delivery of capital projects across the non-controlled school estate on behalf of the Department of Education, including in numerous shared campuses.



In 2017-18:

- Almost £22 million was invested in major building projects in schools
- Over £31.5 million was invested in minor works projects in controlled schools, EA administration centres and school meals kitchens
- £3.5 million was invested in capital projects in youth centres
- £3m was invested in School Enhancement Projects

Asset disposals have been delivered in line with the Department of Education's targets for 2018-19, resulting in the sale of eight assets that generated a total receipts of over £2 million. A pipeline of projected future asset disposals has been agreed.

To support digital transformation across EA, a new online minor works application system was developed and rolled out in conjunction with DE and CCMS. Approximately 6,500 applications were assessed and prioritised with the top 550 moving to business case stage and then construction in 2018-19.

# PROVIDING SAFE AND EFFICIENT HOME TO SCHOOL TRANSPORT

The transport department is one of the most public facing services operated by EA. The section deals with the transport of children to and from school and also issues pupils' travel passes, delivers school meals and has responsibility for school crossing patrols.

The functions of the transport section are:

- ▶ home-to-school fleet for special and mainstream schools;
- ▶ drivers and escorts provision;
- ▶ transport provision for the youth service; and
- ▶ management of privately contracted bus and taxi services.

In 2017-18:

- ▶ 85,409 pupils were transported to and from schools on a mixture of EA, Translink or privately contracted services
- ▶ over 24,000 pupils were transported to and from school on EA's own fleet of 825 buses
- ▶ EA provided over 30,000 school trips to support schools to undertake a range of educational, sporting and other curriculum based trips

In 2017-18, 32 new buses were purchased. All new buses are fully compliant with the most up to date EU regulations on emissions and safety requirements. All buses are fitted with a range of safety features including high-visibility seat-belts, lane departure technology for drivers, flashing lights to alert other motorists and audible warning devices to ensure pupils wear their seat-belts.



- ▶ EA reminds parents and pupils of Road Safety NI's message 'Be Bright, Be Seen' by drivers when travelling to and from schools and colleges during the winter months. Pictured is EA Director of Operations and Estates Sara Long with pupils from Lagan College, Belfast, buckle-up with hi-visibility seatbelts which enhance driver visibility and are easy to spot from a distance.



**The EA fleet covered a total of approximately 12.5 million miles - the equivalent of travelling around the world 500 times!**

# EA DEVELOPS AWARD-WINNING TRANSPORT APP

In 2017-18, EA successfully established a new home to school transport app. The app provides parents with a more convenient and accurate process for applying for home to school transport.

Prior to the development of this app, all applications were submitted in writing, requiring EA staff to process approximately 25,000 applications every summer. This was an extremely time-consuming process, which involved measuring the walking distance to school for each individual applicant on paper-based maps or walking the shortest route to establish eligibility for travel.

The new app contains over 2,000 digitised bus routes, allowing parents to view the journey that their child will be taking to school.

When parents submit their application, the app calculates walking distances from their home to their child's school. This allows EA to immediately establish whether or not the child is eligible for transport and parents are provided with this information immediately.

The app, developed in collaboration with Esri Ireland, has won a number of awards associated with digital transformation, including the Best Use of Data category at the Digital DNA Awards.

For 2018-19 EA is planning on introducing further enhancements to the Home to School Transport application app which will simultaneously allocate children to a particular school route and allow parents to choose the most convenient bus-stop to their home.

## Innovation

In October 2017, EA launched a new 'Smart School Transport' competition under the Small Business Research Initiative scheme (SBRI). It invited bids to develop innovative ways to improve:

- ▶ convenience for pupils / journey data capture;
- ▶ understanding usage patterns of the EA fleet of vehicles;
- ▶ improving fleet logistics; and
- ▶ pupil safety & security.

▶ *Jonathan Irvin (Esri Ireland) Colm Daly (Education Authority) Dale Hanna (Education Authority) Rachel McKane (Esri Ireland) pictured with Best Use of Data Award.*



During the first phase of this process the competition generated considerable interest and has shown significant potential for EA to improve the operation of its own fleet. Phase 1 concluded in March 2018.

EA has successfully secured funding for a second phase which will seek to develop and trial potential improvements. This will include a range of apps which will allow parents and schools to access information about their child/children's journey. Work begins on this second phase in August 2018.

## STUDENT FINANCE – supporting students in further and higher education

EA is responsible for processing applications for financial support for full-time, part-time, higher and further education, and postgraduate courses on behalf of Student Finance NI.

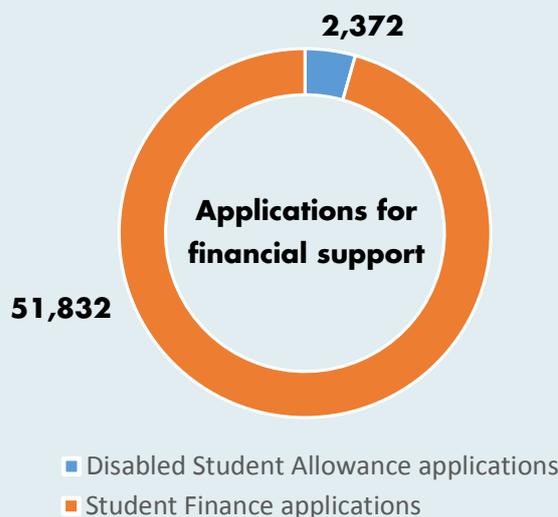
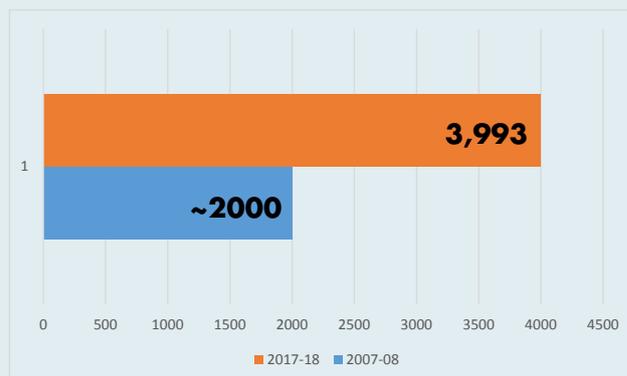
Student Finance NI is a partnership between EA, the Department for the Economy and the Student Loans Company.

### In 2017-18

- ▶ 3,993 students applied for a Further Education Award - almost twice as many applications as 10 years ago (96% increase)
- ▶ 2,372 students applied for Disabled Students Allowance (DSA)
- ▶ 51,832 Higher Education students studying a full time course applied for Student Finance
- ▶ 71.8% of Higher Education applicants applied online

EA is also responsible for the administration of Further Education awards on behalf of the Department of Agriculture, Environment and Rural Affairs (DAERA) for students studying for full time courses at the College of Agriculture, Food and Rural Enterprise (CAFRE).

### Applications for a Further Education Award



### Postgraduate Loans

In 2017-18 the Department for the Economy (DfE) introduced a non-income assessed tuition fee loan of up to £5,500 per student for one eligible postgraduate course.

Students are eligible to apply for the loan if studying Master's degrees, Postgraduate Certificates or Diplomas that are studied on a full or part-time basis.

In 2017-18, approximately 2,300 students had been deemed eligible for this new Tuition Fee Loan.

## Part Time Higher Education Support

The Northern Ireland Department for the Economy (DfE) introduced a policy change in 2017-18 intended to provide extra financial support in the form of a Tuition Fee Loan to Part Time undergraduate students.

The Tuition Fee Loan is non-means tested. The existing means-tested Fee Grant together with the Course Grant (for day-to-day expenses) continues to be available.

For the academic year 2017-18, approximately 4,500 students had been deemed eligible for the part-time funding package.

## How we inform students and parents about our services

Student Finance staff hold workshops in schools and colleges and also attend college registration days and open nights. The workshops continue to prove popular as they are an opportunity for individual advice and guidance to be given to students and parents on a one to one basis. The Further Education Awards scheme is also promoted via a TV advertising campaign on UTV.

The Student Finance website continues to be developed and currently the site provides a resources area which contains:

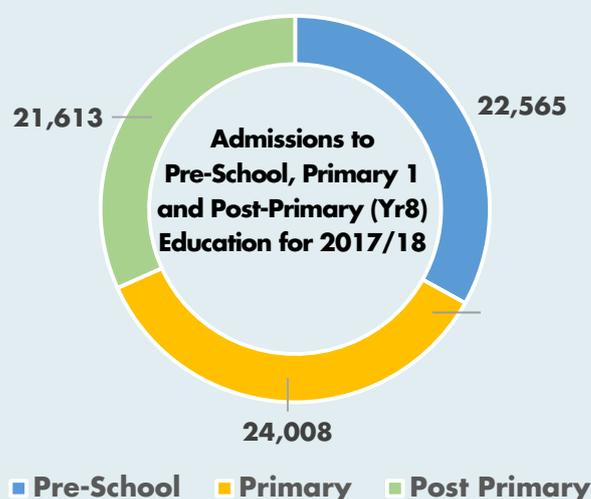
- ▶ presentations - offer a useful overview of the student finance that is available
- ▶ fact sheets - give key information about applying for student finance in a way that is easy to follow and understand
- ▶ videos – providing detailed information in an audio-visual format regarding what financial support is available
- ▶ advice the availability of other sources of funding for e.g. Hardship Funds available at Further Education Colleges

## School Admissions

EA manages the procedures for the enrolment of children in pre-school (age 2-4 years), primary school (age 4-11 years) and post primary school (age 11-18 years). In 2017-18 staff assisted parents and schools in enrolling over 68,000 children into various types of educational settings within the age ranges, meeting the Department of Education's deadlines.

Education Sector	No of Children admitted to Pre-School, Primary One or transferred into Post-Primary (Year 8) Education for 2017/18
Pre-School	22,565
Primary	24,008
Post Primary	21,613

The number of children who started pre-school, primary one or transferred into post-primary (Year 8) education for 2017/18 was as follows:



Following the closing dates of the respective admissions processes for pre-school, primary one and post-primary (Year 8) the service managed the arrangements for the appeal procedure and the appeal heard/outcome statistics were as follows:-

<b>2017/18 Admission Appeals Analysis</b>	<b>Pre-School</b>	<b>Primary</b>	<b>Post-Primary</b>	<b>14+ Dickson Plan</b>
<b>Total Appeals Heard</b>	50	44	188	4
<b>Total Upheld</b>	11	15	48	3
<b>Total Dismissed</b>	39	29	140	1

<b>Judicial Reviews</b>	The admissions service reported that two judicial review cases were heard, one in respect of an admission appeal and the other in respect of an expulsion appeal, both for the post-primary sector. The outcome of both judicial reviews found in favour of the Independent Appeal Tribunal Panel.
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# TRANSFORMING SCHOOL ADMISSIONS SERVICE

In September 2017 the school admission service was restructured with three of the former five EA school admissions offices taking on the responsibility of single phases of admissions:

- ▶ Pre-School Admissions are now processed by the Omagh Office
- ▶ Primary Admissions are now processed by the Armagh Office
- ▶ Post-Primary Admissions are now processed by the Ballymena Office

In addition to this streamlining of the admissions process, the EA website was further developed as a communications tool for parents and schools, and consultation began on moving to an online application process.

In November 2017 the service also introduced an Admissions Helpline Contact Centre for parents. This central contact centre provided an efficient communication network for parents with information being communicated in respect of pre-school, primary and post primary from one location.

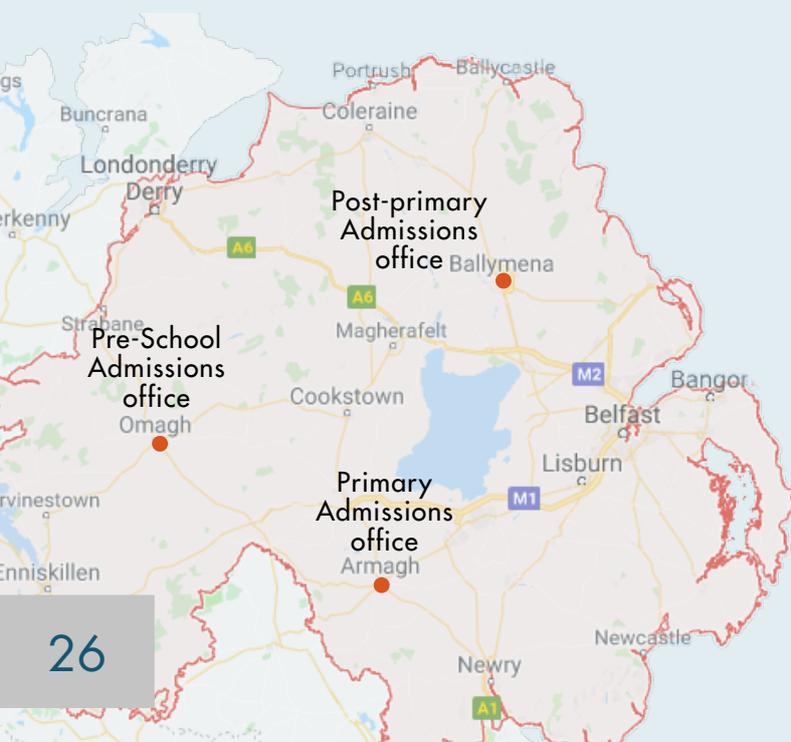
# IMPLEMENTING THE SPECIAL EDUCATIONAL NEEDS AND DISABILITY ACT

Throughout the year EA has continued its work towards the full implementation of the Special Educational Needs and Disability Act (SEND), preparing schools and EA staff for full implementation of the Act by September 2019.

## In 2017-18, EA:

- ▶ Held over 40 SEND briefing events for principals, governors and EA staff
- ▶ Held specific briefing events for Special Needs Coordinators (SENCOs)
- ▶ Conducted an audit of SENCOs within all sectors and compiled a database for future use
- ▶ Briefed all senior officers with the CYPs directorate on ongoing and anticipated changes as a result of the new legislation
- ▶ Prepared and distributed a training package to assist schools
- ▶ Produced a user-friendly parents' guide to the statutory assessment process
- ▶ Advised and supported schools in capacity building for upcoming changes to practice
- ▶ Engaged with DE and C2k where appropriate

In addition, EA has begun the development of a draft SEN Plan for the 2018-19 school year in order to identify and address challenges prior to publication. The EA SEND Implementation team will continue to take forward further preparatory work during the coming year to ensure full readiness for implementation of the SEND Act.



# TRANSFORMING THE DELIVERY OF EARLY YEARS PROVISION IN SPECIAL SCHOOLS

The process of transforming future educational provision for children in early years with special education needs began this year with a wide ranging consultation which was launched in March 2018.

As part of the consultation, EA engaged with parents, young people, special school principals, and those with a particular interest in special education in the early years, as well as health and social care professionals and other key advocacy groups. The process also provided an opportunity for the public to have their say in relation to the change and transformation of early years services.

The EA aims to ensure that children access early intervention in the early years to optimise the quality of their learning experiences to give them the best start in life. This will help them to develop their communication, life skills and confidence as they progress to the next stages of their education and result in positive long term outcomes for children across Northern Ireland.

The aim of the consultation was:

**to gather information, ideas and opinion that will shape the future services that the EA provides for children in the early years with special educational needs.**



## ENSURING A PRE-SCHOOL PLACE FOR EVERY CHILD

A new group was established to bring about consistency of practice and policy across the EA in relation to pre-school provision. The Pre-school Education Group (PEG) replaced the old Education and Library Board structure and will ensure that there is adequate pre-school provision in local areas for every child whose parents want it.

The EA PEG Support Service, which replaced the Pre-school Education Advisory Group, operates within the wider context of the Department of Education and EA policy and priorities. It seeks to support the EA and PEG in fulfilling its responsibilities, taking into account the need to allocate places to ensure optimum use of existing provision.

## TOWARDS A FIT FOR PURPOSE EDUCATION WELFARE SERVICE

The Education Welfare Service (EWS) is a specialist education support service which seeks to help young people and their families get the best out of the education system. EWS works in partnership with young people, their families, their schools, other education services as well as statutory and voluntary agencies.

- ▶ A school will refer a young person to the EWS if their attendance is causing concern.
- ▶ A fundamental review of the EWS commenced in March 2017.

The Review came about as a result of a recommendation identified in the Northern Ireland Office Report (NIAO), 'Improving Pupil Attendance: Follow Up Report' (2014) and the subsequent Public Accounts Committee (PAC) Report recommendations in March 2014.

### The aim of the review is to consider:

**the effectiveness and efficiency of the EWS service delivery, with a particular focus on consistency of approach across the EA to provide a service which is fit for purpose and which analyses trend data, is responsive to identified need, and applies its processes to manage attendance concerns.**

During the year, the Review team have conducted extensive targeted engagement with stakeholders, including:

- ▶ EWS staff
- ▶ Parents
- ▶ young people
- ▶ principals
- ▶ health professionals
- ▶ key advocacy groups

Alongside engagement feedback, research evidence and benchmarking information will be considered to develop recommendations and draft proposals for a future model of service delivery. It is anticipated that public consultation on draft proposals will commence during the 2018-19 year.

# HARMONISING EA SERVICE DELIVERY

During the year, the CYPs Directorate continued to harmonise policies to bring about consistency of practice across EA.

Heads of Service have been successfully recruited and future work programmes will involve widespread engagement and consultation on the design of future service delivery frameworks which meet the needs of, and will have the best outcomes for, children and young people.

## YOUTH SERVICE

The EA Youth Service delivers directly to young people in a variety of settings such as full-time and part-time youth centres and outdoor education centres, as well as through outreach work and specialist programmes, particularly focussed on enhancing the inclusion and participation of young people.

A significant proportion of youth work programmes also takes place in voluntary sector organisations, supported by grants from EA.

EA has developed two strands to ensure the delivery of high quality provision for young people: local services and regional services.

Local services aim to provide a universal Youth Service based on policy directives including Priorities for Youth, Community Relations Equality and Diversity (CRED) and Shared Education whilst aiming to provide a targeted service based on key priorities within an assessment of need. Local services aim to ensure the delivery of essential services by the voluntary and statutory sector and manage statutory provision in distinct geographical areas.

Regional services lead on strategic planning in line with key policy directives such as Priorities for Youth, Community Relations Equality and Diversity (CRED) and Shared Education. Additionally the regional service develops programmes to address poor mental health, outdoor learning, inclusion, participation and ICT and ensures effective engagement with strategic our partners.



# YOUTH SERVICE

## EXTENDED PROVISION

infographics not to scale



## INCLUSION



## SCHOOL BASED PROGRAMMES



# PERFORMANCE ANALYSIS

## NI Key Stage, GCSE and GCE Educational Performance for the Academic Years from 2012-13 to 2016-17

*Key Stage Assessments	2012-13	2013-14	2014-15	2015-16	2016-17
	NI%	NI%	NI%	NI%	NI%
Key Stage 1 Level 2+ English	90.1	91.1	88.7	87.5	88.2
Key Stage 1 Level 2+ Maths	90.8	92.2	90.3	88.4	89.3
Key Stage 2 Level 4+ English	77.1	79.8	76.8	78.0	78.8
Key Stage 2 Level 4+ Maths	78.5	80.3	77.4	78.7	79.6
Key Stage 3 Level 5+ English	72.2	74.1	G: 98.4 NG: 58.5	G: 97.6 NG: 64.1	G: 96.5 NG: 63.3
Key Stage 3 Level 5+ Maths	73.9	77.1	G: 99.7 NG: 63.5	G: 98.0 NG: 63.6	G: 96.0 NG: 64.2

- ▶ Due to industrial action 2013-14, 2014-15 and 2015-16 data have been weighted to account for non-response bias and are best estimate.
- ▶ The best estimate is the mean figure drawn from the sample.
- ▶ Data covering 2012-13 onwards are based on the new Levels of Progression; these results are not directly comparable with Key Stage Assessment outcomes from previous years.
- ▶ 2014-15, 2015-16 KS3 figures are divided into Grammar and Non Grammar.

GCSE and A Level Achievements	2012-13	2013-14	2014-15	2015-16	2016-17
GCSE 5+ A*-C (Non Grammar)	67.2	70.6	72.0	72.7	74.4
GCSE 5+ A*-C (Grammar)	97.3	97.2	97.8	96.5	96.5
GCSE 5+ A*-C incl. Eng & Maths (Non Grammar)	37.7	44.0	46.8	47.0	49.9
GCSE 5+ A*-C incl. Eng & Maths (Grammar)	94.0	94.5	95.0	94.1	94.1
GCE A Level 3+ A*-C (Non Grammar)	45.4	47.7	47.8	51.5	55.0
GCE A Level 3+ A*-C (Grammar)	77.2	75.7	77.0	76.3	78.1
GCE A Level 2+ A*-E (Non Grammar)	95.7	95.4	95.8	96.1	97.0
GCE A Level 2+ A*-E (Grammar)	99.6	99.6	99.7	99.5	99.7

\* Key Stage Assessments exclude Special and Independent schools

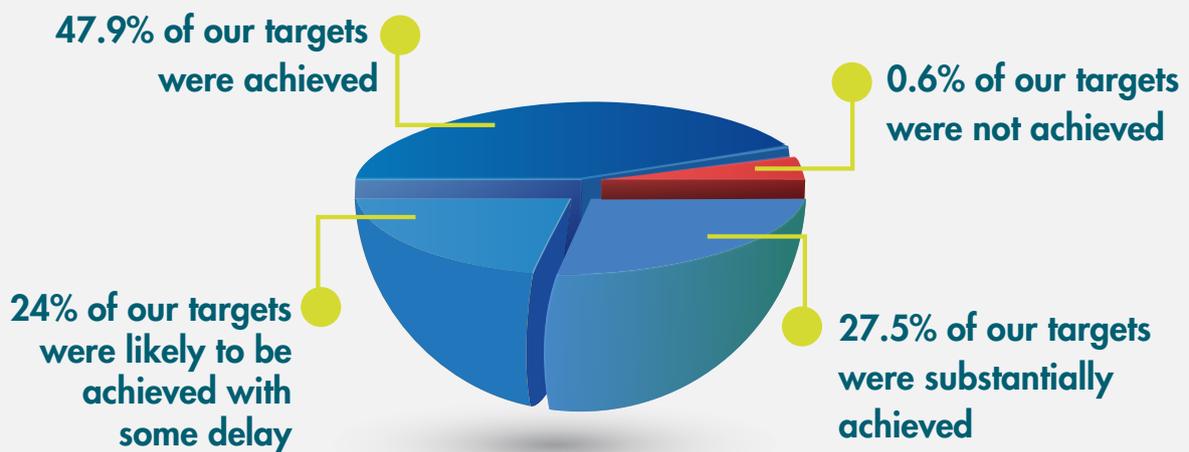
# Performance Against Business Plan Targets

## How did we do?

EA had 167 business plan targets for 2017-18 across our five strategic priorities.



## At the end of the 2017-18 year:



# LONG TERM EXPENDITURE TRENDS

## EA Total Outturn

EA was formed on the 1st April 2015 with the merging of the five former Education and Library Boards (ELBs) into one organisation.

