



Labour Relations
AGENCY
Improving Employment Relations

**ANNUAL REPORT
& ACCOUNTS
2002 - 2003**

Mission Statement

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

Equality Statement

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


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

Core Values

In delivering services the Agency will:

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

Should you require this document in an alternative format or language, please contact the Agency.



Mr A Shannon
Permanent Secretary
Department for Employment and Learning
Adelaide House
39-49 Adelaide Street
BELFAST
BT2 8FD

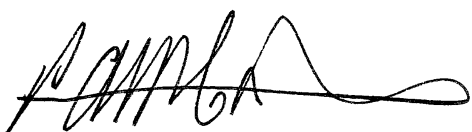
26 June 2003

Dear Mr Shannon

Annual Report and Accounts of the Labour Relations Agency: 2002-2003

In accordance with Article 16(1) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I have pleasure in submitting the Annual Report and Accounts of the Labour Relations Agency on its activities during the twelve month period ended 31st March 2003.

Yours sincerely



PATRICK McCARTAN
Chairman





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ANNUAL REVIEW OF PERFORMANCE 2002-2003

CHAIRMAN'S FOREWORD

This Annual Review of Performance represents a new departure for the Labour Relations Agency (LRA) and its Board. Our Annual Report to the Minister will still be submitted in the usual way, but this Review of Performance is made available sooner in the year, with a summary of draft accounts, to ensure our users are earlier and better informed about our activities.

The purpose is to improve our accountability, and the understanding of what we do, how we do it and why. We have a statutory duty to report annually to the Minister and our sponsoring Department, the Department for Employment and Learning (DEL), and just as important, to report to our social partners: employers - small, medium and large, public as well as private; voluntary sector organisations; trade unions; employees and their organisations. Other agencies, the legal profession, politicians, students of business and the law, all have an involvement with us on an ongoing basis. We have a duty to show them all how the work of the LRA is contributing to the improvement of employment relations in Northern Ireland, to the competitiveness of our businesses and to the job security of our employees. The new format, our annual review of performance, will in future years be available usually around three months of the year end and will be related directly to the targets and goals set in our Corporate Plan.

This year, 2002-2003, is the last of the three-year cycle from our previous Corporate Plan covering the 2000-2003 period and it is pleasing to report that significant progress has been made in

achieving all the targets set. Our year started with the celebration of the 25th anniversary of the opening of the LRA. It was an honour to have Sir George Quigley recall the work of the Industrial Relations Review Body as the first true example of social partnership in action:

"Out of the Review, of course, emerged the idea of the Labour Relations Agency, which soon won its spurs and not only became a valued resource for the resolution of conflict situations but also a catalyst for the development of partnership rather than adversarial relationships within industry."



Pat McCartan
Chairman



Sir George
Quigley

The past year has also seen the successful completion of the Quinquennial Review of our services and operations by independent consultants for DEL and it is particularly pleasing to note the consistently high appreciation of the users of our services for our work. However, the Agency's staff are committed to continuous improvement of those services through evaluation and feedback, as well as staff and systems development.



Our current commitment to information technology is a case in point and a good example is the improved access to information and advice available on our website, www.lra.org.uk. Our sponsoring department, DEL, has also been a consistent supporter, always willing to listen to our requests for additional resources towards improving services. Again, we have been successful in seeking resources dedicated to staff development which has been timely, given the increasing complexity and volume of employment legislation and EU regulation upon which staff are required to advise.

Our statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes was launched in June by Carmel Hanna, then Minister for Employment and Learning. We look forward to extending the development and promotion of an effective alternative dispute resolution system for Northern Ireland.

This is the first full year of the work of the LRA Board under my Chairmanship and it would be wrong not to mention some of our work from which the Board has derived considerable satisfaction. At the outset, the Board shared my view that the LRA should have a vigorous outreach policy and that opportunities for interactive work with the social partners at international, national and regional levels would contribute to our shared learning and development. Also, we believed that the expertise and professionalism of the LRA staff deserved to be displayed on a wider stage, that the significant impact their work was having on economic and social development was too often overlooked. Hosting the annual joint meeting of the Federal Mediation and Conciliation Service, the Advisory, Conciliation and Arbitration Service, the Labour Relations Commission and the LRA was a particular delight and gave us the opportunity to organise a major public conference on "Employment Relations: Agenda for Change". The contributors to the conference, including Jane Kennedy, Minister with responsibility for Employment and Learning, have set our employment relations agenda for the next few years and have given purpose and direction to our work.

Other outreach measures have included a series of meetings with the Confederation of British

Industry, the Federation of Small Businesses and other employer interest groups, as well as the Northern Ireland Committee of the Irish Congress of Trade Unions, individual unions and professional groups including the Chartered Institute of Personnel and Development. We have also met with the Equality Commission for Northern Ireland, the Health and Safety Executive for Northern Ireland and Invest Northern Ireland, as well as the President of the Industrial Tribunals and the Fair Employment Tribunal, the Chairman of the Industrial Court and the Northern Ireland Certification Officer for Trade Unions and Employers' Associations. The LRA Board greatly values the relationships we have with all these organisations, so essential to our work.

This Review of Performance contains a summary of our accounts for the 2002-2003 year, subject to final audit opinion. Our full accounts will always be made available upon request.

Our Corporate Plan for the next three years sets many challenges, not the least of which is to prepare Northern Ireland for the implementation of major changes - the EU Information and Consultation Directive, greater flexible working and family friendly policies, and increasing attention on industrial tribunal reforms and processes. Achieving the successful implementation of changes in employment relations, promoting the use of alternative methods of conflict resolution, promoting partnership working and mutuality of interests in employment - all so necessary if jobs and careers are to be secure and businesses competitive - these are the tasks at which the LRA, its Board and staff must succeed. With the help of all our partners, we will.

Let me conclude by commending the contents of this Review to you and by thanking the staff and Board members for a year of hard work and considerable achievement.

Pat McCartan
Chairman

BOARD OF THE LABOUR RELATIONS AGENCY



Jim Collins
Vice-Chair



Boyd Black



Harry Goodman



Patricia Maxwell



Liz May



Eugene McGlone



Alan Mercer



Gordon Milligan



Margaret Watson



Ray Coughlin
(Term of office
ended 30 Sept
2002)



Rotha Johnston
(Term of office
ended 30 Sept
2002)

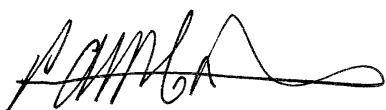
The LRA has completed a very busy year, at the end of a three-year corporate planning cycle and the beginning of a new one. The normal role of a Board member involves making a detailed contribution to the formulation and development of Government policy on employment relations, employment law and associated matters for Northern Ireland through a detailed consultative process, as well as contributing to the policy and systems control environment of the LRA. The latter requires Board members to give leadership, advice and support to LRA staff who are responsible for implementing policies, devising and improving practices and operational activities. Board members are selected through open competition organised by DEL. The Board normally comprises members from employer interests, employee interests including trade unions and those who have a relevant academic or employment law background. Members are expected to demonstrate a high degree of knowledge and experience in the conduct of employment relationships, the associated legal and regulatory framework, and the socioeconomic context in which such relationships are conducted.

In addition to regular monthly meetings requiring detailed preparation and discussion, Board members are expected to be available for work on the Audit Committee, the Staffing Sub-Committee and the Research Advisory Group. Normally attendance at Board and sub-committee meetings exceeded 90% during the year. From time to time additional duties require significant contributions from Board


members including meeting Ministers, the Permanent Secretary and senior Governmental and Departmental officials and other agencies. Members also represent the LRA Board at conferences and events. During the past year, all these duties were undertaken with professionalism and enthusiasm. Perhaps the most important was the contribution each Board member made to the planning and delivery of the Agency's conference - "Employment Relations: Agenda for Change". Board members chaired workshops and a number contributed papers as well as ensuring that participants had a warm welcome.

In October 2002 the Board agreed to appoint Jim Collins as Vice-Chair. During the year, Rotha Johnston and Ray Coughlin completed terms of distinguished service to the Board of the LRA and to the improvement of employment relations in Northern Ireland. Their contribution to our work has been greatly appreciated, and we wish them both every success in the future. They have been succeeded by Dr Boyd Black and Mr Gordon Milligan, both of whom have already contributed significantly to employment relations and who bring a wealth of relevant experience.


It has been my privilege to chair the Board of the LRA over the past year and to work with such a professional group of experts in employment relations. I look forward to developing our agenda for the future.



Pat McCartan
Chairman



Labour Relations
A G E N C Y



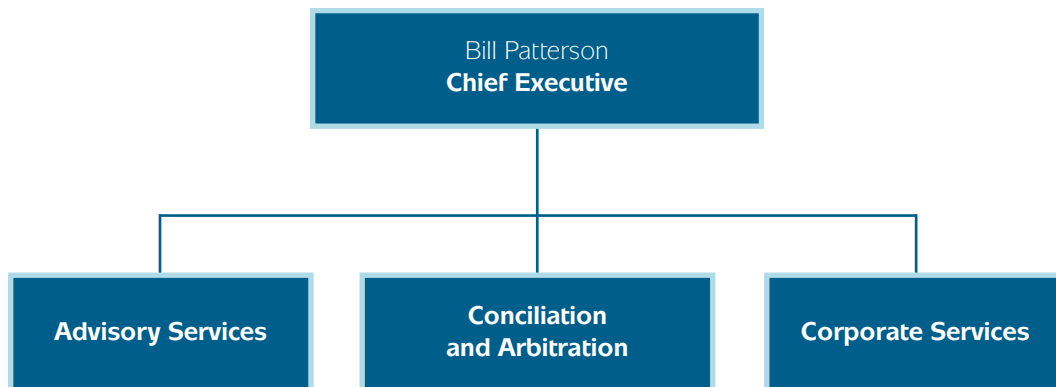
... leading
employment relations

www.lra.org.uk

CHIEF EXECUTIVE'S REPORT INTRODUCTION



Bill Patterson
Chief Executive



This review of performance covers the final year of the Agency's Corporate Plan 2000-2003. Over these three years the Agency has met increasing demands for its core services of promoting good employment practice and resolving individual and collective disputes.

Since 2000 the Agency has had a number of successes - the expansion of our workshops; whilst maintaining in-company visits; the increase in resources for the telephone enquiry point; the publication of revised Codes of Practice, an employment handbook and additional information notes. The Agency's website was revamped. All this has been against a background of unending developments in employment legislation which in itself was a challenge. In spite of the pace of change, the Agency's advisory staff have consistently provided sound information and advice to employers, trade unions and employees. Having received letters and comments from users of our advisory services I know that the advisory staff are held in very high regard.

Not to be outdone, the three years has seen conciliation and arbitration staff continue to perform to high standards. The Agency consistently resolves approximately 85% of the collective disputes in which we are involved. On average, over the past three years, approximately 17% of individual conciliation applications have proceeded to the Industrial and Fair Employment Tribunals. Up to 83% of individual

conciliation applications have been successfully conciliated or have been withdrawn. We estimate that the Agency has been involved in approximately 50% of the withdrawn cases. This is against the Agency receiving approximately 5,000 applications *per annum*. In addition, a statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes was launched and work commenced on the extension of statutory arbitration to cases of religious and political discrimination. I am not surprised when I receive commendations from the users of the conciliation and arbitration services praising the work of the staff.

An organisation cannot perform without support services. Over the past three years Agency funding has increased, we have embarked on a comprehensive information communications technology programme and we are in the process of implementing our Equality Scheme. Staff turnover has been high mainly owing to retirements and a considerable number of relatively new staff have been appointed. We are in the process of procuring additional accommodation and most recently we have held a very successful Agency conference. The Agency's Corporate Governance documentation has attracted favourable attention and during 2002/2003 the second Quinquennial Review of the Agency, as commissioned by the Department for Employment and Learning, was completed.



Employment relations within the Agency continue to develop. Over the past three years a new recruitment, selection and transfer procedure was agreed, as was an equal opportunities policy and harassment policy and procedures. Updated health and safety procedures are operational. The Agency and NIPSA are in the process of concluding a revised recognition and procedural agreement, a new facilities agreement and updated disciplinary and grievance procedures.

The support systems for the Agency are crucial for the efficient and economic administration of the organisation. We all know that without the patience, diplomacy and attention to detail of the Agency's support staff the effectiveness of the Agency would suffer significantly.

There is still much to do. Employment relations research tailored to Northern Ireland requires development and workplace partnership should be more strategically promoted perhaps through a 'Partnership Fund'. We believe there are more gains to be made with alternative dispute resolution particularly in exploring the role of mediation and taking on board the lessons of the Rights Commissioner model in the Republic of Ireland. The Agency needs to formally assess the effectiveness of its services and our in-house training standards should be recognised through gaining an Investors in People award.

