



Labour Relations A G E N C Y

Improving Employment Relations

Annual Report and Accounts 2016-17



Labour Relations Agency Annual Report and Accounts for the Year Ended 31 March 2017

Laid before the Northern Ireland Assembly
under Paragraph 15(5) and
Paragraph 16(1) of Schedule 4 to the
Industrial Relations (Northern Ireland) Order 1992
by the Department for the Economy
29 June 2017

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PERFORMANCE REPORT



Chapter 1

Overview

1.1 MISSION STATEMENT, EQUALITY STATEMENT, CORE VALUES

Mission Statement

To improve employment relations, promote best employment practice and resolve workplace disputes through the delivery of quality, impartial and independent services.

Equality Statement

The Labour Relations Agency (the Agency), in line with our Equality Scheme as approved by the Equality Commission in May 2012, 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, equal opportunity and good relations. The Agency is committed to ensuring equality of opportunity, recognising diversity, treating everyone fairly and without discrimination. 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 relevant Codes of Practice. The Agency, by July of each year, ensures that all its commitments set out in the Equality Scheme have been adequately addressed and that all necessary equality monitoring returns have been completed and issued. The Agency's Equality Scheme is available on the Agency's website www.lra.org.uk.

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 diversity and opinions;
- value, consult and involve staff;
- demonstrate value for money.

Background Information

The Agency is an executive Non-Departmental Public Body (NDPB) sponsored by the Department for the Economy (DfE) following the restructuring of Government Departments on 9 May 2016. Prior to this the Agency was sponsored by the Department for Employment and Learning (DEL). It was established in 1976 under the Industrial Relations (Northern Ireland) Order 1976 and continued by the Industrial Relations Order (Northern Ireland) 1992.

Principal Activities

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

The Agency provides effective, impartial and confidential services to those engaged in industry, commerce and the public services in Northern Ireland, those services include:

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

The Headquarters of the Agency are located at 2-16 Gordon Street, Belfast BT1 2LG. The Agency also has a Regional Office located at 1-3 Guildhall Street, Londonderry BT48 6BB. Both offices are equipped to provide the full range of advisory and dispute resolution services to employers, employers' associations, individual employees, trade unions and other organisations across Northern Ireland.

1.2 CHAIR'S FOREWORD



2016-17 marked the 40th anniversary of the Labour Relations Agency and throughout this period the Agency has made a very significant and valued contribution to the wellbeing and sustainability of Northern Ireland's labour market. I want to pay tribute to all the Board members and staff, past and present, who have played a key role in developing the Agency into the organisation that it is today – widely respected as Northern Ireland's primary deliverer of expert and effective advisory and dispute resolution services. In partnership with our stakeholders the Agency has had an enduring role in shaping industrial relations in Northern Ireland and we will continue this important work of presenting Northern Ireland as a good place to do business.

The Agency's anniversary was first recognised at our annual public meeting last October when Anne Sharpe, Chief Executive of Acas, our sister organisation in Great Britain, was our keynote speaker. The event was made even more special by the presence of Aidan Harkin, son of Brendan Harkin, the Agency's first Chairman and Chief Executive. Aidan offered a poignant and insightful perspective on Brendan's lifelong commitment to good industrial relations. This anniversary year has provided a unique opportunity to showcase the Agency's work and will culminate in an event for stakeholders in June 2017 to initiate a consultation on our new Corporate Plan and to launch a new mobile App, developed in partnership with Belfast Metropolitan College. This App allows our customers to access information and guidance on employment relations matters, and some services, on tablets and smartphones. This is just the start of our digital journey and the Agency is already exploring other innovative ways to promote and deliver our services, and to reach out to new customers.

2016-17 should have heralded a significant change in the way in which our individual conciliation service is delivered. Early Conciliation, which is already in place in Great Britain, will require parties to consider the offer of the Agency's dispute resolution services as an alternative to an employment tribunal. This new service is provided for in the Employment Act (Northern Ireland) 2016 and during the past year the Agency has consulted widely as part of our preparations for the introduction of Early Conciliation. However, we still await a Ministerial decision on a commencement date and understandably there has been a lot of frustration within the employment relations community about the delayed introduction of an initiative which enjoyed widespread political support during the successful passage of the governing legislation in 2016.

The financial challenges faced by the Agency in 2016-17 have limited our ability to take forward some development projects and we also had to put on hold a leadership development programme for staff. Looking forward to 2017-18 the Agency will have to absorb further in year reductions that are likely to be visited on all public bodies. This is against a backdrop of a continuing commitment to support the SME sector and an emerging demand from the public sector as it comes to terms with the challenges arising from macro restructuring. The Board and management of the Agency are grateful to our sponsor Department (DfE) for the support provided during the reporting period and will continue to work with the Department to explore ways to maximise our impact on the labour market.

It is also important that I thank our many stakeholders and delivery partners for their support in championing the work of the Agency. During the reporting period the Agency continued to facilitate the work of the Northern Ireland Employment Relations Roundtable, which is representative of all of the main employer organisations and trade union bodies. The Roundtable is about to launch a new Joint Declaration of Protection that will demonstrate the collective commitment of employers and trade unions to workplaces that are free from all forms of discrimination and harassment.

During the latter part of 2016-17 the Agency started to develop its new Corporate Plan in the context of the Executive's draft Programme for Government and DfE's Industrial Strategy. The Agency's draft Corporate Plan has a particular focus on evidencing and promoting the social and economic benefits of good employment relations and the Board would appreciate any views/testimonies about the impact of its work.

Lastly, I am eternally grateful to the Agency's Board and our staff for their commitment, work and many achievements throughout this reporting period, which are set out in this annual report.

A handwritten signature in black ink, appearing to read 'Anne Sharpe', written in a cursive style.



1.3 CHIEF EXECUTIVE'S OVERVIEW

The Agency has had a challenging but very successful year with demand for some of our headline services continuing to increase against the backdrop of a pressurised budget position. The complexity of many of the calls to our Helpline has increased necessitating greater levels of intervention from our advisory teams. A number of our seminars have also been oversubscribed; there has been a 25% rise in the number of individual conciliation cases received and we have seen a 53% increase in the number of multiple disputes. This increased demand for our services is in itself a very positive endorsement of the Agency's position within the labour market; however the additional workload has had to be absorbed with no additional resources.

The Agency has a statutory duty to promote the improvement of employment relations through the delivery of a range of advisory and dispute resolution services. We set challenging targets for each of our frontline services and it is pleasing that all critical service delivery targets were substantially exceeded in 2016-17; settlements were achieved in 85% of individual conciliation cases with only 7% of cases being heard by an employment tribunal; 82% of advisory cases were completed within three months of being commissioned; and 96% of employers reported they had amended their documentation/systems following assistance from the Agency. This level of performance could only be achieved through the commitment and collective endeavours of our excellent frontline staff at a time when resources are at a premium.

The Agency recognises the importance of being proactive in managing workplace stress and has developed a range of initiatives specifically focused on the health and wellbeing of staff. The Agency also takes very seriously its governance and accountability responsibilities and I am pleased to be able to report that we have achieved a satisfactory level of assurance from both our internal and external audit review processes. All of this could not have been achieved without the dedication of our Corporate Services team in supporting the Board and our staff. It is also important to acknowledge the very important contribution of our local trade union representatives in contributing to a very positive and constructive industrial relations culture.

I want to take this opportunity to thank all of our staff for their unstinting support and commitment and to also acknowledge the contribution of colleagues who retired during the reporting period.

The political and policy environment presented very particular challenges for the Agency in terms of the anticipated introduction of Early Conciliation. The Agency made significant progress in terms of being operationally ready to deliver this new service but now awaits a Ministerial decision to commence the relevant provisions of the 2016 Employment Act.

This has also been another very successful year in terms of stakeholder engagement and the implementation of a number of key initiatives in partnership with our delivery partner organisations. I want to take this opportunity to thank the many stakeholder organisations who have championed the work of the Agency during this reporting period and to also acknowledge the support and strategic direction provided by our Board.

In conclusion, this has been a very positive and successful year and 2017-18 will present a new set of challenges in aligning our business priorities to the Executive's Programme for Government. What will not change is the Agency's commitment to respond to the needs of the labour market in delivering high quality and responsive advisory and dispute resolution services.

1.4 KEY CORPORATE RISKS

The Board and Audit and Risk Assurance Committee (ARAC), on the basis of advice from the Accounting Officer, determines the Agency's risk appetite. In matters of legal compliance and where public sector values such as accountability, fairness and openness may be impacted the Agency is deliberately risk averse and controls are maximised. In all other operational areas the Agency is willing to accept a degree of risk that is commensurate with the likelihood of materialisation and the potential impact.

The Agency currently recognises and actively manages eight high level risks. These are handled within an overall risk management framework, which includes monthly Senior Management Team reviews of the corporate risk register. The ARAC also conducts its own assessment of the currency of the Agency's corporate risks and the effectiveness of the internal control framework at each of its quarterly meetings; and the Board reviews the risk register on an annual basis. The ARAC held a workshop in May 2107 to review the structure and content of the corporate risk register to ensure proper alignment with challenges set out in the Agency's 2017-21 Corporate Plan.

A summary of the key actions to mitigate the corporate risks is set out below.

1. **Loses credibility and does not adequately influence changes in the Northern Ireland employment relations environment.**

The employment relations environment in Northern Ireland is in a constant state of change because of economic and political factors as well as public policy developments such as 'Brexit', the growing differences between Great Britain and Northern Ireland's employment law regimes and emerging case law. Other drivers include the ongoing programme of structural reform across the public sector and the recent Executive consultations on the Programme for Government and Industrial Strategy. The employment relations environment is a key part of Northern Ireland's socio-economic landscape and is the area within which the Agency primarily operates and in which it needs to be regarded as an expert authority.

The Agency does this by scanning the business and regulatory environments and by developing and maintaining very positive relationships with key stakeholders representing employers (e.g. Confederation of British Industry (CBI), Federation of Small Businesses (FSB), Chamber of Commerce and Institute of Directors (IoD)) and employees (e.g. the Northern Ireland Committee of the Irish Congress of Trade Unions (NIC-ICTU)). The Agency's facilitation of the NI Employment Relations Roundtable is critical as it provides a unique forum for collaborative discussion by all key stakeholders on matters of public policy, skills and research.

The risk is that the Agency could become out of touch with the needs of employers/employees and the wider economy which could adversely impact its reputation and credibility with stakeholders and Government.

The controls which the Agency has in place to deal with this risk are its ongoing intelligence gathering, the corporate and business planning process, regular engagement with our sponsor Department, ongoing facilitation of the work of the NI Employment Relations Roundtable and ensuring that the Agency takes a neutral but influential position on employment relations matters.

1.4 KEY CORPORATE RISKS cont'd ...

2. Loss of reputation for the provision of high quality, independent employment relations services.

The Agency's primary role is to deliver impartial advisory and dispute resolution services to both employers and individual employees; it is therefore of paramount importance that those services are of the highest quality. This is achieved by ensuring that our people have access to high quality continuous professional development in the specialist areas of dispute prevention and resolution. The Agency also ensures that all new recruits undertake an extensive programme of initial training before they are assessed as being competent. Such personal development is by its nature specialised and requires a bespoke approach; it can therefore be difficult to source expert trainers with an understanding of local conditions that apply in Northern Ireland. The risk is that the competence of operational staff may diminish and adversely impact the quality of service resulting in significant reputational damage.

The controls to address this risk include: tailored personal development; allocation of sufficient resources to deliver the annual learning and development plan; prioritisation of leadership, management and coaching training, and alignment of individual/team objectives with the corporate/business.

Feedback from the ongoing evaluation of frontline services and third party assessments indicate that, to date, this risk has been successfully managed.

3. Failure to deliver key corporate objectives due to budget pressures.

The Agency has operated under significant budget constraints since 2011 and will continue to do so for the foreseeable future. We are primarily a service delivery organisation with salary related costs representing almost 75% of our core funding with other inescapable expenditure absorbing a further 16%. This leaves a very limited amount of actual 'discretionary spend' to cover all other revenue and capital commitments.

The associated risk is that the Agency may fail to deliver on the objectives and key targets set out in our annual business plan. The Agency's approach has been to focus on the delivery of strategic priorities in consultation with the Board and our sponsor Department. Detailed monitoring of expenditure with an emphasis on corporate priorities has allowed the Agency to respond quickly to operational pressures. Throughout the reporting period the Agency has ensured that strategic objectives have been achieved, however the opportunity to progress a number of development projects has been constrained because of the cumulative impact of annual pay and price increases against a static baseline.

4. Information systems do not adequately support business-critical operations.

Delivery of the Agency's services is highly dependent on the capacity and capability of our IS/IT infrastructure. A failing legacy system has been replaced by a new Case Management Record System (CMRS) for all of our Dispute Resolution services; plans are also well advanced to enhance the system to cover our Advisory services. There is a continuing risk that the Agency's IS/IT systems may not be sufficiently flexible to accommodate emerging business demands because of limited in-house expertise. The Agency has in place a Managed Services contract providing on-site expert operational support, and which is regularly monitored against the requirements of an agreed service level agreement. During the reporting period the Agency's IT infrastructure was upgraded in line with our business continuity plan.

The Agency continues to be proactive in ensuring that our information systems provide effective support to all of our operations; during the current reporting period a new IT system to support our HR functions was procured. The Agency has in place an organisation-wide IS/IT steering group which reviews the effectiveness of all of the Agency's information systems. The Agency is currently developing a new IS strategy to support the implementation of the new Corporate Plan and establish our approach to, and priorities for, investment in IT for the four-year period to 2021.

1.4 KEY CORPORATE RISKS cont'd ...

5. Records Management systems non-compliant with governing legislation.

The majority of the Agency's records are held electronically and secured in compliance with international standards; the Agency was recently re-accredited against the ISO27001 standard. An internal review of our records management policies and procedures identified some control weaknesses but raised no concerns about compliance with the governing legislation.

Internal Audit made a number of recommendations for improvement and a recent follow up review has confirmed that all of the business-critical recommendations have now been implemented. Many of the required detailed operational policies and procedures are now established as part of the Agency's implementation of the ISO27001 standards.