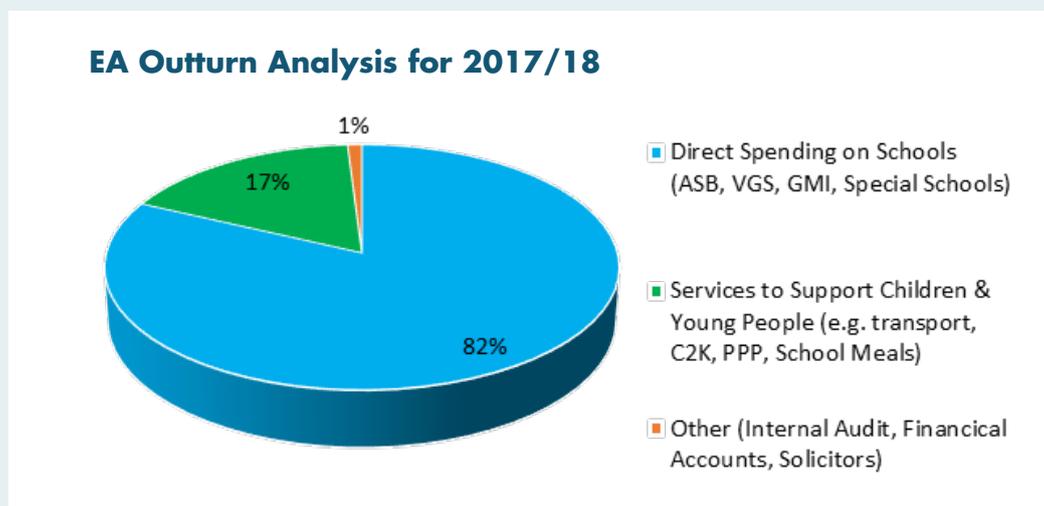
EA's total recurrent budget allocation for 2017-18 is £1,854.7M (excluding DfE and PRC budget allocations).

EA total spending is comprised of:

- ▶ ASB funding which is delegated to schools with boards of governors and principals responsible for managing the school finances and staffing decisions;
- ▶ VGS/GMI schools which the EA took on responsibility for from 1<sup>st</sup> April 2017 <sup>1</sup>
- ▶ block grant which covers a range of policy, statute and contract based services for school, children and young people;
- ▶ earmarked funding which cover specific initiatives including the costs of voluntary exit and maintenance; and
- ▶ youth, covering a range of provisions for children and young people involved in the statutory and voluntary sectors.

99% of EA's outturn is spent directly in schools or spent directly supporting schools and services to children and young people. The remaining 1% includes costs required to meet statutory responsibilities, corporate governance, HR and legal including claims and solicitors.

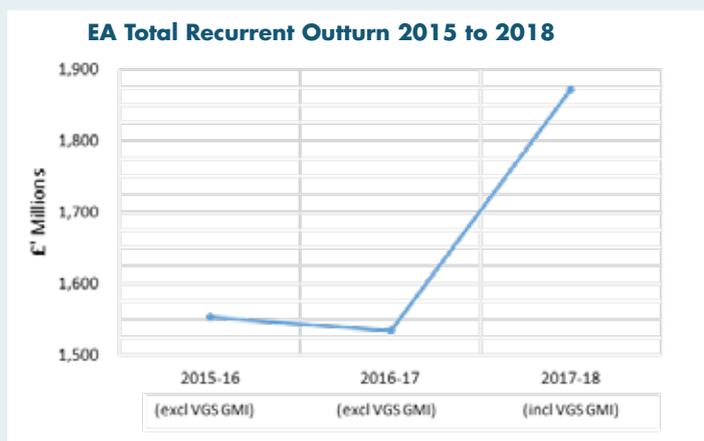
### Chart 1: EA spending analysis



Total spend has increased since 1 April 2015 mainly driven by increases in demand for policy, statute and contractual based services, inflationary pressures, the transfer of new responsibilities (such as VGS/GMI schools) and new statutory requirements such as the Apprenticeship Levy.

1. VG and GMI schools have direct control of their finances and are subject to separate arrangements operated under Financial Memoranda. Any overspend on their annual budget must be financed by the schools from their own resources or bank overdrafts/loans with any underspends remaining with the school. Overspends and underspends are not recorded in EA's accounts.

The graph below shows the total recurrent outturn reported over the three years from 2015-16.



During 2017-18 EA took on new responsibilities with the transfer of VGS/GMI schools (£309m) (including excepted items) and the newly introduced Apprenticeship Levy (£5.4m) which explains the upward curve.

The spending power of budgets has reduced by over £240m since 2010-11<sup>2</sup>.

EA delivered £7m savings in 2015-16, £26m of savings in 2016-17 and a further £30m in 2017-18. This helped to reduce the impact of insufficient budget allocations declines in the spending power of budgets, ongoing decline in schools' financial position and increasing demand for policy statute and contract-based services and price and pay inflation.

EA's outturn has only increased by 0.69% on a comparative basis over the three years excluding VGS/GMI new responsibilities. Without £63m of savings during this period<sup>3</sup>, this would have increased to 4.75%.

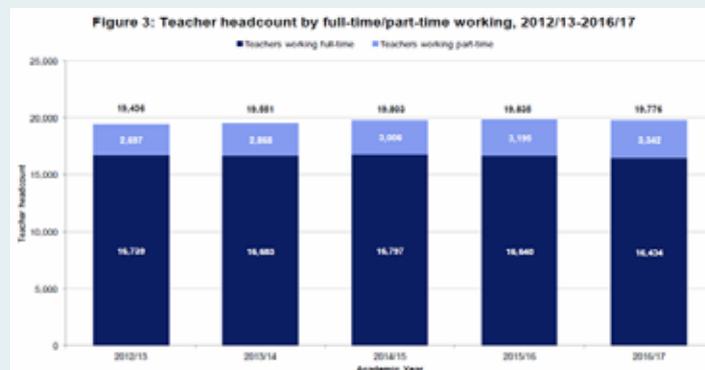
## Total School Spend

At over £900m (57% excluding VGS/GMI) the school ASB outturn is the largest element of the EA total outturn.

Since 2015 schools have been managing their financial positions at increased financial risk. The combined impact of increasing demand, inflationary pressures and insufficient budget allocations and reduced spending power has had a detrimental impact on the financial health of schools.

The main cost in schools is staff with over 80%, and in some cases 90%, of schools' costs staff-related. Significant savings can only be driven through a reduction in staffing numbers. There have been insufficient redundancies to meet the financial pressures and current schemes operate on a refresh and renew basis, which has not delivered the level of reductions required.

The number of full time equivalent (FTE) teachers has increased from 18,300 in 2012-13 to 18,500 in 2016-17 with around 20,000 individuals working part-time and full-time in the system as shown in the following graph.



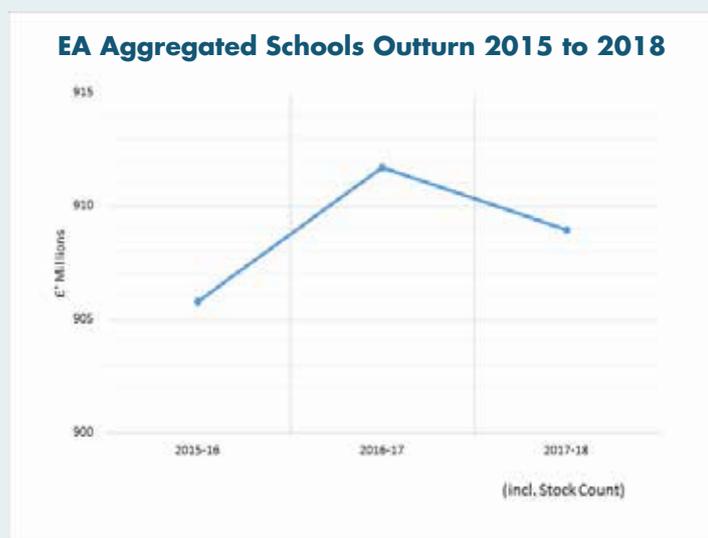
Since 2012-13 FTE teacher head count has increased by 1% while pupil numbers have increased by an estimated 2.5%.

<sup>2</sup> Based on DE data and analysis

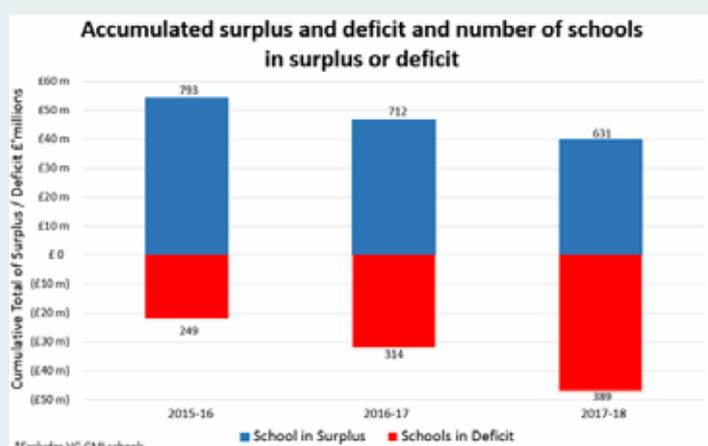
<sup>3</sup> approximately £37m had been one-off savings

With EA's support, schools have been proactive in taking steps to mitigate the impact of financial pressures. The extension of financial management into schools provides better information on the assets used in the delivery of education and has improved the financial position of schools who chose to participate.

In 2017-18 the recognition of stock values for the first time at individual school level has improved schools' financial position by over £9m. Without this the ASB outturn in 2017-18 would have been an estimated £917m, an increase of 0.5% (£5m) from £912m in 2016-17.



The graph below shows that overall the number of schools in surplus is falling with the number in deficit rising.



In 2017-18 schools exceeded their initial budget allocations by £22.3m after savings with £7.1m required for surplus drawdown and £15.2m for increasing deficits. Without the impact of the savings surplus<sup>4</sup> drawdown would be £12.3m with deficits of £19.3m.

4 From the extension of financial management into schools

## Summary

Given structural and services constraints EA can cope with the impact of some pressures. However EA cannot cope with the combined impacts of declining budgets, structural constraints, pay and price, unavoidable and increasing demand for policy, statute and contract-based services, declines in schools finances and new requirements such as apprenticeship levy.

Transformation is required to enable EA to achieve its vision to inspire, support and challenge all our children and young people to be the best that they can be, improve educational outcomes within an affordable and sustainable education system and to contribute to the societal and economic success of NI.

Transformation will take a number of years and will require appropriate investment and political support to transform and to support the system during transformation.

## SUSTAINABILITY REPORT

### Energy

In 2017-18, EA continued to invest in energy saving measures aimed at reducing ongoing running costs.

Typical measures include:

- ▶ expenditure of £300k on Installation of Automated Monitoring systems in 32 schools to highlight energy waste in larger buildings;
- ▶ windows (double glazing) replacement;
- ▶ cavity wall insulation installed;
- ▶ roofing insulation upgraded; and
- ▶ installation of energy efficient LED lighting and lighting controls.

### Waste and Recycling

Activities to reduce waste to landfill and increase recycling rates take place across EA's estate including:

- ▶ recycling: paper, cardboard, glass, cans, toner cartridges and fluorescent tubes are collected and recycled;
- ▶ re-using teaching materials including books, furniture and other equipment when a school building closes. These resources are relocated to other schools on a needs basis;
- ▶ food waste - statutory collection programmes are now rolled out across the estate;
- ▶ an increasing number of schools and meals kitchens have entered into CPD Waste Services Contract;
- ▶ in-house photocopying facilities improved with new multi-faceted machines facilitating double sided copying;
- ▶ maximum use of email for in-house circulars, intranet, minutes etc; and
- ▶ average landfill diversion rate in meals kitchens is now 73.55% and schools 53.5%.

### Water

Water reduction measures included:

- ▶ working with NI Water to install automated monitoring systems on metering and highlighting wastage;
- ▶ water cost data utilised in benchmarking process for targeted reduction;
- ▶ significant numbers of urinal controls installed in schools and out centres;
- ▶ many schools, youth facilities and offices have benefited from investment in modern technology to reduce water consumption including timed flow from wash hand basin taps, urinal controls and filtered mains water fountains rather than bottled water; and
- ▶ where possible the incoming water mains supply pipe sizes have been reduced to reduce standing charges.

### Procurement

Efficiency measures included:

- ▶ the inclusion of environmental issues and the circular economy within criteria for procurement decisions;
- ▶ reviewing of contract terms and conditions to ensure that they do not prevent the purchase of re-manufactured refurbished and recycled products and refined mineral oils and vegetable based lubricating oils;
- ▶ construction project managers are aware of the need to comply with Statutory Sustainable Construction Group guidance; and
- ▶ e-procuring of all construction projects and briefing as requiring the achievement of a Building Research Establishment Environmental Assessment Method (BREEAM) excellent rating of excellent (new) and very good (refurbishment).

## Education

In 2017-18, EA supported schools in the promotion and development of environmental policies and practices including:

- ▶ joint working with NIHE, the Home Energy Conservation authority, on an energy poster competition for schools;
- ▶ the development of guidelines for schools and identification of where and how specific subjects might contribute;
- ▶ networking with numerous outside agencies through Educational for Sustainable Development (ESD); and
- ▶ supporting eco-schools accreditation programmes and acting as eco-school assessors.

Over 1,152 schools have demonstrated their environmental credentials by registering and operating the various levels of the eco-schools environmental award programme and 291 have achieved full green flag status.



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**Gavin Boyd**

Chief Executive

4 March 2019

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**Date**



# ACCOUNTABILITY REPORT

## Corporate Governance Report

### Directors Report

**Chief Executive:** Mr Gavin Boyd

**Chairperson:** Ms Sharon O'Connor

## Our Board

**In line with the Education Act (Northern Ireland) 2014, the EA Board is made up of 20 members plus the Chairperson as set out below:**

## Board Membership during 2017-18

- ▶ 8 political members who were nominated by political parties according to a formula based on the D'Hondt mechanism;
- ▶ 4 members representative of the interests of the transferors (the 3 main protestant churches) of controlled schools;
- ▶ 4 members representative of the interests of the trustees of maintained schools;
- ▶ 1 member representative of the interests of integrated schools;
- ▶ 1 member representative of the interests of Irish-medium schools;
- ▶ 1 member representative of the interests of voluntary grammar schools; and
- ▶ 1 member representative of the interests of controlled grammar schools.

Ms Sharon O'Connor (Chair)	Rev Robert Herron OBE
Rev Amanda Adams	Mr Edgar Jardine CB
Ms Áine Andrews	Sir Gerry Loughran
Mr David Cargo*	Mr Gerry Lundy***
Mrs Patricia Carville OBE	Dr Andy McMorran* OBE
Mr Jonathan Craig*	Dr Ian McMorris
Mrs Monica Culbert*	Mr Oliver McMullan*
Mr Giovanni Doran*	Mr Raymond Pollock
Dr Muredach Dynan	Miss Rosemary Rainey OBE
Mrs Brenda Hale*	Ms Nuala Toman*
Sr Chris Hegarty**	

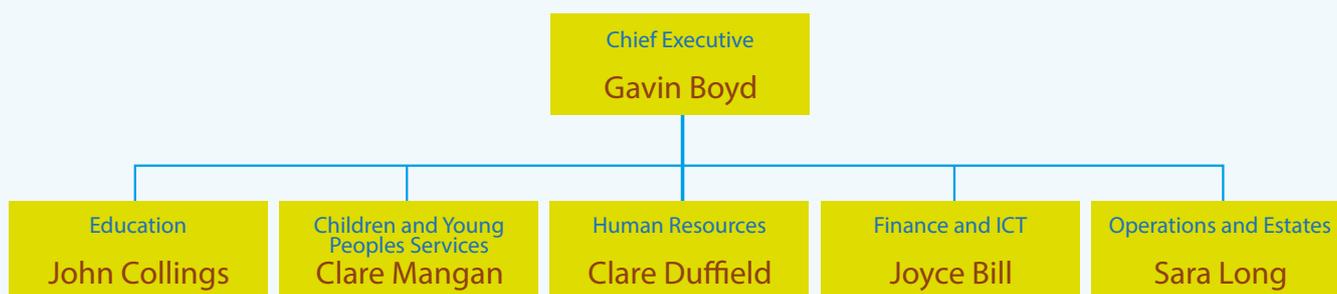
\* Members who were appointed to the EA Board on 3 April 2017 following the Assembly Election held on 2 March 2017

\*\* Letter of resignation received on 27 March 2018

\*\*\* Appointment effective from 13 November 2017 (replacement member for Fr T Bartlett)

## Executive Directors

EA's executive team consists of the Chief Executive and Directors. The Directors took up post on various dates between March and April 2016.



# POLICY AND PRACTICE ON PAYMENT OF CREDITORS

## PAYMENTS TO SUPPLIERS

### Public Sector Payment Policy – Measure of Compliance

The government requires that EA pays its trade creditors in accordance with the Better Payment Practice Code and Government Accounting Rules. EA's payment policy is consistent with the Better Payment Practice Code and Government Accounting Rules and unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. In line with best practise EA also endeavours to maximise the number of invoices paid within 10 days.

The measures of compliance are:

	Based on Invoice Date		Based on Invoice Date 2016-17	
	2017-18			
	Number	Value £000	Number	Value £000
Total bills paid in the year	392,456	621,912	414,891	594,186
Total bills paid within 10 days	160,809	460,480	214,437	500,573
% of bills paid within 10 days	40.98	74.04	51.69	84.25
Total bills paid within 30 days	296,803	533,979	359,952	573,779
% of bills paid within 30 days	75.63	85.86	86.76	96.57

A plan was compiled in the latter half of 2017-18 to improve performance against the 30-day and 10-day targets. A series of actions within the plan have been implemented and, whilst the performance figures above show average performance across the whole year, the performance statistics for the final months of the year show a return to the 2016-17 levels. The measures taken include the introduction of additional payments runs, communication to all schools and budget holders in January 2018, establishment of an i-Procurement Schools User Group, delivery of i-Procurement training sessions for end users, continuous monitoring of workload and reallocation of work to make best use of Finance Department resources. In addition, work is underway to improve the process for transmission of invoices from schools to EA for payment and a performance framework is being developed to include payment KPIs and other productivity metrics. It should be noted that full implementation of the plan will have resource implications for EA.

There were net interest charges of £1,597 (2016-17: £1,293) in relation to late payment of invoices.

Further information is available at :

[http://www.deni.gov.uk/index/8-admin-of-education-pg/prompt\\_payment\\_performance.htm](http://www.deni.gov.uk/index/8-admin-of-education-pg/prompt_payment_performance.htm)

## PERSONAL DATA RELATED INCIDENTS

There were no personal data related incidents in 2017-18.

# COMPLAINTS HANDLING

EA is committed to continuous improvement in the planning and delivery of its services. Complaints are viewed as opportunities to address concerns and to put things right.

An EA complaints handling procedure was drafted in consultation with the office of the Northern Ireland Public Services Ombudsman and approved by the Board in June 2016. Arrangements are in place to monitor and record complaints handling consistently across all EA services in line with the new procedure.

During 2017-18, EA received twenty five complaints which were dealt with at stage 1b of its Complaints Handling Procedure (Head of Service level). Of that number ten were upheld, ten not upheld and five investigation is ongoing.

During 2017-18, EA received ten complaints which were dealt with at stage two of its Complaints Handling Procedure (Director level). Of that number two were upheld and four not upheld and four investigations are ongoing.

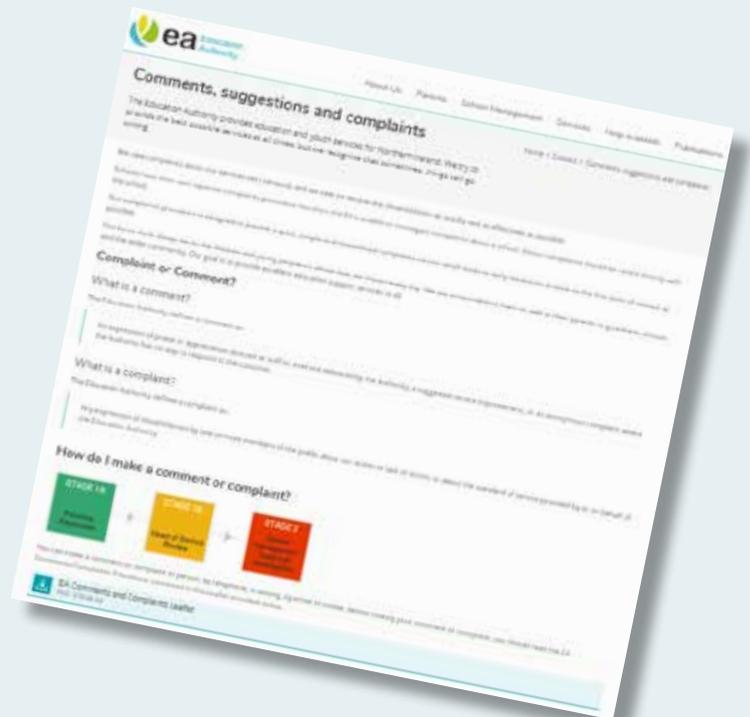
Outcomes and recommendations from complaints' investigations are used to inform business improvement across EA. As a result of the complaints that were upheld, a number of improvement measures were implemented including:

- ▶ Additional training for a board of governors;
- ▶ Improved accuracy of information for parents;
- ▶ Improved timeliness of communications with parents;
- ▶ Reminding staff of the need for good customer service and the requirements in relation to disabled access;
- ▶ Training for staff.

Anyone wishing to submit a comment or complaint can find all relevant details on the EA website at

<http://www.eani.org.uk/about-us/comments-suggestions-and-complaints/>

or by emailing complaints to [feedback@eani.org.uk](mailto:feedback@eani.org.uk)



# DISCLOSURE OF RELEVANT AUDIT INFORMATION

The Accounting Officer is not aware of any relevant audit information of which the NIAO is not aware and the accounting officer has taken all the steps he ought to make himself aware of any relevant audit information and to establish that the NIAO are aware of it.

## STATEMENT OF THE EDUCATION AUTHORITY AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Paragraph 5(1) of Schedule 2 to the Education Act (Northern Ireland) 2014, the Education Authority (EA) is required to make arrangements for a statement of accounts to be prepared in such form and containing such information as the Department of Education (DE) may direct.

The accounts are prepared on an accruals basis and must give a true and fair view of EA's state of affairs at the year-end and of its net expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

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 authority's assets are set out in *Managing Public Money NI* published by the Department of Finance (DoF).

As the senior official of EA, the Chief Executive carried out the responsibilities of Accounting Officer during the year ended 31 March 2018.

# GOVERNANCE STATEMENT

## Scope of Responsibility

As Accounting Officer for EA, I am responsible for the control and governance arrangements operated. This Governance Statement outlines how I have discharged my responsibilities to manage and control resources in the course of the year. The governance system, as outlined in this statement supports the achievement of the EA's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money (Northern Ireland).

## Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the EA is directed and controlled. It enables the EA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The governance framework is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework is based on an ongoing process designed to:

- ▶ identify and prioritise the risks to the achievement of the EA's policies, aims and objectives; and
- ▶ 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 continued to operate up to the date of approval of the Annual Report and Accounts, and accords with Department of Finance guidance.

## Governance Framework

The EA became operational on 1 April 2015 in accordance with the provisions of the Education Act (Northern Ireland) 2014, replacing the former five education and library boards (ELBs) and their staff commission.