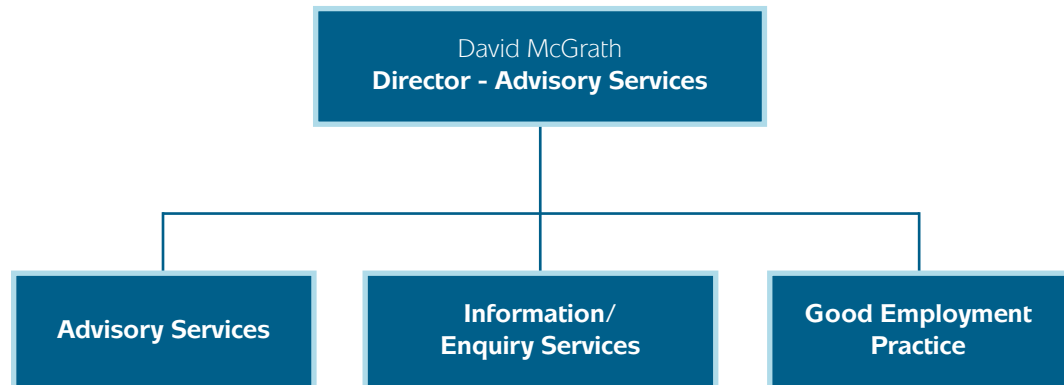
Perhaps more importantly, debate needs to take place about the significance of good employment relations for the economic and social wellbeing of the people of Northern Ireland. Have we adequate public policy on employment relations and can we more imaginatively harness the good will of employers, trade unions and employees in creating a Northern Ireland recognised for its competitiveness, fairness and quality of working life?

Bill Patterson
Chief Executive

CHAPTER 1: WORKPLACE EMPLOYMENT RELATIONS - GOOD PRACTICE



David McGrath
Director



1.1 Introduction

This year has been an extremely busy one for the advisory services of the Agency with increasing demand for all the existing services. We have, in addition, introduced a good employment practice seminar series. Today's companies operate in a demanding environment. Success in this environment requires value for money from those providing goods and services. This is particularly true for the knowledge-based economy in which we now work. Indeed it could be argued that the basis of competitive advantage is increasingly derived from the value contained within intellectual capital. Consequently, trust, innovation and commitment are likely to become progressively more important in the way businesses are managed and organised and in the way business is conducted. Human resource policies and practices that generate these features are paramount to high performance and to the achievement of job security and satisfaction.

The advisory services of the Agency endeavour to promote good employment relations both in terms of compliance with legislative requirements and also to encourage the adoption of good practice. The extent and quality of work recorded in this review reflects the commitment, dedication and expertise of all the staff in the advisory service. Credit and recognition are due to all. Particular welcome is given

to Anne Beattie and Mark McAllister who transferred into the section.

It is notable that much of the advisory work is focused on the employment relations needs and requirements of small to medium-sized enterprises which account for 99% of all businesses in Northern Ireland (excluding agriculture, forestry and fishing) and 79% of employment and 75% of turnover in Northern Ireland.

1.2 Advisory Assistance

This year the Agency assisted 465 organisations develop and maintain good practice in employment policies and procedures compared with 398 organisations in the previous year. Some 90% of the users of the service employed less than 50 employees and came from a wide variety of market sectors. In some 80% of cases this involved an Agency officer assisting with the vetting and updating of existing employment policies and procedures to ensure compliance with legislative requirements and to promote good practice. The Agency considers that sound policies and procedures are desirable methods of communicating rights and responsibilities in the workplace. These form a valuable basis for maintaining good working relations.

1.3 Advisory Workshops on Employment Documentation

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

In comparison to the previous year the number of advisory workshops hosted by the Agency increased from 34 to 38. This included a number held specifically for groups in particular market sectors such as the Northern Ireland Federation of Clubs, a variety of community organisations and the Western Health and Social Services Board (WHSSB) Family Practitioners Unit. The WHSSB commented that they found the collaboration with the Agency invaluable.

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

1.4 Good Practice Seminars

During the year the Agency hosted a series of seminars led by experienced Agency staff. The Agency published a brochure providing details of the seminars available and also added this information to its revamped website. Six seminars were offered covering:

- General Appreciation of Employment Legislation;
- Unfair Dismissal: The Law and Practice;
- Working Time Regulations;
- The Less Favourable Treatment of Part-time Workers Regulations;
- The Right of Workers to be Accompanied at Certain Types of Grievance and Disciplinary Hearings;
- Statutory Trade Union Recognition.

These seminars, which are free and open to all, are held in the Agency's premises in either Belfast or Londonderry. Rather than running on set dates seminars are held according to demand. Interested parties are asked to register an expression of interest by telephone, fax, letter, e-mail or online. Where any one organisation indicates sufficient numbers of attendees the Agency can facilitate seminars for that company either in the Agency or onsite. For example, the Agency ran seminars on Unfair Dismissal for the Human Resource Team at Marks and Spencer.

The issues of bullying and harassment are particularly contemporary at the moment and attract an equal amount of attention from employers and employees alike. An example of the degree of interest and concern about these issues was demonstrated in September 2002 when the Agency, on behalf of the Social Security Agency, engaged in a series of Good Practice Seminars in association with the Equality Commission for Northern Ireland. Seven seminars were held with

approximately 160 people attending in total over the period from September through to December.

In October 2002 the Fixed-Term Employees (Prevention of Less Favourable Treatment Regulations) (Northern Ireland) 2002 came into effect. The Regulations impacted on many employers throughout Northern Ireland particularly in the voluntary and community and the education sectors. The Agency facilitated a number of seminars on the Regulations in association with the Northern Ireland Council for Voluntary Action and with the Association of Northern Ireland Colleges. Feedback on these joint ventures from the two organisations involved was very positive and it is hoped that further partnerships can be arranged.

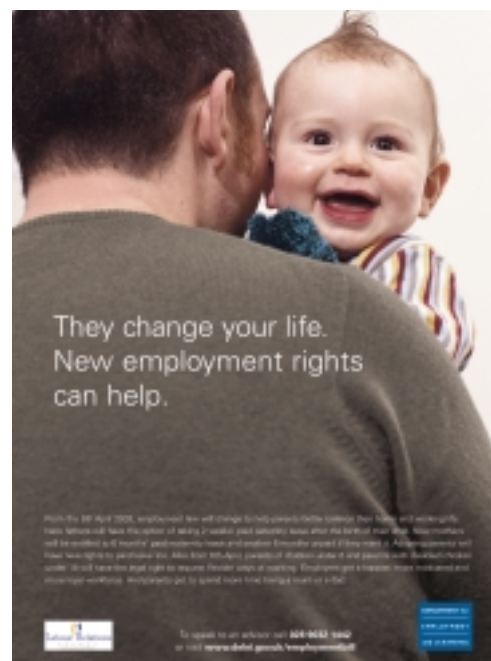
In the early part of 2003 the Agency provided a series of tailored good employment practice seminars on behalf of the Northern Ireland Committee of the Irish Congress of Trade Unions. The seminars catered specifically for union officials. Attendance at the three tailored seminars included full-time officials and lay representatives and numbered on average between 30 and 50 attendees at each event. The subject matter for the seminars included the following topics - The Labour Relations Agency Arbitration Scheme for the Resolution of Unfair Dismissal Disputes, an update on key case law decisions and statutory developments during 2002 and early 2003 and an awareness seminar on the Employment (Northern Ireland) Order 2002. The feedback from the participants indicated "high levels of satisfaction on the seminars" (Northern Ireland Committee of the Irish Congress of Trade Unions, Education and Training Officer).

1.5 Employment (Northern Ireland) Order 2002

In late 2002 the Employment Rights division of the Department for Employment and Learning (DEL) and the Agency began to

work on the preparation for the pending legislation on working parents as contained in the Employment (Northern Ireland) Order 2002. The new provisions relating to the amended maternity rights, new paternity rights, new adoption rights and the new right to request flexible work arrangements represent the most significant development in employment law for many years. One of the landmark events in the run-up to the commencement date of 6 April for the new Order was a breakfast meeting launch for key stakeholders. The launch, held on 24 February, was a "joined-up" Agency/DEL project and marked the commencement of the publicity campaign designed to increase awareness as the 6 April date approached. Amongst the awareness raising techniques used were city centre billboards summarising the basis of the new rights and a series of newspaper advertisements in the regional press all of which highlighted the Agency's enquiry service and logo.

In total, the Agency provided 24 good practice seminars throughout the year. Approximately 500 people attended these events - the provision of good practice advice is certainly popular with both employers and employees.





1.6 Joint Working

The Agency has given specific focus to good employment practice over the past year, especially within the context of facilitating joint working and partnership arrangements within private and public sector organisations. The facilitation role of the Agency can range from helping organisations design and implement job evaluation schemes through to assisting in change management programmes. In all instances the process is one of joint working where union or employee representatives and management representatives sit down together and resolve problems as a team along with professional Agency assistance. It is the view of the Agency that such a process produces durable solutions and the shared ownership of success.

During the year ended 31 March 2003 five new good employment practice projects commenced. Work also continued on three other projects that were incomplete at 31 March 2002. This total of eight projects comprised four private sector companies, three public sector organisations and one organisation from the voluntary sector. Of these projects four were completed during the year. Work was ongoing on four projects at year end.

An example of Agency facilitation in the private sector was Huco Lightronic (NI) Ltd based in Limavady. The company was established in 1989 and is a wholly owned subsidiary of Huco GmbH, Espelkamp, Germany. The parent company is a major manufacturer and supplier in Europe of automotive electronics and it also has a substantial lighting division. Huco Lightronic (NI) Ltd services the UK market for lighting products. It is essentially a manufacturing unit with two main product lines and a core workforce of approximately 65 employees. In June 2002 the company embarked upon a major change programme including a relocation. The management within Huco were keen to have the employees involved

in the process but were unsure about the mechanisms to achieve the best results. Both employees and senior managers were committed to a joint working approach to change. Following discussions the Agency agreed to provide a facilitator to assist a working party consisting of representatives from management and from the workforce to address change management in a collaborative way. Some of the key issues addressed within the process included post-relocation difficulties, new communication techniques and systems, training and appraisal programmes and new holiday arrangements.

The joint working approach had mutual benefits for those involved. Although not everything was straightforward, the net result was that within a timescale of a matter of months the issues were successfully addressed thanks primarily to the determination of all those involved.

In endorsing the facilitation service provided by the Agency, the Personnel and Training Manager of Huco Lightronic (NI) Ltd said "it gave us the ability to see the issues from an objective point of view. The service provided by the Agency was thoroughly professional and provided clarity and insight to all the issues whilst remaining independent and impartial throughout the entire process culminating in a successful conclusion."

1.7 Enquiries and Advice

The Agency's enquiry service continues to be a valuable resource in helping to resolve employment relations problems and is often a first port of call for those seeking information about their rights and responsibilities. For many people this is their first contact with the Agency. Enquirers are put through to the enquiry service in either the Head or Regional Office. Here they have an opportunity to discuss with an enquiry officer the nature of their problem and the range of options open to them to resolve it. Enquiry officers have considerable knowledge of employment law and practice and, while they will not give legal opinions, they will provide information and advice to enable employers, employees and their representatives to take informed decisions. The service is impartial, confidential and free. Approximately 45% of users raised enquiries on behalf of employers and 55% on behalf of employees.

During the year ended 31 March 2003, the Agency dealt with 28,432 callers. Of these,

27,406 contacted the Agency via the telephone and the remaining 1,026 were individuals who availed of the Agency's visitor booking system to come into the Agency's Head or Regional Office to discuss their enquiry in person. The enquiry lines fill up very quickly during the course of a day and unfortunately it is often necessary for the Agency to inform callers that, due to the volume of enquiries received, it will be necessary for them to phone again on the following day to speak to an officer. In such circumstances, callers will normally be referred to the Agency's website to see if any of the information available there can assist in the interim. Because of the complexity of most employment relations queries, it is not possible for the Agency to respond to enquiries received via e-mail.

The calls made to the Agency during the year generated a total of 51,284 separate enquiries on a wide range of employment-related topics (as shown in Figure 1). New legislation in particular, on matters such as fixed-term contracts, the right to accompaniment, flexible working and paternity leave, generated an increase of

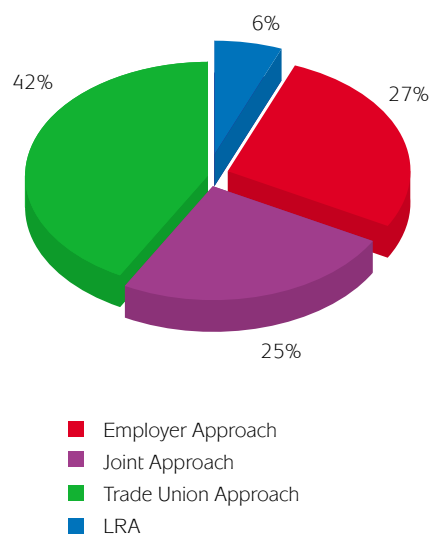


Figure 1: Types of Enquiry Received

3,774 in the enquiries received over the previous reporting year. An area that required the service to adapt quickly was the sudden high demand for information on holiday entitlement arising from the granting of an additional public holiday in June 2002 to mark the Golden Jubilee. In order to reach the optimum number of enquirers seeking advice on this issue, the Agency added a special press release to the news section of its website and accepted an invitation to discuss the general employment position with regard to holidays on the local radio.