6. Failure to demonstrate Value for Money (VfM).

The Agency is always mindful of the need to demonstrate that it provides value for money. In 2014 an independent study identified a 10:1 ratio for every £1 invested in the services delivered by the Agency. In 2016-17 we commissioned Internal Audit to provide advice on how we can demonstrate, on an ongoing basis, the continuing return on investment in the Agency's services, as well as our wider social impact. This advice is informing the development of the Agency's new Corporate Plan, which will include a strategic theme linked to evidencing the economic and social return from good employment relations.

We also commissioned an independent review of the Agency's Corporate Services to ensure we obtain value for money from our support functions. The recommendations from this were received in May 2017 and are being considered for implementation.

7. Fails to meet its statutory equality duties and best practice standards.

The Agency's operations are guided by commitments set out in our Equality Scheme, designed to ensure substantial compliance with Section 75 of the Northern Ireland Act 1998. The Agency is committed to mainstreaming equality in relation to both the delivery of frontline services and all of our corporate functions, and in this regard a dedicated equality corporate risk has been established.

Key steps taken to mitigate this risk include Board, staff and arbitrator training and awareness. The Agency explicitly considers equality implications as part of its corporate planning and HR Strategy processes. Formal equal pay reviews are carried out every three years with interim checks following annual pay agreements. A disability focus group is in place and a disability action plan has been developed. A formal review of the Agency's Equality Scheme is under way.

8. Significant skills deficits following retirement/departure of Board members/senior staff.

The operational and strategic risk of losing key post holders remains a high priority. The Agency maintains a close relationship with the sponsor Department to ensure that Board vacancies are filled promptly.

Similarly, the Agency is proactive in managing the risk of losing key staff. A new Director of Corporate Services was appointed in March 2017 and a recruitment competition to fill vacancies in our Helpline Service was also completed. The likelihood of risk materialisation will continue to be influenced by the age profile of staff, potential single points of failure, the significant lead in time required for new staff to be fully operational and turnover of Board members.

The Agency's Board approved a new HR Strategy during the current reporting period which included a commitment to develop a succession plan that is based on a risk analysis of the areas where greatest exposure exists for knowledge loss. The Agency commissioned a review of its corporate services functions which provides clarity about how Corporate Services should be structured and resourced. The SMT has agreed to bring a revised succession plan to the Board that will take account of the strategic priorities set out in the Agency's 2017-21 Corporate Plan.

1.5 ADVISORY SERVICES



Mr David McGrath, Director Advisory Services

Responsible for Advisory Assistance, Advisory Workshops, Helpline, Good Employment Practice, Good Practice Seminars, Research, Agency Website

The work of the Advisory Services Directorate focuses on the promotion and improvement of good employment practice and the implementation and development of employment relations skills. It does this through providing information, guidance, advice and support on employment relations matters to both employers and employees. The aim of the service is to ensure compliance with relevant legislative provisions and to promote and encourage good employment practice. While we have a particular focus on engaging with small businesses, who comprise the bulk of the Northern Ireland (NI) economy, our services are tailored for all sizes of organisation, from start-up to multi-national. There are several strands to our work: a Helpline service; provision of seminars, briefings and workshops; drafting and vetting employment documentation; facilitation of projects; and the Agency's website and publications. All of these services are easily accessible to customers. Where appropriate we work in partnership with other organisations to deliver services that are finely tuned to meet customer needs.

The Agency's Helpline is primarily telephone based and is our frontline service. It is widely recognised for its leading role in improving employment relations and working relationships in NI. Our well trained team of advisors provide high quality, accurate information, guidance and advice whilst recognising the need for balance between employment rights and responsibilities and the necessity for harmonious and productive relationships in work. Our timely, impartial and helpful approach provides the basis to improve the quality of their decision making.

This year, staffing changes once again impacted upon the service provided by the Helpline. As a consequence the Helpline became a noticeable pressure point in terms of the capacity for the staff to respond to the volume and complexity of calls received. The Agency continues to strive to achieve a balance between staff welfare, training and high quality customer service. The number of calls handled by the Helpline was 19,494 calls (compared to 20,795 last year). Activity levels against some key performance indicators have been exceeded despite the reduction in the number of trained advisors available.

Again this year, advisors reported an increase in the complexity of issues raised particularly following complicated case decisions or interpretations of contentious jurisdictions. Of particular note were issues such as on-going differences between employment legislation in NI compared to Great Britain (GB), vicarious liability of employers and holiday pay calculation. Our average call time was 7 minutes 29 seconds which is indicative of users going to our website for purely factual queries, such as current National Minimum Wage rates and contacting the Helpline when they need advice regarding their own particular circumstances or situation.

We continue to track the profile of our customers by way of our Case Management Records System (CMRS) and strive to ensure the accuracy of our recording and reporting mechanisms.

Our seminars and briefings focus on the development and enhancement of employment relations skills. We have a well-established programme of events which we refresh regularly to reflect current trends and new developments. This year we added Early Conciliation and Workplace Mediation to our briefings to satisfy demand from a diverse audience for information in a compact form. The public events were very well attended by people from a wide cross section of organisations. We are keen to expand our customer base and it is pleasing to report that of the people who attended our events 22% were attending for the first time. Our new online booking system has proved easy to use and has given us greater control over the bookings received. In addition to our planned events for the year we responded to numerous requests from organisations for us to provide tailored sessions onsite for their staff. The top two most popular topics were Handling Difficult Conversations and Fair Recruitment and Selection. The combined Handling Difficult Conversations and Resolving Workplace Disputes seminar

1.5 ADVISORY SERVICES cont'd ...

embarked on last year is now included in our public programme and is proving very popular as an in-company event.

Our workshops on employment documentation are well attended by start-up businesses who clearly welcome the opportunity to gain the necessary skills and knowledge to develop and maintain basic employment relations documentation. However, the audience often includes people from more established organisations highlighting that such organisations who are experiencing gaps in skills and knowledge which can be filled by attending this concentrated but straightforward approach to putting employment documentation in place.

Our work on drafting and reviewing employment documentation to ensure compliance with legislation and good practice has seen a drop of 18% in demand for this service. This has reinforced our resolve to explore new approaches to our service delivery.

The Agency's facilitation work continued to have an emphasis on strategic targeting of projects at a structural and regional level. Notably, this year involved work at a sectoral level in education in facilitating bargaining on amended industrial relations constitutions and machinery. In addition work has continued in the local government sector with the Agency assisting in the production of a new regional bargaining structure for the post-April 2015 11 council model. The Agency has also been facilitating the harmonisation of industrial relations protocols within two specific Councils, both of which had an immediate need to deal with differences in employment procedures from the legacy Councils. There was a noticeable increase in demand for facilitated workshops on the subject of the differences between employment law in NI as compared to GB from both trade union, management side and in particular a large private sector GB employer setting up in NI for the first time. Other work included facilitated projects for the Department for Communities on devising an employment relations training package for senior managers and working with the Construction Industry Training Board on employment law issues in the sector.

Training within large public sector organisations continues. The local government sector has sought assistance from the Agency with developing better application and skills in joint negotiating and the legal framework within which unions operate. This specifically targeted training is ongoing. Other training that has been on-going in the private sector includes the roles and responsibilities of information and consultation representatives in non-unionised workplaces.

The Agency has also provided a multiple module training programme for the Northern Ireland Committee of the Irish Congress of Trade Unions (NIC-ICTU) covering adaptations of all the main Agency seminars and attended by all the constituent unions. This programme has now become a standing requirement.

Joint training initiatives with other public sector bodies remain a significant part of the Agency's training output and work is ongoing with the Health and Safety Executive for Northern Ireland (HSENI) to deliver two different workplace stress programmes. One with the Agency as host focused on theory and a complementary session, hosted by the HSENI, related to applying the Management Standards for Work -Related Stress.

Throughout the year the Agency has maintained connection with its stakeholders by participating in various events, information exhibitions and conferences. The Agency is an active participant in the Human Rights Commission's Business and Human Rights Forum which co-ordinates and shares information on all NI and international business initiatives related to the human rights agenda. The Agency continues to have a presence as an independent member on the Confederation of British Industry's Employment and Skills Committee and has regular engagement with NIC-ICTU regarding recent developments in employment relations. As in previous years the Agency has worked collaboratively with NIC-ICTU to devise, develop and deliver modules for the Trade Union Studies and Lifelong Learning education and training programme, with a view to educating trade unionists from a good employment practice perspective. The Agency also continues to work on the series of joint Agency/Equality Commission for Northern Ireland (ECNI) E-Zine on developments in employment and equality law with more editions pending. Other joint work with the ECNI includes future employment/equality update roadshows throughout NI and new joint guidance on pregnancy and maternity at work.

1.5 ADVISORY SERVICES cont'd ...

The Agency's website is regularly updated; adding to the range of information we provide as there is a continuing demand for accurate information to be available online.

The Agency provides a wide range of good practice guides, small business leaflets, information notes and self-help guides and these are to be found in the publication section of the website. A useful addition to the site is a chart outlining the main differences in employment law and practice between NI and GB. Also included is an A-Z section which gives a brief guide to employment topics ranging from absence to zero hours contracts.

The Advisory Service's emphasis on customer service and demonstrating value for money remains as in previous years and it is very encouraging that all of our performance indicators reveal the value placed on the services by our customers. A selection of case studies demonstrating how the Advisory Service has helped organisations is now included on our website.

PERFORMANCE INDICATORS

Performance Indicators 2016-17	Performance at 31 March 2017
1. The average Helpline waiting time is to be less than 1 minute for 2016-17.	The average waiting time for answering a Helpline call was 53 seconds.
2. The Helpline lost call rate is to be less than 10% for 2016-17.	The lost call rate was 8.5%.
3. At least 10% of callers to the Helpline have not previously used the service.	Of callers identified 42% had not previously used the Helpline service.
4. At least 1% of Helpline callers are referred for Pre-Claim Conciliation (PCC).	0.52% of Helpline callers referred for PCC.
5. At least 80% of Advisory cases received are to be completed within 3 months of receipt.	82% of cases received were completed within 3 months of receipt.
6. At least 50% of users of the Advisory vetting service report that they amended documentation/systems following Agency assistance.	96% of customers reported that they amended documentation/systems following Agency assistance.
7. At least 75% of customers report that they would now feel better equipped in dealing with employment relations matters in the workplace following attendance at in-house seminars/briefings.	85% of customers report that they would now feel better equipped in dealing with employment relations matters in the workplace following attendance.
8. At least 25% of delegates to good practice seminars/briefings are to be from organisations who have not previously attended an Agency good practice seminar.	33% of delegates had not previously attended an Agency good practice seminar/briefing.

ADVISORY FACTS AND FIGURES

Table 1: General Enquiries

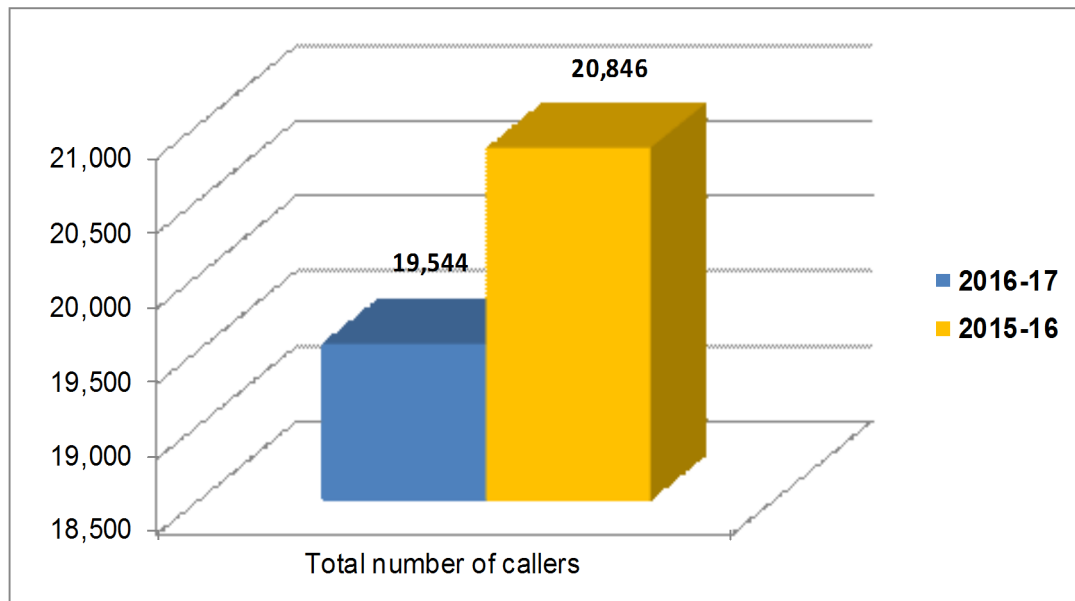
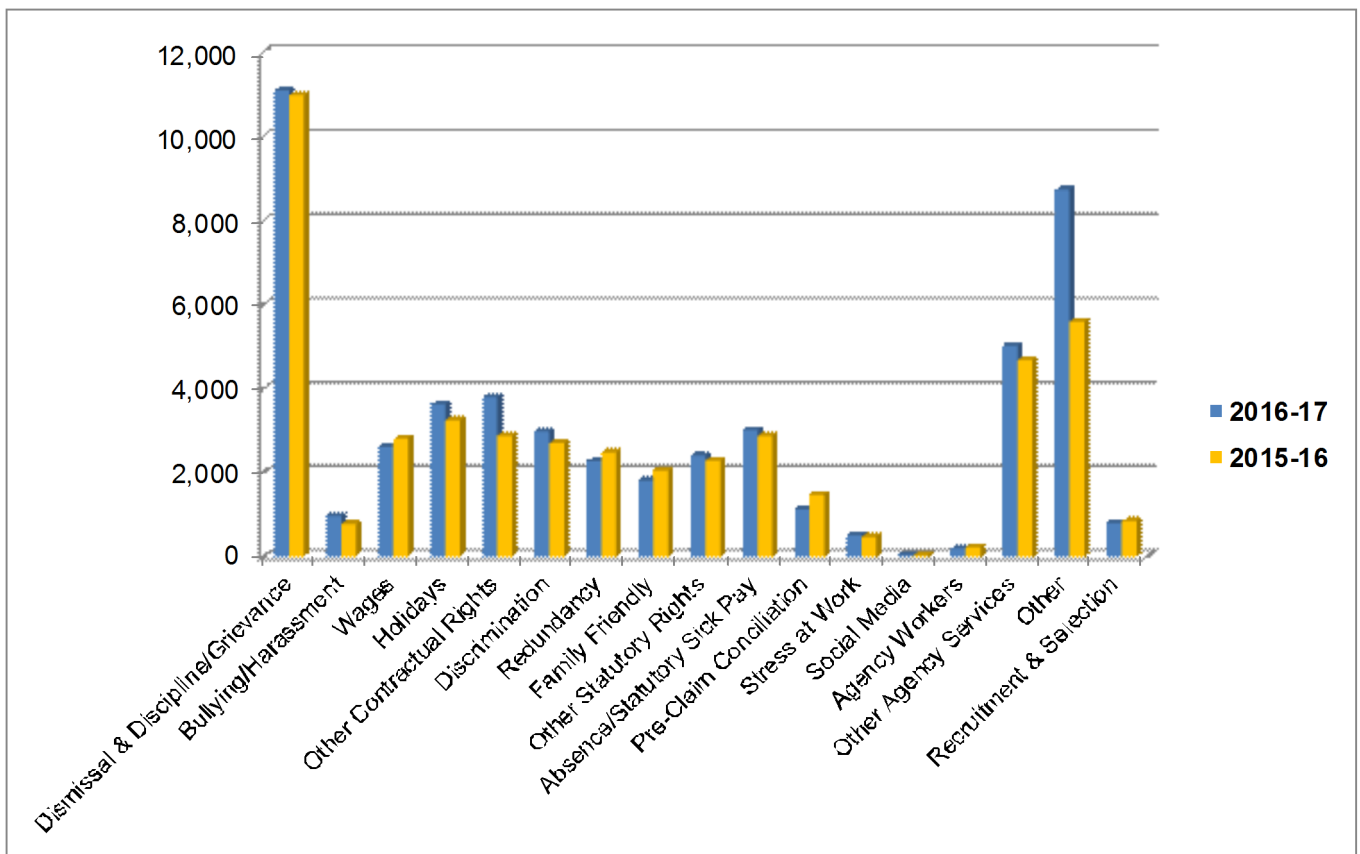