EA's business is primarily managed through:

- ▶ The Board;
- ▶ Finance and General Purposes Committee;
- ▶ Education Committee;
- ▶ Shared Education Committee;
- ▶ Children and Young People's Services Committee;
- ▶ Audit and Risk Assurance Committee;
- ▶ Membership and Teaching Appointments Committee;
- ▶ Community Use of Schools Committee;
- ▶ Child Protection and Safeguarding Committee;
- ▶ Remuneration Committee; and
- ▶ Expulsions Committee.

The role of the Board includes policy making, strategic and area planning, priority setting and good governance. The Board receives reports from Committees to enable its members to perform the vital role of monitoring and evaluating the implementation of policy for the education and youth services.

The attendance of Members at Board meetings is set out below:

<b>Member</b>	<b>2017-18</b>		
	<b>Meetings Attended</b>	<b>Out of a Possible</b>	<b>%</b>
Ms Sharon O'Connor (Chair)	10	11	91
Rev Amanda Adams	11	11	100
Ms Áine Andrews	7	11	64
Mr David Cargo*	10	11	91
Mrs Patricia Carville	9	11	82
Mr Jonathan Craig*	9	11	82
Mrs Monica Culbert*	7	11	64
Mr Giovanni Doran*	11	11	100
Dr Muredach Dynan	11	11	100
Mrs Brenda Hale*	3	11	27
Sr Chris Hegarty**	6	8	75
Rev Robert Herron	9	11	82
Mr Edgar Jardine	10	11	91
Sir Gerry Loughran	11	11	100
Mr Gerry Lundy***	5	5	100
Dr Andy McMorran*	8	11	73
Dr Ian McMorris	7	11	64
Mr Oliver McMullan*	10	11	91
Mr Raymond Pollock	10	11	91
Miss Rosemary Rainey	11	11	100
Ms Nuala Toman*	8	11	73

\* Members who were appointed to the EA Board on 3 April 2017 following the Assembly Election held on 2 March 2017

\*\* Letter of resignation received on 27 March 2018

\*\*\* Appointment effective from 13 November 2017 (replacement member for Fr T Bartlett)

The overall attendance rate for 2017-18 was 83%.

## **Finance and General Purposes Committee**

This Committee deals with financial matters, operation and estate issues, contracts, tenders, issues relating to human resources policy development as well as strategic and corporate matters in connection with teaching and support staff for whom the EA is the employing authority.

There were nine meetings of the Finance and General Purposes Committee during the year with overall Member attendance at 74%.

Ten Members served on this Committee during the year.

## **Education Committee**

The Education Committee deals with issues across the full range of responsibilities delivered by the Education Directorate in the areas of School Improvement, Strategic and Area Planning and Community Planning.

There were nine meetings of the Education Committee during the year with overall member attendance at 78%.

Nineteen Members served on this Committee during the year.

## **Shared Education Committee**

The Shared Education Committee is a statutory committee which meets to exercise the functions of EA under Section 2(3) of the Education Act (Northern Ireland) 2014, i.e. to encourage, promote and facilitate Shared Education. This requirement has been enacted by way of the Shared Education Act (Northern Ireland) 2016.

There were five meetings of the Shared Education Committee during the year with overall member attendance at 64%.

Fourteen Members served on this Committee during the year.

## **Children and Young People's Services Committee**

The Children and Young People's Services Committee deals with issues in the areas of Pupil Support Services, Youth Services, Special Education in mainstream schools and special schools.

While the EA duty under Children's Services Co-operation Act to co-operate with other named children's authorities (in the Act) and children's providers to improve the wellbeing of

children and young people across the eight characteristics in the Act filters down into the several of the EA subcommittees, it is particularly relevant to the services overseen by this committee.

Senior officers attend the joint DE/Health interface project board and ensure that progress is made on all agreed joint projects to progress service integration. The current focus is on the Notification, Referral and Statutory Assessment Project action plan. This project has taken steps in order to address impediments in both agencies contributing to the delay in the EA receiving advice from HSCT providers and will reduce delay in the issuing of statements.

The Director is the EA representative on the Children and Young Peoples Strategic Partnership and officers from this directorate represent the EA on local multi - disciplinary CYPSP committees.

There were nine meetings of the Children and Young People's Services Committee during the year with overall member attendance at 78%.

Fourteen Members served on this Committee during the year.

## **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee supports the Board and the Chief Executive as Accounting Officer on matters relating to internal control, risk management, corporate governance and assurance.

In accordance with DAO (DFP) 06/13 Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013, the Audit and Risk Assurance Committee is required to publicly report annually on its work and how it discharges its responsibilities.

The Committee has a responsibility to scrutinise and challenge the adequacy of management responses to issues identified by audit activity and any assurances which are provided to the Chief Executive as Accounting Officer. Senior EA officers attend meetings of the Audit and Risk Assurance Committee as do representatives of DE and the Northern Ireland Audit Office.

Seven Board Members and two independent external Members served on this Committee during the year.

There were five meetings of the Audit and Risk Assurance Committee during the year with overall member attendance at 76%.

Attendance at the Committee during the year was:

Member	2017-18		
	Meetings Attended	Out of a Possible	%
Mr E Jardine (Chair)	4	5	80
Mr D Cargo * +	3	3	100
Mrs B Hale **	3	5	60
Dr M Dynan	3	4	75
Mr O McMullan *	3	4	75
Miss R Rainey	3	5	60
Mr G Lundy ***	1	2	50
Mr R Forrest (Independent External Member)	4	5	80
Mr T Salmon (Independent External Member)	5	5	100

\* Members who were appointed to the EA Board on 3 April 2017 following the Assembly Election held on 2 March 2017 and were subsequently appointed to the Audit and Risk Assurance Committee by the Board at its meeting on 27 April 2017.

+ Member was required to serve on the appointments panel for the post of EA Chief Executive which coincided with a meeting of the Audit and Risk Assurance Committee.

\*\* Member who was appointed to the EA Board on 3 April 2017 following the Assembly Election held on 2 March 2017 and was subsequently appointed to the Audit and Risk Assurance Committee by the Board at its meeting on 25 May 2017.

\*\*\* Member appointed to the EA Board on 13 November 2017 and was subsequently appointed to the Audit and Risk Assurance Committee by the Board at its meeting on 23 November 2017.

## **Membership and Teaching Appointments Committee**

The Membership and Teaching Appointments Committee makes appointments to Boards of Governors of controlled, maintained and voluntary schools. It appoints members to serve on statutory appeal tribunals administered by the EA and appoints members to serve on outside bodies as required. The Committee also approves appointments of principal and vice-principal posts of controlled schools and the appointments and transfer of assistant teachers in controlled schools.

There were eleven meetings of the Committee during the year with overall member attendance at 75%.

Twelve Members served on this Committee during the year.

## **Community Use of Schools Committee**

The Community Use of Schools Committee is a statutory committee which meets to consider how best to extend, encourage, facilitate and promote the community use of grant-aided schools.

There were two meetings of the Committee during the year.

Nine Members serve on this Committee. Member attendance was 67%.

## **Child Protection and Safeguarding Committee**

The Child Protection and Safeguarding Committee is responsible for ensuring compliance with the requirements set out in the Safeguarding Board Act (Northern Ireland) 2011 and the requirements set out in DE legislation and guidance in respect of child protection and safeguarding.

There were two meetings of the Committee during the year.

Eight Members served on this Committee during the year. Member attendance was 50%.

## **Remuneration Committee**

The Remuneration Committee is responsible for approving recommendations concerning the pay progression of Senior Officers arising from evidence of performance against agreed objectives measured by appraisal in line with arrangements approved by DE and subject to Department of Finance pay remit approval.

There were four meetings of the Committee during the year.

Five Members serve on this Committee.

Member attendance was 80%.

## **Expulsions Committee**

The Expulsions Committee is a statutory committee which considers cases being presented in relation to the expulsion of pupils from schools under the management of EA.

Five meetings took place during the year. Each meeting requires the attendance of three Board Members

## **Review of Effectiveness**

I consider that the EA Board Members operated effectively during 2017-18, meeting regularly and considering appropriate issues at a strategic level.

The EA Board Members have a corporate responsibility for setting objectives, agreeing priorities and implementing Ministerial policy. The Board met eleven times during the year and regularly reviewed the progress and management of key risks associated with the delivery of its objectives throughout the financial year. The Board was responsible for agreeing a budget, monitoring financial performance and considering key strategic issues and policies, such as those relating to risk management, information assurance and workforce planning.

During the course of the year, the Board held a number of workshops to review the EA budget and also to oversee projects, initiatives and programmes.

The Chair of the Board conducted the annual performance appraisal with all Board Members during the period September to November 2017.

The Chair of the Audit and Risk Assurance Committee conducted a performance appraisal with the independent external members of the Audit and Risk Assurance Committee in March 2018.

## **Highlights of Board Committee Reports**

EA was established on 1 April 2015 and through the establishment of a range of Committees has sought to manage its business in an effective way enabling it to focus upon the needs of the organisation.

## **The Board**

A major focus has been to ensure the continuity of the delivery of front line services and the full range of support services during the transition from the former ELBs.

At the same time, EA was required to manage the financial challenges arising from successive budget shortfalls including the 2017-18 budget settlement.

The Education Committee continued to progress proposals in relation to area planning and established, on an interim basis, revised management structures for the former Curriculum Advisory Support Service in its transition to a School Development Service whilst progressing a major realignment of staffing through use of the Public Sector Transformation Fund (voluntary severance programme).

The Children and Young People's Services Committee has been reviewing the arrangements for the support frameworks for children and young people presenting with special educational needs and in particular has harmonised the arrangements operating across EA in respect of special education assessment and provision. A transitional framework was agreed in the summer of 2015 and this continues to operate.

Through the Finance and General Purposes Committee, the Board monitored progress in respect of spend through the year, receiving monthly updates on progress. This included details on those decisions contributing towards the achievement of savings in-year.

## **The Finance and General Purposes Committee**

The FGPC has been heavily engaged in the EA financial strategy and budget for 2017-18 recognising the scale of the financial challenges. The FGPC was fully updated and advised on the significant financial challenges, the progress of the EA financial strategy and emerging risks and actions throughout the year. A range of workshops open to all Board Members were also held.

The FGPC working group on schools surpluses and deficits reported and provided recommendations leading to the endorsement of an action plan with prioritised actions by the EA Board. The EA is continuing its work on the proposals and progress is being made. As at May 2018, just under

thirty of the 41 recommendations have been implemented with the remaining recommendations being actively progressed. The EA has developed a new approach to schools financial plans in 2018-19 and has set this out in eleven engagement sessions with Governors and Principals.

## **The Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee (ARAC) completed a comprehensive work programme during 2017-18. Particular attention was given to the consideration of risk management and the bedding in of the EA's Risk Management Strategy (RMS) which resulted in the production of quarterly Director level risk registers. The standard of financial management information presented to the Board has improved and the Committee was encouraged that the 2016-17 Accounts were reviewed by the C&AG and certified without qualification. This is a notable achievement, particularly given the considerable financial challenges and the introduction of a single accounts system. The EA Board, FGPC and the ARAC were advised on an ongoing basis of the scale of financial risk facing the EA. This was also reflected in discussions, the EA Risk Register, and in papers presented to the FGPC and workshops, and the FGPC minutes which are discussed at the EA Board.

The ARAC approved a combined Internal Audit Work Programme for the year which required Internal Audit to approach its work by functionality rather than geographic location and this has required careful management. The new Head of Internal Audit and Assurance (HIAA) has produced a transformation plan linked to a revised draft three year Audit Strategy 2018-2021. The transformation plan envisages a revised structure for Internal Audit services. The HIAA has completed an Internal Quality Assessment and action plan and has commissioned the Chartered Institute of Internal Auditors to conduct an independent External Quality Assessment against the UK Public Sector Internal Audit Standards (PSIAS) as revised by DAO (DFP) 06/16. This assessment was completed in July 2018 and the EA Internal Audit Team was assessed as generally compliant with PSIAS and a further external review will be commissioned in five years as required by PSIAS.

The ARAC recognised that EA's priority during the year remained the delivery of efficient and effective education

provision while taking forward work to secure the transition to a structure based on functionality and also reduce the cost of administration. The dual responsibilities of achieving significant restructuring and maintaining business as usual, presents a number of unique challenges and risks particularly in the key areas of replacement finance systems, human resources and the continued operation of voluntary severance towards achieving a balanced budget.

The ARAC welcomed the assurance from Internal Audit that the EA's Governance Framework remains satisfactorily and sufficient to meet the standards of good governance.

The Board has set out its requirements for the effective management of risk within the EA Risk Management Strategy. It is accepted that the content and focus of the Corporate Risk Register will evolve over time to demonstrate a strong linkage between the requirements of DE and EA's strategic and business planning, risk management, the quarterly assurance process and performance reporting.

The ARAC reviewed the NIAO Report to those Charged with Governance (RTTCWG) and is content that the findings are appropriate, measured and should secure improvements in control where relevant.

The ARAC has worked through a self – assessment of its effectiveness using the NIAO checklist and a training and development programme for members has been developed and agreed.

## **Overall Opinion of the Audit and Risk Assurance Committee**

The ARAC reviewed 10 Internal Audit systems reports which carried a limited assurance and 2 which were unacceptable, as well as a report on the implementation of priority 1 recommendations which was presented at each Committee meeting and the Committee is content that the action taken to deal with control weaknesses and other issues raised is satisfactory. It also welcomed the overall satisfactory opinion included within the Head of Internal Audit Annual Report.

It is the Committee's opinion that the assurances on corporate governance, risk management, financial management and internal control that have been presented to it and the Accounting Officer during the year, were appropriately

comprehensive, reliable and of sufficient integrity to assist the EA and the Accounting Officer in meeting their accountability obligations for 2017-2018.

Having considered the subsidiary assurances provided by Directors and the Internal Audit Annual Report, the ARAC is content that the EA's Draft Governance Statement for 2017-18 is appropriate, comprehensive and accurately reflects the assurances presented to the Committee during the year.

## **Account of Corporate Governance**

In accordance with the Corporate Governance Framework, Registers of Members' and Staff Interests have been continued and are updated regularly. Conflicts of interest relating to Members and staff, actual or potential, were appropriately recorded, managed and controlled.

At all Committee meetings a standing agenda item is '*Declarations of Interest*' and it is brought to the attention of Members by the Chairperson. Any Member with a conflict of interest on a specific agenda item either does not participate in that discussion or withdraws from the meeting. Codes of Conduct for Board Members and staff have been established and communicated.

Following a number of workshops, the Board at its meeting on 22 February 2018 amended its Standing Orders to reflect best practice in relation to appointing Committee Chairs.

Anti-fraud Policy and Fraud Response Plan, Whistleblowing and Gifts and Hospitality Policies have been implemented. All suspected and proven frauds have been notified to the relevant department in accordance with agreed procedures and there are no suspected frauds that have not yet been notified.

## **Parliamentary Accountability**

I am the Accounting Officer for EA and am accountable to the Minister for Education through the DE Permanent Secretary.

As Accounting Officer I am clear on my responsibilities, and I seek to ensure that resources are managed in line with Treasury guidance. Clear roles and responsibilities of officials are agreed and understood across EA.

## **Role of the Board Members**

The EA Board Members provide strategic leadership for the organisation. They oversee delivery of business objectives and are responsible for ensuring the effectiveness of arrangements for risk management and corporate governance, including internal controls. The Board has clear terms of reference which set out its responsibilities, in line with Corporate Governance Code.

Board activities and decisions are minuted and a summary of meetings is publicly available.

The business of the Board Members is conducted in accordance with EA's Standing Orders.

## **Authority Effectiveness**

Following the appointment of the Directors, EA has moved from management structures which operated in the former ELBs and has created a series of regionally managed services.

The NIAO Report to Those Charged with Governance (RTTCWG) in respect of its audit of the Education Authority's 2016-17 Annual Accounts was presented to a special meeting of the Audit and Risk Assurance Committee (ARAC) on 22 February 2018. The ARAC will monitor the progress of all recommendations.

The Head of Internal Audit has provided a satisfactory audit opinion on the internal control systems operating within EA. Areas for improvement were raised with management and actions agreed accordingly. Areas where Internal Audit was only able to provide limited assurance as a consequence of their audit work are detailed below.

## Details of Audit Reviews with Limited or Unacceptable Assurance Opinion

The following table highlights the key areas where significant control weaknesses were identified within the reviews.

### Internal Audit Reviews with Limited Assurance

Directorate	Area
Finance and IT	<p><b>BACS payments</b></p> <p>Internal Audit identified a number of weaknesses, largely stemming from the transition process to the new system, in relation to the completeness, accuracy and validity of data input to process BACS payments. Management accepted and are implementing recommendations to improve controls.</p>
Ops and Estates - Transport	<p><b>Child Protection</b></p> <p>Internal Audit identified weaknesses in training of transport staff and an insufficient pre-employment checking of drivers. This report was subject to follow up review</p>
Ops and Estates - Transport	<p><b>Home to School Transport</b></p> <p>This was a first follow up which found that the effective implementation of controls from the previous report remained outstanding.</p>
Ops and Estates - Transport	<p><b>Transport</b></p> <p>There remained concerns that while procedures are in place to monitor pre-employment checks in the Transport Service, they are not yet sufficiently robust to ensure all drivers used to deliver the Home to School Transport contract have a valid criminal record check. Recommendations to raise the profile for Child Protection within the service and ensure an appropriate standard of training for all drivers have been accepted and will be implemented.</p>
Ops and Estates - Transport	<p><b>Child Protection (Follow up)</b></p> <p>Since the consolidation of the Access NI function on 1 July 2017, no employees or private contractor drivers or escorts have had to be terminated or dismissed because of information disclosed on Access NI certificates. However, Internal Audit identified a number of weaknesses within the governance, risk management and control framework. Management have accepted the recommendations and the Head of Transport provided the ARAC with an update on implementation at the January 2018 meeting.</p>
Finance and IT	<p><b>Cyber Security</b></p> <p>Internal Audit identified a number of weaknesses within the governance, risk management and control framework. These have been accepted by management and are being actioned.</p>

## Internal Audit Reviews with Limited Assurance (cont.)

<p><b>Finance and IT</b></p>	<p><b>Credit Card Usage</b>          No evidence of abuse of the cards by members of staff was identified during the review. However, the legacy of five regional Education and Library Boards has meant that controls and procedures are inconsistent. As part of this review Internal Audit has developed new draft guidelines on the use of corporate credit / debit cards within EA, in line with current government guidance, FD Dof 11/16, and with reference to other recognised published guidance on best practice</p>
<p><b>Education</b></p>	<p><b>Music Service</b>          The audit underlined the need for harmonisation of policy, procedures and practices across the legacy ELB Music Service Offices. Recommendations to improve procedures were accepted and are being implemented by management.</p>
<p><b>Human Resources</b></p>	<p><b>Managing Teacher Attendance</b>          The effectiveness of Teacher Sickness Absence (TSA) monitoring and engagement with schools, particularly those with significant sickness challenges, has varied considerably due mainly to competing priorities. The standard of monitoring does need to improve and would benefit from detailed analysis of TSA. The action that EA can take is constrained by the policy which is the responsibility of DE.</p>
<p><b>Education</b></p>	<p><b>Education other than at School (EOATAS)</b>          The audit found that significant work remains to be done in harmonising the working practices and systems in use across EA. A common policy and procedure is still to be drafted to provide a consistent administrative basis for staff to carry out their work.</p>

## Internal Audit Reviews with Unacceptable Assurance

<b>Finance and IT</b>	<b>School Meals Cash Handling</b> The report highlighted lessons from three separate investigations and highlighted the need for better awareness training and tighter financial monitoring controls to identify irregularities at an earlier stage. A programme of Fraud Awareness Training for Finance Staff is currently being delivered by the Head of Internal Audit and Assurance.
<b>Children and Young Persons</b>	<b>Youth Bank Accounts</b> This review highlighted issues in relation to the monitoring of expenditure in the Youth Clubs, management of cheques and failure to complete Event Permission forms for category 4 & 5 trips and in particular those which took place in partnership with Youth Clubs from the Voluntary Sector. Management has accepted all of the recommendations.

## Quality of Data

EA relies on information from a number of sources to inform its deliberation. These are:

- ▶ statistical information (for example, data relating to school enrolments, free school meals, attendance, workforce, special educational needs);
- ▶ financial information (including monthly monitoring reports on capital and resource expenditure and the preparation of the Annual Accounts);
- ▶ human resources information (including data on attendance management);
- ▶ special education needs data;
- ▶ ETL reports;
- ▶ estates management information; and
- ▶ internal and external audit evidence (mainly used to assess the effectiveness of systems and processes).

Having inherited many data sets from the legacy organisations the EA is undertaking a process of replacing, contract expired, data sets with single EA ones. As a single data management policy was not adopted by the legacy organisations, inconsistencies exist in the data collected and stored. This presents challenges in the procurement of single systems and in maintaining the quality of reports which transcend the old and the new.

Information on attendance is monitored by the HR Directorate.

The Head of Internal Audit and Assurance prepares reports which summarise the work carried out by their respective Internal Audit teams in the last financial year, and which are used to provide an assurance to the Chief Executive. No material issues had been found which would affect their opinions.

As part of the wider Corporate Governance arrangements, Heads of Sections completed assurance statements, reviewing the control environments for which they are responsible. The results of these statements were reviewed by Managers and the Directors to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment and audit plan.

The Directors provided an assurance statement to the Chief Executive in relation to those areas for which they were responsible, covering:

- ▶ corporate governance;
- ▶ system of internal control;
- ▶ risk management;
- ▶ fraud and losses;
- ▶ statutory duties;
- ▶ information security; and
- ▶ issues of concern for inclusion in the governance statement 2016-17.

The Board considers the information contained in papers presented to them by appropriate senior officers to make decisions.

Papers are prepared by officers and subject to review by the relevant Director before presentation to the Board. Directors have in place effective monitoring arrangements to ensure the accuracy of data used for decision making.

EA is also reliant on external data to help make informed decisions. Whilst the EA seeks to establish the accuracy of any such external data, it has been generated from outside the control of the Board and as such the EA cannot give the same level of assurance.

## **Ministerial Directions**

There were no Ministerial Directions issued to EA during the year.

## **Risk Assessment**

The Board has responsibility for ensuring that an effective risk management process is in place and regularly reviewed. In discharging this responsibility, it is supported by its ARAC and Internal Audit Service.

A Risk Management Strategy and Policy is in place, developed by the Risk Management Group and endorsed by the Chief Executive and ARAC.

The Risk Management Strategy outlines the strategic approach to risk management and details a formal process for identifying, assessing, managing and monitoring risks, including a prioritisation methodology based on risk ranking of impact and likelihood.

Risk management is continuing to evolve as the processes become fully embedded into EA's business and services and feature within the corporate and business planning process. The Corporate Risk Register identifies key risks that could militate against the achievement of the corporate objectives and actions that are taken to reduce those risks. The Corporate Risk Register is considered to be a living document as the mitigation of risks is under continuous review.

The Corporate Risk Register is regularly reviewed by the Senior Management Team, the Audit and Risk Assurance Committee and is presented to the EA board.