As is shown in Figure 1, the largest single category of enquiries was "other statutory rights" which includes, for example, queries about notice entitlement or transfers of an undertaking. A second category with a high volume of enquiries is "other contractual rights". Changes in legislation can make it difficult to refine these general headings into more specific subheadings. This is particularly noticeable in circumstances such as those which arose during the 2002-2003 year when an entitlement to be accompanied at a grievance or disciplinary hearing changed from being a matter of contract to be agreed between an employer and an employee to being a statutory right enshrined in legislation.

1.8 Information and Publications

A highlight of the year was the publication of The Employers' Handbook - Guide to Employment Law and Good Practice. This major publication, sponsored by Invest Northern Ireland, was a collaborative venture among the Agency, the Equality Commission for Northern Ireland and the Health and Safety Executive for Northern Ireland with additional inputs from the Northern Ireland Association for the Care and Resettlement of Offenders, the Northern Ireland Community Addiction



Service and the Work-Life Balance Campaign. Designed to meet the specific information needs of small and medium-sized enterprises, the Handbook provides a user-friendly interpretation of employment law and practical guidance for the employer in the form of templates that can be adapted to suit individual circumstances. Published in hard copy in April 2002, the Handbook has rapidly become a vital point of reference for employers. To retain the accuracy of the information in the Handbook the Agency has agreed with Invest Northern Ireland to prepare updates to its contribution on a quarterly basis. These are then incorporated into the electronic version of the Handbook which can be accessed via the Internet on the websites of Invest Northern Ireland and the Labour Relations Agency.

The Agency publishes a series of Information Notes to assist employers and employees with the development of good employment practices, policies and procedures and to provide them with a greater awareness of employment relations legislation in Northern Ireland. Nine Information Notes were updated during the year:

Jim Keyes, Chief Executive, Health and Safety Executive for Northern Ireland; Leslie Morrison, Chief Executive, Invest Northern Ireland; Pat McCartan, Chairman, Labour Relations Agency; Joan Harbinson, Chief Commissioner, Equality Commission for Northern Ireland

- No. 3 Employee Grievances;
- No. 4 Disciplinary Matters;
- No. 10 The Employment Rights (Dispute Resolution) (Northern Ireland) Order 1998;
- No. 13 Family-Friendly Employment Policies;
- No. 19 Federations, Associations and Other Organisations of Employers;
- No. 20 Trade Unions and Other Employees' Associations;
- No. 21 Employment Relations (Northern Ireland) Order 1999;
- No. 22 Chairmen/Members of Statutory Bodies;
- No. 27 The Trade Union and Labour Relations (Northern Ireland) Order 1995.

These Information Notes along with the others in the series are available in hard copy from the Agency or may be downloaded from the Agency's website.

1.9 Codes of Practice

December 3 2002 was a significant day for both employers and employees in Northern Ireland in the conduct of their employment relations. On this day, following the approval given by the Northern Ireland Assembly in one of its final acts before

Pat McCartan and Alan Shannon, Permanent Secretary, Department for Employment and Learning



suspension, the Agency launched its new Code of Practice on Discipline and Grievance in Employment and a revised Agency Code on Redundancy Consultation and Notification. The Department for Employment and Learning took this opportunity to join with the Agency and launch their Code of Practice on Industrial Action Ballots and Notice to Employers on the same day.

The new Agency Code on Discipline and Grievance outlines the essential features of a disciplinary procedure as well as giving guidance on dealing with absence, poor performance and appeal procedures. The essential features of a grievance procedure are listed and advice given on the operation of grievance procedures. Guidance on the relatively new right of accompaniment at certain disciplinary and grievance hearings is included along with advice on the statutory right in operation. The new Code replaces an earlier Code on Disciplinary Practice and Procedures in Employment.

The Code on Redundancy Consultation and Procedures is a revision of a previous Agency Code and gives guidance on the legislative provisions regarding redundancy consultation and good practice in handling redundancy situations. The rights of employees whilst under notice of redundancy are also outlined. The essential difference between the previous Code and the revised Code is that the revised Code takes account of the Collective Redundancies and Transfer of Undertakings (Amendment) Regulations 1999 which essentially provide that employers have to consult the recognised trade union, if there is one, in a redundancy situation rather than allowing employers to choose to consult either the trade union or employee representatives or specially elected employees.

The Agency publishes two other Codes of Practice - Time Off for Trade Union Duties and Activities and Disclosure of Information for Trade Unions for Collective Bargaining

Purposes. The Code on Time Off for Trade Union Duties and Activities is in the process of being revised to take account of legislative developments.

Copies of all of the above Codes are available in hard copy from the Agency or may be downloaded from the Agency's website.

1.10 Promotional Activity

In September 2002 the Agency took part in the two-day Job Scene exhibition at the Odyssey Arena in Belfast. Job Scene is a United Kingdom-wide programme enabling employers, recruitment agencies, Government bodies, training providers, colleges, universities and career organisations to provide advice and information on careers, recruitment, education, training and employment relations matters to members of the public. The Northern Ireland Job Scene event was officially launched by Carmel Hanna, then Minister for Employment and Learning. It attracted in excess of 8,000 visitors. Eye-catching posters and handouts were designed and prepared for general distribution. A students' pack, including an employment law quiz for young people just entering the world of work, was prepared to accommodate the specific visitor profile on one day of this two-day exhibition.

Other events to promote and enhance the work of the Agency included attendance at a careers convention, the preparation of several press releases concerning impending legislation, the hosting of Opportunity Now's North West Networking meeting and the writing of articles on employment relations matters for a number of publications.

1.11 Website Development

This year has seen the continued expansion of the Agency's website as a means of communicating advice and information on good employment practice. In addition to all of the Agency's publications being available for downloading, a Questions and Answers page was added to the site. The purpose of this page is to give the user the chance to see typical questions which the Agency deals with on a daily basis. The answers provided to the questions are not in-depth but are designed to provide the reader with a general snapshot of the potential employment issues associated with the question. If the reader requires more comprehensive information a hyperlink brings them to an appropriate Agency publication for reference.

Paul Blease and Patricia Coulter, Employment Relations Officers, Labour Relations Agency; Bill Patterson



1.12 Talks and Conferences

Agency staff were requested to speak at 70 conferences and seminars not organised by the Agency. Demand for speakers came from a variety of sources which were representative of all sectors of Northern Ireland - employers' organisations, private sector employers, trade unions, Health Trusts, Local Councils, Further Education Colleges and community and voluntary groups. Among the topics covered were developments in employment law, the Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes, recruitment and selection, individual employment rights, dealing with discipline and grievances, work-life balance (undertaken largely in conjunction with Business in the Community), contracts of employment and absence control.

A highlight of the year was the Agency's collaboration with Invest Northern Ireland and the Equality Commission for Northern Ireland in designing and holding a conference for small and medium-sized businesses (SMEs) in Northern Ireland. The central components of the conference were updates in employment law with the Agency and the Equality Commission for Northern Ireland covering the legislative developments and Invest Northern Ireland providing the essential sponsorship and

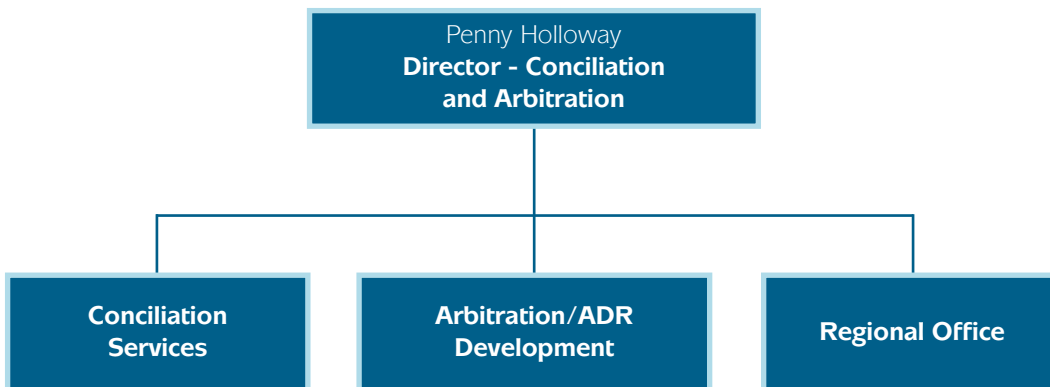
supporting administration. The conference, held on 26 February 2003, examined four specific aspects of employment law for SMEs - recent developments in equality case law, the implications of the Disability Discrimination Act for SMEs, the most common employment-related problems raised with the Agency's enquiry service and a review of recent statutory and case law developments in the employment field. The conference was aimed at SMEs from the greater Belfast area and the attendees numbered approximately 120. The feedback from the conference was very positive with 96% of attendees rating their overall impression of the conference as good or very good.

The above summary gives a flavour of the services provided by the Agency's Advisory Services and clearly demonstrates that the year was a challenging one for us.



Professor Barry Fitzpatrick, Head of Legal Policy and Advice, Equality Commission for Northern Ireland; Mark McAllister, Senior Employment Relations Officer, Labour Relations Agency; Raymond Bell; Tom McComb, Employment Relations Officer, Labour Relations Agency; Patrice Hardy, Deputy Director, Disability Advice Unit, Equality Commission for Northern Ireland

CHAPTER 2: PROMOTING A CULTURE OF ALTERNATIVE DISPUTE RESOLUTION



Penny Holloway
Director

2.1 Introduction

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

Over recent years the number of individual employment rights has been increasing with the introduction of new entitlements such as the right to be accompanied to a disciplinary hearing and the right to paternity leave. If an individual believes that there has been an infringement of their employment rights they may refer the matter to the Office of the Industrial Tribunals and the Fair Employment Tribunal.

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

from taking their case to a tribunal hearing if the conciliation process is not successful in settling their case.

Industrial action can occur when a trade union becomes involved in a dispute with an employer about aspects of terms and conditions of employment. Wages are an issue that can often come under dispute. Industrial action can take the form of a 'go-slow', overtime ban or a strike. This form of dispute is known as a "collective dispute".

The Agency, with the agreement of both parties, can become involved in the process of resolving collective disputes. The participation of the parties in the process of resolution is voluntary. The time taken for the resolution of a collective dispute can vary. It is essentially dependent on the nature and complexity of the dispute itself. In some instances the dispute can be resolved at a single meeting but in other cases a resolution may require a series of meetings over a period of weeks.

When, following conciliation, a dispute remains unresolved, the parties may decide to refer the issues to a mediator or an arbitrator for settlement. In employment relations mediation is understood as the process whereby a third party makes a recommendation to the parties to the dispute with respect to resolving the issues. Arbitration is the process whereby the arbitrator makes a decision on the resolution of the dispute. The decision is

morally, but not usually legally, binding on both parties to the dispute. The Agency retains a panel of qualified people to act as mediators or arbitrators in determining such disputes.

2.2 Individual Conciliation

The Agency's conciliation officers have a high success rate in dealing with cases. For example, the percentage of all cases proceeding to a tribunal hearing in the 2002-2003 reporting year was only 16%. This figure is a reflection on the effectiveness of the conciliation team in resolving the vast majority of cases. It is notable that 84% of cases were either settled or withdrawn.

The number of applications other than fair employment applications received by the Agency for the year ended 31 March 2003 was 5,593 which was an increase of 173 applications (3%) on the 2001-2002 year. Of these, 4,772 were received through the tribunal system and 821 were direct requests to the Agency and settled by the Agency. The applications made direct to the Agency concerned applications that could have been lodged with the tribunal

system but which, at the time of request to the Agency no such lodgement had been made. If the Agency achieves a settlement in these cases, then the individuals cannot subsequently submit an application to a tribunal for the same alleged infringement of employment rights. The number of direct requests received and settled increased by 32% from 620 requests in 2001-2002 to 821 requests in 2002-2003.

Table 1 summarises the applications received and dealt with during the year.

The number of applications other than fair employment which were dealt with by the conciliation officers increased by 587 from 4,486 in the year 2001-2002 to 5,073 in the year 2002-2003. This represents a percentage increase of 13%.

Table 2 provides an analysis of the outcome of the 5,073 applications dealt with between 1 April 2002 and 31 March 2003. The cases dealt with include a number of bulk applications¹.

The number of conciliated settlements in 2002-2003 increased by 547 (38%) from 1,428 in 2001-2002 to 1,975 in 2002-2003.