Table 2: General Enquiries by Type



ADVISORY FACTS AND FIGURES cont'd ...

Table 3: Advisory Cases Received

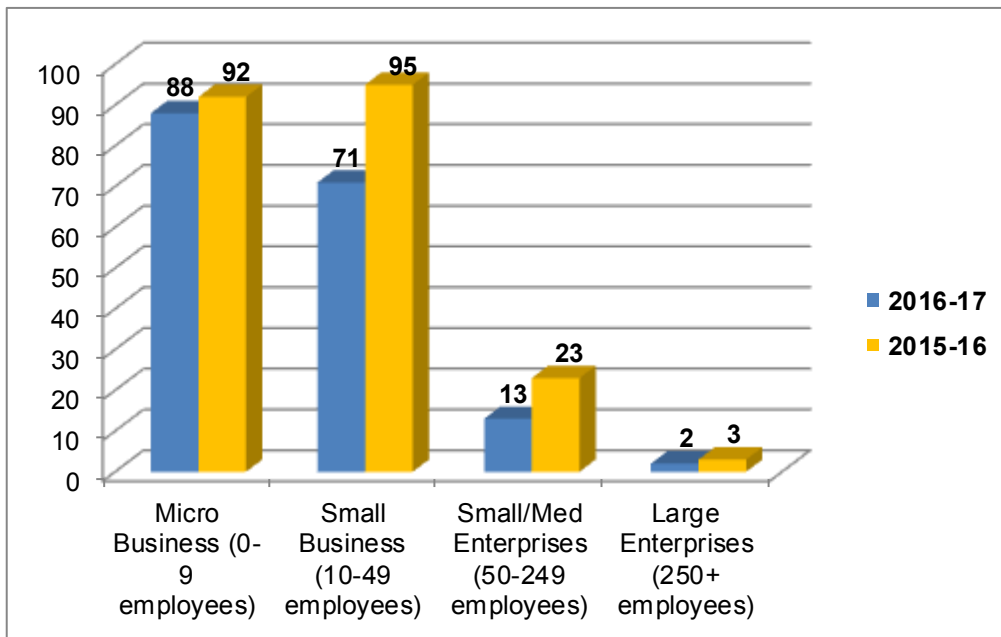


Table 4: No. of Good Practice Seminars on Employment Law & Practice Held

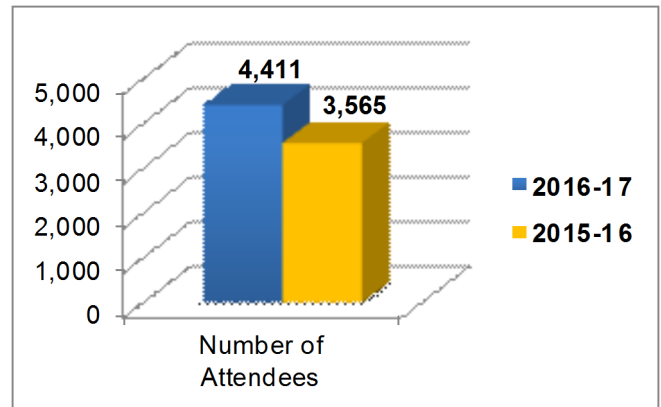
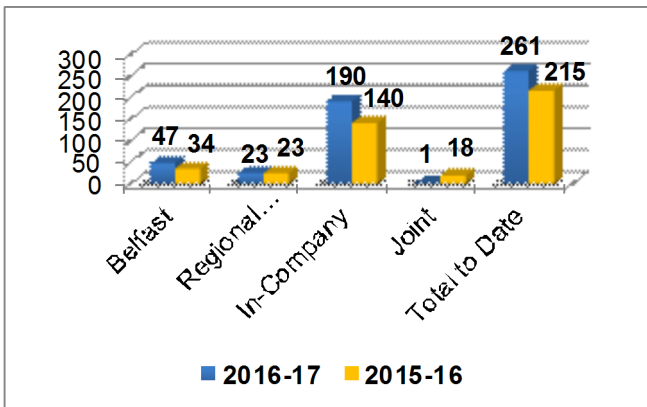
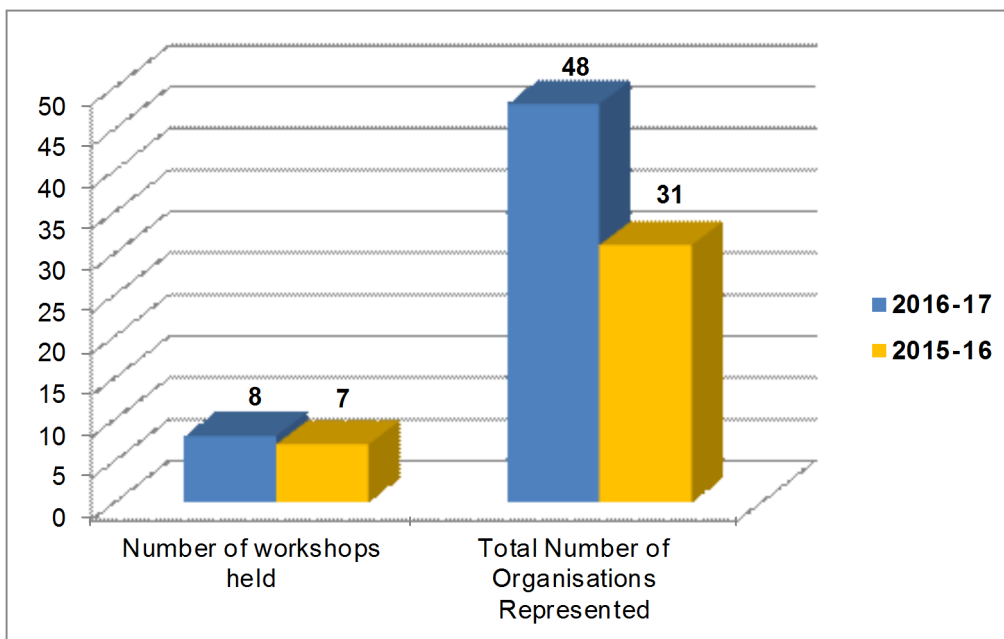


Table 5: Advisory Workshops on Employment Documentation



ADVISORY FACTS AND FIGURES cont'd ...

Table 6: Web Trends

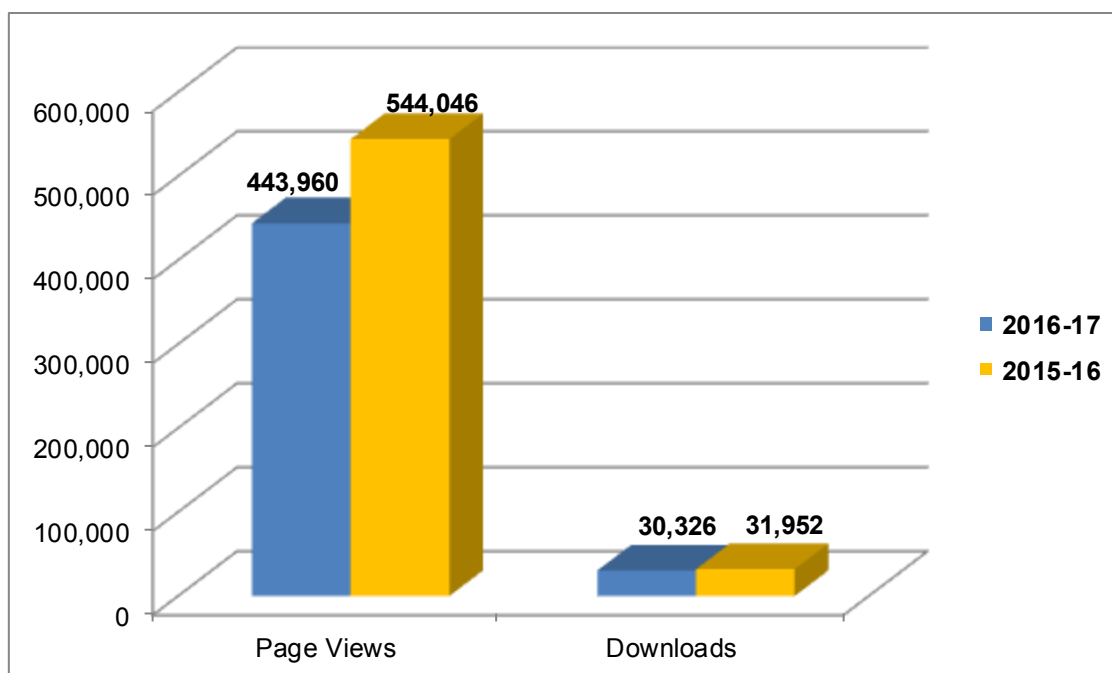


Table 7: Top 10 Downloads

Top 10 Downloads	2016-17	2015-16*
1. Disciplinary and Grievance Procedures - 3 April 2011	22.70%	12.60%
2. Sample Letters - Redundancy	13.87%	-
3. Advice on Handling Discipline & Grievance at Work	5.75%	5.20%
4. Information Note 3: Holidays and holiday pay	3.23%	2.50%
5. Advice on Managing Sickness Absence	3.08%	3.50%
6. Sample Letters - Discipline and Grievance	2.96%	4.50%
7. Redundancy Flowchart	2.63%	-
8. Advice on Handling Redundancy	2.52%	3.50%
9. Flexible Working: The Right to Request and Duty to Consider	2.26%	-
10. Disciplinary and Grievance Flowchart	2.25%	-

* 2015-16 figures relate to April - December 2015 only due to change in website.

1.6 CONCILIATION AND ARBITRATION



Ms Penny Holloway, Director Conciliation & Arbitration

Responsible for the delivery of services involving Individual Conciliation, Collective Conciliation, Arbitration, Independent Appeal Hearings, Mediation and Regional Office

The Agency's Conciliation and Arbitration Directorate offers effective and confidential services aimed at resolving workplace disputes.

The Conciliation service provides assistance to employers and employees on both individual rights claims and collective disputes.

The Mediation service focuses on restoring productive working relationships between individuals or groups where these have broken down. Mediation is delivered by our team of in-house accredited workplace mediators.

The Arbitration service arranges arbitration hearings in connection with:

- Independent Appeals that form part of collective agreements; and
- those opting to have their case heard under the Statutory Arbitration Scheme as an alternative to the Employment Tribunal.

These hearings are conducted by an independent person who is appointed by the Agency from its panel of Arbitrators.

Once again 2016-17 has been a very busy year for the section and almost all key performance indicators relating to the delivery of services have been exceeded.

During the year 2016-17 there was a significant increase in demand for the Agency's Individual Conciliation service with a 25% increase in the number of cases received. This is mainly due to a 53% increase in the number of multiple claims received. The percentage of cases settled (excluding insolvency and strike outs) following our involvement also increased significantly when compared to last year. During this fifth year of our enhanced Pre-Claim Conciliation Service (PCC), referrals from our Helpline, have dropped significantly by 48%. However, engagement levels have remained high for those referrals that were received and it is again encouraging to note that a high percentage of those that engage in Conciliation reach an agreement thus avoiding having to proceed to tribunal with their complaint.

Cases received for Collective Conciliation assistance decreased this year with requests for assistance coming from a range of sectors with a majority from the private sector. The main issues in dispute remained pay and terms and conditions of employment. A number of the disputes referred to the Agency involved complex issues which, had they not been resolved, could have escalated to industrial action. The settlement rate for collective disputes undertaken by the Agency was 85% for this period.

Referrals to our Mediation service saw a decrease during this reporting year. Of 100 enquiries received 75 referrals were made. However, it is noteworthy that the number of referrals for team/group mediation was significantly higher than for last year and a number of these referrals were highly complex. A group Mediation involves more than two people and this category accounted for 28% of the Mediation referrals received. The majority (56%) of Mediation referrals were received from the public sector and within that category the majority (69%) came from the schools sector. The second largest category for referrals was the private sector at 31%. The settlement rate for those engaging in the process remained high at 83%. The successful outcome of the Mediation process enables those in work to rebuild and repair damaged relationships in the workplace thereby improving productivity and effectiveness.