## **Government Funding Database**

With regard to the Government Funding Database, the requirements of Finance letter FD (DFP) 17/05 have been adhered to, including that data input is complete and accurate, that the database was consulted prior to funding being approved in order to protect against fraud or duplicate claims and that awards and payments were recorded in a timely manner and that due regard was given to the application of standards set out in 'Best Practice in Governance and Finance in the Voluntary and Community Sector Manual', as referred to in FD (DFP) 17/05, and application of the principles set out in the 'Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector', as referred to in DAO (DFP) 08/15.

## **Data Protection**

With regard to Data Protection, EA ensures that the personal data it holds, is processed in line with the principles of the Data Protection Act 1998. Work is also underway to prepare EA and schools for the implementation of the General Data Protection Regulations (GDPR) ensure compliance from 25 May 2018.

EA has been working with the Information Commissioner's Office (ICO) in line with their 12 step plan to put in place the relevant policies, procedures, structures and training programmes to support effective management of personal data and to ensure compliance with the new regulations.

In addition, work is underway to develop a range of GDPR resources and guides for schools to raise awareness of the

new legislation and to support schools in understanding and complying with GDPR. This includes an online resource hub containing guides and templates, a dedicated telephone helpline and email address for advice and support and a number of videos and animations outlining the key changes in requirements.

## **National Fraud Initiative (NFI)**

The Comptroller and Auditor General (C&AG) for Northern Ireland has been given statutory powers to conduct data matching exercises for the purposes of prevention and detection of fraud.

The Education Authority is fully engaged with this process which analyses data submitted by the wide range of public sector bodies participating in the National Fraud Initiative. The Education Authority submit a range of data sets which are matched against the data sets uploaded from, for example, all UK local authorities, some housing associations, student loans company, payroll, taxi licencing and deaths records. Data matched from the 2016-17 NFI exercise were received in January 2017. These have all now been prioritised, reviewed and investigated. A small number of additional investigations notified to EA as a result of matches in other organisations are on-going. These largely involve potential conflicts of interest.

Fraud risk is continually assessed within each business area of the organisation and reported quarterly to the Audit and Risk Assurance Committee.

## **Significant Issues Faced During 2017-18**

There was and remains a significant body of work in moving all operational business practice to a consistent and harmonised means of operation across EA. A significant transformation programme is currently underway.

## Financial Management and Reporting

The NIAO 2016-17 Public Interest Report noted reasons for the 2016-17 overspend as

- ▶ Significant and ongoing reductions in the spending power of DE budgets (which have declined by around £240M since 2010-11);
- ▶ The structure of the education system including a number of systemic matters that need to be addressed;
- ▶ The delegation of significant elements of the budget to schools, where EA has limited powers to intervene and intervention can take time;
- ▶ Over 90% of services provided from the EA Block Grant are driven by statutory or policy requirements with over 80% of costs staff based. Demand for services has to be met and delivering significant changes would require consultation, contractual and legislative change; and
- ▶ The failure to secure sufficient additional funding in year.

While the EA reported a £19.1M overspend for 2016-17, neither the EA's nor DE's 2016-17 accounts were qualified by the NIAO.

Many of the challenges and structural matters in 2016-17 persist.

The Senior Management Team as well as the Finance and General Purposes Committee and the Audit Risk and Assurance Committee, monitored and reviewed the position during the course of the year. The relevant committees and Board have been advised of the significant financial challenges and risks of overspends from the start of the year and the structural and business matters underpinning these challenges and the impact of new pressures such as the Apprenticeship Levy. The financial challenges and service drivers were clearly set out in 2016-17 and again in 2017-18. Over 98% of the EA Block Grant is spent directly in schools or directly supporting schools, children and young people. The remaining 2% is spent on areas which are mainly related to statute. In addition, over 90% of services are driven by policy, statute and contract, with over 80% of costs relating to staff.

The EA has also highlighted the need for transformation and related financial support for this and to support the system as it transforms. This was recognised in the Department of Finance's 2018-19 Budget Briefing Document published in December 2017. EA has looked at all areas of its business to seek to address the financial challenges. The Board and FGPC endorsed a financial strategy of bids and savings. Savings were developed with Director designated owners and savings were risk assessed reflecting the constraints and complexity of delivery with 70% of savings rated high risk. EA has continued to pursue these. The EA Board and FGPC monitored progress through the year

Monthly Expenditure and Monitoring Reports were returned to DE and reflected the risks in respect of increases in service demand and the challenges of meeting budget cuts and structural issues. These issues were also discussed with senior DE officials including the Permanent Secretary and formally through the Governance and Accountability Review meetings. EA continued to highlight the need for additional funding to DE to address increasing demand for services such as special needs. This resulted in £37.5M of additional funding.

Internal Audit has carried out a review of financial management. The review formed part of the audit programme of work for 2016/17 and was updated for 2017/18. The audit confirmed that Board members were given detailed analysis of financial data at a series of budget workshops which enabled a financial strategy to be developed. Board members have also been given regular updates on the current budget position. The review provided overall satisfactory assurance over the EA budgetary planning process.

EA identified two scenarios for financial planning, a minimum and a maximum scenario which took account of key variables including special educational needs, schools finances and the new apprenticeship levy and the risks associated with savings. EA continued to discuss the ongoing position with DE throughout the year and in its monthly MEMR update meetings. From the start of the year EA was clear that it could not balance its budget and the MEMR was signed on that basis. EA advised DE that risks were crystallising in year, VGS GMI pressures were emerging and the impact on EA's financial position. This included discussion on the additional funding which EA required. In the last quarter of the year DE allocated additional funds. The £37.5M of additional funding was very welcome and was targeted at meeting schools pressures and pressures related to SEN. However it was not sufficient to meet the scale of financial risks.

Budgets have been reducing in real terms since 2010-11. Given that schools costs are mostly staff related, staff numbers need to come down in line with real terms budget reductions. Since there was no funding for compulsory severance and given the number of staff applying for VES was known early in the financial year it was clear that the schools budget would be overspent without additional budget allocations. EA worked with DE throughout the year advising DE on the estimated position in respect of schools surplus draw down requirements and deficits based on the information available and reflecting the risks. EA had a range of engagement events in March 2018 which set out a new approach to schools' financial plans and was used as a healthcheck on schools' financial positions. Feedback was provided to DE in summer 2018. These events also promoted the extension of financial management in schools.

EA is operating with a number of structural and service constraints. Over 90% of EA's cost base is related to ongoing and unavoidable demand for policy, statute and contract based services and over 80% of costs relate to staff. This will mean that significant in year savings cannot be achieved without changes to policy, legislation or contracts and staffing which can take time and be costly. In addition, EA must provide for ongoing demand, must meet statutory based timescales, and only has access to funding for voluntary redundancy. Despite these constraints EA has increased its in year savings from £7M in 2015-16 to £26M in 2016-17 and £30M in 2017-18. While the EA has made savings it has not been possible to deal with the combined impact of ongoing reductions in the spending power of budgets from 2010-11, cost pressures from previous years, schools pressures, pay and price pressures, unavoidable demand for services, new requirements such as Apprenticeship Levy and deteriorating schools finances.

EA outturn is consistent with the position reported to DE. EA's provisional outturn shows an overspend of £17.7M. The main reasons for the overspend are insufficient budgets, declining spending power, deteriorating schools' financial position, unavoidable and increasing demand for special educational needs, increasing demand for free school meals and loss of meals income due to adverse weather, the new Apprenticeship Levy which was unfunded and falls in music and book stock where due to financial constraints it has not been possible to make investment.

Schools have faced unprecedented pressures as a result of having to absorb increased costs such as pay and inflationary pressures for a number of years. Schools have also been impacted by increases in National Insurance and school budgets have remained flat in cash terms. This is evidenced by decreasing schools' surpluses and increasing deficits. There are systemic issues which make it difficult to fully address the problem in the short-term. In a situation where schools spend 80%, or in some cases 90% or more, of their budgets on staffing costs, it is inevitable that an increasing number of schools have moved into deficit and surpluses have reduced as there is limited scope to generate savings in running costs. It is noticeable that this trend of more schools falling into deficit is also apparent in England, even though the Government there decided that the schools' budgets should be protected from inflation from the 2015 Spending Review onwards. Schools' spending is essentially demanded and the EA has limited powers to intervene, other than, in extreme circumstances, to remove delegated authority from boards of governors.

The EA has developed a new approach to schools' financial planning in 2018-19. This has been rolled out across NI through 11 engagement events in March 2018. The EA has further enhanced its databases and schools' financial planning templates and is using multidisciplinary approaches where appropriate. EA has developed benchmarks using similar families of schools and has worked with a range of schools to develop scenarios and options to reduce costs. Recognising the challenges that many of our schools face, and that some schools cannot take further actions to reduce costs without significantly impacting educational outcomes, EA is also using this as a financial healthcheck for our schools. The results of the healthcheck have been feedback to the Department in July 2018.

Another key factor contributing to the severe financial challenges is the increasing number of pupils presenting with SEN. In June 2017, the NIAO published a report on SEN and the Department responded by establishing a Programme Board to ensure that all of the recommendations are taken forward with pace. The Board has oversight of a number of projects covering areas such as: the consistent reporting of SEN expenditure so that it can be easily identified and monitored; and a review of current funding arrangements to ensure that available resources are used effectively to meet the needs of all children with SEN.

It is clear that, with the pressures on the EA and school budgets, combined with increasing pupil numbers, SEN pressures, schools with sustainability issues etc., the system is under considerable strain. While some difficult staffing decisions can be facilitated by the EA through the transferred redundancy and voluntary severance arrangements, the lack of any central compulsory redundancy funding creates significant constraints. In addition, there are a number of schools that are simply unsustainable.

DE has recognised the need for transformation of the education system and EA is a key partner in delivering change. EA is clear on the need to transform the sector and its own organisation.

The Department of Finance has noted the need for transformation in its Budget Briefing Outlook 2018-2020 (December 2017). Transformation will take time and will require funding and resources to support the system, to transform and to continue to deliver services and improve outcomes as it transforms.

EA has controlled its costs but it cannot deal with the impact of these factors. Given increased demand for services and real budget reductions it has not been possible to operate within the original budget allocation for schools and the EA as a whole.

EA can deal with the impact of some pressures and has made savings but is finding it increasingly difficult to deal with the combined impact of reductions in budget spending power, structural change, deteriorating schools' finances, increasing demand for services such as SEN which must be met within prescribed timescales, subsidising the provision of a NI wide transport network, and ongoing underinvestment in maintenance. Progress has been made through digitalisation, modernisation and moving to NI wide delivery models and shared services for the sector.

DE and EA have continued to highlight the financial position and service constraints facing the education sector and the need for transformation. The need for transformation has also been recognised within the Department of Finance's Budget Briefing document published in December 2017.

The EA Board have endorsed the need for transformation, has established a sub-committee and has taken work forward and EA is liaising with DE.

DE have recognised therefore that, in the longer term, the education sector requires significant and radical transformation if it is to be put on a sustainable financial footing going forward. Departmental officials have commenced planning for a comprehensive transformation programme aimed at both managing costs and improving educational outcomes.

## **DE Approval of 2017/18 Business Plan**

In the absence of a minister to approve the 2017-18 EA Business Plan, DE officials were responsible for approving the plan. DE officials expressed some concerns regarding assurance on delivery of EA's statutory functions. EA received a letter from DE at the beginning of April 2018 closing the issue for the 2017-18 year and noting the plans submitted by EA.

## **Restructuring and Transformation**

The appointment of five new Directors early in 2016 marked the beginning of the new regional management structure of EA and provided much needed certainty in terms of leadership and strategic direction. The focus has now turned to the transformation within Directorates where EA is committed to building an organisation that has a truly regional focus, is innovative, forward-looking and delivers excellent education services for all. The appointment process for Assistant Directors commenced in February 2017 and is now completed. The Assistant Directors will provide increased capacity and momentum to drive the transformation of EA services and full implementation of EA as a single regional organisation.

EA has continued to operate a Voluntary Exit Scheme (VES) for non-school based support staff in 2017-18 to support the change programme and delivery of the EA 2017-18 savings plan. The establishment of interim and enduring management structures has provided opportunities to facilitate voluntary severance. During the three years, 2015-16, 2016-17 and 2017-18, through VES 436 posts have been suppressed across all senior, middle, clerical and administrative grades of staff. All VES exits are subject to scrutiny and approval by EA, assessed against predetermined criteria including equality of opportunity to staff, assurance in terms service continuity and risk mitigation, demonstrable value for money and a payback period not exceeding 3.25 years.

## EA's Transition to a Single Regional Authority

In March 2017 a "Gate 0" Gateway Review was undertaken of the Change Management programme initiated by DE to dissolve the Education and Library Boards and establish the Education Authority (the EA Implementation Programme). The Review found that the development and implementation of the EA has been delivered and that there are no major issues left to resolve prior to closure of the formal Implementation Programme. A programme closure report has been drafted and EA has been working with DE throughout the year to provide input to this report. Some details have not yet been provided in respect of the regionalisation of a small number of service delivery areas in line with the targets set out in the Full Business Case for the establishment of the EA. Once this information has been received a final Programme Board meeting will be scheduled to formally close the programme of work and agree arrangements for ongoing governance of work to ensure all EA services are delivered within a single regional structure.

## The UK's Decision to Leave the European Union

Following the United Kingdom's (UK) decision to leave the European Union (EU), DE has been fully involved at the strategic and operational level in the Northern Ireland Civil Service cross departmental European Union Future Relations Programme (EUFRRP) led by The Executive Office. Policy areas likely to be affected have been identified and assurances sought from the Education Authority that the delivery of services will continue seamlessly from the day following exit. DE continues to liaise with Department for Education in Whitehall and the Department for Exiting the EU. The implications of Brexit on EA's services is kept under regular review by the Corporate Leadership Team.

## Strategic Area Plan 2017 – 2020

On 28 April 2017, the Education Authority (EA), on behalf of the Council for Catholic Maintained Schools (CCMS), Comhairle na Gaelscolaíochta (CnaG), Northern Ireland Council for Integrated Education (NICIE), the Governing Bodies Association (GBA), the Controlled Schools' Support Council (CSSC) and the Catholic Schools Trustees' Service (CSTS) published 'Providing Pathways – A Strategic Area Plan for School Provision 2017 – 2020' (the Area Plan), with an accompanying Area Plan Annual Action Plan. The Minister of Education highlighted that the challenge that faces almost all Local Government Districts (LGDs) is that we have many schools that are too small to adequately provide for their pupils and ensure they have the opportunity to fulfil their potential, particularly primary schools with more than two composite classes and Sixth Forms with fewer than 100 pupils. The Annual Action Plan for 2017/18 identified 106 work streams across primary, post-primary and special schools and, of these 62 have been carried forward into the Annual Action Plan for 2018/19.

Table 1 provides an overview of the number of primary schools with one, two, three or four teachers, in October 2015.

Number of Teachers	Number of Schools
1	1
2	36
3	69
4	91
Total	197

Table 1

Table 2 overview of Area Planning Actions undertaken to date by the two Managing Authorities and Sectoral Bodies in relation to these schools through the Area Planning process:

Number of Teachers	Closed	Amalgamated	Included in 2017/18 Action Plan	Included in 2018/19 Action Plan	In Shared Campus Programme	Awaiting Judicial Review Outcome	Total
1	No Action – St Mary’s PS, Rathlin						
2	3	1*	19	6	1	1	31
3	4	0	6	15	3	0	28
4	0	3*	0	6	1	0	10
Total	7	4	25	27	5	1	69

Table 2 \*includes schools due to amalgamate in September 2018

## Schools Financial Planning

A significant proportion of EA’s overall budget is delegated to schools with Boards of Governors and Principals having delegated authority in respect of financial management.

The EA has continued to engage with schools in a challenging financial climate. The financial challenges facing schools have resulted in schools exceeding their CFF allocations by over £30 million. This has resulted in schools seeking to access accumulated surpluses and in increasing deficits.

EA worked with DE throughout the year advising DE on the estimated position in respect of schools surplus draw down requirements and deficits based on the information available and reflecting the risks. Additional funding was provided in year equating to £8M for surplus drawdown and £17M for increasing deficits.

EA has developed a new approach to schools’ financial planning for 2018-19 and this was rolled out in a range of engagement events in March 2018. This included that EA would be using the process to undertake a financial health check of schools, including which actions schools and Boards of Governors could take to reduce spending, and where it was not possible to take further actions without impacting educational outcomes. These events also promoted further enhancing financial management in schools.

These new approaches to schools’ financial management seek to support Boards of Governors in fulfilling their role in managing schools’ finances, while also providing appropriate challenge and accountability. These new approaches are also providing enhanced feedback and a health check on schools’ finances. They have brought to the fore the difficult decisions that many school leaders are facing, the structural issues across the system and that, in some cases, schools cannot reduce costs further without impacting educational outcomes. These new approaches have also enabled EA and schools to work together to look at all options to reduce costs. EA has provided feedback to the Department of Education on the healthcheck.

## **Transfer of Funding Authority for Voluntary Grammar and Grant Maintained Integrated Schools (VGS/GMI)**

During 2016-17, a DE led project involving EA worked to enable the transfer of the Funding Authority responsibility and administration from 1 April 2017. The Funding Authority arrangements were transferred to EA on 1 April 2017 and a SLA was agreed between DE and EA to extend the period of handover to 30 June 2017. The function has now been fully transferred.

Classification of the VGS/GMI schools has been confirmed by DE and the relevant disclosure has been included in the 2016-17 Accounts.

## **New HR and Payroll System**

As part of an initiative to modernise its Finance and HR systems, the EA is taking forward a project to design, build and implement a new HR and Payroll system harmonising the system, processes and practices across the five legacy Education and Library Boards. Progress has been made during the year but the project identified a range of complexities which impacted the proposed go live date. The HR/Payroll element of this new integrated Finance/HR system is being re-assessed and an updated business case is being prepared. The timescale and costs will be updated as part of this exercise.

In the meantime, the existing non-teaching and DE teachers' payroll systems will continue to be used, with interfaces to the new finance system.

## **ICT Services**

The IT service has supported modernisation in a range of services, including Whistle Blowing, Subject Access Request, Freedom of Information handling, and Data Protection incident control. ICT is balancing on-going support for existing administrative systems with the need to prioritise opportunities which support organisational modernisation and transformational change.

Following a legal challenge to the Northern Ireland Public Sector Shared Network (NI PSSN) project and delays in procuring external advisors a decision was taken to amend the C2K EN (ni) contract modification to extend until March 2021, this timeframe will allow for the replacement solution to be procured and establish a standalone C2K project to integrate with the NI PSSN contract. Subject to the necessary business case approvals this contract will be in place from 1st April 2019 - 31st March 2021. EA has also continued to progress the Education Technology Services (ETS) project to establish a replacement solution for the C2K EN(ni) contract from April 2021. This project has now completed the stakeholder consultation phase and expects to have a draft Outline Business Case in place by May 2019 with the final tender phase to complete by November 2020. EA continue to ensure that both EA Core and C2K fully integrate with the PSSN project to ensure successful cutover to the new contract.

## **CoPE**

An independent review of the EA CoPE reaccreditation was carried out and a report produced in March 2018. The findings from the report were that the EA did not fully meet the requirements of the CoPE Accreditation Model. At its July meeting, the NICS Procurement Board noted the view of the CoPE Assessment Panel that the Education Authority was making good progress against the standards. The Board agreed that the Education Authority should produce an action plan to address the review recommendations and establish a suitable governance mechanism to manage implementation; and that support could be offered from other CoPEs to help address areas for improvement. The Board also agreed that the Education Authority will be accredited for twelve months to allow for actions on recommendations to be completed. EA continues to work to implement its Procurement Strategy Implementation Plan and this work is monitored closely by DE through its EA CoPE Re-Accreditation Oversight Group.

## Conclusion

In conclusion, as Chief Executive and Accounting Officer for EA, I can confirm that the Governance Statement has been formally reviewed by the Audit and Risk Assurance Committee, that it is complete and accurately reflects the latest assessment of the state of governance within EA.



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Gavin Boyd  
Accounting Officer

4 March 2019

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Date



# REMUNERATION AND STAFF REPORT

## Board Members

The chairperson of the board is paid by EA at a rate and on such conditions as determined by DE. EA makes payments to board members at rates and on such conditions as determined by DE. Board members also receive travelling and subsistence allowances. The mileage allowance rates agreed by the National Joint Council for Local Government Services are applied. No board members receive or make pension contributions.

### Chief Executive and Senior Officers

Mr Gavin Boyd acted as chief executive of EA for the 2017-18 year. Mr Boyd is an employee of DE and as such his salary is paid by DE. Details can be found in the DE Annual Report and Accounts at the following link

<https://www.education-ni.gov.uk/publications/department-education-resource-accounts-year-ended-31-march-2018>

The remuneration of the directors is determined in accordance with a performance management framework with a process to ensure that objectives are demanding, achievable and fair. Objectives for directors will be set by the chief executive, who will also undertake the subsequent assessment. Oversight of the processes will be exercised by the Remuneration Committee. Objectives will be informed by the strategic direction and performance objectives set for EA by DE and will be defined and agreed with time-based targets.

## REMUNERATION COMMITTEE MEMBERS

### April 2017 – March 2018

Ms Sharon O'Connor  
Mrs Monica Culbert  
Dr Ian McMorris  
Miss Rosemary Rainey  
Ms Nuala Toman

The Remuneration Committee met on four occasions during the year.

### Service Contracts

Officer appointments are in accordance with the Joint Negotiating Council (JNC) for the EA terms and conditions.

Unless otherwise stated overleaf, the officers covered by this report hold appointments until their retirement. The normal period of notice is three months. Policy on termination payments in relation to premature retirement is in accordance with Local Government Regulations and the redundancy provisions.

## Salary including Allowances – Audited Information

The following sections provide details of the remuneration and pension interests of senior post holders within EA.

	Salary inc allowance 2017-18 (See Note 1 overleaf) £000	Performance related pay 2017-18 £000	Pension Benefits 2017-18 (to nearest £1000)	Total 2017-18 £000	Salary inc allowance 2016-17 £000	Performance related pay 2016-17 £000	Pension Benefits 2016-17 (to nearest £1000)	Total 2016-17 £000
<b>Dr Clare Mangan</b> Director of Children and Young People's Services	85-90	0-5	35,000	125-130	85-90	-	36,000	125-130
<b>Mr John Collings</b> Director of Education	85-90	0-5	25,000	110-115	85-90	-	35,000	120-125
<b>Ms Joyce Bill</b> Director of Finance and ICT	85-90	0-5	26,000	110-115	85-90	-	34,000	115-120
<b>Ms Sarah Long</b> Director of Operations and Estates	85-90	0-5	26,000	110-115	80-85 (Full Year equivalent 85-90)	-	34,000	115-120
<b>Ms Clare Duffield</b> Director of Human Resources	80-85	0-5	25,000	105-110	80-85 (Full year equivalent 80-85)	-	33,000	110-115

## **EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS**

### **Salary including Allowances (Note 1)**

Salary is based on actual salary earned for the year. It includes gross salary and taxable allowances but excludes employer's costs and the payment of legitimate expenses. Performance-related pay is an accrual based on actual performance in 2016-17 which becomes due in 2017-18.

### **Benefits In Kind**

Senior post holders do not receive non-cash benefits (benefits-in-kind).

### **Performance-Related Pay**

Performance-related pay is not a bonus but facilitates progression through the pay range for the individual as determined by their performance.