Table 1: Individual Conciliation Applications Received and Dealt With
(For comparison, the 2001-2002 figures are given in brackets)

Jurisdiction	Applications Received		Applications Dealt With	
Unfair Dismissal	2235	(1952)	2086	(1589)
Wages Order	934	(865)	767	(999)
Sex Discrimination	565	(781)	608	(588)
Breach of Contract	738	(684)	682	(543)
Equal Pay	99	(292)	126	(203)
Disability Discrimination	198	(175)	145	(56)
Race Discrimination	104	(126)	126	(30)
Other Employment Rights	720	(545)	533	(478)
Total	5593	(5420)	5073	(4486)

¹ A 'bulk application' is where a group of five or more individual applications are submitted at the same time, in respect of the same employer or group of employers and frequently in respect of the same alleged action/s by the employer.

The statistical information gathered on the withdrawal of applications from the tribunal system has been refined so that the Agency can determine how many have been withdrawn using Agency services. During the year under review, 48% of applicants who withdrew their cases used the Agency's conciliation team's services.

Figure 2 shows the trends in the breakdown of the applications received by jurisdiction for the nine-year period 1994-1995 to 2002-2003.

Table 2: Individual Conciliation Applications Dealt with and their Outcome

(For comparison, the 2001-2002 figures are given in brackets)

Jurisdiction	Settled by Conciliation		Withdrawn during Conciliation		Referred to a tribunal		Total Applications Dealt with	
Unfair Dismissal	1262	(872)	634	(547)	190	(170)	2086	(1589)
Wages Order	215	(198)	352	(713)	200	(88)	767	(999)
Sex Discrimination	106	(59)	426	(424)	76	(105)	608	(588)
Breach of Contract	180	(141)	338	(321)	164	(81)	682	(543)
Equal Pay	23	(6)	84	(155)	19	(42)	126	(203)
Disability Discrimination	18	(9)	105	(44)	22	(3)	145	(56)
Race Discrimination	12	(3)	96	(24)	18	(3)	126	(30)
Other Employment Rights	159	(140)	254	(265)	120	(73)	533	(478)
Total	1975	(1428)	2289	(2493)	809	(565)	5073	(4486)
Percentage	39	(32)	45	(55)	16	(13)	100	(100)

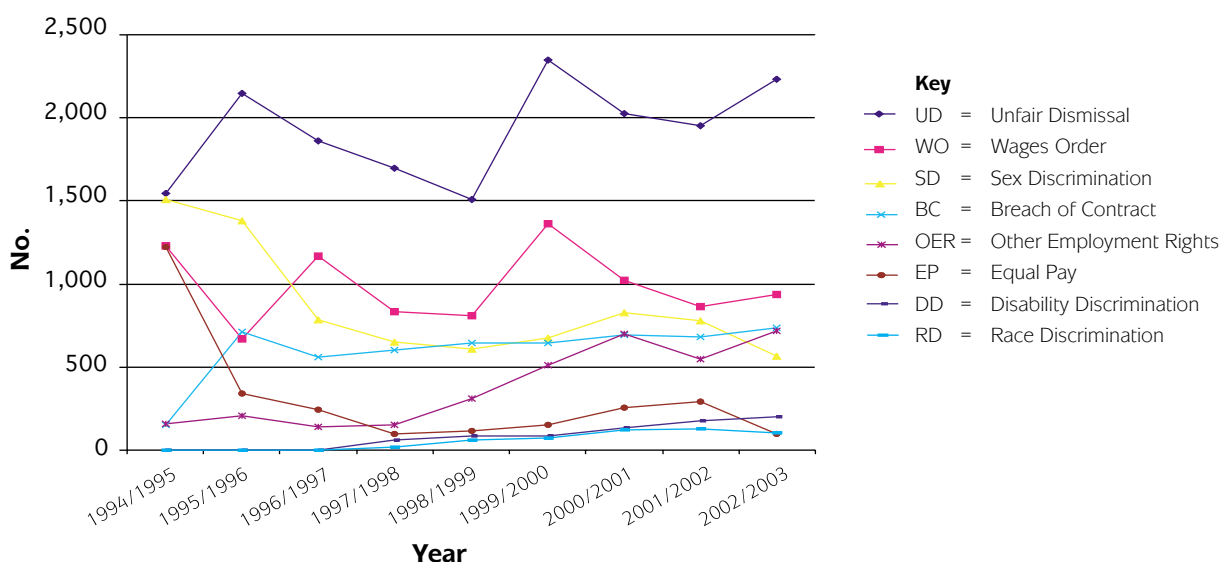


Figure 2: Individual Conciliation Applications Received 1994/95 - 2002/03

2.3 Equal Pay for Work of Equal Value

The Agency maintains a list of independent experts who may be asked by an industrial tribunal to report on whether or not particular jobs are equally demanding. These requests usually arise out of equal pay for work of equal value applications. In the 2002-2003 year there were no requests from an industrial tribunal for the nomination of an independent expert. The members of the Agency's independent expert panel are listed below:

Mr R Allen
 Mr W E Deane
 Mr J N McCaul
 Dr O Lundy
 Dr J R Young
 Mr J G Lyttle

2.4 Religious/Political Discrimination

The Agency has a statutory duty to seek to promote settlements of applications relating to complaints of religious and/or political discrimination in the same way as with other employment jurisdictions. Tables 3 and 4 summarise the complaints, alleging religious and/or political discrimination, received and dealt with by the Agency. The number of applications received in respect of religious and/or political discrimination decreased by 9% in the 2002-2003 year.

The number of cases dealt with by the conciliation officers increased by 35% in the year 2002-2003. The number of conciliated settlements in fair employment cases also increased by 19 from 45 settlements in 2001-2002 to 64 settlements in 2002-2003, a rise of 42%. This increase is a reflection of changes that took place in the administration of the fair employment caseload within the conciliation team. It is anticipated that the conciliation team will build on this success in the coming year. In

addition, the number of applications withdrawn also increased from 234 in the year 2001-2002 to 323 in the year 2002-2003 a rise of 38%.

Table 3: Fair Employment Applications Received and Dealt With

Applications	2002-2003	2001-2002
Received for Conciliation	501	548
Dealt With	434	321

Table 4: Analysis of Fair Employment Applications Dealt With

Applications	2002-2003	2001-2002
Withdrawn	323	234
To Tribunal for Determination	47	42
Settled by Conciliation	64	45
Total Dealt With	434	321

2.5 Developments in the Conciliation Section

During the year conciliation officers attended several training courses, workshops and seminars. A three-day discrimination course was provided by ACAS. In addition, the senior officers received training in collective conciliation skills. This ensured that the Agency maintained its collective conciliation team at full strength.

A new individual case management system was introduced on 1 April 2002. The system is undergoing constant refinement



to meet the changing needs of the conciliation staff. This application of technology has enabled the conciliation team to streamline their work. It has also facilitated the strengthening of the administrative support.

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

2.6 Arbitration/Mediation

During the year under review, the Agency received 35 requests for arbitration other than under the Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. The sources of these requests are outlined below:

- from procedures agreed within the non-teaching sector of the Education service 13
- from procedures agreed within the teaching sector of the Education service 6
- referred from within the private sector 5
- from procedures agreed within other public sector voluntary bodies 5
- from procedures agreed within further education 5
- from procedures agreed within local government 1

The subjects of these 33 requests were:

- Discipline/Grievance 31
- Pay and Conditions of Employment 3
- Grading/Job Evaluation 1

The 35 requests received when combined with the 12 cases brought forward from the previous year amounted to a caseload of 47 arbitration cases.

A total of 22 cases were determined during the year. Independent arbitrators from the list of qualified people retained by the Agency were appointed and decisions were issued in all 22 cases. A total of seven cases were withdrawn which includes four referred to conciliation or abandoned for other reasons. Eighteen requests have been carried forward into the 2003-2004 year.

Table 5 and figure 3 show the arbitration cases received and dealt with from 1994/95 to 2002/03.

The arbitration section has dealt with an average of 26 cases per year (see Table 5).

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

Table 5: Arbitration Cases Received and Dealt With 1994-2003

Cases Year	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	1994/03 Total for 9 Years	Average over 9 years
Cases brought forward from previous year	2	2	2	14	8	19	18	21	12		
Cases received in year	28	27	44	34	36	29	39	32	35	304	34
Total cases in hand	30	29	46	48	44	48	57	53	47		
Cases dealt with	28	21	31	36	20	14	25	37	22	234	26
Cases withdrawn	0	6	1	4	5	16	11	4	7	54	
Cases carried forward into next year	2	2	14	8	19	18	21	12	18		

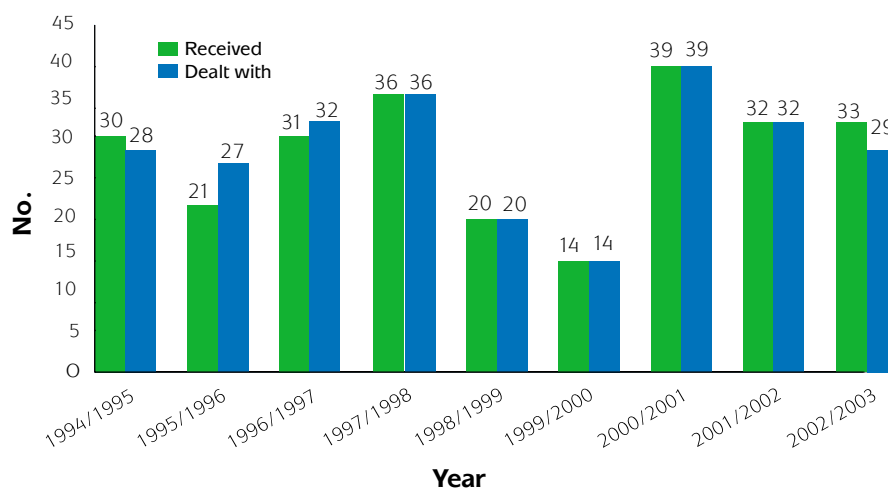


Figure 3: Number of Cases Received and Dealt with by Agency Arbitrators

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

The Agency's Statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes offers an alternative to using the Industrial Tribunal. It became operational on 28 April 2002 and was officially launched by Carmel Hanna, then Minister for Employment and Learning, on 11 June 2002. The launch was attended by key people in employment relations in Northern Ireland including representatives from industry, trade unions and the legal profession. An extensive range of documentation to support the Scheme was produced and circulated widely to relevant organisations and individuals. These publications are also available on the Agency's website or on request from the Agency.

A particular initiative was undertaken in September 2002 concerning all unfair dismissal cases received by the Agency as of April 2002. All applicants, respondents and their representatives were issued with the documentation on the Scheme. It is now normal practice that all applicants, respondents and their representatives for cases of alleged unfair dismissal are sent appropriate documentation on the Scheme with their first contact letter from their allocated conciliation officer. This ensures that all relevant parties are fully informed about the Scheme as early as possible.

The Agency developed and undertook an external promotion programme for the Scheme as of September 2002. At the year end over 20 presentations had been delivered to key organisations including the Confederation of British Industry, the Northern Ireland Committee of the Irish Congress of Trade Unions, the Construction Employers' Federation, Citizens Advice Bureaux and the Employment Lawyers' Group, together with a number of public



sector bodies. These presentations have been very well received.

The Agency received its first case under the Scheme in September 2002. The case was determined in November 2002. At the year end the Agency had received two requests for alleged unfair dismissal applications to be determined by way of statutory arbitration.

The Agency has appointed 11 arbitrators who will hear claims of alleged unfair dismissal under the Scheme. These arbitrators act as single arbitrators. All have received further training during the year in order to maintain and update their knowledge and skills.

Bill Patterson; Carmel Hanna, then Minister for Employment and Learning; Pat McCartan

2.8 Appointment of Arbitrators/Mediators

The Agency retains a list of qualified people who are prepared to act as mediators or arbitrators. It is important that there are sufficient individuals with current, or recent, workplace experience to provide disputing parties with an acceptable range of suitable skills and expertise. The list of arbitrators at 31 March 2003 consisted of:

- people who can be called upon to act as single arbitrators or to chair panels of arbitration 14
- people nominated by the Confederation of British Industry to represent employer interests on panels of arbitration 10
- people nominated by the Northern Ireland Committee of the Irish Congress of Trade Unions to represent employee interests on panels of arbitration 10

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

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

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

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

2.9 Collective Conciliation

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

The Agency received 48 new requests for conciliation in trade disputes in the year under review. This was an increase of 21 on the number received in the previous year. In total 50 cases were completed during the year under review. An analysis of the cases received and dealt with compared to the previous year, is shown in Table 6.

Table 6: Collective Conciliation Cases Received and Dealt With

Cases	2002-2003	2001-2002
Brought forward from previous year	14	7
Received for conciliation	48	27
Total	62	34
Dealt with during the year	50	20
Carried forward to following year	12	14



The Agency may receive requests for assistance from either of the parties or may actively contact the parties to a dispute to offer assistance. Table 7 shows the sources of requests for assistance. This information is shown pictorially in Figure 3.