Cases received for Independent Appeal decreased slightly from 43 in 2015-16 to 37 in 2016-17 with the majority (65%) of referrals being received from the education sector. Of the total number of referrals the majority related to grievances and harassment. In addition there has been an increase in the number of referrals relating to the Review of Public Administration (RPA).

1.6 CONCILIATION AND ARBITRATION cont'd ...

Agreement to utilise the Statutory Arbitration Scheme continues to be disappointing with only one arbitration agreement received; one arbitration agreement withdrawn; and no hearings took place. One arbitration agreement has been carried over into the next operational year. No hearings were concluded during this reporting year. The Agency is planning to review the Scheme with DfE to look at what changes might help increase take-up of this.

The approach to the evaluation of services has continued. Our surveys continue to focus on outputs as well as satisfaction levels and Mediation and Arbitration services are evaluated on a continuous basis with surveys sent to participants six weeks after the delivery of the service. Responses to date demonstrate continued high satisfaction rates with both service delivery and outcomes.

In addition to the ongoing surveys the section also conducted a customer survey covering the Individual Conciliation service. The report of this evaluation exercise was finalised and one clear outcome is that overall 79% of responses to the survey found the Individual Conciliation service either very or fairly satisfactory.

The Agency's new Case Management Records System (CMRS) has been operational since 2015-16 and is now fully bedded in. It allows the Agency to electronically manage the caseload of all Dispute Resolution services provided by the Directorate. Refinement of the replacement CMRS has continued throughout the year with a number of changes made as a result of the roll out in practical terms of the system in order to improve its effectiveness. In addition work was successfully undertaken to digitise paper records in the Arbitration section as part of the continuing strategy to move to a paper light office. Digitisation of paper records will continue in the next operational year as a means to fully and effectively utilise all of the elements of CMRS. The efficiencies and effectiveness that the replacement CMRS have brought to the section have greatly facilitated our work. In addition the replacement CMRS has been constructed so that planned changes to employment legislation can be incorporated into the system with some additional resource and effort. The CMRS has enhanced our management information function.

PERFORMANCE INDICATORS

Performance Indicators 2016-17	Performance at 31 March 2017
1. Days saved deriving from no more than 20% of individual rights claims, excluding strike outs/insolvency, ¹ being heard at Tribunal.	4% of cases dealt with during the year (excluding strike out and insolvency cases) were heard at Tribunal. However if the number includes those cases which were not struck out by OITFET as well as insolvency cases the percentage increases to 7% which remains significantly below the 20% target.
2. No less than 60% of pre-claim referrals from the Helpline agree to conciliation within 3 months of receipt.	80% of pre-claim conciliation referrals from the Helpline agreed to participate in conciliation.
3. Involvement of Agency in 70% of reported collective disputes.	The Agency has made contact with the parties in all known disputes and the target was met.
4. Promotion of a settlement in 70% of disputes in which the Agency is involved.	Promotion of a settlement was achieved in 85% of cases concluded during the reporting year.
5. Promotion of a settlement in 70% of mediation referrals to the Agency and where mediation takes place.	Promotion of a settlement was achieved in 83% of the referrals where mediation took place.
6. 80% of Arbitrations/Independent Appeal hearings undertaken within agreed timescales as per operational guidelines.	Parties have been contacted within the timescales outlined in operational guidelines.

¹These cases are excluded as the Agency is not able to influence the outcome via conciliation.

CONCILIATION AND ARBITRATION FACTS AND FIGURES

Table 8: Individual Conciliation Claims Received and Dealt With Other than Fair Employment

	Claims Received		Claims Dealt With	
	2016-17	2015-16	2016-17	2015-16
Unfair Dismissal	2,791	2,484	2,771	2,373
Wages Order	2,116	1,665	615	1,198
Breach of Contract	652	600	613	641
Other Employment Rights	3,470	2,773	1,426	2,005
Equal Pay	162	83	100	86
Age Discrimination	226	104	86	118
Sex Discrimination	390	282	280	263
Disability Discrimination	272	233	206	227
Race Discrimination	70	83	76	74
Sexual Orientation Discrimination	19	12	13	15
Flexible Working	12	8	9	9
Total	10,180	8,327	6,195	7,009

NB Figures for 2015-16 have been amended following review.

Table 9: Individual Conciliation Claims Dealt With and Their Outcome Other than Fair Employment

Jurisdiction	Settled by Conciliation		Withdrawn During Conciliation		Referred to a Tribunal		Total Claims Dealt With	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Unfair Dismissal	2,415	2,011	255	226	101	136	2,771	2,373
Wages Order	346	427	160	372	109	399	615	1,198
Breach of Contract	287	316	163	192	163	133	613	641
Other Employment Rights	690	679	489	858	247	468	1,426	2,005
Equal Pay	71	15	21	67	8	4	100	86
Age Discrimination	36	43	44	66	6	9	86	118
Sex Discrimination	155	95	94	140	31	28	280	263
Disability Discrimination	104	93	82	103	20	31	206	227
Race Discrimination	32	31	34	32	10	11	76	74
Sexual Orientation Discrimination	5	4	6	6	2	5	13	15
Flexible Working	4	3	3	4	2	2	9	9
Total	4,145	3,717	1,351	2,066	699	1,226	6,195	7,009

CONCILIATION AND ARBITRATION FACTS AND FIGURES

Table 10: Fair Employment Claims Received and Dealt With

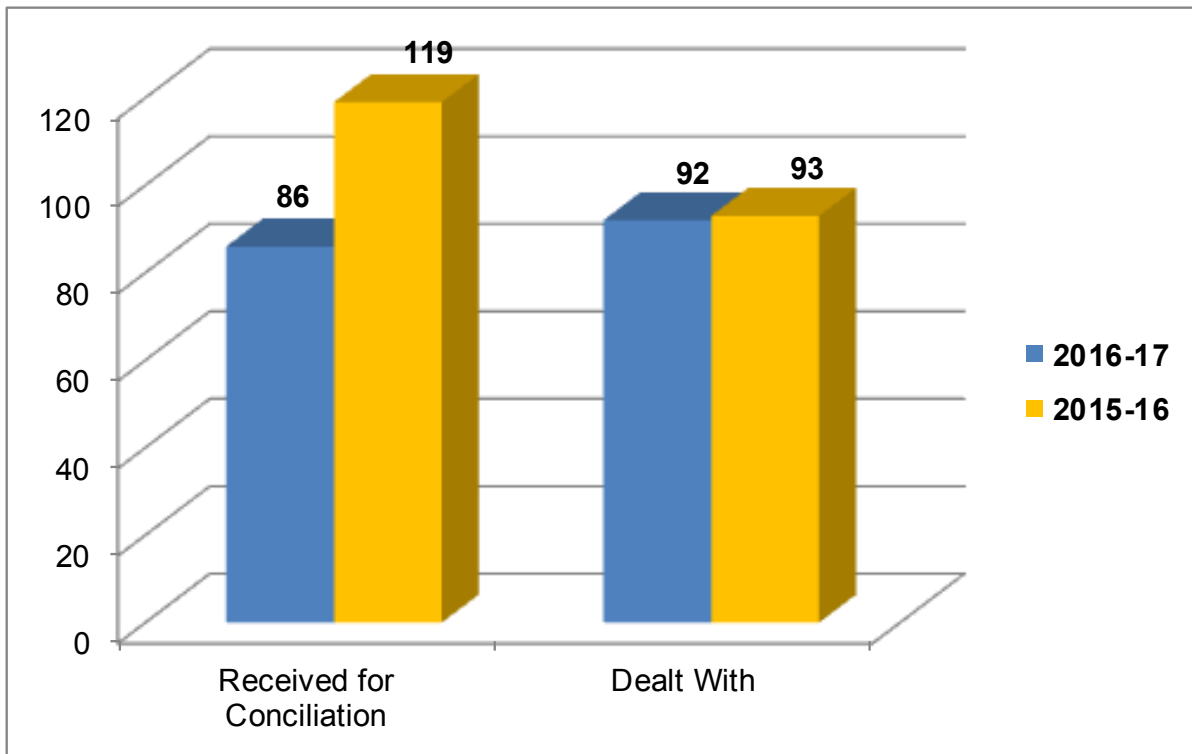
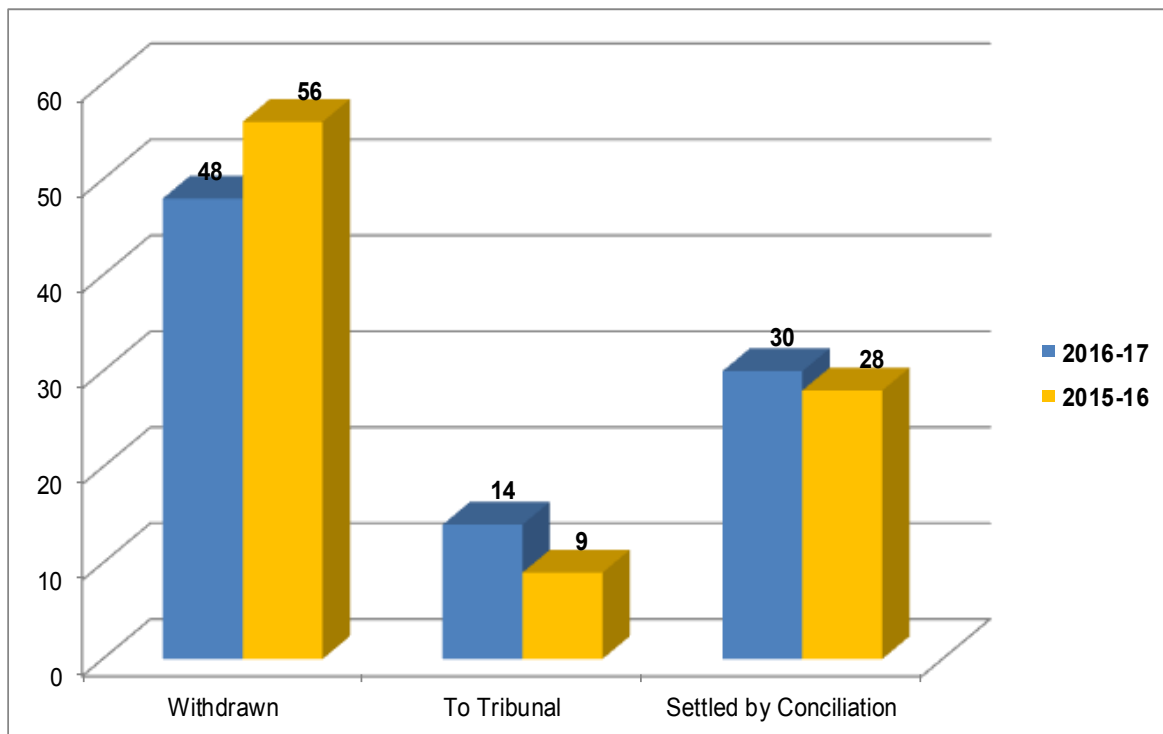


Table 11: Analysis of Fair Employment Claims Dealt With



CONCILIATION AND ARBITRATION FACTS AND FIGURES cont'd ...

Table 12: All Individual Rights and Fair Employment Claims Received and Dealt With

Category	Carried Over from 2015-16	Claims Received 2016-17	Claims Dealt With 2016-17	Carried Over to 2017-18
Employment Claims	6,749	8101	5461	9,389
Equality Claims	1,477	1188	879	1,786

Table 13: Pre-Claim Conciliation (PCC) Referrals

	2016-17	2015-16
Total number of PCC referrals from the Helpline	60	116
Direct referrals	10	17
Total converted to IC cases	70	133
Un-progressed – employee unwilling	3	7
Un-progressed – employer unwilling	14	17
Un-progressed – resolved in initial discussions, referral inappropriate for conciliation or parties uncontactable	6	9

Table 14: Independent Appeals/Arbitration Cases Received and Dealt With

	2016-17	2015-16
Cases brought forward from previous year	21	14
Cases received in year	37	42
Total cases in hand	58	56
Cases dealt with	20	25
Cases withdrawn	16	10
Cases carried forward into next year	22	21

Note: Figures for the year 2015-16 have been revised.
 * 1 was referred to collective/individual conciliation.
 ** includes 2 which were abandoned for other reasons.

CONCILIATION AND ARBITRATION FACTS AND FIGURES cont'd ...

Table 15: Source of Requests for Independent Appeals/Arbitration

	No. Received 2016-17
Teaching Sector of Education Service	11
Non-Teaching Sector of Education Service	5
Board Officers of Education Service	8
Procedures agreed within local Government	8
Further Education Sector	5
Public Bodies/Voluntary	0
PSNI	0
Total	37

Table 16: Subject of Requests for Independent Appeals/Arbitration

	No. Received 2016-17
Grievance	14
Grading/Job Evaluation	0
Harassment	9
Interpretation of Agreement	0
Pay/Conditions of Employment	0
Redundancy	4
Discipline/Dismissal	3
RPA	7
Total	37

Table 17: Cases received under the Statutory Arbitration Scheme

	2016-17	2015-16
Cases brought forward from previous year	1	2
Arbitration Agreements received	1	2
Arbitration Agreements accepted	1	2
Number of Arbitration hearings held	0	3
Number of Arbitration Awards issued	0	3
Cases settled without a hearing	0	0
Cases withdrawn	1	0
Carried forward to following year	1	1

CONCILIATION AND ARBITRATION FACTS AND FIGURES cont'd ...

Table 18: Mediation Cases

	2016-17	2015-16
Brought Forward from previous year	11	12
Received in period	75	93
Total	86	105
Broken down as follows:		
Mediations Undertaken and Completed in period	48	63
Of these:		
♦ Issues resolved	38	52
♦ Issues unresolved	8	9
♦ Referrals Withdrawn in period	30	31
♦ Pre-Claim Conciliation Settlements	1	2
♦ Issues Narrowed	1	0
Carried forward to following period	8	11

Table 19: Collective Conciliation Cases Received and Dealt With

	2016-17	2015-16
Brought forward from previous year	4	6
Received for conciliation	22	31
Total	26	37
Dealt with during the year	24	33
Carried forward to following year	2	4

Table 20: Sources of Requests for Collective Conciliation

	2016-17	2015-16
Trade Union Approach	10	16
Employer Approach	10	11
Joint Approach	0	3
LRA	2	1
Industrial Court	0	0
Total	22	31

CONCILIATION AND ARBITRATION FACTS AND FIGURES cont'd ...