Targets generally are derived at the beginning of each year and are informed from the organisation's business plan and assigned to individual members of the senior management team. Performance is assessed at the end of the year and establishes the salary for the individual for the year ahead.

## EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

### Pension Entitlements - Audited Information

	<b>Accrued pension at pension age as at 31/3/18 and related lump sum £000</b>	<b>Real increase in pension and related lump sum at pension age £000</b>	<b>CETV at 31/03/18 £000</b>	<b>CETV at 31/03/17 £000</b>	<b>Real increase in CETV £000</b>
<b>Dr Clare Mangan</b> Director of Children and Young People's Services	5-10 Plus lump sum of 0	0-2.5 Plus lump sum of 0	134	96	24
<b>Mr John Collings</b> Director of Education	0-5 Plus lump sum of 0	0-2.5 Plus lump sum of 0	52	26	16
<b>Ms Joyce Bill</b> Director of Finance and ICT	0-5 Plus lump sum of 0	0-2.5 Plus lump sum of 0	34	17	10
<b>Ms Sara Long</b> Director of Operations and Estates	0-5 Plus lump sum of 0	0-2.5 Plus lump sum of 0	32	15	9
<b>Ms Clare Duffield</b> Director of Human Resources	0-5 Plus lump sum of 0	0-2.5 Plus lump sum of 0	31	15	9

### Compensation Payable on Early Severance

No compensation was payable on early severance during the year.

## EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

### Cash Equivalent Transfer Values (CETVs)

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

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the board's pension arrangements and for which the Department of Finance's Superannuation Scheme Vote has received a transfer payment commensurate with the additional pension liabilities being assumed.

They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real Increase in CETV

When calculating the real increase in CETV and the pension benefits accrued during the year 2017-18 for the single total figure of remuneration, Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) takes account of inflation. The Consumer Price Index (CPI) increase for September 2017 was +3.0%.

The final salary portion of the pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year plus the pension built up due to the post 31 March 2015 CARE element of pension.

### Pay Multiples – Audited Information

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

The banded remuneration of the highest paid director in EA and the ratio to the median remuneration of the workforce is given in the table:

## EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

	Period ended 31 March 2018	Period ended 31 March 2017
Band of highest paid director's total remuneration (full year equivalent)	£85k-£90k	£85k-£90k
Median remuneration (teaching staff)	£39,773	£38,424
Ratio (teaching staff)	2.20	2.33
Median remuneration (non-teaching staff)	£13,784	£14,159
Ratio (non-teaching staff)	6.35	6.33

The band of the highest paid director's remuneration of £85k-£90k excludes any salary arrears which were paid in year.

In 2017-18 seven (2016-17: three) employees received remuneration in excess of the highest paid director. Remuneration ranged from £91k to £104k (2016-17: £91k to £105k).

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

### Board Members – Audited Information

The total emoluments (including honoraria) of the chairperson were £53,311 (2016-17: £52,683).

The highest payment for any other board member was £11,815 (2016-17: £11,704).

The aggregate amount of board members' emoluments was £241,653 (2016-17: £238,454).

No members waived emoluments. Twenty one members made a claim for emoluments during the 2017-18 year (2016-17: Twenty three).

The number of board members who received emoluments fell within the range below:

	2017-18	2016-17
£	Number	Number
1 – 4,999	1	2
5,000 – 9,999	14	15
10,000 – 14,999	5	5
15,000 – 19,999	-	-
50,000 – 54,999	1	1

## Staff Costs comprise:

The following section is subject to audit

	Permanent staff £000	Temporary staff ** £000	Others £000	2017-18 Total £000	2016-17 Total £000
<b>Teaching</b>					
Wages and salaries	566,526	74,038	-	640,564	634,602
Social Security costs	64,911	6,770	-	71,681	67,956
Other pension costs	100,141	12,124	-	112,265	111,373
Other employee expenses	18,485	-	-	18,485	19,433
	750,063	92,932	-	842,995	833,364
Less recoveries in respect of outward secondments	-	-	-	-	-
	750,063	92,932	-	842,995	833,364
<b>Non-Teaching (including Board Members)</b>					
Wages and salaries	202,554	157,147	1,109	360,810	345,815
Social Security costs	14,822	7,702	-	22,524	20,674
Pension costs	36,450	19,237	-	55,687	54,448
Other employee expenses	10,359	1,064	-	11,423	12,407
	264,185	185,150	1,109	450,444	433,344
Less recoveries in respect of outward secondments	(194)	(57)	-	(251)	(205)
	263,991	185,093	1,109	450,193	433,139
<b>TOTAL</b>	1,014,054	278,025	1,109	1,293,188	1,266,503

\*\* "Temporary Staff" are defined within EA as those members of staff who are in a temporary post, not necessarily on a temporary contract.

## Average Number of Persons Employed:

*The following section is subject to audit*

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

	Permanent staff	Temporary staff	Others	2017-18 Total	2016-17 Total
Teaching	15,027	3,714	-	18,741	18,742
Non-Teaching	11,849	7,594	85	19,528	20,025
TOTAL	26,876	11,308	85	38,269	38,767

Additional staff costs were capitalised during the year of £3,475k (2016-17: £3,775k) which equates to 80 (2016-17: 88) whole-time equivalent persons and are included in Note 10 of the Financial Statements.

### Pension Obligations

*The following section is subject to audit*

As explained in the Accounting Policies section of the Financial Statements (paragraph 1.14, page 96) the EA participates in two principal schemes, the Teachers' Superannuation Scheme (TSS) and the Northern Ireland Local Government Officers' Superannuation Committee.

EA has included pension costs in relation to these schemes as follows:

	£000
Teachers' Superannuation Scheme (TSS)	112,265
Northern Ireland Local Government Officers' Superannuation Scheme (NILGOSC)	55,687
	167,952

For 2017-18 the employer's contribution rate to the Teacher's Superannuation Scheme was 17.7%.

For 2017-18 the employer's contribution rate to the Northern Ireland Local Government Officers' Superannuation Scheme was 18%. EA also made an additional lump sum contribution to address the shortfall for past service liabilities totalling £4.8million.

NILGOSC is a multi-employer defined benefit scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent basis. The latest formal valuation of the fund for the purpose of setting employer's actual contributions was at 31 March 2016 with the next formal valuation due at 31 March 2019. A valuation was carried out by a qualified independent actuary for the purposes of meeting the requirements of IAS19 for these accounts.

The major assumptions used by the actuary were:

	At 31 March 2018	At 31 March 2017
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	2.1%	2.0%
Discount rate	2.6%	2.6%
Inflation assumption	2.1%	2.0%

The fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the last formal valuation date. The current funding level is 96% at 31 March 2016 (91% at 31 March 2013) leaving a funding shortfall of £262.6million.

The aggregate employer total contribution rate required to restore the funding to 100% using a recovery period of 20 years from 1 April 2017, is 21% of pensionable pay (if the membership remains broadly stable and pay increases are in line with assumptions). The contributions payable by each employer may differ because they allow for each employer's membership profile and funding ratio, and assumption and recovery periods appropriate to their circumstances.

From 1 April 2017, the EA employer contribution rate reduced to 18%, increasing to 19% from 1 April 2018 and 20% from 1 April 2019. EA will also make an additional lump sum contribution to address the shortfall for past service liabilities totalling £4.8million per annum during 2017-18, 2018-19 and 2019-20.

Statement of Financial Position	2018 £000	2017 £000
Fair value of assets	1,867,152	1,758,298
Present value of funded defined benefit obligation	(2,614,530)	(2,440,207)
Present value of unfunded defined benefit obligation	(20,311)	(20,719)
Pension (liability) recognised in the Statement of Financial Position	(767,689)	(702,628)

<b>Changes to the Present Value of Defined Benefit Obligation During the Accounting Period</b>	<b>2017-18 £000</b>	<b>2016-17 £000</b>
<b>Opening Defined Benefit Obligation</b>	<b>2,460,926</b>	<b>1,978,982</b>
Current service cost	95,758	67,982
Interest on the defined benefit obligation	63,448	68,551
Contributions by participants	16,779	16,297
Actuarial (gains) on liabilities – experience	9,865	(86,582)
Actuarial (gains) on liabilities – demographic assumptions	-	(2,424)
Actuarial losses on liabilities – financial assumptions	45,245	474,921
Past service cost (including curtailments)	2,206	1,976
Net benefits paid out	(59,386)	(58,777)
<b>Closing Defined Benefit Obligation</b>	<b>2,634,841</b>	<b>2,460,926</b>

<b>Changes to the fair value of assets during the accounting period</b>	<b>2017-18 £000</b>	<b>2016-17 £000</b>
<b>Opening Fair Value of Assets</b>	<b>1,758,298</b>	<b>1,494,033</b>
Interest income on plan assets	45,944	52,581
Contributions by participants	16,779	16,297
Employer contributions in respect of funded benefits	57,916	56,908
Employer contributions in respect of unfunded benefits	1,187	1,201
Actuarial gains on assets	46,414	196,055
Payment of unfunded benefits	(1,187)	(1,201)
Net benefits paid out of the fund	(58,199)	(57,576)
<b>Closing Fair Value of Employer Assets</b>	<b>1,867,152</b>	<b>1,758,298</b>

## Charges to the Statement of Comprehensive Net Expenditure

Amounts included in Purchase of Goods and Services (Note 6 to Financial Statements)	2017-18 £000	2016-17 £000
Current service cost	95,758	67,982
Past service cost (including curtailments)	2,206	1,976
<b>Total operating charge</b>	<b>97,964</b>	<b>69,958</b>
Employer contributions in respect of funded benefits	(57,916)	(56,908)
Employer contributions in respect of unfunded benefits	(1,187)	(1,201)
<b>Net Operating Charge</b>	<b>38,861</b>	<b>11,849</b>

Amounts charged to Pension Financing Charges	2017-18 £000	2016-17 £000
Interest income on plan assets	(45,944)	(52,581)
Interest on the defined benefit obligation	63,448	68,551
<b>Net return</b>	<b>17,504</b>	<b>15,970</b>

Amounts recognised in Other Comprehensive Expenditure (OCE)	2017-18 £000	2016-17 £000
Liability losses due to change in assumptions	(45,245)	(474,921)
Liability experience (losses)/gains arising during the year	(9,865)	86,582
Actuarial losses on liabilities – demographic assumptions	-	2,424
Actuarial gains on plan assets	46,414	196,055
<b>Total losses recognised in OCE</b>	<b>(8,696)</b>	<b>(189,860)</b>

## Amounts for the current accounting period

	2017-18 £000	2016-17 £000 Restated
Fair value of employer assets	1,867,152	1,758,298
Present value of defined benefit obligation	(2,634,841)	(2,460,926)
<b>Pension Liability</b>	<b>(767,689)</b>	<b>(702,628)</b>
Experience Losses on plan assets	46,414	196,055
Experience Gains on liabilities	(9,865)	86,582
Actuarial Losses on assets	46,414	196,055
Actuarial Gains on liabilities	(55,110)	(385,915)
<b>Actuarial Losses recognised in OCE</b>	<b>(8,696)</b>	<b>(189,860)</b>

## Sensitivity Analysis

IAS 19 valuation results depend critically on the principal assumptions used in the calculations.

The discount rate used to value the liabilities is prescribed under IAS 19 and the results are particularly sensitive to the discount rate. If the yield used to discount each future benefit payment decreases, then the value placed on the liabilities increases.

The results are also sensitive to unexpected changes in the rate of future mortality improvements. If longevity improves at a faster rate than allowed for in the assumptions, then, again, a higher value would be placed on the employer's liabilities. In addition, if pensionable pay increases more than allowed for in the assumptions, the active liability will increase. Similarly, if inflation (and therefore pension increases) is higher than assumed, this will increase the value of the liabilities. If the liabilities increase, the employer's statement of financial position will worsen.

The sensitivity of the principal assumptions used to measure the liabilities as at 31 March 2018 are set out overleaf.

### Discount rate assumption

Adjustment to discount rate	+0.1% pa	-0.1% pa
Present value of total obligation (£000s)	2,565,347	2,664,656
% change in present value of total obligation	-1.9%	+1.9%
Projected service cost (£000s)	99,050	104,756
Approximate % change in projected service cost	-2.8%	+2.8%

### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£000s)	2,628,658	2,600,541
% change in present value of total obligation	+0.5%	-0.5%
Projected service cost (£000s)	101,869	101,869
Approximate % change in projected service cost	0.0%	0.0%

### Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£000s)	2,650,384	2,579,195
% change in present value of total obligation	+1.4%	-1.4%
Projected service cost (£000s)	104,756	99,050
Approximate % change in projected service cost	+2.8%	-2.8%

### Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation (£000s)	2,691,907	2,537,570
% change in present value of total obligation	+3.0%	-2.9%
Projected service cost (£000s)	105,411	98,346
Approximate % change in projected service cost	+3.5%	-3.5%

Each factor is considered in isolation i.e. the 'impact on liability' assumes all other factors are constant.

### Comment on Mortality Assumptions

The mortality assumptions affect the length of time the benefits would be expected to be paid for. Life expectancy is based on the Self-Administered Pension Scheme (SAPS) year of birth tables with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Mortality loadings were applied to the SAPS tables based on membership class. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	23.3	25.9
Future pensioners	25.5	28.2

### Staff Composition

The analysis of EA's employees by gender at 31 March 2018 is as follows:

	Male	Male %	Female	Female %	Total	Total %
Directors	1	20	4	80	5	100
Senior Management	9	56	8	44	17	100
Employees Permanent – Teaching	3,371	21	12,802	79	16,173	100
Employees Temporary – Teaching	814	20	3,326	80	4,140	100
Employees Permanent – Non-Teaching	2,857	16	14,825	84	17,682	100
Employees Temporary – Non-Teaching	3,479	18	15,948	82	19,427	100

### Sickness Absence Data

The average number of days lost through sickness between April 2017 and March 2018 was 8.52 days for teachers (2016-17: 8.52 days) and 10.72 days (2016-17: 10.14 days) for non-teaching staff.

### Staff Policies

EA actively encourages applications for employment from disabled persons where the requirements of the job may be adequately performed by a disabled person.

Where existing employees become disabled, it is the EA's board's policy wherever possible to provide continuous employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

## Off-payroll Engagements

The following off-payroll engagements were in place at 31 March 2018:

Total number of engagements at 31 March 2018	4
The number that have existed for less than one year at the time of reporting	3
The number that have existed for between one and two years at the time of reporting	-
The number that have existed between two and three years at the time of reporting	-
Number of these engagements which were assessed as caught by IR35	-
The number that have existed for four or more years at the time of reporting	1

Details of new off-payroll engagements, or those that reached six months in duration between 1 April 2017 and 31 March 2018 are as follows:

Number of new engagements or those that reached six months during the period	3
Number of these engagements which were assessed as caught by IR35	-
Number of these engagements which were assessed as not caught by IR35	3
Number that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received	-
Number that saw a change to IR35 status following the consistency review	-

## Expenditure on Consultancy

External consultancy spending during 2017-18 was £NIL (2016-17: £NIL)

## Temporary Staff

Temporary staff costs in 2017-18 amounted to £278,025k (2016-17: £297,588k).

## Reporting of compensation and exit packages for all staff 2017-18

The following section is subject to audit

### TEACHING STAFF

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Less than £10,000	-	-	3	4	3	4
£10,000-£25,000	1	5	9	11	10	16
£25,000-£50,000	1	1	99	73	100	74
£50,000-£100,000	-	1	6	33	6	34
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
<b>Number of Exit Packages</b>	<b>2</b>	<b>7</b>	<b>117</b>	<b>121</b>	<b>119</b>	<b>128</b>
<b>Resource Cost £000</b>	<b>56</b>	<b>181</b>	<b>4,385</b>	<b>5,246</b>	<b>4,441</b>	<b>5,427</b>

## NON-TEACHING STAFF

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Less than £10,000	45	130	75	112	120	242
£10,000-£25,000	4	21	78	42	82	63
£25,000-£50,000	1	1	46	43	47	44
£50,000-£100,000	-	-	29	46	29	46
£100,000-£150,000	-	-	20	18	20	18
£150,000-£200,000	-	-	8	10	8	10
£200,000-£250,000	-	-	3	2	3	2
£250,000-£300,000	-	-	-	2	-	2
<b>Number of Exit Packages</b>	<b>50</b>	<b>152</b>	<b>259</b>	<b>275</b>	<b>309</b>	<b>427</b>
<b>Resource Cost £000</b>	<b>254</b>	<b>711</b>	<b>10,017</b>	<b>10,528</b>	<b>10,271</b>	<b>11,239</b>
<b>Total Number of Exit Packages</b>	<b>52</b>	<b>159</b>	<b>376</b>	<b>396</b>	<b>428</b>	<b>555</b>
<b>Total Resource Cost £000</b>	<b>310</b>	<b>892</b>	<b>14,402</b>	<b>15,774</b>	<b>14,712</b>	<b>16,666</b>

Non-Teachers' redundancy payments were made in accordance with the ELBs' Scheme for Redundancy in accordance with The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (NI) 2007 as amended.

Teachers' redundancy payments were made in accordance with the Teachers Premature Retirement Compensation Scheme relevant for 2017-18.

Where EA has agreed early retirements, the additional costs are met by EA and not by the pension schemes.

Ill-health retirement costs are met by the pension schemes and are not included in the table.

## ASSEMBLY ACCOUNTABILITY REPORT

### i. Losses and Special Payments

*The following sections are subject to audit*

#### Losses Statement

	2017-18 No. of Cases	2017-18 £000	2016-17 No. of Cases	2016-17 £000
Cash losses	131	44	158	67
Claims abandoned	7	25	21	7
Fruitless payments	5	1	-	-
Stores losses	113	97	266	201
	<b>256</b>	<b>167</b>	<b>445</b>	<b>275</b>

No individual payment exceeded £250,000.

#### Special Payments

	2017-18 No. of Cases	2017-18 £000	2016-17 No. of Cases	2016-17 £000
Redundancy payments	428	14,712	555	16,666
	<b>428</b>	<b>14,712</b>	<b>555</b>	<b>16,666</b>

No individual payment exceeded £250,000.

## ii. Fees and Charges

*The following section is subject to audit*

EA is responsible for the provision of a school meals service to the schools it funds. This is a fee-paying service unless there is an entitlement to a free meal.

In accordance with the revised 'Arrangements for the Provision of Milk, Meals and Related Facilities' issued by DE in March 2011, the charge for a meal for a paying pupil should be sufficient to fully recover the variable costs and make a contribution to fixed costs. This target was achieved in both years.

The information below is in respect of the School Meals Service only and is provided for fees and charges purposes and not for IFRS 8 purposes which is separately disclosed in Note 2 within the Financial Statements.

	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Full cost	70,408	67,890
Less: Income	(31,738)	(32,800)
Rurality Element	(810)	(794)
<b>Net cost</b>	<b>37,860</b>	<b>34,296</b>
Number of paid meals	12,046	12,979
Number of free meals	13,698	14,661
<b>Total number of meals</b>	<b>25,744</b>	<b>27,640</b>
Average Gross Cost per meal	<b>£2.73</b>	<b>£2.46</b>

## iii. Remote Contingent Liabilities

*This section is subject to audit*

Details on contingent liabilities reported within the meaning of IAS 37 are disclosed in Note 23 within the Financial Statements.

There are no additional remote contingent liabilities which are required to be reported.



Gavin Boyd  
Accounting Officer

4 March 2019

Date

## **EDUCATION AUTHORITY**

### **THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

#### **Opinion on financial statements**

I certify that I have audited the financial statements of the Education Authority for the year ended 31 March 2018 under the Education Act (Northern Ireland) 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Education Authority's affairs as at 31 March 2018 and the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Education Act (Northern Ireland) 2014 and Department of Education directions issued thereunder.

#### **Opinion on regularity**

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

#### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Education Authority in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

#### **Other Information**

The Education Authority and Chief Executive are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Remuneration and Staff Report and the Assembly Accountability Report and Audit Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited have been properly prepared in accordance with Department of Education directions made under the Education Act (Northern Ireland) 2014; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Responsibilities of the Education Authority and the Chief Executive for the financial statements**

As explained more fully in the Statement of the Education Authority and Chief Executive's Responsibilities, the Education Authority and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to examine, certify and report on the financial statements in accordance with the Education Act (Northern Ireland) 2014.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, I am 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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and Assembly Accountability Report to be audited are not in agreement with the accounting records; 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 the Department of Finance's guidance.

My report on the Education Authority's overspend of £16.6 million compared with its 2017-18 budget allocation is included on pages 131 to 133.



*KJ Donnelly*

*Comptroller and Auditor General*

*Northern Ireland Audit Office*

*106 University Street*

*Belfast*

*BT7 1EU*

*25 March 2019*



# Financial Statements

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	2017-18 £000	2016-17 £000
Income from sale of goods and services	3	(59,347)	(59,409)
Other operating income	4	(7,166)	(5,605)
<b>Total operating income</b>		<b>(66,513)</b>	<b>(65,014)</b>
Staff costs	5	1,293,188	1,266,503
Purchase of goods and services	6	382,959	334,741
Provision expense	6	952	3,330
Depreciation and impairment charges	7	105,321	89,404
Notional costs	8	3,355	3,188
Other operating expenditure	9	339,967	26,448
<b>Total operating expenditure</b>		<b>2,125,742</b>	<b>1,723,614</b>
<b>Net operating expenditure</b>		<b>2,059,229</b>	<b>1,658,600</b>
Finance expense		17,504	15,970
<b>Net expenditure for the year</b>		<b>2,076,733</b>	<b>1,674,570</b>
Credit in respect of notional costs		(3,355)	(3,188)
<b>Net expenditure transferred to the general reserve</b>		<b>2,073,378</b>	<b>1,671,382</b>
<b>Other comprehensive net expenditure</b>			
<i>Items that will not be reclassified to net operating costs:</i>			
Machinery of Government transfer of net assets	29	-	29
Net gain on revaluation of Property, Plant and Equipment		(197,540)	(42,995)
Net (gain)/loss on revaluation of Intangible assets		(7)	86
Actuarial loss on pension scheme liabilities		8,696	189,860
<b>Comprehensive net expenditure for the year</b>		<b>1,884,527</b>	<b>1,818,362</b>

All amounts above relate to continuing activities.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

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

	Notes	2017-18 £000	2016-17 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	2,147,346	1,993,705
Intangible assets	11	526	720
Trade and other receivables	15	619	128
<b>Total non-current assets</b>		<b>2,148,491</b>	<b>1,994,553</b>
<b>Current Assets</b>			
Assets classified as held for sale	12	356	527
Inventories	14	20,665	12,040
Trade and other receivables	15	55,559	32,257
Cash and cash equivalents	16	19,319	9,122
<b>Total current assets</b>		<b>95,899</b>	<b>53,946</b>
<b>Total assets</b>		<b>2,244,390</b>	<b>2,048,499</b>
<b>Current Liabilities</b>			
Trade and other payables	17	(154,920)	(134,728)
Provisions	18	(2,467)	(3,008)
<b>Total current liabilities</b>		<b>(157,387)</b>	<b>(137,736)</b>
<b>Total assets less current liabilities</b>		<b>2,087,003</b>	<b>1,910,763</b>
<b>Non-current liabilities</b>			
Other payables	17	(141,177)	(145,803)
Provisions	18	(7,321)	(2,522)
Pension liabilities	22	(767,689)	(702,628)
<b>Total non-current liabilities</b>		<b>(916,187)</b>	<b>(850,953)</b>
<b>Total assets less total liabilities</b>		<b>1,170,816</b>	<b>1,059,810</b>
<b>Taxpayers' equity and other reserves</b>			
General Reserve		1,172,323	1,158,886
Pension reserve		(767,689)	(702,628)
Revaluation reserve		766,182	603,552
<b>Total equity</b>		<b>1,170,816</b>	<b>1,059,810</b>

The Financial Statements on pages 86 to 130 were approved by the board on 28 February 2019 and were signed on its behalf by:

Chairperson: 

Date: 4 March 2019

Chief Executive: 

Date: 4 March 2019

## Statement of cash flows for the year ended 31 March 2018

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

	Notes	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>		(2,076,733)	(1,674,570)
<i>Adjustments for non-cash transactions:</i>			
Notional costs	<b>8</b>	3,355	3,188
Depreciation and impairment charges	<b>7</b>	105,321	89,404
Increase in pension liability		56,365	27,819
Loss on disposal of property, plant and equipment	<b>6</b>	7,043	533
Increase in inventories	<b>14</b>	(8,625)	(10,655)
(Increase)/decrease in trade and other receivables			
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	<b>15</b>	(23,793)	8,742
Increase/(decrease) in trade and other payables			
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	<b>17</b>	19,835	(4,210)
Use of provisions	<b>18</b>	4,258	(1,489)
<b>Net cash outflow from operating activities</b>		<b>(1,912,974)</b>	<b>(1,561,238)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(70,351)	(91,390)
Purchase of intangible assets		(182)	(687)
Proceeds of disposal of property, plant and equipment		2,440	2,256
<b>Net cash outflow from investing activities</b>		<b>(68,093)</b>	<b>(89,821)</b>
<b>Cash flows from financing activities</b>			
Grants from sponsoring department		1,995,533	1,671,285
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI (and other service concession) contracts		(4,269)	(14,108)
<b>Net financing</b>		<b>1,991,264</b>	<b>1,657,177</b>
		<b>2017-18 £000</b>	<b>2016-17 £000</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>10,197</b>	<b>6,118</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>9,122</b>	<b>3,004</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>19,319</b>	<b>9,122</b>

## Statement of changes in taxpayer's equity for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Education Authority analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the consolidated fund). The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. The Statement of Comprehensive Net Expenditure (SoCNE) reserve represents the total assets less liabilities of the Authority, to the extent that the total is not represented by other reserves and financing items.