Table 7: Sources of Requests for Collective Conciliation

	2002-2003	2001-2002
Trade Union Approach	20	18
Employer Approach	13	1
Joint Approach	12	8
LRA	3	-
Total	48	27

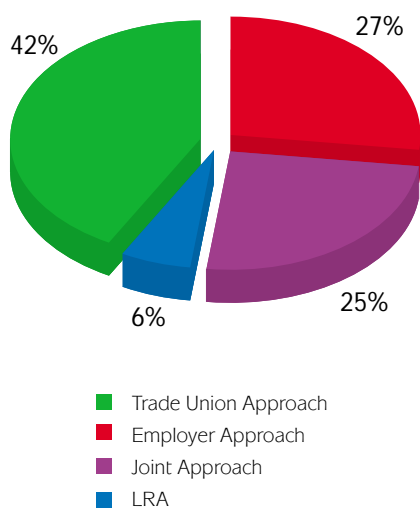


Figure 3: Sources of Requests for Collective Conciliation

The sector with the largest number of disputes was the manufacturing sector - see Figure 4.

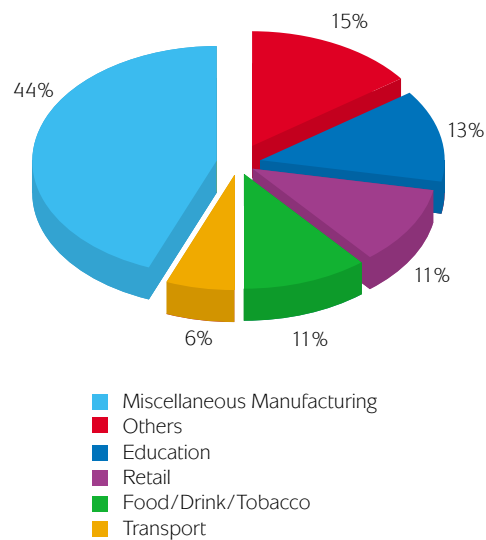


Figure 4: Profile of Cases Received by Industry Classification

However, there were a number of national disputes in the public sector affecting trade union members in Northern Ireland but these disputes were dealt with by ACAS. In disputes such as this, the Agency maintains a close watching brief. One such example was the national dispute within the Fire Service. Contact is maintained with the Northern Ireland representatives of the employers and the trade unions involved.

At year end 12 cases were still the subjects of ongoing conciliation assistance. One of these cases is the subject of a long-term conciliation with a view to assisting the company to maintain production by implementing a range of measures with the agreement of the trade union.

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

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

The majority of the disputes have involved pay and conditions of employment. There has been a slight increase in the disputes involving other issues. Table 8 provides information on the nature of the disputes in the year under review. Figure 5 shows this information pictorially.

Table 8: Nature of Disputes

	2002-2003	2001-2002
Conditions of Employment	16	7
General Pay Claim	16	5
Other	9	6
Trade Union Recognition	7	9
Total	48	27

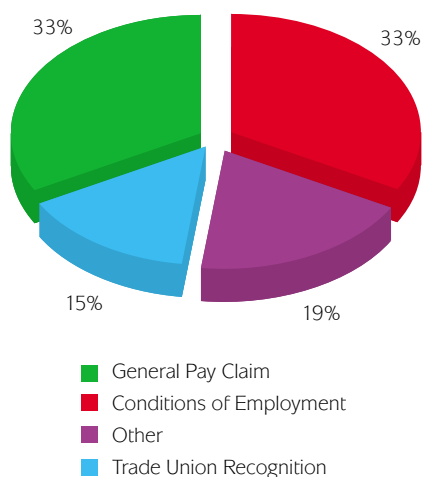


Figure 5: Nature of Disputes

2.10 Regional Office

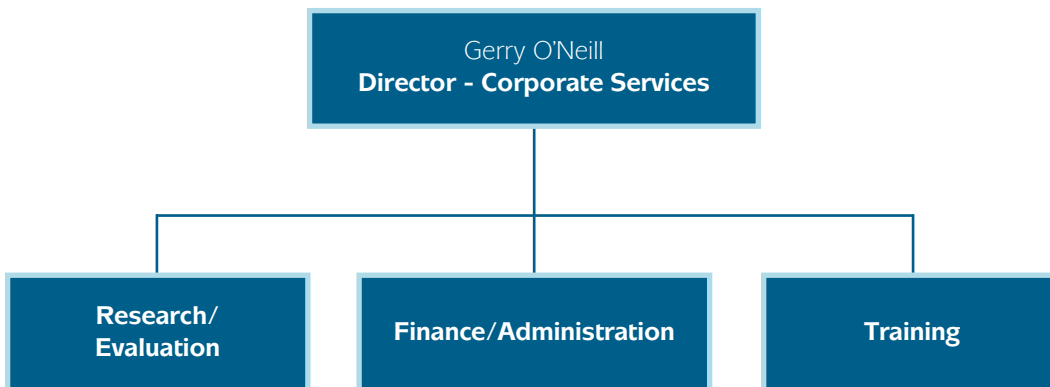
The Regional Office of the Agency is located in Derry/Londonderry. The Regional Office provides advisory services, individual conciliation and collective conciliation services to employers and employees in the North West of the Province.

The Regional Office dealt with seven of the 50 collective conciliation cases completed during the year.

During the year under review the Regional Office hosted the September Board meeting which was followed by a lunchtime reception. Local employers, trade unionists and council officials had the opportunity to meet with the Agency's Board members and staff.

The Regional Office also hosted Opportunity Now's North West Networking meeting in February. Delegates to this meeting were briefed about the role and function of the Agency and the range of services available.

CHAPTER 3: SUPPORTING THE DELIVERY OF QUALITY SERVICES



Gerry O'Neill
Director

3.1 Introduction

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

3.2 Structure of Corporate Services Delivery

Corporate services provides a wide range of services that can be classified under three main headings:

Interface with external stakeholders - services such as public relations, research, evaluation and financial reporting;

Internal support - services such as human resource management, financial management, training, organisational development, information systems management and office services; and

Statutory compliance - services such as the management of equality, health and safety, modernising Government and risk management.

3.3 Contribution of Corporate Services to Agency Success in 2002-2003

3.3.1 Interface with External Stakeholders

Public Relations

On 13 February 2003 the Agency held a major conference, *Employment Relations: Agenda for Change, Key Issues for Northern Ireland* that brought together all of the interest groups in employment relations in Northern Ireland for the first time in ten years and afforded the Agency an opportunity to promote itself extensively in the media.

The aims of the conference were:

- to carry forward the employment relations agenda for Northern Ireland;
- to highlight the effectiveness of collaborative working;
- to promote non-adversarial processes for resolving disputes;
- to share the experience of Agencies on the international front (Federal Mediation and Conciliation Service, ACAS, Labour Relations Commission, Labour Relations Agency) in promoting good practice in employment relations.

Jane Kennedy, Minister with responsibility for Employment, giving the opening address at the Agency's conference



Jane Kennedy, Minister with responsibility for Employment and Learning, gave the opening address. She emphasised the need for a holistic approach to dealing with conflict in the workplace. Other speakers included Peter Hurtgen, Director of the Federal Mediation and Conciliation Service, Washington DC; Brendan Barber, General Secretary Elect of the Trades Union Congress; Kieran Mulvey, Chief Executive of the Labour Relations Commission, Republic of Ireland; and Andrew Wareing, Director of Strategy at ACAS, UK.



John Taylor, Chief Executive, ACAS; Jane Kennedy; Pat McCartan; Peter Hurtgen, Director, Federal Mediation and Conciliation Service; Catriona Murphy, Chair, Labour Relations Commission



Labour Relations Agency Staff at the conference - Sylvia Pedlow, Employment Relations Officer; Anne Peake, Office Supervisor; Eilis Murray, Enquiry Point Officer; Patricia Coulter, Employment Relations Officer

A set of eight workshops formed the core of the conference. Each dealt with a theme pertinent to the current employment relations environment and the challenges facing all those in the field.



The conference offered an opportunity to compare the handling of employment relations issues in USA, Britain, Ireland and Northern Ireland. It allowed a wide range of parties (employers, unions, federations and public sector bodies) to consider areas of pressure in employment relations and the possible mechanisms for addressing these. The Agency is considering incorporating these themes into its future research, planning and services.

The Agency launched its new website, www.lra.org.uk, at the beginning of 2002/2003. This has proven to be an extremely useful promotional tool. Throughout the period new publications and news items have been added. Feedback from stakeholders has been extremely positive. The website has been used as a medium for supporting the Agency's publications, for promoting events such as the conference, to enable consultation, to support legislative compliance (eg the Freedom of Information Act) and for enabling users to register interest in seminar/workshop attendance online.

Research

The year 2002-2003 saw the establishment of a Research Forum to review the current status of employment relations research in Northern Ireland and advise on the approach the Agency should adopt in developing its strategic approach. This is a discussion group chaired by the Chairman and reporting to the Board through the Chief Executive. It includes members of the Agency's staff who have roles in research and also co-opted external stakeholders from Government departments (DEL and the Department for Enterprise Trade and Investment), the local universities, the Confederation of British Industry and the Equality Commission for Northern Ireland. The Agency believes that this group has considerable potential in contributing to an evidenced-based approach to employment relations public policy.

Evaluation

The Agency continues to develop the use of surveys to monitor the ongoing effectiveness of its services. These would apply to publications such as the Annual Report and events, such as the conference. These are no longer only in paper format and may be electronic, accessible through the website. During the year, a programme for the evaluation of internal services was developed and a methodology drafted for evaluating advisory services.

Financial Reporting

The Agency has reviewed its approach to financial reporting with a view to more appropriately targeting its readership based on their need. Therefore, as well as the traditional full Financial Report for the year (used for statutory reporting and available on request), it now envisages the production of Summary Financial Reports and Financial Reviews.

3.3.2 Internal Support

Corporate Support

The Agency's second Quinquennial Review took place during 2002/2003. This was commissioned by the Agency's sponsoring Department, DEL, and takes a zero-based approach to determining whether a Non-Departmental Public Body such as the Agency should continue to exist. It then evaluates the performance of the organisation by comparison with its statutory remit and the requirements of its stakeholders. The outcome was very positive with recommendations relating to expanding services, formalising the research remit and further developing the capability of information systems.

The Quinquennial Review also recommended specific staff inspection work in sections of the organisation perceived either to be currently under pressure or potentially coming under pressure through freshly envisaged work activities. The first of these staff inspections was planned within Corporate Services. At March 2003 the exercise was well advanced.

Recruitment and Selection

Unlike the previous year, 2002/2003 saw no opportunities crystallise for new recruitment. A number of staff benefited from short-term career development opportunities (some of which required formal selection).

Staff Welfare

The key area of work activity in 2002/2003 was the transfer of staff pension files to central management under control of the main pension scheme provider. This required the recompilation and validation of some 50 staff files.

The other key development area was the review of Personnel Policies and Procedures which resulted in new agreed

policies/procedures for Equal Opportunities and Harassment. Several other human resource policies are at the final stages of review.

Training and Development


This year saw the introduction of some major pieces of employment legislation that involved a significant investment in staff training. During the year, knowledge-based training occurred on all the major new employment laws. This included legislation such as the Employment (Northern Ireland) Order 2002; Statutory Paternity Pay and Statutory Adoption Pay (General) Regulations (Northern Ireland) 2002; and the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations (Northern Ireland) 2002. Other staff training involved major topics such as race awareness and equality impact assessment training. Competency-based training courses involved coverage of topics such as facilitation skills and collective conciliation skills. Overall, a total of 52 training sessions were delivered involving staff at all levels.

This investment (amounting to £39,000 in externally paid course fees and expenses) reflected the Agency's commitment to developing the full potential of its staff in order that they acquire the necessary knowledge, competences and attitudes to carry out their duties and enhance career development opportunities.

In the late part of the year, Investors In People work was refreshed and a plan based on early assessment, gap analysis and prompt reassessment was formulated.

Information Systems Planning and Co-ordination

In the main, development and end-user support are led by the operational staff who 'own' the information systems. For example, a manager from the conciliation section was project manager and now leads change control activity with regard to the



Individual Conciliation Case Management System. In 2002/2003, the Agency commissioned £13,500 of change control for the Case Management System. This progressed to the testing stage by the end of March 2003.

However, corporate services plays a key role in ensuring that the project management, procurement and support frameworks are effective. In this respect, 2002/2003 saw the first year of successful operation of an outsourced Information Technology (IT) Managed Services contract which acts as a substitute for an in-house IT Department (with responsibility for systems management, e-mail, bespoke software, Information Systems Strategy, Information Systems Security, network support etc). This was against a backdrop where the Individual Conciliation Case Management System saw its first year of live operation and a new e-mail/Internet access system went live for all staff.

The e-mail system has given new zest to internal communications whereby, for example, policy and procedural documentation and Board minutes are now held in folders available to all staff. Furthermore, the e-mail system has transpired to be an ideal medium for the circulation of legislative and professional updates for operational staff. The updates are provided by the Agency's library staff.