Table 21: Collective Conciliation Cases Received by Industry Classification

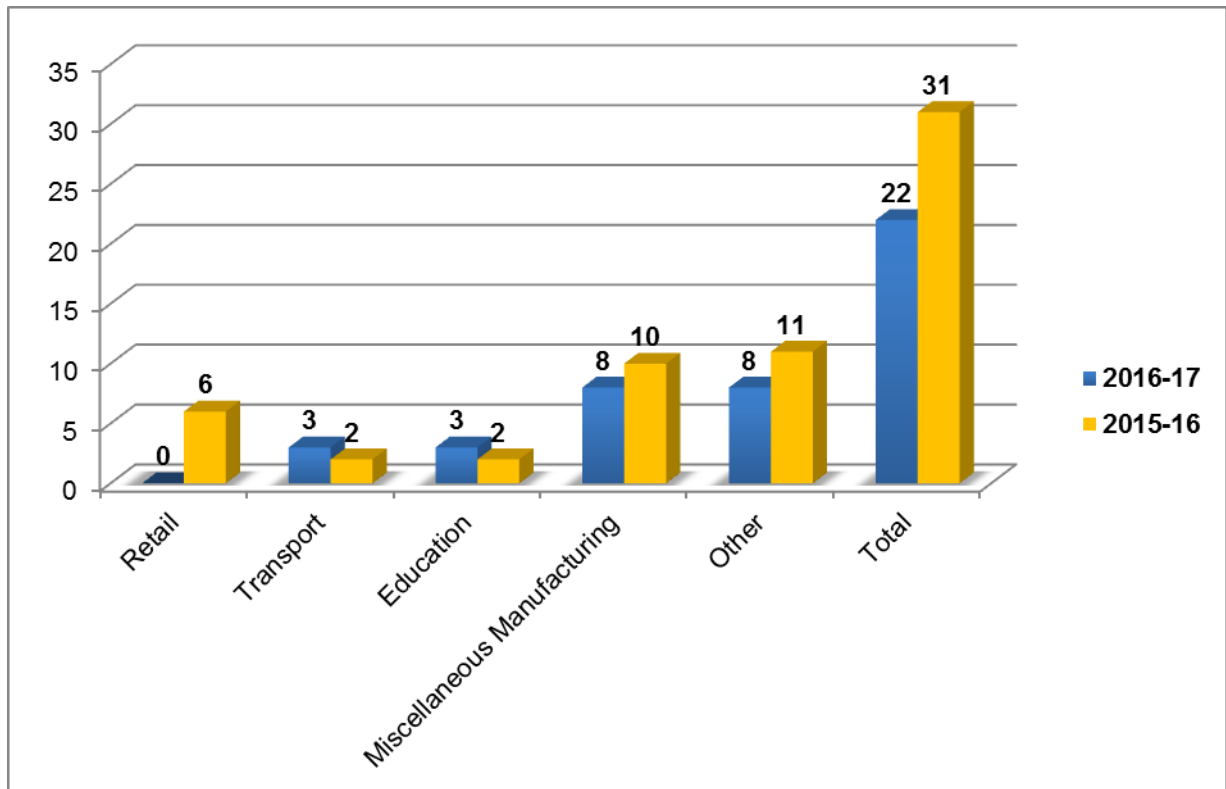
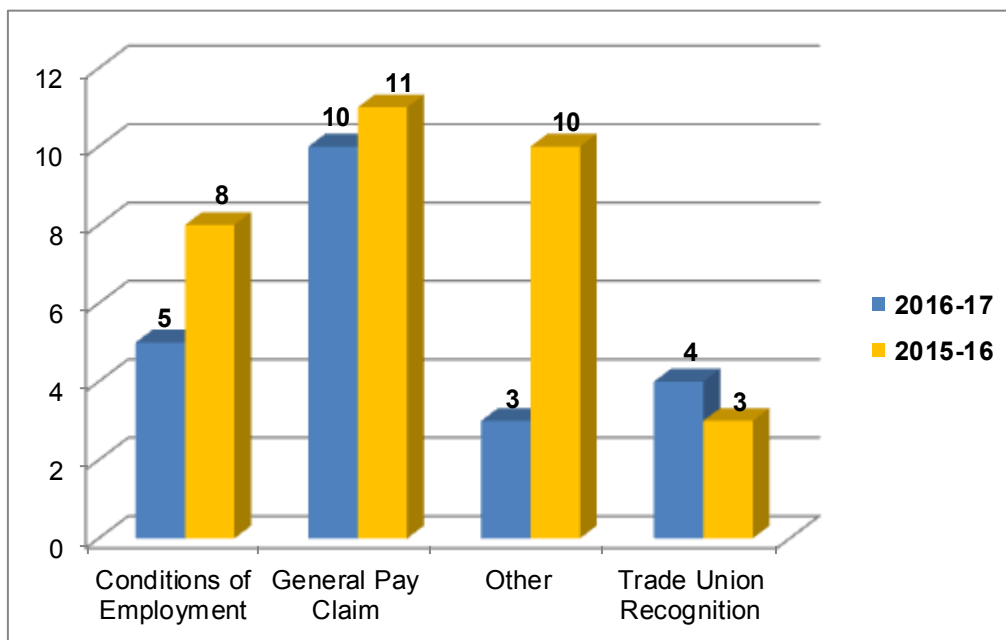


Table 22: Nature of Disputes



Note: 1 referral had two separate issues in dispute.

1.7 CORPORATE SERVICES



Don Leeson, Director of Corporate Services

(from 1 March 2017)

Responsible for Human Resources, Certification Office, Finance & Corporate Compliance, Business Support & Premises, Information & Communication Technology

The primary role of Corporate Services is to ensure that the Agency has the necessary staff, resources and facilities to deliver all frontline services and to support the Board and Senior Management Team (SMT) in relation to accountability, compliance and corporate governance matters. Corporate Services is structured under three functional areas: Finance and Legal Compliance, Information Systems/Technology and Human Resources and Business Development.

Within the wider Corporate Services Directorate a diverse and comprehensive set of services are provided to include: administrative support, financial monitoring and budgeting, procurement, statutory compliance, information technology and facilities management. Corporate Services provides the secretariat and administrative support to the Agency Board, its committees and the SMT. It is also responsible for outsourced services (legal, security, property management, etc.) as well as organisational and administrative responsibility for the Northern Ireland Certification Office (NICO).

Finance and Compliance

The Agency's core grant-in-aid has been static since 2011-12 and inflationary pressures have had to be absorbed through efficiency savings. However, this proved extremely difficult in 2016-17, particularly given changes to Employer's National Insurance Contributions and implementation of the NICS pay award. While we sought to contain these additional costs by not filling a number of vacancies, and other measures such as continuing to curtail expenditure on learning and development, we were grateful to Department for the Economy (DfE) for providing additional budget cover to avoid the need to take more stringent action to contain the pressures.

Excluding depreciation, the Agency's expenditure was over £150k more than in 2015-16. This increase was in large part due to the increase in employment costs noted above, partly offset by vacancy control measures. Other significant increases in expenditure relate to accommodation and development of the Agency's website, Mobile App and a new HR management system.

Ensuring that the Agency observes all public sector accountability protocols and, in particular, strict adherence to Financial Reporting Standards is of critical importance to good governance. The Corporate Services Directorate, supported by the other business areas, delivered on all of these commitments to a very high standard as evidenced by the work of our internal auditors and the opinion of the Comptroller and Auditor General in the 2016-17 Report to Those Charged with Governance (RTTCWG).

Staff absence impacted on the Agency's performance in paying invoices within 10 days (54%). Measures are being taken to address this for 2017-18, with a view to achieving the Government target of 80%.

The Agency is fully committed to equality of opportunity and met its corporate commitments as set out in its Equality Scheme. A review of the Equality Scheme is underway, in parallel with the development of the Agency's new Corporate Plan. This work will be completed in 2017.

During the year, the Agency received and responded to two information requests under the Freedom of Information Act; both within the statutory timescales. No information requests were received under the Data Protection Act.

IS/IT Systems

The Agency achieved re-certification against the updated Information Security Management System Standard, ISO27001:2013, during November 2016. This highlights the ongoing commitment to maintain standards and improve the way in which personal and sensitive information is collected, processed and managed within the organisation.

1.7 CORPORATE SERVICES cont'd ...

A key and strategic element of ICT work undertaken during 2016-17, was the development of the Agency's website along with its associated Mobile App to provide enhanced channels of access for our information resources, services and events through computers, smartphones and tablets. The App was delivered in partnership with Belfast Metropolitan College as part of their Foundation Degree in Software Engineering, with three placement students undertaking much of the development work.

During 2016-17 ongoing operational enhancements to the Case Management Records System (CMRS) used within the Individual Conciliation service. Work has also been taken forward to finalise the specifications for Phase 2 of CMRS, which will extend case and workflow management capabilities into all other Advisory Services activities as well as appropriate Corporate Services functions, and so provide a comprehensive recording and reporting tool for managing the Agency's operations.

Business critical upgrades to the Agency's ICT network infrastructure have also taken place over the last 12 months with two new high speed, high capacity links to interconnect Headquarters and the Regional Offices to provide enhanced business continuity and disaster recovery capabilities.

During the reporting period, the Agency has also procured and implemented a new web-based HR System (PAMS/ESS) to replace the previous outdated environment and deliver significantly greater functionality and a user friendly, self-service portal into the business's human resources function.

Finally, Service Level Agreement (SLA) performance targets associated with both the IS Managed Services and CMRS Support Agreements, as set out in their respective contract schedules, have been fully met for the period 2016-17. This reflects systems availability across all ICT services of greater than 99.8%.

Human Resource Management

A primary focus of the Agency's HR work during 2016-17 was to build on our achievement of the Investors in People (IiP) Gold Standard in December 2015 through the development of a new HR Strategy. This Strategy was agreed by the Board in September 2016. It is supported by a new self-service HR system, which became operational in January 2017 and which streamlines HR administration.

We conducted a Staff Survey in October 2016 and the results were discussed by senior managers and with the trade union in early 2017. An Agency-wide IiP working group, comprising staff from all grades, is now developing an action plan to address issues arising from the survey.

Through better planning and by being more creative in how we develop our staff, we were able to increase the average number of training days per member of staff from 1.8 in 2015-16 to 5.7 in 2016-17, with a substantially reduced learning and development budget, compared to previous years.

A key focus of the Learning and Development Plan was – and will continue to be – the health and well-being, aimed at increasing the resilience of our staff. This has helped reduce the number of days lost per member of staff through sick absence from 12.4 days in 2015-16 to 9.2 days in 2016-17 – a reduction by over 25%.

Formal Management and Trade Union consultation is facilitated through the Agency's Joint Negotiating and Consultative Committee (JNCC). The Agency continues to enjoy a very positive employment/ industrial relations culture.

Environmental Management

Since 2015 the Agency has been part of a Collaborative Waste Management Contract with other public bodies through the Department of Finance. The contract to date has resulted in increased co-mingled recycling and improved value for money.

Dry office waste is processed for onward re-use in compliance with all waste and transport legislation including a duty of care that ensures that waste is taken to suitably authorised facilities, minimising landfill.

1.7 CORPORATE SERVICES cont'd ...

All waste (dry and residual) collections are evidenced, weighed and traced from collection to final destination.

Corporate Social Responsibility

The Agency seeks to facilitate staff wishing to contribute to charitable causes on an individual or collective basis. The Agency participates in the Payroll Giving Scheme for which it received a Platinum Award. This generated over £1,600 for charities in 2016-17.

In addition, the Agency and its staff undertake a wide range of initiatives in respect of its Corporate Social Responsibility. In 2016-17, these included:

- Aquaid (for bottled water supplies), with a proportion of payments going to Christian Aid Third World Water Projects;
- Quarterly Donations to Homeplus NI – clothing and toiletries;
- Alzheimer’s Organisation – second hand book sales;
- Friends of the Cancer Centre at Belfast City Hospital – second hand DVD sales;
- Almost Home Greyhound Rescue – second hand DVD sales; and
- Staff collections for Dementia NI and USPCA.

These activities further raised an estimated £450 for charitable causes.

PERFORMANCE INDICATORS

Performance at 31 March 2017	Performance at 31 March 2016
Internal audit provided a satisfactory assurance in relation to the overall effective and efficient achievement of Agency objectives.	Internal audit provided a satisfactory assurance in relation to the overall effective and efficient achievement of Agency objectives; however, a limited assurance was received for one of the audits (Records Management).
The draft 2017 Report to Those Charged with Governance (RTTCWG) indicated that “The overall quality, effectiveness and transparency of financial reporting and accounting were sufficient. There were no significant difficulties encountered during the audit.”	The draft 2016 Report to Those Charged with Governance (RTTCWG) indicated that “The overall quality, effectiveness and transparency of financial reporting and accounting were sufficient. There were no significant difficulties encountered during the audit.”
The CEO provided positive assurances to the DfE Permanent Secretary twice in the accounting period.	The CEO provided positive assurances to the DEL Permanent Secretary twice in the accounting period noting control actions in relation to Records Management.
Performance targets for Service Level Requirements, as set out in the IS Managed Services Contract, have been met for the period 2016-17. This reflects systems availability across all services of greater than 99.8%.	Performance targets for Service Level Requirements, as set out in the IS Managed Services Contract, have been met for the period 2015-16. This reflects systems availability across all services of greater than 99.8%.
No reportable accidents occurred, i.e. accidents resulting in death, major injuries or injuries lasting over seven days.	No reportable accidents occurred, i.e. accidents resulting in death, major injuries or injuries lasting over seven days.
Payments to suppliers within 30 days – 97%.	Payments to suppliers within 30 days – 96%.
Payments to suppliers within 10 days – 54%.	Payments to suppliers within 10 days – 62%.
Sickness absence – 9.2 days.	Sickness absence – 12.4 days.



Chapter 2

Performance Analysis

2.1 THE CORPORATE AND BUSINESS PLANNING PROCESS

The Agency's Corporate and annual Business Plans are formally approved by the sponsor Department .