	General Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	<b>1,101,293</b>	<b>(484,949)</b>	<b>590,543</b>	<b>1,206,887</b>
Machinery of Government Transfer	(29)			(29)
Funding from Sponsoring Departments:				
- Recurrent funding	1,584,380	-	-	1,584,380
- Capital funding	88,478	-	-	88,478
- Other funding	382	-	-	382
Capital proceeds surrendered to Sponsoring Department	(1,955)	-	-	(1,955)
Transfers between reserves	57,180	(27,819)	(29,361)	-
Net expenditure transferred to the general reserve	(1,671,382)	-	-	(1,671,382)
Revaluation gains and losses	-	(189,860)	42,909	(146,951)
Disposal of property, plant and equipment	539	-	(539)	-
<b>Balance at 31 March 2017</b>	<b>1,158,886</b>	<b>(702,628)</b>	<b>603,552</b>	<b>1,059,810</b>
Funding from Sponsoring Departments:				
- Recurrent funding	1,931,712	-	-	1,931,712
- Capital funding	65,500	-	-	65,500
- Other funding	343	-	-	343
Capital proceeds surrendered to Sponsoring Department	(2,022)	-	-	(2,022)
Transfers between reserves	86,465	(56,365)	(30,100)	-
Net expenditure transferred to the general reserve	(2,073,378)	-	-	(2,073,378)
Revaluation gains and losses	-	(8,696)	197,547	188,851
Disposal of property, plant and equipment	4,817	-	(4,817)	-
<b>Balance at 31 March 2018</b>	<b>1,172,323</b>	<b>(767,689)</b>	<b>766,182</b>	<b>1,170,816</b>

## 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2017-18 FReM issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the EA for the purpose of giving a true and fair view has been selected. The particular policies adopted by EA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 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, where material, stocks to fair value as determined by the relevant accounting standard.

These accounts have been prepared in pounds sterling and are rounded to the nearest thousand.

### 1.2 RECOGNITION OF INCOME AND FUNDING

#### 1.2.1 Departmental Funding

The main source of funding for the organisation is allocations (grants-in aid) from the Department of Education and the Department for the Economy. All grants-in aid, whether for revenue or capital purposes, are recognised on a cash receipts basis and are treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the organisation, and hence are accounted for as financing i.e. by crediting them to the General Reserve.

#### 1.2.2 Income from Sale of Goods and Services

Income from the sale of goods and services relates directly to the operating activities of the organisation. It principally comprises income from catering activities, in addition to other sources of income. The income is included in the Statement of Comprehensive Net Expenditure to the extent of the completion of the contract or service concerned and is stated net of Value Added Tax (VAT).

#### 1.2.3 Other Operating Income

Other operating income comprises revenue and capital grants received from other bodies. Revenue grants received from other bodies are for specific purposes and are restricted in use. This includes income from the New Opportunities Fund (NOF), European Union (EU) funding and other sources, and is included in the Statement of Comprehensive Net Expenditure to the extent that it matches against the relevant expenditure incurred during the period. Grant income received during the period which is not matched to relevant expenditure incurred during the same period is shown as either accrued or deferred income on the Statement of Financial Position. Where assets are financed by government grant (not a grant from a sponsoring department) or donation (including lottery funding), the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure.

#### 1.2.4 Capital Grants

Government grants (excluding departmental capital funding above) to fund capital assets are recognised in the Statement of Comprehensive Net Expenditure as income. They are recognised when receivable unless there are conditions on their use which, if not met, would result in the grant becoming repayable. In such cases the income is deferred and released when the obligations are met. Where grants have no conditions on their use the income is recognised immediately in the Statement of Comprehensive Net Expenditure.

### 1.3 GRANTS PAYABLE

In line with the FReM, EA recognises grant on the basis of the underlying activity of the recipient as follows:

- ▶ Revenue grants and bursaries are charged to the Statement of Comprehensive Net Expenditure in the year they are paid.
- ▶ Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.

### 1.4 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange at the end of the financial period with all resulting exchange differences being taken to the Statement of Comprehensive Net Expenditure in the period in which they arise.

### 1.5 TAXATION

#### 1.5.1 Corporation Tax

An unintended consequence of the wording of the legislation which established EA brought EA within the scope of Corporation Tax. Legislation was introduced in the Finance Bill 2017-18 to amend the CTA 2010 to include a new section 987B to provide for the new exemption from Corporation Tax for the Education Authority. The measure was retrospective, effective from 1 April 2015 when the Education Authority was established. Therefore EA has not included any provision for Corporation Tax in these accounts.

#### 1.5.2 Value Added Tax (VAT)

A significant proportion of the activities of EA are outside the scope of VAT, however input tax on purchases is recoverable. Irrecoverable VAT is charged to the relevant expenditure category. Where output VAT is charged or input VAT is recoverable, the related amounts within the Statement of Comprehensive Net Expenditure are stated net of recoverable VAT.

### 1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets comprise land, buildings, vehicles, Information Technology, plant and machinery, payments on account and assets under construction.

#### 1.6.1 Recognition

An item of property, plant and equipment is capitalised if:

- ▶ it is held for use in delivering services or for administrative purposes;
- ▶ it is probable that future economic benefits will flow to the organisation;
- ▶ it is expected to be used for more than one financial year;
- ▶ the cost of the item can be measured reliably;
- ▶ the item is computer equipment and has a cost of at least £200;
- ▶ the item is other than computer equipment and has a cost of at least £1,000; and
- ▶ the item is part of the initial furniture and equipment supplied to make a new or refurbished facility fully operational.

On initial recognition, items of property, plant and equipment are measured at cost including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Items classified as 'under construction' are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

## 1.6.2 SCHOOLS ESTATE

### 1.6.2.1 Ownership

Publicly-owned schools and school meals accommodation in the controlled sector are owned by EA and included as non-current assets on the EA Statement of Financial Position. Where school meals accommodation in the maintained sector is owned by EA they are also included as non-current assets on the Statement of Financial Position.

### 1.6.2.2 Valuation of Land and Buildings

All land and buildings assets which are owned by EA are capitalised and included in the statement of financial position at fair value. The basis of valuation for each of the property types are as follows:

Property Type	Asset Category	Basis of Valuation
Offices and stores	Non specialised: operational Land and buildings owner occupied for the purpose of the undertaking	<b>Existing Use Value</b>
Schools	Specialised: operational Land and buildings owner occupied for the purpose of the undertaking	<b>Depreciated Replacement Cost</b>
Surplus assets	Non operational Properties surplus to requirements/ held for sale	<b>Lower of carrying value or market value</b>

Where there is a clear intention to dispose of an asset within the next 12 months, the asset is categorised and shown separately as part of current assets.

Full valuations are made by Land and Property Services (LPS) every five years. The last full valuation was at 31 March 2018 and in the intervening years these valuations are updated using appropriate indices obtained from LPS.

Properties under construction are carried at cost, less any impairment loss. Cost includes professional fees and other directly attributable costs necessary to bring the asset into use. Completed building projects are capitalised but not depreciated until brought into use.

### 1.6.2.3 Reversionary Trusts

Included within the Schools' Estate are assets held on Reversionary Trusts. These are properties which will revert to the ownership of trustees if they cease to be used as specified in the deeds of ownership.

### 1.6.3 ASSETS OTHER THAN LAND AND BUILDINGS

Assets other than land and buildings are carried at fair value. Fair values are updated annually using appropriate indices or professional valuations.

Non land and buildings assets under construction are carried at cost, less any impairment loss. Cost includes professional fees and other directly attributable costs necessary to bring the asset into use. Completed projects are capitalised but not depreciated until brought into use.

### 1.6.4 DEPRECIATION

Depreciation is not provided on the following assets:

- ▶ **freehold land**, due to the unlimited or very long useful life normally associated with land;
- ▶ **assets under construction**, which are not depreciated until they are brought into use; and
- ▶ assets which meet the definition of '**held for sale**', which are shown as part of current assets.

Depreciation is provided for all other items of property, plant and equipment having a finite useful life, by allocating the cost (or revalued amount), less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted over the revised remaining economic life where appropriate.

All assets are depreciated on a straight line basis over their expected useful lives. A full month's depreciation is charged in the period of acquisition/commissioning and no depreciation charged in the month of disposal.

The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually:

Asset Class	Asset Sub-class	Asset Life
Lands	Land	Not depreciated
Buildings	Permanent Buildings	50 years
	Modular Buildings	40 years
	Temporary Buildings	15 years
Computers	Hardware & Software	3 years
Plant & Equipment	Machinery	15 years
	Music Equipment	10 years
	General and Other	10 years
	Reprographics	7 years
	Grounds Maintenance	7 years
Vehicles	Cleaning	7 years
	>33 Seater Mini-buses	14 years
	33 Seater Mini-buses	10 years
	Grounds Maintenance	7 years
	Small Mini-buses	5 years
	Vans	5 years
Cars	4 years	

## 1.7 INTANGIBLE ASSETS

Intangible assets comprise software and software licences.

### 1.7.1 Recognition

Intangible assets are non-financial non-current assets that do not have physical substance but are identifiable and are controlled by EA through custody or legal rights.

**An intangible is capitalised if:**

- ▶ it is held for use in delivering services or for administrative purposes;
- ▶ it is probable that future economic benefits will flow to the organisation;
- ▶ it is expected to be used for more than one financial year;
- ▶ the cost of the item can be measured reliably; and
- ▶ the item has a cost of at least £1,000.

On initial recognition, intangible assets are measured at cost. Subsequently, they are carried at fair value which is estimated by restating the value annually by reference to appropriate indices.

### 1.7.2 Amortisation

Amortisation is provided for all intangible non-current assets with a finite useful life, by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. Useful lives are estimated on a realistic basis, reviewed annually and adjusted over the revised remaining economic life where appropriate.

The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually:

Asset Class	Asset Sub-Class	Asset Life
Intangible Assets	Software Licences	3 years

## 1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses. Assets classified as held for sale are not depreciated.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual or customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated.

Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

## 1.9 IMPAIRMENT LOSSES

An asset is impaired if its carrying amount exceeds the value to be recovered through use or sale of the asset.

If an impairment loss arises which has not resulted from a loss of economic value or service potential the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Statement of Comprehensive Net Expenditure. Impairment losses that arise from a clear consumption of economic benefits or service potential are charged in full to the Statement of Comprehensive Net Expenditure with an amount up to the value of the impairment being transferred from the revaluation reserve to the general reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been carried had there been no initial impairment loss. The reversal of the impairment loss is credited to the Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged there and then to the revaluation reserve.

## 1.10 INVENTORIES

Inventories are stated at fair value which is the lower of current cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

As part of a wider review of the EA business and improvement in financial management, an additional category of inventories (Schools' stocks) has been recognised for the first time in 2017-18. The total value of these items is £9,336k. The inclusion of these items provides more reliable and relevant information on EA's financial position and in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the inclusion of these items within inventory for the first time is deemed to be a change in accounting policy.

IAS 8 provides for situations where it is impracticable to apply a change in accounting policy retrospectively. In this case it is not possible to determine the effect on the opening and closing balance sheets for prior periods and the change has therefore been applied in the current period.

## 1.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash-in-hand and deposits with banks.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## 1.12 PROVISIONS

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Provisions are recognised when:

- ▶ EA has a present obligation as a result of a past event;
- ▶ it is probable that EA will be required to settle the obligation; and
- ▶ a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 1.13 EMPLOYEE BENEFITS

Under the requirements of IAS 19 Employee Benefits the cost of providing employee benefits is recorded in the Statement of Comprehensive Net Expenditure in the period in which the benefit is earned by the employee, rather than when it is paid or payable. This is applicable to both short term and long term benefits and comprises the cost of any untaken leave that has been earned at the year end.

### 1.14 PENSION SCHEME

EA's employees belong to two principal schemes:

- ▶ the Teachers' Superannuation Scheme (TSS); and
- ▶ the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC).

#### 1.14.1 The Teachers' Superannuation Scheme (TSS)

The Teachers' Superannuation Scheme is an unfunded contributory scheme administered by the Department of Education. The conditions of the Superannuation (NI) Order 1972, the Teachers' Superannuation Regulations (NI) 1977 and subsequent amendments apply to the scheme.

The rate of the employer's contribution is determined from time to time by the Government actuary and advised by the Department of Finance. The TSS is a multi-employer defined benefit scheme and EA is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TSS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year in the Statement of Comprehensive Net Expenditure.

A separate set of Annual Scheme Statements are prepared for the Teachers Superannuation Scheme.

#### 1.14.2 The Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC)

The Northern Ireland Local Government Officers' Superannuation Committee Scheme is a defined benefit scheme, the assets of the schemes being held in separate trustee-administered funds. EA's contribution to the Northern Ireland Local Government Pension Scheme is determined by the fund's actuary, based on a triennial valuation. The scheme is administered by NILGOSC, Holywood Road, Belfast.

The latest formal valuation of the fund for the purpose of setting employer's actual contributions was at 31 March 2016. The fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the last formal valuation date.

The current funding level is 96% at 31 March 2016 (91% at 31 March 2013) leaving a funding shortfall of £262.6m. The aggregate Employer total contribution rate required to restore the funding to 100% using a recovery period of 20 years from 1 April 2017, is 21% of Pensionable Pay (if the membership remains broadly stable and pay increases are in line with assumptions). The contributions payable by each Employer may differ because they allow for each Employer's membership profile and funding ratio, and assumption and recovery periods appropriate to their circumstances.

From 1 April 2017, the EA Employer contribution rate reduced to 18%, increasing to 19% from 1 April 2018 and 20% from 1 April 2019. EA will also make an additional lump sum contribution to address the shortfall for past service liabilities totalling £4.8million per annum during 2017-18, 2018-19 and 2019-20.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method and are accounted for on the basis of charging the cost of providing pensions over the period during which EA benefits from the employee's services. Variations from regular cost are spread over the expected average remaining working lives of members of the scheme after making allowances for future withdrawals.

In accordance with IAS 19 'Retirement Benefits', the in-year movement in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by EA are charged to the Statement of Comprehensive Net Expenditure or the Statement of Changes in Taxpayers' Equity.

### **1.15 RESERVES**

The General Reserve represents the accumulated financial position of EA.

The Pension Reserve represents the cumulative balance on the NILGOSC pension fund.

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

Increases arising on revaluation are taken to the revaluation reserve except when it reverses a revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Net Expenditure, in which case it is credited to the Statement of Comprehensive Net Expenditure to the extent of the decrease was previously charged there.

A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Statement of Comprehensive Net Expenditure.

### **1.16 FINANCE AND OPERATING LEASES**

Leases are classified as either a finance lease or an operating lease depending on the substance of the agreement.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Finance leases are treated as if the asset had been purchased outright. The related assets are included in non-current assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the useful lives of equivalent owned assets.

An operating lease is a lease other than a finance lease. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal annual amounts over the lease term.

IAS 17 requires lessees to recognise finance leases as assets and liabilities in the Statement of Financial Position. Included within assets in the Statement of Financial Position are a number of long leaseholds recognised using the 'risks and rewards' principle but for which no corresponding liability is included.

## 1.17 PRIVATE FINANCE INITIATIVE (PFI) TRANSACTIONS

### 1.17.1 On Statement of Financial Position PFI Contracts

The PFI transactions of EA are assessed against IFRIC 12, Service Concession Arrangements. To be within the scope of IFRIC 12, the service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor (EA).

The PFI transaction is deemed to be a service concession within the meaning of IFRIC 12 from EA's viewpoint where there is infrastructure and EA controls:

- ▶ or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- ▶ through beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement (or there is no residual interest).

In these cases EA recognises the infrastructure as a non-current asset and values it in the same way as other non-current assets of that generic type. The liability to pay for the infrastructure is also recorded on the Statement of Financial Position. The initial amount recorded for the asset and liability is the fair value of the infrastructure asset. Subsequently, the asset is depreciated over the useful economic life of the class of assets to which it has been assigned and the associated liability is reduced as payments for the asset are made. An imputed finance charge on the liability is recorded in subsequent years using a property – specific rate. The remainder of the PFI payments (i.e. the full payments, less the capital repayment and the imputed finance charge) are recorded as an operating cost. Other obligations which exist in relation to the PFI contract are accounted for in accordance with IAS 37 Provisions, Contingent liabilities and contingent assets.

EA recognises the asset when it comes into use. In cases where EA has made contributions to the operator in advance of the asset coming into use, these contributions are shown within prepayments and amortised to the Statement of Comprehensive Net Expenditure in equal amounts over the assets useful life.

### 1.17.2 Off Statement of Financial Position PFI Contracts

PFI contracts that do not transfer any of the risks and rewards associated with ownership of the asset to EA are treated in the same way as an operating lease i.e. rental payments are charged to the Statement of Comprehensive Net Expenditure in equal annual amounts over the lease term.

## 1.18 FINANCIAL INSTRUMENTS

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.

### 1.18.1 Financial Assets

Financial assets are recognised in the Statement of Financial Position when EA becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered.

Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

Financial assets are classified into two categories: 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Available for Sale Financial Assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Statement of Comprehensive Net Expenditure on de-recognition.

### **Loans and Receivables**

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Receivables are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for financial assets other than trade receivables, where the carrying amount is reduced through an allowance for irrecoverable debts, changes in which are recognised in the Statement of Comprehensive Net Expenditure.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **1.18.2 Financial Liabilities**

Financial liabilities are recognised in the Statement of Financial Position when EA becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received.

Financial liabilities are initially recognised at fair value.

Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

### 1.18.3 Risk Management

The principal financial risks to which EA is exposed follow below.

#### Liquidity Price Risk

EA's net revenue resource requirements are largely financed by grants from its sponsoring Departments, just as its capital expenditure is. EA is not therefore exposed to significant liquidity risks.

#### Credit Risk

As the majority of EA's income comes from contracts with other public sector bodies, EA has low exposure to credit risk.

#### Foreign Currency Risk

EA's exposure to foreign currency risk is not significant. Foreign currency income and expenditure are negligible.

#### Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. EA's financial assets and liabilities carry nil or fixed rates of interest. EA is not, therefore, exposed to significant interest rate risk.

## 1.19 CONTINGENCIES

Under IAS 37, the organisation discloses contingent liabilities where there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

## 1.20 ESTIMATION TECHNIQUES

### 1.20.1 Financial Instruments - Fair Value Adjustment

The fair value adjustment of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value.

### 1.20.2 Employee Benefits

The estimation technique employed in the calculation of employee benefits is disclosed in Note 1.13.

### 1.20.3 Provisions

The estimation technique employed in the calculation of provisions is enclosed in Note 1.12.

## 1.21 OPERATING SEGMENTS

IFRS 8 operating segments requires the identification of operating segments on the basis of internal reports that are regularly reviewed by EA's Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and assess its performance.

Disclosures in line with IFRS 8 have been made within Note 2 to the accounts.

## **1.22 EARLY DEPARTURE COSTS**

### **1.22.1 Non-Teaching**

Non-Teaching redundancy payments were made in accordance with the Education and Library Boards' Scheme for Redundancy in accordance with The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (NI) 2007, as amended.

Where EA has agreed early retirements, the additional costs are met by the authority and not by the pension schemes.

### **1.22.2 TEACHING**

Teachers' redundancy payments were made in accordance with the Teachers Premature Retirement Compensation Scheme relevant for 2017-18.

## **1.23 CONTINGENT LIABILITIES**

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

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

## **1.24 NEW ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE**

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

## 2 STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

The chief operating decision-maker is the senior management team made up of the Chief Executive, and senior officers of EA.

Monthly Expenditure Monitoring Reports (MEMRs) detailing net expenditure for the month and cumulative expenditure are provided to the Department of Education and reported on a monthly basis to the Finance and General Purposes Committee. Information on assets and liabilities are not reported monthly, and are therefore not included in this note. Items requiring disclosure which are not separately identified by service have been included in total.

The following services represent the required 75% of funding for disclosure; and are selected based on the level of expenditure incurred, in-year (including all segments representing over 10% of total funding) until the required 75% is reached.

### Schools' Delegated Budget

This represents the funding delegated directly to the schools in the EA area through the Common Funding Formula, plus later in-year delegations of funding, for example earmarked initiatives.

### Earmarked Funds

EA is allocated funding for specific initiatives that cannot be spent on any other purpose e.g. Entitlement Framework, Extended Schools, Education Other Than at School and Landlord Maintenance.

### Children & Young People's Service

The Children and Young People's Service provides a range of support services for children with special educational needs ensuring that the best possible opportunities are provided for them to learn and develop. These services include:

- ▶ special schools;
- ▶ special education in mainstream schools;
- ▶ educational psychology;
- ▶ education welfare and child protection;
- ▶ behaviour support;
- ▶ Education Otherwise Than At School (EOTAS); and
- ▶ pupil personal development services.