Accommodation

In 2002/2003, the Agency negotiated an additional lease on premises next door to its Headquarters. The lease was secured through the joint efforts of corporate services and the Valuation and Lands Office. The final proposals were approved by DEL. This coincided with completion of the five-yearly rent review of Headquarters. The new premises adds about 7% to the Agency's floor space and in addition allows the return of the Northern Ireland Certification Office for Trade Unions and Employers' Associations to Headquarters.

This has been achieved with only a small increase (about 3%) in rental outlay.

Procurement

The Agency procured about £290,000 worth of goods and services in 2002/2003 involving some 1,500 procurement transactions, all administered to Government guidelines through corporate services. A high-level analysis of these procurements indicates that about £98,000 was for corporate work (publications, the Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes and audit and legal advice etc), £74,000 was in areas associated with information systems, £59,000 related to payments for, for example, heating and telephones, £32,000 was for office consumables and £27,000 was to cover staff expenses such as travel and conference attendance.

Publications

Generally, it is the function of corporate services to collate and standardise drafts of publications sourced from operational sections, develop a design and print specification, select external production services, liaise with suppliers in regard to design and accept the final printed publication. The 2002/2003 year was busy in this area, key launches being Codes of Practice, the Arbitration Scheme for the Resolution of Unfair Dismissal Disputes and the Annual Report and Accounts 2001/2002.

Office Services

This was an eventful business year for the Agency and, as a consequence, office services staff frequently found themselves supporting other sections in the use of newly-developed computer systems and in supplying valuable administrative support. Despite this disruption, the unit continued to provide essential reception, word processing, library, catering, premises security and filing support services.

3.3.3 Statutory Compliance

Embedded Compliance (finance and employment relations)

During the year, the Agency successfully completed the implementation of new financial software (SAGE LINE 100). It is hoped that, as well as streamlining the production of annual financial reports, the system may be developed to further automate the production of monthly management reports. Such efficiencies will be re-channelled into other performance areas such as speeding up payments to suppliers. The previous year produced a clean audit report.

Project Driven Compliance (equality, health and safety, etc)

Corporate services has responsibility for implementing a raft of legislation requiring explicit policy implementation measures.

The Agency must demonstrate progress on its Equality Scheme (which was approved by the Equality Commission for Northern Ireland in July 2001). During the 2002/2003 year, through an in-house Equality Implementation Group, public consultation on the Agency's 35 generic policy areas was finalised and the internal screening process brought towards a conclusion. Thirteen policy areas have been provisionally identified for impact assessments with a plan spanning 3.5 years.

With regard to health and safety legislation, corporate services reviewed and redrafted the Agency's policies and procedures. These have now gone into working use, the emphasis being on providing risk assessments where appropriate, ensuring that evacuation procedures are properly rehearsed and that safe systems of work are introduced as necessary (eg in the print room).

Freedom of Information

As required under the Freedom of Information Act 2000, the Agency produced a Publication Scheme. The Scheme was approved by the Information Commissioner in November 2002 and is available on the Agency's website. The Publication Scheme deals with all the information that the Agency routinely provides in the public domain. The Agency is currently taking active strides to ensure that its electronic and paper filing records are adequately systemised to meet the enquiry aspects of the legislation due to go live in January 2005.

Government Initiatives (modernising Government, risk management)

Modernising Government imposes targets to be met over the next several years whereby electronic access to all Government services will be enabled in a "joined up" way so that for key lifetime events such as birth, marriage, getting a job and death the relevant public bodies involved will be seen to supply a seamless service. The Agency has commenced work in this area through liaison with sister organisations and planning an Information Systems Strategy due to be completed in 2003/2004.

The Treasury now expects all public bodies to adopt sound corporate governance practices consistent with those required of public listed companies. In this respect, corporate services prepared a draft framework for Risk Assessment and Management that was approved by the Board in December 2002. This has been reformatted into a policy and procedural framework that went live in April 2003.



3.4 Agency Responses to Consultative Documents

During the year the Agency responded to the following consultative documents:

- Final Consultation on Draft Fixed-Term Work Regulations (Northern Ireland) 2002;
- Review of Procedures for Judicial Appointments;
- Framework and Consultation Paper on Adult Literacy - Essential Skills for Living;
- Proposed Regulations Amending Working Time Regulations (Northern Ireland) 1998;
- Work and Parents: Competitiveness and Choice - Flexible Working Draft Regulations;
- Employment Status in Relation to Statutory Employment Rights;
- High Performance Workplaces - A Discussion Paper;
- Measures to Amend Certain Aspects of Organisation of Working Time Directive;
- Promoting Equality of Opportunity - Improvement of EU Equality Obligations in Northern Ireland.

3.5 Staff Retirements

Mr Liam Trainor (Senior Employment Relations Officer) retired during the reporting year.

The Agency wishes to express its good wishes to Liam and to thank him for the valued service he gave to the Agency.

CURRENT PUBLICATIONS

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

Disclosure of Information to Trade Unions for Collective Bargaining Purposes
 Disciplinary and Grievance Procedures
 Time-Off for Trade Union Duties and Activities (Under Revision)
 Redundancy Consultation and Procedures

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

No.1 Collective Disputes Resolution
 No.2 Varying a Contract of Employment
 No.3 Bullying at Work

Research Reports

Industrial Relations in Northern Ireland - The LRA Survey: Private Sector (1988)
 Industrial Relations in Northern Ireland - The LRA Survey: The Public Services (1992) (£12.50)
 Some Perspectives on Employee Involvement in Five Companies in Northern Ireland (1995)
 (£6.00 inc p&p)

The LRA's Journal - Review of Employment Topics

Volume 1 No. 1 - April 1993 (£10.00 inc p&p)
 Volume 2 No. 1 - June 1994 (£10.00 inc p&p)
 Volume 3 No. 1 - August 1995 (£10.00 inc p&p)
 Volume 4 No. 1 - August 1996 (£15.00 inc p&p)
 Volume 5 No. 1 - September 1997 (£17.00 inc p&p)

Annual Reports

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

No.1	Recruitment, Selection and Induction	Under Revision
No.2	Employment Particulars and Itemised Pay Statement	March 1997
No.3	Employee Grievances	October 2002
No.4	Disciplinary Matters	October 2002
No.5	Holidays, Holiday Pay and Entitlements	Under Revision
No.6	Sickness Absence Notification and SSP	Under Revision
No.7	Lay-Off/Guarantee Payments	September 2000
No.8	Transfer of Undertakings (Protection of Employment) Regulations 1981	Under Revision
No.9	Consultation on Collective Redundancies	March 2000
No.10	The Employment Rights (Dispute Resolution) (Northern Ireland) Order 1998	September 2002
No.11	Discrimination against Disabled Workers	Under Revision
No.12	Industrial Relations and Employment Law Differences between Northern Ireland and Great Britain	Under Revision



No.13	Family-Friendly Employment Policies	Under Revision
No.14	Ill Health Absence	May 1997
No.15	Continuity of Employment	March 1997
No.16	Access to Medical Reports for Employment Purposes	January 1992
No.17	Equal Pay for Work of Equal Value	October 1989
No.18	Data Protection Act 1984	Under Revision
No.19	Federations, Associations and Other Organisations of Employers	March 2002
No.20	Trade Unions and Other Employees' Associations	March 2002
No.21	Employment Relations (Northern Ireland) Order 1999	October 2002
No.22	Chairmen/Members of Statutory Bodies	December 2002
No.23	The Statutory Employment Rights of Employees	Under Revision
No.24	Statutory Maternity Pay	Under Revision
No.25	Europe and the Social Dimension	Under Revision
No.26	Protection of Workers in Relation to Wage Deductions by and Payments to Employers	March 1997
No.27	The Trade Union and Labour Relations (Northern Ireland) Order 1995	October 2002
No.28	Bullied at Work? - Guidance for Employees	September 2000

Single copies of individual Agency Information Notes are available free of charge; a full set requires a stamped addressed envelope (stamps to the value of £1.00). Copies can also be downloaded from the Agency's website at www.lra.org.uk.

Other Publications

Equality Scheme
 Conciliation in Complaints to Industrial Tribunals
 Conciliation in Complaints to the Fair Employment Tribunal
 Guide to Services
 Charter
 Corporate Plan 2000-2003

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. Notes for Guidance
 Choosing our Arbitration Scheme. How the LRA can Help
 An Introduction to the LRA Arbitration Scheme
 The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. A Guide to the Scheme
 The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes

ANNUAL REPORT TO THE EQUALITY COMMISSION FOR NORTHERN IRELAND (2002-2003)

In 2002/03, the Agency has continued with its commitment towards progressing its Equality Scheme.

The primary work conducted in the period was completion of its Internal Screening process which identified 13 out of 35 policy areas which may require Equality Impact Assessments.

The Agency has prioritised these requirements and anticipates a 3.5 year programme of Equality Impact Assessments beginning September 2003.

These proposals are now being submitted for public consultation.

The Agency has also progressed its efforts with regard to "Good Relations", concentrating mainly on the ongoing development of its staff. Areas covered included communicating with people with disabilities and discrimination awareness.

The Agency realises the necessity to allocate more staff to progressing the Equality Agenda and hopes to obtain such resources following a Staff Inspection currently in progress.



PATRICK McCARTAN
Chairman



WILLIAM PATTERSON
Chief Executive



REPORT AND FINANCIAL STATEMENTS 31 MARCH 2003

26 June 2003

Mr Alan Shannon
Permanent Secretary
Department for Employment and Learning
Adelaide House
39-49 Adelaide Street
Belfast
BT2 8FD

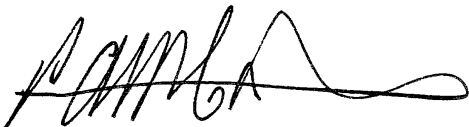
Dear Mr Shannon

Labour Relations Agency (Incorporating The Certification Officer for Northern Ireland)

Audited Financial Statements for year ended 31 March 2003

In accordance with paragraph 15(4) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I enclose two copies of the audited Financial Statements for the year ended 31 March 2003.

Yours sincerely



PATRICK McCARTAN
Chairman



THE LABOUR RELATIONS AGENCY
(incorporating The Certification Officer for Northern Ireland)

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2003



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FOREWORD TO THE ACCOUNTS

for the year ended 31 March 2003

Background information

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

These accounts have been prepared in accordance with paragraph 15(2) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992 and in a form directed by the Department for Employment and Learning with the approval of the Department of Finance and Personnel. A copy of the Accounts Direction can be found at Annex A.

Principal activities

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

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

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

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

Certification Officer for Trade Unions and Employers' Associations

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

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

Business review

A full review of the Agency's activities is given in the Annual Report.

Results for the year

The results of the Agency are set out in detail in the Income and Expenditure Account. The deficit for the year was £139,130 (2002: surplus of £37,493). This year's deficit largely arises due to the expenditure of cash brought forward from 2001/02.



FOREWORD TO THE ACCOUNTS

for the year ended 31 March 2003 (cont'd)

Fixed assets

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

Future developments

The Agency will seek to extend the statutory arbitration scheme for unfair dismissal to include other areas such as religious and political discrimination. It will enhance its role in promoting good employment practice through developing closer working relationships with other organisations, participating in the implementation of new statutory measures, reviewing the range and quality of its services and ensuring that its internal systems for communication and support remain effective and up-to-date.

Important events occurring after the year end

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

Charitable donations

Any charitable donations made did not exceed £200.

Board members

The following served as Board members during the year:

- Mr P McCartan - Chairman, part-time
- Mr J Collins
- Mr R Coughlin
(term ended 30 September 2002)
- Mrs R Johnston
(term ended 30 September 2002)
- Ms E May
- Ms P Maxwell
- Mr A S Mercer
- Mrs M Watson
- Mr E McGlone
- Mr H Goodman OBE
- Dr B Black
(term commenced 1 October 2002)
- Mr G Milligan
(term commenced 1 October 2002)

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

FOREWORD TO THE ACCOUNTS **for the year ended 31 March 2003 (cont'd)**

Board members' interests

An up-to-date register of Board members' interests is maintained by the Chief Executive, as Accounting Officer, and is available for inspection at the Agency's head office.

Disabled employees

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

Employee involvement

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

Equality statement

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

The Agency's Equality Scheme, which is required under Section 75 of the Northern Ireland Act 1998, is now in the process of implementation.

Payment to suppliers

The Labour Relations Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. Due to exceptional administrative pressures (staff turnover and additional one-off administrative responsibilities), the average payment to suppliers dropped to 50% (2002: 91%). This performance is being addressed as a matter of priority. January to March 2003 figures were 72% and early figures for 2003/04 indicate nearly total compliance with payment within 30 days.



Signed on behalf of the Board
PATRICK McCARTAN (Chairman)

Labour Relations Agency
2-8 Gordon Street
Belfast BT1 2LG



Signed by The Chief Executive
and Accounting Officer
WILLIAM PATTERSON

26 June 2003



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

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

In preparing the accounts the Agency is required to:

- * observe the accounts direction issued by the Department for Employment and Learning, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- * make judgements and estimates on a reasonable basis;
- * state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- * prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Labour Relations Agency will continue in operation.