The Department of Finance (DoF) reserves the right to ask to see and agree the Agency's Corporate and Business Plans.

The Corporate Plan

Historically, the Agency's Corporate Plans have been developed on a three year cycle with the 2016-17 year being the last year of the current corporate planning period. In line with the Programme for Government the Agency's new corporate plan will be a four year plan covering the period April 2017 to March 2021. The Board held a governance workshop in March 2017 and a planning workshop took place in May 2017 to determine the strategic priorities over the lifetime of the new Corporate Plan. The Board intends to consult with key stakeholders, including the sponsor Department and the main employer and employee representative bodies, before finalising the 2017-21 Corporate Plan. The Agency will also consult with its primary delivery partners with a view to improving joint working and achieving greater synergies.

Key drivers will include the Executive's Programme for Government (PfG), the DfE Industrial Strategy, public expenditure constraints, the employment and industrial relations environment and any changes to NI and GB employment law. The potential introduction of Early Conciliation (EC) in 2017-18 will present significant operational challenges for the Agency. The Agency's 2017-18 budget allocation is another variable. The 2017-21 Corporate Plan will establish the Agency's direction for the next four years in terms of vision, mission, operational and financial objectives. This allows for the development of strategies and operational policies as to how the corporate objectives might be achieved.

The Corporate Plan serves as a blueprint to guide the Agency's policies and strategies and facilitates long term planning which cannot be accommodated within annual operating plans. It uses past, present and forecasted performance of the Agency to determine medium and long term objectives.

Corporate planning is a responsibility carried out by the Board in plenary session supported by the Senior Management Team (SMT) with the involvement of staff across the organisation. There will also be substantive consultation with the local trade union branch.

The Corporate Plan must reflect the Agency's statutory duties and also ensure the delivery of any priorities established by the sponsor Department. In particular, the plan must demonstrate how the Agency contributes to the achievement of the Department's strategic aims, the Programme for Government and the DfE's Industrial Strategy. The corporate planning process provides an opportunity to review whether the existing plans are fit for purpose in terms of structure and strategic direction.

The Corporate Plan sets out:

- the Agency's key objectives and associated key performance targets for the next four financial years, and its strategy for achieving those objectives;
- a review of the Agency's performance in the preceding financial year together with comparable outturns for the key frontline services, and an estimate of performance in the current year;
- factors which may significantly affect the execution of the plan, but which cannot be accurately forecasted;
- a forecast of expenditure and income based on advice from the Department at the beginning of the planning round; and
- other matters as agreed between the Department and the Agency.

The main elements of the corporate plan, including the key performance targets, are discussed and agreed with the sponsor Department to ensure that the plan delivers on the Agency's statutory duties and is also consistent with the spending priorities established in the Executive's Programme for Government.

2.1 THE CORPORATE AND BUSINESS PLANNING PROCESS cont'd ...

The Annual Business Plan

The planning cycle starts with a joint Board/SMT workshop to identify strategic projects and to discuss Board and Board meeting effectiveness. Business Plans are then prepared by the SMT following suitable consultations with all staff and are approved by the Board prior to submission to the Department.

The Annual Business Plans are developed on the basis of the strategic commitments established in the Corporate Plan and is a formal statement of business objectives, operational targets and timescales for the achievement of individual targets. It also describes the Agency's core purpose and the prevailing economic and budgetary environment which will have a material impact on the Agency's operations.

Each year the Agency submits a draft Business Plan to the Department for discussion and approval. The Business Plan links budgeting information to specific targets/objectives so that resources allocated to achieve specific activities can readily be identified by the Department.

The Business Plan targets are cascaded into personal work plans agreed with each member of staff, so that everyone is accountable for, and shares in, the achievement of the Agency's overall plan. Progress against individual staff targets are monitored through the Agency's Performance Management System.

2.2 STRATEGIC REPORT

Strategic Objectives

1. The Agency is the preferred choice when organisations seek guidance on employment relations issues.

The Agency has continued to be proactive in promoting our Advisory and Dispute Resolution services with individuals and employers through our Helpline Service and extensive range of seminars/briefings. Feedback from service users is a key element of our continuous improvement strategy; it is encouraging that our new business continues to grow with 42% of identified callers to our Helpline service and 33% of attendees of our seminars/briefings having not previously used these services. We continuously review the content of our seminars and briefings to ensure that our annual programme of events is meeting current and future needs. The Agency has also responded to emerging needs by hosting additional events to raise awareness of recent changes to employment legislation and case law.

Public sector funding constraints meant that the Agency was unable to finance any formal advertising campaigns. However, through the goodwill of our many delivery partners the Agency did source a range of positive marketing opportunities targeted at Small/Medium Enterprises (SMEs); our events programme being listed on a number of public databases including Invest Northern Ireland's business portal (nibusinessinfo.com) and the Belfast City Hub. The Agency's events programme was also promoted through a Northern Ireland wide network of local enterprise development units, employer and employee associations, trade federations and professional bodies. The Agency continues to work in partnership with the main employer and trade union representative bodies to ensure that our services are valued and relevant to the needs of the Northern Ireland labour market.

Cognisant of the need to make greater use of technology/social media our website has been redesigned and, in partnership with Belfast Metropolitan College, we initiated a programme of work to develop a number of web-based applications to increase the range of platforms for engaging with our clients. We are about to launch a new App that will allow service users access to all of our website information and to book a place on our seminars through mobile phone technology. This is only the start of a journey and we are committed to substantially increasing our digital footprint in 2017-18. Our objective is to reach out to a new generation of user and to be more inclusive of a demographic that may not have access to desktop PCs.

2.2 STRATEGIC REPORT cont'd ...

2. Help prevent and resolve individual and collective disputes relating to employment relations and employment rights.

The Agency continued to deliver a wide range of high quality and responsive advisory and dispute resolution services that positively impact on the labour market by improving workplace practices and by reducing the numbers of tribunal claims. Our Helpline Service handled almost 20,000 calls and our advisors have noted that the complexity of individual calls has increased due to a range of labour market factors. In almost every advisory case the employer reported that they had amended their policies and procedures in line with the Agency's recommendations, which speaks volumes about the commitment and expertise of our Advisory team. In this reporting period there was also a 25% increase in the number of individual rights claims received by the Agency; in part due an increase in multiple cases, some of which related to recent case law on holiday pay calculation.

It is hugely encouraging to note that there remains a high level of uptake of our Conciliation Service and our year on year performance has again improved; our settlement rates have increased by 10% and the number of claims proceeding to a Tribunal hearing has reduced by 7%. There has also been a 28% reduction in the number of claims received by the Fair Employment Tribunal; of those claims referred to the Agency 31% were resolved by a conciliated settlement with only 16% moving to a formal hearing.

This is a very positive set of statistics which clearly demonstrates the value-added of engaging with the Agency's Conciliation Service and testament to the skills and commitment of our staff.

The Agency continued to make preparation for the potential introduction of the new Early Conciliation (EC) service, one of the key provisions of the Employment (Northern Ireland) Act 2016. This work has in part been informed by Acas' experiences of delivering a similar service in GB since May 2014 and emerging case law. The Agency consulted with a wide range of stakeholders on the EC delivery model and has made good progress in identifying the operational and resource implications of introducing the new EC service from 2017. A key element of this work has been the development of a new case management system to support all of our Conciliation, Mediation, Arbitration and Helpline services. The system is now fully operational with further upgrades being planned to enhance connectivity with the Tribunal Service and to ensure that all of our other frontline services are fully supported.

3. Enhance the capacity of SME and Micro organisations to demonstrate good employment relations as a contribution to sustainable growth.

The Agency has continued to adjust its approach to supporting the SME sector based on ongoing evaluations of our current service offerings and relevant external research. It is encouraging that customer feedback has reinforced the need to continue to deliver our existing suite of services updated in line with changes to employment legislation and emerging case law. Our evaluations have also highlighted the need to specifically target micro employers where the impact of workplace disputes can be most damaging. A key driver for companies is productivity and the Agency has been proactive in advocating the benefits of good employment relations. We have now documented examples of where and how the Agency has assisted employers to put in place good ER practices. With the approval of the participating companies 10 case summaries have been published on the Agency's website covering a range of public and private sector organisations. The Agency has also continued to strengthen its relationship with its key delivery partners and stakeholders to increase awareness of our services and to deliver collaborative programmes.

Enhancing Northern Ireland's skills profile is one of the key indicators within the Executive's emerging Programme for Government (PfG) framework and the Agency has continued to champion the strategic and economic importance of employment relations skills. Over the reporting period the Agency has delivered a range of seminars/workshops designed to enhance the employment relations skills of people working in the SME/Micro sector. The Agency has also worked in partnership with the Equality Commission, Invest NI and other delivery partners to deliver initiatives designed to build employer confidence in relation to recruitment and in the handling of people issues, thereby providing a basis for sustainable growth. During 2016-17 the Agency delivered over 190 (35% increase on 2015-16) in-company seminars designed to raise awareness of employers' legal responsibilities and to promote and develop good practice.

2.2 STRATEGIC REPORT cont'd ...

4. Support public sector organisations as they address the major employment relations challenges deriving from the public sector reform agenda.

The Agency recognises that the current programme of public sector reform in both central and local government is creating significant employment relations challenges. The Agency conducted a public sector scoping study to identify potential development areas and we are now actively supporting a number of development projects. The Agency is facilitating discussions within local government around the creation of a regional industrial relations forum and the embedding of employment relations best practice at an individual council level. Following initial preparatory work with the Belfast Metropolitan College the Agency has finalised a module for the Further Education sector on Employee Rights and Employer responsibilities for general use across the sector. The Agency also supports the wider public sector through the delivery of its Independent Appeals Service by ensuring that the final stages of collective agreements on grievances and discipline are progressed on a timely and effective basis. Many of these Independent Appeals referrals ultimately result in the resolution of what are complex matters which enable the parties involved to move forward with their working relationships.

The Agency has also had initial discussions with central government about an employment relations project that would support the Programme for Government's Delivering Better Public Services outcome.

5. Contribute to the development of public policy including the design and delivery of a system of employment relations for Northern Ireland.

The Agency has continued to provide advice to our sponsor Department on a range of employment relations policy issues at each of the quarterly accountability review meetings. The development of the operational arrangements for the new Early Conciliation service has been the primary focus of those engagements. The Agency has also facilitated the work of the NI Employment Relations Roundtable which has established an employment relations skills working group. The Roundtable, which is representative of Northern Ireland's main employer and trade union bodies, has also agreed to meet with senior officials from a number of government departments to discuss policy proposals linked to employment relations, wider employability issues, and implementation of the new Programme for Government and Industrial Strategy.

The Agency has also met with DfE officials to discuss terms of reference and methodology for the planned review of the Agency's Statutory Arbitration Scheme. As part of this review the Agency has encouraged the Department to consider any baseline research conducted by the ILO (International Labour Organisation) as well as the new Adjudication Service now being delivered in the Republic of Ireland. The Agency has had preliminary discussions with Ulster University's Economic Policy Centre about a potential employment relations research project. The Agency's Board has also identified the development of a new Employment Relations model for Northern Ireland as a key priority for the Agency's 2017-21 Corporate Plan.

6. Build partnerships with key stakeholders to expand LRA's reach and influence in improving employment relations.

Under Article 83 of the Industrial Relations (Northern Ireland) Order 1992 the Agency has a statutory requirement to promote the improvement of industrial relations. The Agency's stakeholder engagement strategy underscores the importance of regular dialogue with our customers and their representative organisations to promote the benefits of good employment relations and to gain assurance about the quality and relevance of our services. All of our engagements now have an evaluative focus. During 2016-17 the Agency completed a programme of individual meetings with our delivery partners and stakeholders to evaluate the effectiveness of the existing partnership arrangements, to explore further development opportunities and to develop a shared understanding of how Northern Ireland's employment relations systems can be improved. In November 2016 the Agency held a joint meeting with the Equality Commission which provided an excellent opportunity to explore further opportunities for joint working and to discuss our respective approaches to the Programme for Government. In addition the Agency continued to facilitate meetings of the NI Employment Relations Roundtable around a number of key drivers (skills, best practice and research). This included the hosting of a workshop in May 2016 at which the Roundtable agreed terms of reference and key objectives. The Agency recognises the positive impact that the collective voice of Northern Ireland's employment relations community can have and will continue to support the work of the NI Employment Relations Roundtable.

2.2 STRATEGIC REPORT cont'd ...

7. Act as a creative and innovative influence in the employment relations field.

The Agency has continued to be proactive in championing innovative approaches to employment relations. The Agency is a founding member of the International Dispute Resolution Agencies Group and was represented at the 2016 annual conference in Chicago, which provided a valuable opportunity to share good practice and to discuss global trends impacting the labour market. The Agency was also invited by the ILO (International Labour Organisation) to speak at its annual employment relations conference in October 2016. The Agency's Chief Executive was a guest speaker at the Workplace Relations Commission's (WRC) inaugural staff conference in Dublin in February 2017 and has established a tripartite forum involving the WRC, Acas and the Agency to explore opportunities for joint working.

The visiting speaker at the Agency's annual public meeting and our staff conference was Anne Sharp, Chief Executive of Acas, who offered some thought-provoking reflections on Acas' experiences of delivering Early Conciliation.

At a practical level the Agency, in developing the Early Conciliation delivery model, has sought to accommodate local views and circumstances instead of simply replicating the GB approach. The Agency has also developed an employment relations curriculum module for the Further Education sector.

8. Alternative dispute resolution processes e.g. conciliation, mediation and arbitration are the norm for the third party resolution of all employment relations disputes.

A priority for the Agency is to ensure that our services continue to meet the needs of both employers and individual employees through the active promotion and delivery of our Advisory, Conciliation, Mediation and Arbitration services. The Agency also recognises that it has to be flexible in terms of how it presents and delivers services and during the reporting period explored opportunities for a more integrated approach to service delivery. One example is the joint delivery of workshops on Handling Difficult Conversations and Resolving Workplace Disputes. The Agency has also developed a programme for supporting the introduction of in-house dispute resolution processes in a range of public sector organisations. Initial positive engagements have taken place with HR Directors of the Health Trusts and representatives of the Department of Finance, local councils and the implementation team of the new Education Authority (EA). Understandably, progress on this initiative has been constrained by the impact of the change agenda taking place across the public sector; that said a number of projects are now being progressed.