### Other

Other includes all those services not requiring individual disclosure and does not include any services which exceed 10% of total funding.

EA's financial position at the year ended 31 March 2018 is analysed between these services as follows:

	<b>Schools' Delegated Budget</b>	<b>Earmarked/ ring fenced</b>	<b>Children &amp; Young People's Services</b>	<b>Other</b>	<b>2017-18 Total</b>
	£000	£000	£000	£000	£000
Gross Expenditure	1,180,798	78,410	247,010	452,489	1,958,707
Income	(11,508)	-	(3,451)	(44,388)	(59,347)
<b>Net Expenditure</b>	<b>1,169,290</b>	<b>78,410</b>	<b>243,559</b>	<b>408,101</b>	<b>1,899,360</b>

**RECONCILIATION BETWEEN OPERATING SEGMENTS AND SOCNE**

	<b>Schools' Delegated Budget</b>	<b>Ear-marked/ ring fenced</b>	<b>Children &amp; Young People's Services</b>	<b>Other</b>	<b>2017-18 Total</b>
	£000	£000	£000	£000	£000
<b>Total net expenditure reported for operating segments</b>	<b>1,169,290</b>	<b>78,410</b>	<b>243,559</b>	<b>408,101</b>	<b>1,899,360</b>
Reconciling items:					
Notional costs	-	-	-	3,355	3,355
Depreciation and Impairment charges	-	-	-	105,321	105,321
IAS19 pension costs	-	-	-	56,365	56,365
(Profit)/loss on disposal of property, plant & equipment	-	-	-	7,043	7,043
Movement in Provisions	-	-	-	4,257	4,257
PFI Dual Reporting Adjustment	-	-	-	1,937	1,937
Other non-cash items	-	-	-	(1,247)	(1,247)
DAERA recurrent grant	-	-	-	342	342
<b>Total net expenditure per Statement of Comprehensive Net Expenditure</b>	<b>1,169,290</b>	<b>78,410</b>	<b>243,559</b>	<b>585,474</b>	<b>2,076,733</b>

	Schools' Delegated Budget	Earmarked/ ring fenced	Children & Young People's Services	Other	2016-17 Total
	£000	£000	£000	£000	£000
Gross Expenditure	907,904	82,199	232,685	399,127	1,621,915
Income	(7,787)	(24)	(3,500)	(48,098)	(59,409)
<b>Net Expenditure</b>	<b>900,117</b>	<b>82,175</b>	<b>229,185</b>	<b>351,029</b>	<b>1,562,506</b>

RECONCILIATION BETWEEN OPERATING SEGMENTS AND SOCNE

	Schools' Delegated Budget	Earmarked/ ring fenced	Children & Young People's Services	Other	2016-17 Total
	£000	£000	£000	£000	£000
<b>Total net expenditure reported for operating segments</b>	<b>900,117</b>	<b>82,175</b>	<b>229,185</b>	<b>351,029</b>	<b>1,562,506</b>
Reconciling items:					
Notional costs	-	-	-	3,188	3,188
Depreciation and Impairment charges	-	-	-	89,404	89,404
IAS19 pension costs	-	-	-	27,819	27,819
(Profit)/loss on disposal of property, plant & equipment	-	-	-	533	533
Movement in Provisions	-	-	-	(1,489)	(1,489)
PFI Dual Reporting Adjustment	-	-	-	(8,025)	(8,025)
Other non-cash items	-	-	-	253	253
DAERA recurrent grant	-	-	-	381	381
<b>Total net expenditure per Statement of Comprehensive Net Expenditure</b>	<b>900,117</b>	<b>82,175</b>	<b>229,185</b>	<b>463,093</b>	<b>1,674,570</b>

### 3 INCOME FROM SALE OF GOODS AND SERVICES

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Catering operations	33,007	34,910
Recoupment of costs	11,746	8,681
Tuition fees	3,487	4,285
Letting of halls	1,036	875
Outdoor education charges	1,178	1,398
Other income generating activities	6,588	4,571
Miscellaneous	2,305	4,689
	<b>59,347</b>	<b>59,409</b>

### 4 OTHER OPERATING INCOME

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
European funds	575	15
New Opportunities Fund/Big Lottery	23	88
Capital Income	1,061	-
Other Grants	5,507	5,502
	<b>7,166</b>	<b>5,605</b>

## 5 STAFF COSTS

Staff Costs comprise:

	Permanent staff	Temporary Staff **	Others	2017-18 Total	2016-17 Total
	£000	£000	£000	£000	£000
<b>Teaching</b>					
Wages and salaries	566,526	74,038	-	640,564	634,602
Social Security costs	64,911	6,770	-	71,681	67,956
Other pension costs	100,141	12,124	-	112,265	111,373
Other employee expenses	18,485	-	-	18,485	19,433
	750,063	92,932	-	842,995	833,364
Less recoveries in respect of outward secondments	-	-	-	-	-
	750,063	92,932	-	842,995	833,364
<b>Non-Teaching (including Board Members)</b>					
Wages and salaries	202,554	157,147	1,109	360,810	345,815
Social Security costs	14,822	7,702	-	22,524	20,674
Pension costs	36,450	19,237	-	55,687	54,448
Other employee expenses	10,359	1,064	-	11,423	12,407
	264,185	185,150	1,109	450,444	433,344
Less recoveries in respect of outward secondments	(194)	(57)	-	(251)	(205)
	263,991	185,093	1,109	450,193	433,139
<b>TOTAL</b>	<b>1,014,054</b>	<b>278,025</b>	<b>1,109</b>	<b>1,293,188</b>	<b>1,266,503</b>

\*\* "Temporary Staff" are defined within EA as those members of staff who are in a temporary post, not necessarily on a temporary contract.

Further detail in relation to staff costs can be found in the Staff Report within the Accountability Report.

## 6 PURCHASE OF GOODS AND SERVICES

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Premises and grounds costs	90,407	88,636
Supplies and services	149,247	141,003
Transport costs	77,441	70,608
Establishment costs	13,450	15,333
Miscellaneous	6,510	6,779
<b>Non-cash items:</b>		
Pension Costs	38,861	11,849
Loss on disposal of property, plant and equipment	7,043	533
Provisions provided for in year	4,947	4,107
Provisions not required written back	(3,995)	(777)
	<b>383,911</b>	<b>338,071</b>

<b>Purchase of goods and services includes:</b>	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Rentals under operating leases – Land & Buildings	295	559
Rentals under operating leases – Other	830	834
PFI (and other service concession arrangements) service	25,231	47,858
Charges (Note 21)	1	3
Interest charges	147	136
Hospitality	1	3
	<b>26,504</b>	<b>49,390</b>

During the year EA purchased £nil (2016-17 £nil) non-current services from its auditor.

## 7 DEPRECIATION AND IMPAIRMENT CHARGES

	2017-18	2016-17
	£000	£000
Depreciation of property, plant and equipment	101,964	101,611
Amortisation of intangible assets	384	306
Deficit/(surplus) on revaluation of property, plant and equipment	2,973	(12,513)
	<b>105,321</b>	<b>89,404</b>

## 8 NOTIONAL COSTS

	2017-18	2016-17
	£000	£000
Auditors' remuneration	140	160
Land and Property Services	-	1
Teachers' payroll	3,215	3,027
	<b>3,355</b>	<b>3,188</b>

## 9 OTHER OPERATING EXPENDITURE

	2017-18	2016-17
	£000	£000
		<b>Restated</b>
<b>Grants payable:</b>		
Voluntary Grammar/ Grant Maintained Integrated Schools	311,681	-
Department of Health & Social Care	4,629	3,384
Department of Agriculture, Environment and Rural Affairs	341	381
Other	23,316	22,683
	<b>339,967</b>	<b>26,448</b>

On 1 April 2017 EA took over the funding Authority responsibility for Voluntary Grammar and Grant Maintained Integrated schools.

10 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles	Information Technology	Plant & Machinery	Payments on Account & Assets under Construction	Total
2017-18	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 April 2017	395,862	1,770,459	87,165	91,129	62,418	51,262	2,458,295
Additions	(72)	29,575	3,909	7,958	9,545	19,437	70,352
Asset Transfer	-	43,667	149	4	213	(44,033)	-
Disposals	(11)	(10,169)	(4,815)	(35)	(163)	-	(15,193)
Revaluation	48,103	(228,840)	3,319	621	826	-	(175,971)
Transferred to non-current assets held for sale	(1,547)	-	-	-	-	-	(1,547)
<b>At 31 March 2018</b>	<b>442,335</b>	<b>1,604,692</b>	<b>89,727</b>	<b>99,677</b>	<b>72,839</b>	<b>26,666</b>	<b>2,335,936</b>
<b>Depreciation</b>							
At 1 April 2017	-	295,936	59,087	71,046	38,521	-	464,590
Charge in year	-	80,231	6,895	10,151	4,687	-	101,964
Disposals	-	(2,486)	(4,739)	(35)	(157)	-	(7,417)
Revaluation	-	(373,681)	2,295	310	529	-	(370,547)
Transferred to non-current assets held for sale	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>63,538</b>	<b>81,472</b>	<b>43,580</b>	<b>-</b>	<b>188,590</b>
<b>Carrying Amount at 31 March 2018</b>	<b>442,335</b>	<b>1,604,692</b>	<b>26,189</b>	<b>18,205</b>	<b>29,259</b>	<b>26,666</b>	<b>2,147,346</b>
<b>Carrying Amount at 31 March 2017</b>	<b>395,862</b>	<b>1,474,523</b>	<b>28,078</b>	<b>20,083</b>	<b>23,897</b>	<b>51,262</b>	<b>1,993,705</b>

	Land	Buildings	Vehicles	Information Technology	Plant & Machinery	Payments on Account & Assets under Construction	Total
<b>2017-18 Asset Financing</b>	£000	£000	£000	£000	£000	£000	£000
Owned	418,894	1,320,127	26,189	18,205	29,259	26,666	1,839,340
Long Leasehold	23,346	109,931	-	-	-	-	133,277
On-Balance Sheet (SoFP) PFI (and other service concession arrange- ments)	95	174,634	-	-	-	-	174,729
Carrying Amount at 31 March 2018	442,335	1,604,692	26,189	18,205	29,259	26,666	2,147,346

	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Information Technology</b>	<b>Plant &amp; Machinery</b>	<b>Payments on Account &amp; Assets under Construction</b>	<b>Total</b>
<b>2016-17</b>	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 April 2016	377,525	1,675,661	85,767	72,983	54,197	40,489	2,306,622
Additions	847	31,911	1,885	16,707	7,247	33,862	92,459
Asset Transfer	-	23,089	-	-	-	(23,089)	-
Disposals	(33)	(845)	(2,534)	(109)	(695)	-	(4,216)
Revaluation	19,169	41,674	2,047	1,548	1,669	-	66,107
Impairments	(110)	(1,031)	-	-	-	-	(1,141)
Transferred to non-current assets held for sale	(1,536)	-	-	-	-	-	(1,536)
<b>AT 31 MARCH 2017</b>	<b>395,862</b>	<b>1,770,459</b>	<b>87,165</b>	<b>91,129</b>	<b>62,418</b>	<b>51,262</b>	<b>2,458,295</b>
<b>Depreciation</b>							
At 1 April 2016	-	212,493	53,404	56,747	34,094	-	356,738
Charge in year	-	77,551	6,770	13,305	3,985	-	101,611
Disposals	-	(177)	(2,428)	(109)	(653)	-	(3,367)
Revaluation	-	6,109	1,341	1,103	1,095	-	9,648
Impairments	-	(40)	-	-	-	-	(40)
Transferred to non-current assets held for sale	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>-</b>	<b>295,936</b>	<b>59,087</b>	<b>71,046</b>	<b>38,521</b>	<b>-</b>	<b>464,590</b>
<b>Carrying Amount at 31 March 2017</b>	<b>395,862</b>	<b>1,474,523</b>	<b>28,078</b>	<b>20,083</b>	<b>23,897</b>	<b>51,262</b>	<b>1,993,705</b>
<b>Carrying Amount at 31 March 2016</b>	<b>377,525</b>	<b>1,463,168</b>	<b>32,363</b>	<b>16,236</b>	<b>20,103</b>	<b>40,489</b>	<b>1,949,884</b>

	Land	Buildings	Vehicles	Information Technology	Plant & Machinery	Payments on Account & Assets under Construction	Total
<b>2016-17 Asset Financing</b>	£000	£000	£000	£000	£000	£000	£000
Owned	375,327	1,206,615	28,078	20,083	23,897	51,262	1,705,262
Long Leasehold	20,456	104,110	-	-	-	-	124,566
On-Balance Sheet (SoFP) PFI (and other service concession arrangements)	79	163,798	-	-	-	-	163,877
Carrying Amount at 31 March 2017	<b>395,862</b>	<b>1,474,523</b>	<b>28,078</b>	<b>20,083</b>	<b>23,897</b>	<b>51,262</b>	<b>1,993,705</b>

A full revaluation exercise of all land and buildings assets was carried out by Land and Property Services during the 2017-18 financial year to provide an updated valuation as at 31 March 2018. The next scheduled valuation will be as at 31 March 2023.

Valuations in respects of assets other than land and buildings are updated annually using appropriate indices or professional valuations.

Should non-current assets be sold, proceeds from the sale can only be retained with the approval of the Departments and otherwise must be surrendered to the Departments.

The net book value of property, plant and equipment includes an amount of £15,713k (2017: £13,266k) in respect of assets held in Reversionary Trusts i.e. if properties cease to be used as specified in the deeds they will revert to the ownership of the trustees.

The net book value of property, plant and equipment noted above does not include maintained schools, apart from school meals kitchens accommodation operating on these sites, which are owned by EA. The ownership of maintained schools rests with the trustees. In 2017-18 there were 489 such schools (2016-17: 495).

The net book value of property, plant and equipment includes an amount of £nil in respect of donated assets.

## 11 INTANGIBLE ASSETS

<b>2017-18</b>	<b>Software Licences</b>
	£000
<b>Cost or valuation</b>	
At 1 April 2017	1,771
Additions	183
Asset Transfer	-
Disposals	-
Impairments	-
Revaluation	17
<b>At 31 March 2018</b>	<b>1,971</b>
<b>Amortisation</b>	
At 1 April 2017	1,051
Charged in year	384
Disposals	-
Impairments	-
Revaluation	10
<b>At 31 March 2018</b>	<b>1,445</b>
<b>Carrying Amount at 31 March 2018</b>	<b>526</b>
<b>Carrying Amount at 31 March 2017</b>	<b>720</b>
<b>Asset Financing</b>	
Owned	526
Finance Leased	-
<b>Carrying Amount at 31 March 2018</b>	<b>526</b>

11 INTANGIBLE ASSETS (continued)

2016-17	Software Licences £000
<b>Cost or valuation</b>	
At 1 April 2016	1,032
Transferred from Property, Plant and Equipment	687
Additions	
Asset Transfer	-
Disposals	(1)
Impairments	-
Revaluation	53
<b>At 31 March 2017</b>	<b>1,771</b>
<b>Amortisation</b>	
At 1 April 2016	713
Charged in year	306
Disposals	(1)
Impairments	-
Revaluation	33
<b>At 31 March 2017</b>	<b>1,051</b>
<b>Carrying Amount at 31 March 2017</b>	<b>720</b>
<b>Carrying Amount at 31 March 2016</b>	<b>319</b>
<b>Asset Financing</b>	
Owned	720
Finance Leased	-
<b>Carrying Amount at 31 March 2017</b>	<b>720</b>

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

	<b>Land</b> £000
<b>Opening balance at 1 April 2016</b>	<b>885</b>
Assets classified as held for sale in the year	1,536
Revaluation	46
Assets sold in the year	(1,940)
Impairment of assets held for sale	-
Enhancements	-
<b>Closing balance at 31 March 2017</b>	<b>527</b>
Assets classified as held for sale in the year	1,547
Revaluation	(10)
Assets sold in the year	(1,708)
<b>Closing balance at 31 March 2018</b>	<b>356</b>

**All assets classified as held for sale meet the under noted conditions:**

- ▶ committed to a plan to sell;
- ▶ active program to locate a buyer initiated;
- ▶ actively marketed for sale;
- ▶ available for sale in present condition; and
- ▶ expected to be disposed of within 12 months of being classified as “non-current assets held for sale”.

**Assets sold in the year comprised the following:**

- ▶ land at Tyrella PS;
- ▶ land at Lisnasharragh HS;
- ▶ land at Taughmonagh YC;
- ▶ land at Garvagh HS;
- ▶ land at Newtownabbey HS;
- ▶ land at Beechgrove Special School;
- ▶ land at Dunfane Special School;
- ▶ land at Keady PS; and
- ▶ land at DumlegaghPS

**At 31 March 2018 non-current assets held for sale comprise:**

- ▶ land and buildings at Faughan Valley HS;
- ▶ land and buildings at former Ballymoney Music Centre; and
- ▶ land at Turf Lodge Youth Club.

### 13 IMPAIRMENTS

	<b>2017-18</b> £000	<b>2016-17</b> £000
Charged/(Credited) to the Statement of Comprehensive Net Expenditure (Note 7)	2,973	(12,513)
Credited to the Revaluation Reserve	-	-
	<b>2,973</b>	<b>(12,513)</b>

### 14 INVENTORIES

	<b>2017-18</b> £000	<b>2016-17</b> £000
Catering	700	770
Maintenance and central depots	649	614
Musical instruments and book stock	9,980	10,656
Schools' Stock	9,336	-
	<b>20,665</b>	<b>12,040</b>

As part of a wider review of the EA business and improvement in financial management, an additional category of inventory (Schools' Stock) has been recognised for the first time in 2017-18. The total value of these items is £9,336k. Whilst not all schools provided stock counts, the inclusion of these items provides more reliable and relevant information on EA's financial position and in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the inclusion of these items within inventory for the first time is deemed to be a change in accounting policy.

IAS 8 provides for situations where it is impracticable to apply a change in accounting policy retrospectively. In this case it is not possible to determine the effect on the opening and closing balance sheets for prior periods and the change has therefore been applied in the current period.

## 15 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Amounts falling due within one year:		
Trade receivables	6,191	6,405
Other receivables	15	42
Prepayments and accrued income	43,368	15,688
Recoverable VAT: HMRC	5,985	10,122
<b>Total</b>	<b>55,559</b>	<b>32,257</b>
Amounts falling due after more than one year:		
Amounts falling due after more than one year:		
Trade receivables	619	128
<b>Total</b>	<b>619</b>	<b>128</b>

## 16 CASH AND CASH EQUIVALENTS

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Balance at 1 April	9,122	3,004
Net change in cash and cash equivalent balances	10,197	6,118
Balance at 31 March	19,319	9,122
The following balances at 31 March were held at:		
Commercial banks and cash in hand	19,319	9,122
<b>Balance at 31 March</b>	<b>19,319</b>	<b>9,122</b>

**17 TRADE PAYABLES AND OTHER LIABILITIES**

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Amounts falling due within one year:		
Trade payables	30,519	16,168
Other payables	1,300	3,810
Accruals and deferred income	106,616	99,195
Current part of imputed finance lease element of on-balance sheet (SOFP) PFI contracts	11,900	11,900
Other taxation and Social Security: HMRC	4,585	3,655
<b>Total</b>	<b>154,920</b>	<b>134,728</b>
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	835	1,192
Imputed finance lease element of on-balance sheet (SOFP) PFI contracts	140,342	144,611
<b>Total</b>	<b>141,177</b>	<b>145,803</b>

## 18 PROVISIONS FOR LIABILITIES AND CHARGES

2017-18	Employer & Public Liability Claims	Job Evaluation	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2017	4,356	269	905	5,530
Provided in the year	4,609	15	5,649	10,273
Provisions not required written back	(3,357)	-	(638)	(3,995)
Provisions utilised in the year	(1,889)	-	(131)	(2,020)
Balance at 31 March 2018	<b>3,719</b>	<b>284</b>	<b>5,785</b>	<b>9,788</b>

### Analysis of expected timing of discounted cash flows

2017-18	Employer & Public Liability Claims	Job Evaluation	Other	Total
	£000	£000	£000	£000
Not later than one year	1,564	284	619	2,467
Later than one year and not later than five	2,155	-	3,308	5,463
Later than five years	-	-	1,858	1,858
Balance at 31 March 2018	<b>3,719</b>	<b>284</b>	<b>5,785</b>	<b>9,788</b>

### **Employer and Public Liability Claims**

These are claims against EA submitted by members of staff and/or the public in relation to accidents or incidents, which have happened before the statement of financial position date. Claims which are not considered dormant or statute barred by the passage of time since being lodged, but have progressed sufficiently to allow an estimated 'settlement' figure to be calculated, are included in the provision. Estimates are calculated by reference to analysis of previous claims of a similar type, the previous history of successful settlements and professional judgement.

The possible timing of payments in settlement of such cases is uncertain; it is plaintiff driven and the case's progress is dependent on individual circumstances of that case. As a case progresses and more information becomes available the amount of the estimated 'settlement' figure may in subsequent years be revised up or down.

### **Job Evaluation**

This provision refers to employees, whose posts are due to be evaluated under the job evaluation scheme. As a result, employees may be re-graded to a higher grade and therefore entitled to a higher salary from the date additional duties were undertaken. The provision is made only in respect of those employee categories where it is probable that a liability will arise and where EA is able to make a reasonable estimation of the arrears liability.

The timing of payments is likely to vary for the different categories of staff. However, EA makes every effort to progress such payments as soon as possible, once union and individual agreement has been formally reached.

The level of information available on which to base estimates for arrears increases the closer a staff category is to completion of the job evaluation process.

### **Other**

The provision refers to industrial tribunal cases pending and sundry legal costs.

### **Premature Retirement for Teachers**

As directed by DE, with the consent of DoF, a provision has not been included in EA's accounts for future liabilities in respect of existing teacher premature retirement cases. It is agreed that any assessment of future financial liabilities in this regard should be reflected in the Teachers' Superannuation Account (part of the Departmental Accounting structure).

The in-year charge in respect of such cases as well as requisite employer superannuation contributions is charged to EA's Statement of Comprehensive Net Expenditure. In that respect the number of premature retirement compensation cases at March 2018 was 6,044.

## 19 CAPITAL COMMITMENTS

	2017-18 £000	2016-17 £000
Contracted capital commitments at 31 March 2018 not otherwise included in these financial statements:		
Property, plant and equipment	72,576	161,640
	<b>72,576</b>	<b>161,640</b>

## 20 COMMITMENTS UNDER LEASES

### 20.1 Operating Leases

£1,125k (2016-17: £1,393k) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2017-18 £000	2016-17 £000
Obligations under operating leases for the following periods comprise:		
Land		
Not later than one year	79	90
Later than one year and not later than five years	147	122
Later than five years	86	98
	312	310
Buildings		
Not later than one year	256	205
Later than one year and not later than five years	206	292
Later than five years	321	25
	783	522
Other		
Not later than one year	844	798
Later than one year and not later than five years	1,238	1,322
Later than five years	-	-
	2,082	2,120
<b>TOTAL</b>	<b>3,177</b>	<b>2,952</b>

In addition to the above, DE has leased Arvalee School (on the Strule Shared Education Campus) to EA for a peppercorn rent. The lease runs from 1 September 2016 to 31 August 2020.