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives set by the Board and agreed with the Agency's sponsoring Department (Department for Employment and Learning). The system of internal control is also designed to safeguard the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me through Government Accounting Northern Ireland.

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

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

Through its Audit Committee, the Board receives periodic reports concerning internal control. It should be noted that the appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

At the end of the 2002/03 financial year, the Agency had compiled a formal Corporate Risk Register that recorded risks and set out remedial actions associated with Health and Safety, Internal Audit and Operations.

By March 2003, the Agency had approved and introduced a policy/procedural framework for risk management. As part of this framework, risk ownership has been allocated to the appropriate officers and Sections. The Agency has also set out its attitude to the significance of risk management to the achievement of its objectives.

Procedures are now in place for verifying that aspects of risk management and internal control are regularly reviewed and reported upon. These procedures will be fully embedded and their robustness established during the 2003/04 financial year. This will result in a full risk and control re-assessment being completed before reporting on the year commencing 1 April 2003 which in turn will provide assurance for a fully operational Statement of Internal Control to be produced for the 2003/04 financial year.

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

My review of the effectiveness of internal control is informed by the work of Southern Internal Audit Services, the Audit Committee which oversees the work of Southern Internal Audit



STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Services, the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

William Patterson
Chief Executive and Accounting Officer

26 June 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF THE LABOUR RELATIONS AGENCY

We certify that we have audited the financial statements for the year ended 31 March 2003, which comprise the consolidated income and expenditure account, consolidated statement of total recognised gains and losses, consolidated balance sheet and consolidated cash flow statement and related notes 1 to 18 under the Industrial Relations (Northern Ireland) Order 1992. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Agency's Board members, as a body, in accordance with Schedule 4, Part II, Article 3 of the Industrial Relations (Northern Ireland) Order 1992. Our audit work has been undertaken so that we might state to the Agency's Board members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and its Board members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Agency, the Chief Executive and Auditors

As described in the Statement of the Agency's and Chief Executive's Responsibilities, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards, and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. Our responsibilities are to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and accounting standards.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and directions made thereunder by the Department of Finance and Personnel, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements.

We review whether the Statement on the System of Internal Control reflects the Agency's compliance with the Department of Finance and Personnel's guidance 'Corporate governance: statement on the system of internal control'. We report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Basis of opinions

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF THE LABOUR RELATIONS AGENCY

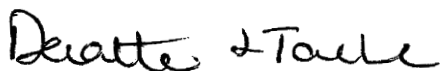
by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Labour Relations Agency's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence that the financial statements are free from material mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In our opinion:

- * the financial statements give a true and fair view of the state of affairs of the Labour Relations Agency as at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and directions made thereunder by the Department for Employment and Learning; and
- * in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



Deloitte & Touche
Belfast

26 June 2003

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2003

	Notes	Agency £	Certification Officer £	2003 Total £	2002 Total £
Income					
Grant from Department for Employment and Learning	2	2,049,459	190,871	2,240,330	2,116,290
Other operating income	3	1,353	-	1,353	1,779
Total income		<u>2,050,812</u>	<u>190,871</u>	<u>2,241,683</u>	<u>2,118,069</u>
Expenditure					
Staff costs	4	1,421,078	121,506	1,542,584	1,406,221
Depreciation	8	107,574	3,236	110,810	82,265
Release of grant on capital expenditure	12	(118,144)	(3,236)	(121,380)	(97,133)
Amounts written off fixed assets	8	10,570	-	10,570	14,865
Other operating costs	6	756,441	58,994	815,435	648,489
		<u>2,177,519</u>	<u>180,500</u>	<u>2,358,019</u>	<u>2,054,707</u>
Notional cost of capital	7	21,897	897	22,794	25,869
Total expenditure		<u>2,199,416</u>	<u>181,397</u>	<u>2,380,813</u>	<u>2,080,576</u>
(Deficit) / surplus for the year		<u>(148,604)</u>	<u>9,474</u>	<u>(139,130)</u>	<u>37,493</u>
Credit in respect of notional cost of capital	7	21,897	897	22,794	25,869
Amount (deducted from) transferred to reserves		<u>(126,707)</u>	<u>10,371</u>	<u>(116,336)</u>	<u>63,362</u>

Total expenditure re the Certification Officer in 2001/02 reflected £30,704 paid out of Agency funds on behalf of the Certification Officer. During 2002/03 £11,088 was reimbursed by the Certification Officer to the Agency.

All amounts above relate to continuing activities.

Notes 1 to 18 form part of these financial statements.



CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES for the year ended 31 March 2003

	Notes	2003 £	2002 £
Result for the year (prior to adjustment in respect of notional cost of capital)		(139,130)	37,493
Unrealised surplus on revaluation of fixed assets	13	5,635	4,832
Total recognised (losses) gains for the year		<u>(133,495)</u>	<u>42,325</u>


Notes 1 to 18 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	1&8	244,085	284,157
Current assets			
Debtors	9	60,377	59,036
Cash at bank and in hand	10	31,521	138,570
		91,898	197,606
Current liabilities			
Creditors - amounts falling due within one year	11	34,292	23,661
Net current assets			
		57,606	173,945
Total assets less current liabilities			
		301,691	458,102
Deferred income	12	(220,024)	(265,734)
NET ASSETS			
		81,667	192,368
Financed by:			
Capital and Reserves			
General Fund	13	62,122	176,211
Revaluation Reserve	13	19,545	16,157
		81,667	192,368

The financial statements were approved by the Board on 26 June 2003 and were signed on its behalf by:



Patrick McCartan, Chairman



William Patterson, Chief Executive and Accounting Officer

Notes 1 to 18 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2003

	Notes	2003 £	2002 £
Net cash outflow from operating activities	14.1	(107,049)	(177,329)
Capital expenditure		(75,670)	(82,838)
Capital grant received		75,670	82,838
		<hr/>	<hr/>
Decrease in cash	14.2	<u>(107,049)</u>	<u>(177,329)</u>

Notes 1 to 18 form part of these financial statements.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

1. ACCOUNTING POLICIES

1.1 Accounting convention

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

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

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

1.2 Grant income

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

1.3 Fixed assets

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

A capitalisation threshold of £100 is applied.

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

The methods adopted and rates used are:

Adaptations to short leasehold buildings	- 10% straight line
Office furniture and fittings	- 20% straight line
Computer equipment	- $33\frac{1}{3}$ % straight line

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



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

1.4 Treatment of pension liabilities

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

1.5 Value Added Tax

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

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

2. GRANT FROM THE DEPARTMENT FOR EMPLOYMENT AND LEARNING Request for Resources B (2002: Request for Resources B)

	2003 £	2002 £
Total grant receivable [including £195,000 (2002: £120,000) re The Certification Officer]	2,316,000	2,220,000
Less transfer to deferred income in respect of capital expenditure [including £4,129 (2002: £1,260) re The Certification Officer] (notes 8 and 12)	(75,670)	(82,838)
Less accrued in prior years to fund pre-retirement costs re former management	-	(20,872)
	<hr/>	<hr/>
Grants credited to revenue account	2,240,330	2,116,290
	<hr/> <hr/>	<hr/> <hr/>

3. OTHER OPERATING INCOME

Other operating income comprises:

	2003 £	2002 £
Receipts from sale of publications	420	677
Miscellaneous receipts	933	1,102
	<hr/>	<hr/>
Total	1,353	1,779
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS for the year ended 31 March 2003

4. STAFF COSTS

(a) The number of Board members serving at any one time during the year was:

	2003 No.	2002 No.
Board Members (including Chairman)	10	10

The average weekly number of employees (full time equivalent) was:

Staff:

Management (including Chief Executive)	4	3
Operational	26	27
Support	17	16
The Certification Officer (part-time)	1	1
Certification Office Support Staff	4	4
Total staff	52	51
Total (including The Certification Officer)	62	61

(b) The costs incurred in respect of these employees were:

	2003 £	2002 £
Agency (excluding The Certification Officer):		
Wages and salaries	1,183,480	1,083,012
Social security costs	77,381	74,469
Other pension costs - superannuation	160,217	146,954
Total (excluding The Certification Officer)	1,421,078	1,304,435
Certification Officer:		
The Certification Officer		
Salary	14,631	14,344
Social security costs	1,181	1,165
	15,812	15,509
Seconded staff assistants to The Certification Officer	105,694	86,277
Total (re The Certification Officer)	121,506	101,786
TOTAL STAFF COSTS	1,542,584	1,406,221

The above staff costs do not include fees paid to employment agencies re the use of a small number of occasional temporary staff - such costs are included in operating costs at note 6.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

4. STAFF COSTS (Cont'd)

(c) The above staff costs are analysed as follows:

	2003 £	2002 £
Board members		
Chairman's salary and other Board members' fees	60,831	57,222
Social security costs	1,311	1,185
Other pension costs - superannuation re Chairman	2,795	2,446
	<u>64,937</u>	<u>60,853</u>
Staff		
Chief Executive and other management		
Salary	189,995	148,170
Social security costs	16,524	13,377
Other pension costs - superannuation	33,249	25,925
	<u>239,768</u>	<u>187,472</u>
Operational		
Salaries	647,502	619,130
Social security costs	41,052	44,332
Other pension costs - superannuation	89,939	86,464
	<u>778,493</u>	<u>749,926</u>
Support		
Salaries	285,152	258,490
Social security costs	17,010	15,574
Other pension costs - superannuation	35,718	32,120
	<u>337,880</u>	<u>306,184</u>
Total staff costs (excluding The Certification Officer)	1,421,078	1,304,435
Certification Officer and his assistants	<u>121,506</u>	<u>101,786</u>
TOTAL STAFF COSTS	<u><u>1,542,584</u></u>	<u><u>1,406,221</u></u>

(d) Chief Executive

The Chief Executive's salary does not include a performance-related bonus.

He does not receive any taxable benefits in kind.

He is a member of the Principal Civil Service Pension Scheme (NI) on the same basis as all other members of the Agency's staff.

He is a permanent employee on the same terms and conditions as all other Agency staff.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

4. STAFF COSTS (Cont'd)

(e) Details are given below of salary and pension entitlement (excluding any pension benefits arising from Additional Voluntary Contributions or the pension benefits transferred from another scheme) of the Chairman, other Board members, the Chief Executive and other senior management included in the above staff cost summaries.

Other than the Chairman, the Board members are not in the pension scheme.

Board members	Age @ 31.3.03	2002/03 Salary £	2001/02 Salary £	Real Increase in Pension* at 60 during 2002/03 £	Real Increase in Pension* at 60 during 2001/02 £	Total Accrued Pension+ at 60 as at 31.3.03 £
Mr P McCartan (from 01/02/02) <i>Chairman</i>	57	20,700	3,450	1,032	167	301
Dr B Black - appointed 01/10/02	57	2,227	-			
Mr J Collins	63	4,455	4,345			
Mr R Coughlin - term ended 30/9/02	53	2,227	4,345			
Mr H Goodman OBE	64	4,455	4,345			
Mrs R Johnston - term ended 30/9/02	◆	2,227	4,345			
Ms P Maxwell	48	4,455	4,345			
Ms E May	48	4,455	4,345			
Mr E McGlone	51	4,455	4,345			
Mr A S Mercer	56	4,455	4,345			
Mr G Milligan - appointed 01/10/02	43	2,227	-			
Mrs M Watson	55	4,455	4,345			
Management						
W Patterson <i>Chief Executive & highest paid employee</i>	50	67,936	65,010	3,924	3,595	5,768
P Holloway	50	35,716	11,383	1,802	566	594
D McGrath	53	40,706	38,750	3,581	3,669	12,637
G O'Neill (from June 2001)	52	45,638 •	32,334	2,316	1,616	990

* includes lump sum and annual pension entitlement

+ in addition to annual pension entitlement a lump sum equivalent to three years' pension is payable on retirement

◆ at the time of approval of the financial statements the Agency had not been able to obtain permission to publish this information

• including £2,437 re prior year

None of the above received any benefits in kind or were members of the Partnership Pension Account during the year.

NOTES TO THE ACCOUNTS for the year ended 31 March 2003

4. STAFF COSTS (Cont'd)

(e) (Cont'd)

'Salary' includes gross salary; performance pay or bonuses; overtime and any other allowances to the extent that it is subject to UK taxation.

(f) Pension arrangements

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**classic**, **premium**, and **classic plus**). New entrants after 1 October 2002 may choose between membership of **premium** or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (**partnership pension account**).

(i) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(ii) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service of 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(iii) Classic Plus Scheme

This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

Pensions payable under **classic**, **premium**, and **classic plus** are increased in line with the Retail Price Index.

All staff in service at 1 October 2002 will be given the option to join the **premium** or **classic plus** arrangements.



NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

4. STAFF COSTS (Cont'd)

(f) Pension arrangements (Cont'd)

(iv) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

(g) Pension costs

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but the Labour Relations Agency is unable to identify its share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 1999 and an interim estimate of the scheme liability is available at 31 March 2002. A full actuarial valuation of the scheme liability is currently underway.

For 2002/03, employers' contributions of £160,217 were payable to the PCSPS(NI) (2001/02: £146,954) at one of four rates in the range 12 to 19.5 percent of pensionable pay, based on salary bands. The 2003/04 rates are in the range 12 to 18 percent of pensionable pay, based on the revalorised salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No contributions were paid in the year to one or more of a panel of four appointed stakeholder pension providers.

No contributions are due to the partnership pension providers at the balance sheet date.

5. PERFORMANCE AGAINST KEY FINANCIAL TARGETS

Subject to the restriction of only being able to carry over funds amounting to the total of 2% of allocated grant and miscellaneous receipts, the Department for Employment and Learning does not consider it appropriate to set key financial targets for the Agency.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

6. OTHER OPERATING COSTS (including VAT, where relevant)

	Agency £	Certific. Officer £	2003 Total £	Agency £	Certific. Officer £	2002 Total £
Rent and rates including car parks	191,607	21,002	212,609	173,177	13,834	187,011
Service charges, maintenance, cleaning, heating, lighting and insurance	51,942	4,809	56,751	30,137	1,844	31,981
Security	27,453	-	27,453	25,097	-	25,097
Arbitration fees and expenses	24,757	-	24,757	17,261	-	17,261
Advisors' fees and expenses	5,994	1,165	7,159	11,948	-	11,948
Employment Agency fees re temporary staff	61,232	-	61,232	44,913	-	44,913
Arbitrator recruitment costs	-	-	-	44,958	-	44,958
Office supplies, printing and stationery	23,263	3,448	26,711	18,145	3,238	21,383
Postage and telephones	44,968	4,048	49,016	41,682	3,576	45,258
External auditors' remuneration						
- audit fees	3,970	704	4,674	3,800	700	4,500
- other services	3,845	-	3,845	4,200	-	4,200
Internal auditors' remuneration	9,715	-	9,715	6,091	-	6,091
Legal fees	42,594	411	43,005	9,123	-	9,123
Other professional fees	481	1,175	1,656	1,641	2,674	4,315
IT managed services	36,989	-	36,989	30,338	-	30,338
IT maintenance and licences	33,380	-	33,380	-	-	-
IT development and implementation	11,923	-	11,923	-	-	-
Travel and subsistence	21,783	3,528	25,311	23,658	3,081	26,739
Staff training	43,093	229	43,322	41,466	736	42,202
Industrial relations training, seminars and research	11,711	1,622	13,333	8,979	2,026	11,005
Publications and advertising	37,763	4,180	41,943	11,118	9,978	21,096
LRA Conference	20,804	-	20,804	-	-	-
Website development costs	4,553	10,692	15,245	20,024	-	20,024
25th Anniversary costs	-	-	-	9,635	-	9,635
Advertising (staff vacancies)	-	-	-	5,097	-	5,097
Library services	12,258	810	13,068	11,997	899	12,896
Hospitality	10,761	761	11,522	3,417	585	4,002
Miscellaneous expenditure and venue hire	13,312	290	13,602	4,709	379	5,088
Professional subscriptions	5,169	-	5,169	2,121	-	2,121
Bank charges	1,121	120	1,241	84	123	207
	<u>756,441</u>	<u>58,994</u>	<u>815,435</u>	<u>604,816</u>	<u>43,673</u>	<u>648,489</u>



NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

7. NOTIONAL COSTS

Notional cost of capital

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the Labour Relations Agency. The basis of the charge is 6% of the average capital employed by the Agency during the year, defined as total assets less current liabilities.

NOTES TO THE ACCOUNTS for the year ended 31 March 2003

8. FIXED ASSETS

Cost or valuation	Adaptations to Agency Short Leasehold Buildings £	Agency Office Furniture & Fittings £	Agency Computer Equipment £	Certific. Officer Office Furniture Fittings £	Certific. Officer Computer Equipment £	Total £
At start of year	118,105	181,019	202,257	14,165	6,608	522,154
Additions	1,807	6,762	62,972	250	3,879	75,670
Adjustment arising on revaluation	2,904	3,043	(18,738)	303	(612)	(13,100)
At end of year	<u>122,816</u>	<u>190,824</u>	<u>246,491</u>	<u>14,718</u>	<u>9,875</u>	<u>584,724</u>
Depreciation						
At start of year	37,539	100,216	88,165	6,123	5,954	237,997
Provision for year	12,246	27,700	64,964	2,112	1,541	108,563
Adjustment arising on revaluation	923	1,741	(8,168)	135	(552)	(5,921)
At end of year	<u>50,708</u>	<u>129,657</u>	<u>144,961</u>	<u>8,370</u>	<u>6,943</u>	<u>340,639</u>
Net book value						
At 31 March 2003	<u>72,108</u>	<u>61,167</u>	<u>101,530</u>	<u>6,348</u>	<u>2,932</u>	<u>244,085</u>
At 31 March 2002	<u>80,566</u>	<u>80,803</u>	<u>114,092</u>	<u>8,042</u>	<u>654</u>	<u>284,157</u>
If stated under historical cost principles the comparable amounts would be:						
Cost	108,974	177,635	322,863	13,893	14,083	637,448
Accumulated depreciation	(44,277)	(119,120)	(210,938)	(7,762)	(12,017)	(394,114)
Historical cost value						
At 31 March 2003	<u>64,697</u>	<u>58,515</u>	<u>111,925*</u>	<u>6,131</u>	<u>2,066</u>	<u>243,334</u>
At 31 March 2002	<u>73,752</u>	<u>77,588</u>	<u>123,593*</u>	<u>7,912</u>	<u>94</u>	<u>282,939</u>

NB: The depreciation charge of £110,810 (2002: £82,265) for the year reflects the depreciation provision of £108,563 (2002: £81,253) together with net revaluation adjustments totalling £2,247 (2002: £1,012) in respect of those asset categories where amortised current value exceeds amortised historic cost.

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

Agency	£
Certification Officer	10,570
	-
	<u>10,570</u>

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

9. DEBTORS: amounts due within one year

	2003 £	2002 £
Prepayments	60,377	59,036

10. CASH AT BANK AND IN HAND

	Agency £	Certification Officer £	2003 Total £	2002 Total £
Cash at bank	27,154	4,117	31,271	138,320
Cash held at Londonderry	50	-	50	50
Cash held at Headquarters	100	100	200	200
Total	27,304	4,217	31,521	138,570

11. CREDITORS: amounts falling due within one year

	2003 £	2002 £
Sundry creditors and accruals	34,292	23,661

12. DEFERRED CAPITAL GRANT INCOME

Capital allocations not yet released to income and expenditure account.

	2003 £	2002 £
At start of year	265,734	280,029
Received in year	75,670	82,838
Released to income and expenditure account in respect of depreciation and other amounts written off fixed assets	(121,380)	(97,133)
At end of year	220,024	265,734

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

13. RECONCILIATION OF MOVEMENTS IN RESERVES AND GENERAL FUND

	Note	General Fund £	Revaluation Reserve £	2003 Total £	2002 Total £
At start of year		176,211	16,157	192,368	124,174
Result for the year		(139,130)	-	(139,130)	37,493
Credit in respect of notional cost of capital		22,794	-	22,794	25,869
Unrealised surplus on revaluation of fixed assets	8	-	5,635	5,635	4,832
Transfer of amount equivalent to additional depreciation on assets where revaluation is more than historical cost		2,247	(2,247)	-	-
At end of year		<u>62,122</u>	<u>19,545</u>	<u>81,667</u>	<u>192,368</u>

14. NOTES TO CASH FLOW STATEMENT

14.1 Reconciliation of result for the year to net cash (outflow) from operating activities

	2003 £	2002 £
Result for the year	(139,130)	37,493
Credit in respect of notional cost of capital	22,794	25,869
Adjustment for non cash transactions		
Depreciation	110,810	82,265
Release of grant on capital expenditure	(121,380)	(97,133)
Amounts written off fixed assets	10,570	14,865
Adjustments for movements in working capital		
Increase in debtors	(1,344)	(14,936)
Increase/(decrease) in creditors	10,631	(225,752)
Net cash (outflow) from operating activities	<u>(107,049)</u>	<u>(177,329)</u>

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

14. NOTES TO CASH FLOW STATEMENT (Cont'd)

14.2 Reconciliation of net cash (outflow) to movement in net funds

	2003	2002
	£	£
Cash in bank at start of year	138,570	315,899
Net cash (outflow)	(107,049)	(177,329)
	<hr/>	<hr/>
Cash in bank at end of year	31,521	138,570
	<hr/> <hr/>	<hr/> <hr/>

15. FUTURE CAPITAL EXPENDITURE

	2003	2002
	£	£
Contracted	-	83,000
Authorised but not contracted for	-	-
	<hr/>	<hr/>
Total	-	83,000
	<hr/> <hr/>	<hr/> <hr/>

16. CONTINGENT LIABILITIES

The Agency does not anticipate any significant liability other than its own legal costs to arise in respect of staff tribunal cases unresolved at the year end. The Agency's current assessment of the contingent liabilities will be kept under close review.

There are no other contingent liabilities at the year end (2002: £nil).

17. FINANCIAL COMMITMENTS

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

	2003	2002
	£	£
Within one to two years	12,000	-
Within two to five years	-	111,875
After five years	161,562	22,325
	<hr/>	<hr/>
	173,562	134,200
	<hr/> <hr/>	<hr/> <hr/>

This year's property rental commitments reflect the rent review re the Agency's existing Gordon Street, Belfast premises with the addition of the adjacent premises in Gordon Street.



NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

18. RELATED PARTY TRANSACTIONS

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



ANNEX A

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT FOR EMPLOYMENT AND LEARNING WITH THE APPROVAL OF THE DEPARTMENT OF FINANCE AND PERSONNEL, IN ACCORDANCE WITH PARAGRAPH 15(2) OF SCHEDULE 4 TO THE INDUSTRIAL RELATIONS (NORTHERN IRELAND) ORDER 1992

1. The Labour Relations Agency shall prepare accounts for the financial year ended 31 March 2003 and subsequent financial years comprising:

- a. a foreword;
- b. an income and expenditure account;
- c. a balance sheet;
- d. a cash flow statement; and
- e. a statement of total recognised gains and losses;

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. the disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Department of Finance and Personnel may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. the accounting and disclosure requirements given in "Government Accounting Northern Ireland" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time; insofar as these are appropriate to the Labour Relations Agency and are in force for the financial year for which the statement of accounts is to be prepared.
4. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.



ANNEX A (cont'd)
ACCOUNTS DIRECTION (cont'd)

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a. Fixed assets at their value to the Agency by reference to current costs; and
 - b. Stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

The Department of Finance and Personnel has, through the Department for Employment and Learning, confirmed that the above Accounts Direction applies unchanged for the year ended 31 March 2003.



ANNEX A (cont'd)

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER 1986 AND ACCOUNTING STANDARDS

Companies (Northern Ireland) Order 1986

1. The disclosure exemptions permitted by the Companies (Northern Ireland) Order 1986 shall not apply to the Labour Relations Agency unless specifically approved by the Department of Finance and Personnel.
2. The Companies (Northern Ireland) Order 1986 requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Labour Relations Agency shall be contained in the Foreword.
3. When preparing its income and expenditure account, the Labour Relations Agency shall have regard to the profit and loss account format (1 or 2) prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986.
4. When preparing its balance sheet, the Labour Relations Agency shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986. The balance sheet totals shall be struck at "Total assets less current liabilities".
5. The Labour Relations Agency is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies (Northern Ireland) Order 1986.
6. The Foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

7. The Labour Relations Agency is not required to include a note showing historical cost profits and losses as described in FRS 3.



ANNEX A (cont'd)

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The Foreword shall, *inter alia*:
 - a. state that the accounts have been prepared in a form directed by the Department with the consent of the Department of Finance and Personnel in accordance with Paragraph 15(2) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992;
 - b. include a brief history of the Labour Relations Agency and its statutory background.
2. The notes to the accounts shall include details of the key corporate financial targets set by the Department together with the performance achieved.

ANNEX B

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

Respective responsibilities of the auditors and the Comptroller and Auditor General

As described in the Auditors' Report on pages FS8 to FS9 it is the auditors' responsibility to form an independent opinion, based on their audit, on the statement of accounts and on the regularity of the financial transactions included in them and to report their opinion to the Labour Relations Agency. It is my responsibility, under Paragraph 15(5) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992 to examine those audited accounts and to make a report to you.

Report

I have examined the audited statements on pages FS10 to FS28 of the Labour Relations Agency for the year ended 31 March 2003. I have no observations to make on these financial statements.



J M DOWDALL
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
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18 August 2003







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