The demand for our Dispute Resolution services continues to grow. We received just over 10,000 individual claims which represent an increase of 25% on the previous year. We dealt with almost 6,200 claims with only 11% progressing to a tribunal which is an improvement on the 2015-16 outturn when 17% of claims progressed to a tribunal; the challenge will be to achieve this level of success when EC is introduced when all potential claimants will be required to engage with the Agency in the first instance. Collective disputes are still an ever present feature of our work with 24 being completed during the reporting period; the majority involved issues relating to pay. There is evidence that collective disputes are increasingly involving industrial action or at the very least the threat of industrial action which means that the parties involved can be quite polarised when the Agency is first involved. It is encouraging that the vast majority of collective disputes dealt with by the Agency did have a successful outcome and industrial action was averted.

Our Mediation service continues to be attractive to employers as a means of resolving interpersonal disputes and in the past year there has been an increase in referrals for group or team mediation. A successful outcome from this type of mediation often results in improved productivity through better and more harmonious working relationships within the workplace.

2.2 STRATEGIC REPORT cont'd ...

9. Enhance the employment relations skills of managers and in particular first line owner managers/supervisors.

Developing the capacity, competence and confidence of employers, line managers and employees to resolve employment relations issues quickly and as close to source as possible continues to be a high priority for the Agency. This is particularly relevant given the structure of the Northern Ireland economy where micro businesses (those businesses with fewer than 10 employees) account for approximately 90% of all employers. Our programme of events is regularly reviewed and updated to take account of legislative and case law developments and is increasingly focussed on developing the skills of first line owner managers/supervisors. Our one-hour briefing sessions on topical employment relations issues seem to be meeting a need to acquire practical knowledge and skills with least disturbance to business continuity. This is supported by our evaluation of all events with 85% of attendees reporting that they feel better equipped in dealing with workplace employment matters.

The work of the Agency is very resource intensive which means that we cannot provide direct support to every workplace on an annual basis. The Agency has therefore conducted a feasibility study on the merits of developing a self-help employment relations diagnostic tool. That project has produced two self-assessment checklists for use in both union and non-unionised workplaces and which are now published on our website.

10. Develop Agency staff to ensure they are able to make the very best of their skills and abilities.

The Agency's primary focus is on the delivery of high quality, responsive services to our customers. We depend on our staff to deliver on this commitment. We therefore give a high priority to effective leadership, engagement and the development of our staff. This investment was recognised when the Agency achieved the Investors in People (IiP) Gold Standard in December 2015; and we have continued to build on this success through our new HR Strategy which will be updated to reflect the challenges set out in our new 2017-21 Corporate Plan.

A critical element of the HR Strategy is effective staff engagement, heavily influenced by the outcomes of our annual staff survey and discussions with our trade union colleagues. An Agency-wide working group, comprising staff from all grades, has been tasked with developing an action plan to address issues arising from the 2016-17 survey as we work towards the achievement of the new IiP Platinum award.

The HR Strategy is supported by a new HR system, which became operational in January 2017 and has allowed the Agency to streamline its HR administrative processes.

Despite a severely constrained budget, the Agency was able to implement much of the 2016-17 Learning and Development Plan. Through better planning and by being more creative in how we develop our staff, we were able to increase the average number of training days per member of staff from 1.8 in 2015-16 to 5.7 in 2016-17, with a substantially reduced learning and development budget.

A key focus of our Learning and Development Plan was – and will continue to be – health and wellbeing, aimed at increasing the resilience and morale of our staff. This has helped reduce the number of days lost per member of staff through sick absence by over 25%. Progress on an Agency-wide leadership and development programme, also a key priority in the Learning and Development Plan, has not been advanced as we had anticipated because of budget constraints. While a specification for the programme was approved by the Board, a suitable provider could not be sourced within our limited budget. The SMT is committed to investing in a leadership development programme in 2017-18, subject to budget availability.

Succession planning is also a key priority within the HR Strategy given the age profile of Agency's workforce, potential single points of failure and the significant lead in time required to train new staff before they are fully operational. Really good progress was made in 2016-17 with the appointment of a new Director of Corporate Services and four appointments to the middle and senior management grades; three new staff also joined our Helpline Service at the start of 2017-18.

2.2 STRATEGIC REPORT cont'd ...

11. Comply with statutory Equality obligations.

The Agency has complied with all its statutory obligations regarding equality and data protection compliance. A review of our Equality Scheme is underway and will be completed in parallel with the development of the new Corporate Plan.

We were proud to sign up in November 2016 to the Equality Commission's 'Every Customer Counts' initiative. The initiative is designed to encourage organisations and businesses to consider if they can improve the service they offer to clients and customers with a disability. We are assessing ourselves against a check list to ensure every aspect of our service delivery is fully accessible.

The Agency's suite of corporate governance policies is being reviewed by our new Director of Corporate Services, who took up post on 1 March 2017. This work will be concluded later in 2017.

12. Consistently look for efficiencies in all that we do without detriment to maintaining high levels of service delivery.

Financially, 2016-17 proved to be particularly challenging year. The Agency's funding has been capped since 2010 and the cumulative impact of annual pay and price increases over that period has become unsustainable. The net result was that the Agency had to submit in-year bids for funding to offset the costs of increases in Employer Related National Insurance Contributions and implementation of the NICS pay award, which could not be absorbed through efficiency measures alone. The financial constraints also meant that we had to delay filling a number of critical vacant posts until the end of the current reporting year. In this context the Agency also had to reprioritise its work so that key frontline services were protected and delivered in line with our service standards, although it did mean some delay in delivering other development objectives.

The Agency also implemented further measures to reduce General Administrative Expenditure and deferred plans to launch a leadership development programme. On a positive front the Agency has just introduced a new HR Management system which will streamline our administrative processes. The Agency has also established an innovation group to look at ways to improve our frontline services using the Customer Service Excellence model.

13. Ensure that the Agency operates in a sustainable and environmentally responsible manner.

The Agency takes very seriously its corporate commitment to comply with environmental best practice and to seek opportunities to reduce our carbon footprint. As a result, 42% of our waste was recycled, 54% was recovered for use as fuel, and just 4% was sent to landfill in 2016-17. We also continue to be mindful of the energy and water we use, within the constraints of operating from older, less environmentally efficient premises – environmental issues will be a consideration as the Agency reviews its longer term accommodation requirements.

14. Demonstrate the Value for Money (VfM) of the Agency's services.

The Agency sought to demonstrate that it is achieving VfM at both a corporate and individual service delivery level. A VfM review of our purchasing activities was undertaken to ensure that the Agency was managing all procurements in line with best practice and to identify areas where improvements could be realised.

Post project evaluations have demonstrated the value for money achieved from our investment in a new case management system and our IS Managed Service contract.

With the public expenditure climate likely to be even more constrained in 2017-18 and beyond, the Agency commissioned two independent reviews in 2016-17 to inform our decision-making on how further efficiencies might be achieved. These were an organisation wide VFM review and a review of the Agency's Corporate Services functions. The reports on these were received in May 2017 and the recommendations will be implemented during 2017-18.

At a service delivery level the Agency exceeded targets in relation to Helpline waiting times/lost call rates and the completion of advisory cases within three months of receipt. We also substantially outperformed our target in relation to the numbers of individual cases referred to the Agency being subsequently dealt with by an employment tribunal. All of this was achieved in the context of quite difficult budget pressures.

2.2 STRATEGIC REPORT cont'd ...

15. To operate the best and most appropriate channels of communication for clients to promote good employment relations.

The Agency has been actively engaged in rolling out its digital strategy as part of our commitment to deliver more on-line services. The Agency's new CMRS has been enhanced with the inclusion of an accessible web portal and an on-line functionality which will allow for a series of transactions to be completed remotely. The Agency has continued to be actively engaged in rolling out its digital strategy to make better use of IT and provide different channels of communication for our clients. Working in partnership with Belfast Metropolitan College, students helped us develop an 'App' that allows our clients to better access our information using smartphones. This has been available for download since February and will be formally launched in June 2017.

Other IT investment during the year was in voice and data infrastructure to enhance our business continuity capability. A reaccreditation audit in November 2016 confirmed our continued compliance against the ISO 27001 information security quality standard. Lastly, at the year end, the development of a new IS Strategy that will support the Agency's new Corporate Plan is well advanced.

2.3 OPERATIONAL STATISTICS

THE YEAR IN FIGURES



42% of callers had not previously used the Helpline.

53 seconds – average waiting time for callers using the Helpline.



85% of Advisory seminar delegates reported that they would now feel confident or very confident in dealing with employment relations matters in the workplace.

71% of Advisory seminar delegates reported that they found the information and guidance very easy to understand.



Page views > **443K**

Downloads > **30K**



89% of Advisory cases were completed within 3 months.

96% of Advisory case customers reported that they amended documentation following Agency assistance.



>**1.3K** claims withdrawn during Conciliation.

>**4.1K** claims were settled.

>**600** proceeded to tribunal.



4 Collective Conciliation cases brought forward from 2015-16.

22 Collective Conciliation cases received in 2016-17.

2 Collective Conciliation cases carried into 2017-18.



11 Mediation cases brought forward from 2015-16.

75 Mediation cases received in 2016-17.

8 Mediation cases carried into 2017-18.



21 Independent Appeals / Arbitration cases brought forward from 2015-16.

37 Independent Appeals / Arbitration cases received in 2016-17.

22 Independent Appeals / Arbitration cases carried into 2017-18.



ACCOUNTABILITY REPORT



Chapter 3

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Agency has developed a corporate governance framework that is consistent with best practice standards and the requirements of Managing Public Money (Northern Ireland). This aspect of the report provides a brief overview of the governance framework which is explored in more detail in the Governance Statement.

The Board of the Agency comprises the Chair and nine other members appointed by the sponsor Department on the basis of their knowledge of, and experience in, employment relations. All Board members are non-executives and their backgrounds reflect the Agency's statutory role in providing impartial services to employees, employers and their representative bodies.

Members of the Board are appointed under the Commissioner for Public Appointments Regulations administered through the Agency's sponsor Department, the Department for the Economy (the Department for Employment and Learning until May 2016).

Each Board member receives an annual performance appraisal which includes a written assessment of their effectiveness on the Board. Completed assessments are returned to the sponsor Department.

The Board is responsible for establishing the strategic direction of the Agency and constructively challenging the Agency's Senior Management Team (SMT) in their planning, target setting and delivery of performance. The Board establishes the Agency's values and standards and ensures that its obligations to its stakeholders and others are understood and met.

A number of sub-committees help ensure there is adequate oversight of the Agency's operations.

The Audit and Risk Assurance Committee (ARAC) provides the Board and the Accounting Officer with assurance about the effectiveness of the Agency's internal control framework. The Committee meets at least four times per year.

The Finance and Personnel (F&P) Committee focuses on the effectiveness of corporate management in the Agency (Finance, HR, IS/IT, and Premises). Its role is to challenge/support the work of the SMT; and to provide advice that will better inform the Board's decision making.

The Research Committee's role is to advance the Agency's research agenda. Given the nature of the Agency's objectives for 2016-17, the Committee did not meet during the year. It is, however, expected to play a significant role in advancing key elements of the Agency's new Corporate Plan, which will have a particular focus on evidencing the economic and social value of good employment relations.

The Chairs of the Board committees provide updates at Board meetings.

In March 2017, the Board held an externally facilitated workshop to review the effectiveness of its corporate governance arrangements. A programme of work has flowed from this, which will result in a greater emphasis by the Board on strategy. The structure of Board meetings, Standing Orders for Board meetings, and the terms of reference for committees will be reviewed in light of this.

By statute, the Agency is required to pay the Certification Officer's (CO) remuneration and to provide support services. A Memorandum of Understanding (MoU) sets out working arrangements and lines of accountability between the CO, the Agency and the Department.



Chapter 4

Directors' Report

4.1 PEN PORTRAITS OF CHAIR AND BOARD MEMBERS

Chairperson and Chief Executive

The Chair of the Labour Relations Agency during 2016-17 was Marie Mallon. The Chief Executive was Tom Evans.

Board

The overall strategic direction and governance arrangements of the Agency, and the delivery of its functions as set out in legislation, are set and overseen by a Board. Board members are appointed by the Minister for the Economy (the Minister for Employment and Learning until May 2016). Pen portraits of the Chair and Board members are below.

Further information about the Agency's Board is set out in the Governance Statement on pages 51 to 56.

Details of Board members' remuneration is set out in the Remuneration and Staff Report on pages 57 to 65.

Pen Portraits of Chair and Board members



Ms Marie Mallon (Chair)

Ms Mallon was appointed to the Chair of the Labour Relations Agency with effect from 1 August 2014 following her retirement from the post of Deputy Chief Executive/Director of HR in the Belfast Health and Social Care Trust. Prior to this Marie held many senior posts within Health and Social Care and was a member of the Industrial and Fair Employment Tribunals for 15 years. She is currently an associate of the Health and Social Care Leadership Centre and also undertakes independent HR consultancy.



Ms Louise Crilly

Ms Crilly, appointed as an Independent Member to the Board, is a practising lawyer with over 18 years' experience of legal practice in both the private and public sectors in Northern Ireland. For the last 14 years she has specialised in employment law and is currently the senior legal advisor working in the Police Service of Northern Ireland (PSNI).



Mrs Deirdre Fitzpatrick

Mrs Fitzpatrick was appointed as an Independent Member to the Board. Deirdre is a management consultant, and runs her own consultancy practice. She works across the public, private and voluntary sectors and is very active in training and consultancy work with Small and Medium-Sized Enterprises (SMEs). Deirdre set up Northern Ireland's first Business Incubation Centre, and she also established a property management company. Deirdre is a Board member of The Gerry Rogan Initiative Trust which works with disengaged young people, helping them back into education, training and employment. She is a former Board member of the Northern Ireland Consumer Council, and was a member of their Audit Committee. Deirdre holds an honours degree in Business with Accounting and MBA from Queen's University, Belfast.