## 20.2 Finance Leases

EA has several finance leases but the repayments of the leases are of a peppercorn nature. The discounted present value of the lease payments were deemed immaterial and therefore a finance creditor was not created in the annual accounts.

## 21 COMMITMENTS UNDER PFI CONTRACTS AND OTHER SERVICE CONCESSION ARRANGEMENTS CONTRACTS

### 21.1 Off-balance sheet (SoFP)

EA acts as a paying agent for the Department of Education in relation to a number of PFI contracts. In each case the property is not an asset of EA and is not included in the Statement of Financial Position.

The contracts in place are as follows:

#### 1. Lagan College, Belfast (a Grant Maintained Integrated School)

In this case the payments are accounted for on a 'pass-through' basis and do not affect the amounts disclosed in these accounts.

#### 2. Down and Connor Public Private Partnership (PPP) Scheme

This scheme consists of three schools - St Joseph's Primary School, Carryduff (an EA School), Our Lady and St Patrick's College Knock (a Voluntary Grammar School) and St Mary's Primary School, Portglenone (an EA School). The unitary payments in respect of St Joseph's PS, Carryduff and St Mary's PS, Portglenone are funded through EA while the payments in respect of Our Lady and St Patrick's College Knock are accounted for on a 'pass-through' and do not affect the amounts disclosed in these accounts.

#### 3. De La Salle PPP Scheme

This scheme consists of St Patrick's Grammar School, Downpatrick (a Voluntary Grammar School). Payments in respect of this scheme are accounted for on a 'pass-through' basis and do not affect the amounts disclosed in these accounts.

#### 4. Holy Cross College, Strabane (an EA School)

#### 5. St Mary's College, Derry (an EA School)

#### 6. St Cecilia's College, Derry (an EA School)

#### 7. St Genevieve's High School, Belfast (an EA School)

#### Charge to the SoCNE and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI or other service concession transactions was £14,253k (2016-17: £13,893k). Total future minimum payments under off-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods:

	2017-18	2016-17
	£000	£000
Not later than one year	13,678	13,407
Later than one year and not later than five years	54,811	53,728
Later than five years	123,827	135,123
<b>Total</b>	<b>192,316</b>	<b>202,258</b>

## 21.2 On-Balance Sheet (SoFP)

EA has a number of on-balance sheet (SoFP) PFI contracts and other service concession arrangements contracts currently in place. In each case under IFRIC12 the asset is included as an asset of EA. The substance of the contracts is that EA has a finance lease with the payments comprising two elements:

- ▶ imputed finance lease charges; and
- ▶ service charges.

The following PFI contracts and other service concession arrangements contracts are currently in place:

### **PFI Wellington College, Balmoral High School and the Regional Training Unit**

EA built Wellington College, Balmoral High School and the Regional Training Unit under a single PFI contract involving a land swap arrangement. The value of the land transferred covered the cost of construction and furniture and equipment of the buildings. The contract will last for 25 years from 2 January 2002. The monthly unitary charges relates to the caretaking, maintenance (building and grounds), cleaning, security, catering services and the renewal of furniture and equipment on the sites. The cost of the services is indexed on an annual basis

### **PPP Contract for five Schools – Orangefield Primary School, Ashfield Girls’ High School, Belfast Model School for Girls, Grosvenor Grammar School and Belfast Boys’ Model School**

EA has a single contract in place to build and maintain five schools which were opened in 2009 and 2010 and include:

- ▶ Orangefield Primary School;
- ▶ Ashfield Girls’ High School;
- ▶ Belfast Model School for Girls;
- ▶ Grosvenor Grammar School; and
- ▶ Belfast Boys’ Model School.

The contract for the services for each building covers the 30 year period from the date that the school is opened. The monthly unitary charge covers the contribution to the construction costs and the provision of services for caretaking, maintenance (building and grounds), external cleaning, security and the renewal of furniture and equipment on the sites. The cost of the services is indexed on an annual basis. Internal cleaning and catering services are provided by EA. The Belfast Model School for Girls and the Belfast Boys’ Model School buildings also include community facilities, the North Belfast City Learning Centre (NBCLC), which was jointly funded by:

- ▶ the Department of Education;
- ▶ the Department of Finance;
- ▶ the Department of Health (formerly the Department of Health, Social Services and Public Safety);
- ▶ the Office of First Minister and Deputy First Minister; and
- ▶ the Department for Communities (formerly the Department of Culture, Arts and Leisure and the Department of Social Development).

### Bangor Academy and Sixth Form College and Nendrum College

EA operates a PPP Contract in respect of Bangor Academy and Sixth Form College and Nendrum College. Nendrum College opened on 29 February 2008 and Bangor Academy opened on 30 April 2008. Both of these schools are shown on-balance sheet. Ownership will transfer to EA in 2039.

### Tor Bank Special School

EA operates a PPP Contract in respect of Tor Bank Special School, which was handed over on 22 October 2012. This scheme is shown on-balance sheet, although the budget is off-balance sheet which is accounted for through a dual reporting adjustment in Note 27. Ownership will transfer to EA in 2037.

### Drumglass High School – Dungannon

EA operates a PFI contract in respect of the provision of accommodation and related services at Drumglass High School, Dungannon. The PFI contract commenced in September 2000 and runs for 25 years, ending in September 2025.

### C2k Project

EA has responsibility for the C2k project. This is a PFI scheme which provides an IT system to schools which supports teaching, learning and administration.

### Charge to the SoCNE and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PFI or other service concession transactions was £10,978k (2016-17: £33,965k). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for the following periods:

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Minimum lease payments:		
Due within one year	11,900	11,900
Due later than one year and not later than five years	47,598	47,598
Due later than five years	185,581	197,480
	<b>245,079</b>	<b>256,978</b>
Less interest element	(92,837)	(100,467)
Present value	<b>152,242</b>	<b>156,511</b>

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Service elements due in future periods:		
Due within one year	11,426	32,174
Due later than one year and not later than five years	46,354	47,544
Due later than five years	173,502	133,297
Total service elements due in future periods	<b>231,282</b>	<b>213,015</b>
Total Commitments	<b>476,361</b>	<b>469,993</b>

## 22 PENSION OBLIGATIONS

Statement of Financial Position	2018 £000	2017 £000
Fair value of assets	1,867,152	1,758,298
Present value of funded defined benefit obligation	(2,614,530)	(2,440,207)
Present value of unfunded defined benefit obligation	(20,311)	(20,719)
Pension liability recognised in the Statement of Financial Position	<b>(767,689)</b>	<b>(702,628)</b>

Further detail in relation to pension obligations can be found in the Staff Report within the Accountability Report.

## 23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

### Job Evaluation

Whilst EA expects a liability could arise, until the relevant job descriptions and evaluations have been agreed, we cannot estimate, with any certainty, the value of the liability. Liability is contingent upon a future event which is outside the control of EA.

The potential total liability if all of these potential liabilities were to materialise is currently estimated at £8,064k.

### Legal Cases and Public Liability

Proceedings against EA have been initiated for a number of public employer's liability and employment tribunal cases. The likelihood of EA being found liable and the amount of any settlements cannot yet be estimated as the cases concerned have not progressed sufficiently to allow assessment by the EA solicitors.

The potential total liability, if all of these potential liabilities were to materialise, is currently estimated at £5,081k.

Those amounts which are probable and ascertainable are included in either accruals or provisions for liabilities and charges.

### Contractual Enrolment in the NILGOSC Pension Scheme

EA is aware that the regulations for contractual enrolment of new employees in the NILGOSC Pension scheme were not applied fully from 2013 to 2018. This results in the possibility that some affected staff might decide to retrospectively join the NILGOSC Pension Scheme and buy back membership for the period of their employment. EA believes that there is only a remote possibility that the affected staff will take up this option. However, in the event that some staff do, EA will be liable for the associated employer contributions to the Scheme. EA is not in a position to estimate the potential liability at this point as the total number of affected staff has not yet been established nor are the wishes of affected staff known.

## 24 RELATED PARTY TRANSACTIONS

EA is a Non-Departmental Public Body sponsored by the Department of Education and the Department for the Economy.

The departments are regarded as related parties. During the year, EA has had various material transactions with the departments and with other entities for which the departments are regarded as the parent department.

In addition, EA has had a small number of material transactions with other government departments and other central government bodies. Most of these transactions have been with the:

- (a) Department of Health;
- (b) Health and Social Care Board which is sponsored by the Department of Health; and
- (c) Department of Agriculture, Environment and Rural Affairs.

No board member, key manager or other related parties has undertaken any material transactions with EA during the period.

During the year EA paid £71,567k to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). The chairperson of NILGOSC is an independent externally appointed member of EA's Audit Risk and Assurance Committee.

A register of members' interests is available and can be inspected on application to the Chief Executive's office.

## 25 THIRD PARTY ASSETS

EA is responsible for the administration of trust funds which benefit the pupils of certain schools within its area. The chief executive, as accounting officer, is responsible for the propriety and regularity of the trust funds and for the keeping of proper records. These are not EA assets and are not included in the accounts. The assets, held at the statement of financial position date to which it was practical to ascribe monetary values, comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	<b>2017-18</b>	<b>2016-17</b>
	£000	£000
Monetary assets such as bank balances and monies on deposit	186	174
Listed securities	462	460
	<b>648</b>	<b>634</b>

## 26 FINANCIAL INSTRUMENTS

As the cash requirements of EA are met through Grant-in-Aid provided by DE, financial instruments play a more limited role in creating risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with EA's expected purchase and usage requirements and EA is therefore exposed to little credit, liquidity or market risk.

27 FINANCIAL TARGET - RESOURCE

	DE	Youth	DfE	Total
	£000	£000	£000	£000
Total net expenditure per Statement of Comprehensive Net Expenditure	2,020,512	43,000	13,221	2,076,733
<u>Adjustments</u>				
<u>AME</u>				
Movement in Provisions	(4,632)	408	(33)	(4,257)
NILGOSC Pension Scheme Non cash element	(56,365)	-	-	(56,365)
(Profit)/Loss on disposal of non-current assets	(6,798)	(245)	-	(7,043)
Depreciation and Deficit on Revaluation	(97,709)	(7,612)	-	(105,321)
<u>Other Adjustments</u>				
PFI Dual Reporting Adjustment	(1,937)	-	-	(1,937)
DAERA expenditure	-	-	(342)	(342)
Other non-cash items/capital income	1398	(151)	-	1,247
Notional costs	(3,355)	-	-	(3,355)
Net Expenditure	<b>1,851,114</b>	<b>35,400</b>	<b>12,846</b>	<b>1,899,360</b>
Final Budget Plan	<b>1,833,487</b>	<b>35,401</b>	<b>13,826</b>	<b>1,882,714</b>
Year-end position (2017-18)	<b>(17,627)</b>	<b>1</b>	<b>980</b>	<b>(16,646)</b>
Year-end position (2016-17)	<b>(19,859)</b>	<b>683</b>	<b>100</b>	<b>(19,076)</b>

	£000
Opening Schools funding commitment at 1 April 2017	44,826
Adjustment re closed schools	(18)
Net movement in school surpluses in year	(6,565)
Closing Schools funding commitment at 31 March 2018	<b>38,243</b>

### Final Budget Plan

The Final Budget Plan includes Premature Retirement Compensation costs (PRC) and the portion of the previous year's surpluses allocated by DE in 2017-18 but excludes Annually Managed Expenditure (AME).

### Year-end position at 31 March 2018

EA's financial targets for 2017-18 were to contain expenditure within the accrued limits approved by the Departments in budget plans. The targets were achieved for Youth and DfE funding. The target was not achieved for DE funding.

### Schools' Funding Commitment at 31 March 2018

Following the abolition of the End Year Flexibility Scheme, the Executive endorsed proposals in June 2011 which provided a guarantee for schools to have access to past and future surpluses. Funding implications of any variations between planned and actual spend in year will be managed between EA and DE.

## 28 FINANCIAL TARGET - CAPITAL

	DE	Youth	Total
	£000	£000	£000
Total Capital Expenditure for the Period	65,556	3,498	69,054
Final Budget Plan	(65,672)	(3,500)	(69,172)
Year end position at 31 March 2018	<b>116</b>	<b>2</b>	<b>118</b>
Year end position at 31 March 2017	<b>193</b>	<b>26</b>	<b>219</b>

## 29 MACHINERY OF GOVERNMENT

With effect from 1 April 2016, EA took over full responsibility for the provision of all youth services, including those previously undertaken by DE.

As a result, funding for Regional Voluntary Youth Organisations, previously administered by the Youth Council NI, will now be administered through EA.

In accordance with the FReM, the transfer of the assets and liabilities of the Youth Council NI to the Education Authority was accounted for under absorption accounting.

The assets and liabilities which were transferred as a result of this machinery of government change are detailed overleaf.

Prior year accounts of the Youth Council NI can be found on <https://youthcouncilni.org/annual-report/>

	Youth Council (NI)
	2016
	£000
Non-current assets	
Property, plant and equipment	-
Total non-current assets	-
Current Assets	
Trade and other receivables	13
Cash and cash equivalents	707
Total current assets	720
Total Assets	720
Current Liabilities	
Trade and other payables	749
Total current liabilities	749
Non-current assets less net current liabilities	(29)
Non-current Liabilities	
Pension Liabilities	-
Total non-current liabilities	-
Total assets less liabilities	(29)
Taxpayers' equity	
SoCNE reserve	(29)
Pension reserve	-
	<b>(29)</b>

## **30 EVENTS AFTER THE REPORTING PERIOD**

### **30.1 Voluntary Grammar (VG)/Grant Maintained Integrated (GMI) Schools – transfer of funding authority – Phase II**

From 1 April 2018 the following funding streams for the VG/GMI Schools will be transferred from the Department of Education to the Education Authority:

- ▶ Extended Schools;
- ▶ Entitlement Framework;
- ▶ PPP/PFI Unitary Payments;
- ▶ Education Maintenance Allowance; and
- ▶ Free School Meals.

There are no other events after the reporting period relating to the 2017-18 financial year.

### **30.2 Date Authorised for Issue**

The accounting officer authorised the issue of these financial statements on 25 March 2019.

## Education Authority Annual Report and Accounts 2017-18

### Report of the Comptroller and Auditor General to the Northern Ireland Assembly

#### Introduction

1. The Education Authorities (EA's) financial target is to contain expenditure within the accrued limits approved by the Department of Education (DE)<sup>1</sup> and the Department for the Economy (DfE)<sup>2</sup>.
2. In 2016-17 I reported on the EA's overspend of £19.1 million compared with the resource budgets allocated by DE and DfE, indicating my intention to report further on this matter, to see what lessons have been learnt and how the EA has strengthened its financial management.
3. In addition, in October 2018, I published a report 'The Financial Health of Schools'. My report indicated an environment where there is pressure on school budgets, increasing pupil numbers and schools with sustainability issues. I concluded that DE and the EA needed to undertake a fundamental review of how schools are funded.
4. My 2017 report 'Special Educational Needs' recommended that DE and the EA should review the current funding arrangements to ensure that available resources are used effectively to meet the needs of all children with SEN.

#### Overspend of £16.6 million in 2017-18

5. The absence of Ministers delayed the budget setting process for 2017-18. As a result DE provided the EA with cash limits for the period to 31 July 2017 in March 2017 and formally confirmed the 2017-18 budget in June 2017. Ongoing engagement between the EA and DE to agree a budget plan commenced in March 2017 and concluded when the EA submitted a signed/complete budget plan in January 2018, which DE subsequently approved.
6. DE provided a resource allocation for education services of £1,833.5 million in 2017-18. However, the EA's expenditure was £1,851.1 million, resulting in an overspend of £17.6 million. There was an underspend on student and further education support services funded by DfE. As a result the EA overspent by £16.6 million compared with the overall resource budgets allocated by its sponsoring departments in 2017-18 (**Figure 1**).

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1 Department of Education funding is provided for education and youth services

2 Department for Economy funding is provided for student and further education support services

**Figure 1: EA 2017-18 Resource Expenditure compared with Budget**

	DE		DfE	Total
	Education	Youth		
	£'000	£'000	£'000	£'000
Net expenditure per the Statement of Comprehensive Net Expenditure	2,020,512	43,000	13,221	2,076,733
Non-cash and other adjustments	(169,398)	(7,600)	(375)	(177,373)
<b>Net Expenditure</b>	<b>1,851,114</b>	<b>35,400</b>	<b>12,846</b>	<b>1,899,360</b>
<b>Budget</b>	<b>1,833,487</b>	<b>35,401</b>	<b>13,826</b>	<b>1,882,714</b>
<b>(Overspend)/Underspend</b>	<b>(17,627)</b>	<b>1</b>	<b>980</b>	<b>(16,646)</b>

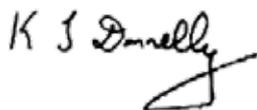
7. I note that the EA revised its accounting policy to include schools stocks of £9.3 million as inventory for the first time in 2017-18. The inclusion of school stock as an asset at year-end reduces expenditure recorded in the Statement of Comprehensive Net Expenditure for the year. Thus had the EA not changed its accounting policy in relation to schools stocks, the overspend for 2017-18 would have been £9.3 million higher.
8. The EA's £17.6 million overspend on the education budget is mainly due to overspends in Special Educational Needs (SEN) (£12.7 million) and School Meals (£2.4 million), together with an unfunded cost of £5.3 million arising from the introduction of the Apprenticeship Levy<sup>3</sup>. The financial position was offset by net underspends in other service areas totalling £2.8 million.
9. The EA advised that the issues which led to an overspend in education services in 2016-17 are still prevalent in 2017-18. The EA stated that as budget allocations have essentially remained cash flat, it was unable to absorb in-year pay and price inflationary pressures and increased demand pressures. EA advised that they have mitigated the level of the overspend by continuing to identify savings in year, with over £31 million delivered in 2017-18. However, there still remains systemic constraints in the education system which can only be addressed through transformation, as over 90 per cent of the services provided through the block grant continue to be statutory or contractually driven with a significant proportion of costs staff-related and the EA continue to have limited powers in respect of school budgets.
10. The EA has indicated that it has developed a new approach to schools' financial planning for 2018-19 and that this was rolled out at a range of engagement events in March 2018. This approach includes undertaking a financial health check of schools, which includes identifying actions schools and Boards of Governors could take to reduce spending without impacting educational outcomes.

<sup>3</sup> The Apprenticeship Levy on employers was introduced on 6 April 2017 to fund new apprenticeships. The levy is charged at a rate of 0.5% of an employer's payroll. The levy is only paid on annual paybills in excess of £3 million and each employer receives an allowance of £15,000 to offset against their levy payment.

11. The EA and DE have recognised the need for transformation of the education sector and the DE has commenced planning for a transformation programme to manage cost and improve educational outcomes.
  
12. In August 2018 the Northern Ireland Affairs Committee launched an inquiry into education funding in Northern Ireland to examine whether the levels of funding allocated to education in the Northern Ireland Budget are sufficient to meet the challenges facing the sector. Oral evidence sessions are on-going.

**Conclusion**

13. I am concerned that once again the EA has overspent on its budget. My recently published report on the financial health of schools highlighted the pressure on education funding and I therefore welcome the EA and DE's recognition of the need to reform the education sector, which I consider urgent.
  
14. I will continue to keep this area under review, reporting again as necessary.



***KJ Donnelly***

Comptroller and Auditor General

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25 March 2019

**GLOSSARY OF TERMS**

<b>ARA</b>	Additional Responsibility Allowance
<b>ASEO</b>	Assistant Senior Education Officer
<b>ASOS</b>	Action Short of Strike
<b>BEM</b>	Building Engineering Management System
<b>BoG</b>	Board of Governors
<b>BREEAM</b>	Building Research Establishment Environmental Assessment Method
<b>BST</b>	Behavioural Support Team
<b>CASS</b>	Curriculum Advisory Support Service
<b>C&amp;AG</b>	Comptroller & Auditor General
<b>CB</b>	Companion of the Most Honourable Order of the Bath
<b>CCMS</b>	Council for Catholic Maintained Schools
<b>CoP</b>	Code of Practice
<b>CPD</b>	Continuing Professional Development
<b>CPSSS</b>	Child Protection Support Service for Schools
<b>CRED</b>	Community Relations, Equality and Diversity
<b>CSSC</b>	Controlled Schools Support Council
<b>CYPS</b>	Children & Young Peoples' Services
<b>DE</b>	Department of Education
<b>DAERA</b>	Department of Agriculture, Environment and Rural Affairs
<b>DfE</b>	Department for the Economy
<b>DOCPEG</b>	Designated Officer for Child Protection Education Group
<b>DoF</b>	Department of Finance
<b>DP</b>	Development Proposal
<b>DSC</b>	Delivering Social Change
<b>EA</b>	Education Authority
<b>EF</b>	Entitlement Framework
<b>EITP</b>	Early Intervention Transformation Programme
<b>ELBs</b>	Education & Library Boards
<b>EMS</b>	Education Management System
<b>EOTAS</b>	Education Other Than At School
<b>EPS</b>	Education Psychology Service
<b>ES</b>	Extended Schools
<b>ESAGS</b>	Every School a Good School
<b>ESD</b>	Education for Sustainable Development
<b>ETI</b>	Education and Training Inspectorate
<b>EWO</b>	Education Welfare Officer
<b>EWS</b>	Education Welfare Service
<b>FE</b>	Further Education
<b>FTE</b>	Full Time Equivalent
<b>FSM</b>	Free School Meals
<b>FSME</b>	Free School Meals Entitlement
<b>FReM</b>	Financial Reporting Manual
<b>GBA</b>	Governing Bodies Association
<b>HEI</b>	Higher Education Institutions

**GLOSSARY OF TERMS**

HOS	Head of Service
IA	Internal Audit
IDS	Inclusion & Diversity Service
IE	Integrated Education
IM	Irish Medium
LAC	Looked After Children
LMS	Local Management of Schools
LPS	Land & Property Services
MEMR	Monthly Expenditure Monitoring Report
MTAC	Membership and Teaching Appointments Committee
NIAO	Northern Ireland Audit Office
NISRA	Northern Ireland Statistics and Research Agency
NISTR	Northern Ireland Substitute Teachers' Register
NRA	Neighbourhood Renewal Area
OBE	Officer of the Most Excellent Order of the British Empire
OEC	Outdoor Education Centre
PAC	Public Accounts Committee
PED	Personal Education Plan
PGF	Programme for Government
PFY	Priorities for Youth
PQH	Professional Qualification for Headship
PRSD	Performance Review & Staff Development
PRU	Pupil Referral Unit
RMD	Regional Managing Director
RYDP	Regional Youth Development Plan
SBNI	Safeguarding Board for Northern Ireland
SCELB	Staff Commission for Education and Library Boards
SDP	School Development Plan
SEBD	Social, Emotional & Behavioural Difficulties
SEN	Special Educational Needs
SENCO	Special Educational Needs Co-ordinator
SEND	Special Educational Needs and Disability
SESP	Shared Education Signature Project
SIMS	Schools' Management Information System
SMT	Senior Management Team
SRO	Senior Responsible Officer
SSEC	Strule Shared Education Campus
SSP	Sustainable Schools Policy
STEM	Science, Technology, Engineering & Maths
TBUC	Together Building United Communities
TESS	Traveller Education Support Service
TEO	The Executive Office
TSC	Term Service Contract
VES	Voluntary Exit Scheme
YCNI	Youth Council Northern Ireland







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