Ms Michelle M^cGinley

Ms McGinley, appointed as an Employer Representative to the Board, is a qualified solicitor who works for Engineering Employers' Federation (EEF), a not for profit organisation advising and supporting a wide range of businesses throughout Northern Ireland on employment matters. Prior to joining EEF in 2003, Michelle worked in private practice in both Great Britain and Northern Ireland specialising in defence employment litigation. Michelle also taught at a London Law School. Michelle advises and represents a wide range of organisations before the Industrial and Fair Employment Tribunals and is an accredited Solicitor Advocate and Mediator with the Law Society.



Mr Gary M^cMichael

Mr McMichael has been the Chief Officer of the Northern Ireland charity Action on Substances through Community Education and Related Training (ASCERT) since 2001. He formerly served on Lisburn City Council for 12 years and was a member of the NI Civic Forum.



Mrs Alison Millar (Vice Chair)

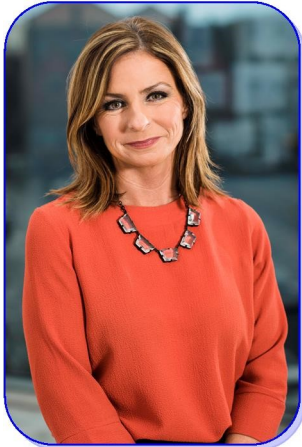
Mrs Millar is the General Secretary of the Northern Ireland Public Service Alliance (NIPSA). She has overall responsibility for the general work of the union as well as the management of all the staff and finances of the union. Alison is the key representative on many of the civil and public service negotiating bodies. Alison was previously the Deputy General Secretary for NIPSA and had responsibility for major policy issues including Welfare Reform, Review of Public Administration and matters relevant to the Health Service, Education, Libraries, Housing Executive and Local Government. Alison is also the lead negotiator on the Public Service Shared Service Programme which is a cross cutting initiative arising out of the Fresh Start Agreement. She is a member of the Executive Council of the Irish Congress of Trade Unions and a member of the Northern Ireland Committee of the Irish Congress of Trade Unions.



Mr Albert Mills

Mr Mills is a trade unionist. From 2006, he was Chairman of the Amalgamated Transport and General Workers Union (ATGWU) Officers Negotiating Committee for Great Britain and Ireland, and played a major role during merger talks between ATGWU and Amicus to create Unite the Union. Albert was a Board member with the Civil Service Appeal Board from 1996 to 2010, and with the NI Local Government Superannuation Committee from 2000 to 2010.





Ms Jill Minne

Ms Minne is a Strategic Director at Belfast City Council and leads the Council's organisation change programme. She also leads the Council's work on addressing poverty, employability and skills and is responsible for delivery of the City Council's Gender Action Plan. She manages the Council's Chief Executive's department, which includes strategic policy and planning, communications and organisational development functions and the City's Lord Mayor's Unit. Jill is a member of the Northern Ireland Joint Council and a Board member and Ambassador for the Women's Fund NI.



Mr Daire Murphy

Mr Murphy, who was appointed as an Employee Representative, practised as a barrister across all areas of law for eight years before joining the Law Centre (NI) as a specialist employment legal adviser in 2003. As a specialist employment legal adviser, Daire's work addresses employment relations issues intensively on a daily basis. Daire is an elected trade union representative, dealing with both organisational and individual issues on behalf of colleagues and is also an accredited Centre for Effective Dispute Resolution (CEDR) Mediator, trained in developing relationships and constructively challenging assumed positions in order to work through disagreements and disputes.



Ms Pauline Shepherd

Ms Shepherd is currently the CEO for the Independent Health and Care Providers (IHCP) which is a membership organisation for private, charity and church-affiliated organisations providing health and care services to vulnerable adults and older people in Northern Ireland. Pauline's experience includes working at board, chief executive and non-executive director levels in the public and voluntary sectors. Past positions include Interim Chief Executive of the charity Extern, HR Director in NI Water and Director of Finance and Personnel in NI Prison Service. She is also currently a Board member for the Probation Board NI.

Senior Management Team

The day to day management of the Agency is undertaken by a Senior Management Team, comprising the Chief Executive and three Directors.

Further information about the Senior Management Team is set out in the Governance Statement on pages 51 to 56.

Details of Senior Management Team members' remuneration is set out in the Remuneration and Staff Report on pages 57 to 65.

Register of Interests

The Register of Interests of Board and Senior Management Team members is published on the Agency's website.¹

Pension liabilities

Details of the Agency's pension schemes are set out in the Remuneration and Staff Report on pages 57 to 65.

Creditor payment, policy and performance

The Agency is committed to the prompt payment of bills for goods and services received, in accordance with the Government's Better Payments Practice Payment Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. In 2016-17, 97% of invoices were paid within 30 days (2015-16: 96%).

In December 2008, the Finance Minister announced that public bodies had been set a target of ensuring that invoices are paid within 10 working days, in order to help local businesses. In 2016-17, the Agency paid 54% of invoices (2015-16: 62%) within the 10 working day target.

Charitable donations

There were no charitable donations made during 2016-17 (2015-16: £nil).

Personal data related incidents

The Agency incurred no personal data breaches in 2016-17 (2015-16: none).

Complaints Procedure

No complaints about the Agency were received in 2016-17 (2015-16: none).

No matters about us were referred to the Northern Ireland Ombudsman for investigation in 2016-17 (2015-16: none).

4.2 ACCOUNTING OFFICER RESPONSIBILITIES

The Agency is an executive Non-Departmental Public Body (NDPB) otherwise classified as an Arm's Length Body (ALB).

The Board of the Agency has appointed a Chief Executive Officer (CEO) who is the most senior executive reporting to the Board and responsible for the performance of the organisation.

The CEO is also appointed by the Principal Accounting Officer of the sponsor Department as the Accounting Officer for the Agency. As the Accounting Officer the CEO is responsible to the Board and is also accountable to the Assembly for the Agency's use of resources in carrying out its functions as set out in the governing legislation and the Management Statement and Financial Memorandum (MSFM).

¹ The Register of Interests is available here: <https://www.lra.org.uk/publications/agency-publications/corporate-matters/register-of-board-member-interests/>.

4.2 ACCOUNTING OFFICER RESPONSIBILITIES cont'd ...

The Agency's Accounting Officer takes personal responsibility for the following matters:

- regularity and propriety, including seeking Department of Finance (DoF) approval for any expenditure outside the normal delegations;
- selection and appraisal of programmes and projects: using the Green Book (supported by additional DoF guidance) to evaluate alternatives, and good quality project and programme management techniques;
- value for money: ensuring that the Agency's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole and not just for the Agency;
- management of opportunity and risk to achieve the right balance commensurate with the Agency's business and risk appetite;
- learning from experience, both using internal feedback, and from right across the public sector; and
- accounting accurately for the Agency's financial position and transactions: to ensure that published financial information is transparent and up to date, and that the Agency's efficiency in the use of resources is tracked and recorded.

The Accounting Officer is also responsible for ensuring the preparation of resource accounts for each financial year. The accounts are prepared on an accruals basis and comply with the requirements of the latest version of the Treasury's Government Financial Reporting Manual.

The CEO as the Accounting Officer personally signs:

- the Agency's accounts;
- the Annual Report; and
- the Governance Statement.

As the Agency's Accounting Officer is not a member of the Board, the accounts are therefore also signed by the Board Chair.

The MSFM agreed between the Agency and its sponsor Department always envisages the sponsor Department exercising meaningful oversight of the Agency's strategy and performance, pay arrangements and/or major financial transactions, e.g. by monthly returns, standard delegations, exception reporting or other techniques. The Agency refers to their sponsor Department any activities which appear novel, contentious, or repercussive; in turn the sponsor Department may need to seek DoF approval.

There is at times some sensitivity around the role of the Accounting Officer of an ALB which is governed by an independent Board. Where the Chair or Board is minded to instruct the Accounting Officer to carry out some course of action which appears inconsistent with his role as Accounting Officer, then he should make his reservations clear, preferably in writing. If the Board is minded nevertheless to proceed, the Accounting Officer will then:

- inform the Accounting Officer of the sponsor Department without undue delay who will need to consider intervening to resolve the difference of view, preferably in writing;
- if the Board's decision stands, seek its written direction and ask the sponsor Department to inform DFP;
- proceed to implement without delay; and
- inform the Comptroller and Auditor General (C&AG) of what has happened.

As Accounting Officer I confirm that, as far as I am aware, there is no relevant audit information of which the Agency's auditors are unaware and I have taken all necessary steps to establish this.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable, and I take personal responsibility for this.

4.3 GOVERNANCE STATEMENT 2016-17

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining an effective system of governance and internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money (NI)*. In delivering this role I provide regular updates to the Agency's Board on performance against the targets specified in the annual business plan supported by my Senior Management Team (SMT) and the Audit and Risk Assurance Committee (ARAC) which regularly monitors the Agency risk management activities.

2. The Purpose of the System of Internal Control

This Governance Statement for which I, as Accounting Officer, take responsibility is designed to give a clear understanding of how the duties detailed above have been carried out during the 2016-17 reporting period.

The Agency is a Non-Departmental Public Body (NDPB), governed by a Board. The Board is responsible for determining the Agency's strategic direction, policies and priorities, and for ensuring that the Agency's statutory duties are carried out effectively. In relation to governance the Board is supported by two sub-committees, the Audit and Risk Assurance Committee (ARAC) and the Finance and Personnel (F&P) Sub-Committee. Day-to-day operations are managed by the SMT comprising the Chief Executive and three Directors responsible for two frontline services (Advisory and Conciliation/ Arbitration) and Corporate Services.

Prior to the restructuring of the Northern Ireland Civil Service on 8 May 2016 the Agency was sponsored by the Department for Employment and Learning (DEL) and for the remainder of the reporting period the sponsorship role fell to the Department for the Economy (DfE), with whom the Agency had regular accountability review meetings. In addition the Agency provided the sponsor Department with copies of all Board papers, the Corporate Risk Register, audit papers/reports and regular financial management information. The respective roles of the Agency and the sponsor Department are set out in the Agency's Management Statement and Financial Memorandum (MSFM). I reported to the Board on the Agency's compliance with our MSFM and provided a mid-year and end of year assurance statement to the sponsor Department's Accounting Officer. The continuity of support provided by the sponsor team within DfE ensured that the restructuring of Government Departments from 8 May 2016 had no adverse impact on the Agency's governance arrangements.

3. The Agency's Governance Structure

The governance structure is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to: identify and prioritise those risks that may have a material impact on the achievement of the Agency's strategic objectives; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently and effectively.

The system of governance has been in place throughout the year ended 31 March 2017 and up to the date of approval of the Annual Report and Accounts 2016-17, and accords with the Corporate Governance in Central Government Departments Code of Good Practice (NI) 2013. While the 2013 Code is written for departments, it is based on key principles that apply equally to NDPBs. The Agency complies with the practices set out in the Code wherever it is relevant and practical and in a way that is consistent with its business needs.

The Agency's governance structure provides clarity and accountability in managing the delivery of its strategic objectives. It ensures that the Agency has the capacity to make decisions, monitor performance and assess and manage resources and risk.

The Agency's Board

The Board establishes the strategic direction, policies and priorities for the Agency, and through regular monitoring ensures that all agreed strategic objectives and targets are met. The Board also strives to observe the highest standards of corporate governance, in line with the provisions of the Code of Good Practice (NI). The Agency Board Code of Good Practice, Standing Orders and the Code of Conduct for Board members set out the general responsibilities of Board members.

4.3 GOVERNANCE STATEMENT 2016-17 cont'd ...

The Board consists of the Chair and nine members from employer, employee and independent backgrounds, appointed by the responsible Minister. The Board considers itself to be effective in:

- establishing the Agency's overall strategic direction within the policy framework set out in statute and the resources framework agreed with the sponsor Department;
- overseeing the delivery of planned outcomes by monitoring performance against agreed strategic objectives and targets;
- ensuring that the Agency operates within the limits of its statutory and financial delegated authority, agreed with its sponsor Department and in accordance with any other conditions relating to the use of public funds. Members of the Board have a duty to ensure that public funds are properly safeguarded and that the Agency conducts its operations as economically, efficiently and effectively as possible, with full regard to relevant statutory provisions;
- ensuring that the Agency has policies and procedures in place to comply with Freedom of Information and Data Protection legislation, including prompt response to public requests for information and the appropriate treatment of personal data;
- ensuring that the Agency operates sound environmental policies and practices in accordance with relevant Government guidance; and
- ensuring that high standards of corporate governance are observed at all times.

The Board's quorum is five. Board members' attendance for 2016-17 was as follows:

Marie Mallon (Chairperson)	11/11
Louise Crilly	8/11
Deirdre Fitzpatrick	9/11
Michelle M^cGinley	10/11
Gary M^cMichael	7/11
Alison Millar	10/11
Albert Mills	9/11
Jill Minne	9/11
Daire Murphy	11/11
Pauline Shepherd	10/11

The Audit and Risk Assurance Committee (ARAC)

The ARAC is a sub-committee of the Agency Board and supports the Chief Executive in delivering on his responsibilities for risk and control, governance, finance and the provision of appropriate assurance. The Committee is an advisory body with no executive powers. The Committee's membership is constituted by members of the Board with members of the SMT, Internal and External Audit, and the sponsor department in attendance.

The specific duties of the Committee are to:

- review corporate governance assurances including the Agency's systems for the assessment and management of risk, the Governance Statement and monitoring arrangements for maintaining standards of business conduct and probity;
- review the accounting policies and accounts including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors;
- consider the planned activity and results of both internal and external audit work;
- consider the adequacy of management's response to issues identified by audit activity, including external audit's Management Letter; and
- consider assurances relating to corporate governance requirements.

Under the direction of the Chair, the ARAC has ensured that the Committee delivered on its terms of reference in accordance with established governance standards; by conducting a detailed self-assessment using a tailored version of the National Audit Office checklist; and where appropriate adjusting individual meeting agendas to address any emerging business critical matters. The ARAC

4.3 GOVERNANCE STATEMENT 2016-17 cont'd ...

chair provides feedback at each ARAC meeting on the matters discussed at in-camera sessions. The Chair of the ARAC presented the ARAC's 2015-16 annual report to the June 2016 Board meeting and also briefed the Board on the outcomes from the three other meetings held in 2016-17.

The June 2016 ARAC meeting dealt with the '2015-16 draft Report to Those Charged with Governance' (RTTCWG), the draft Annual Report and Accounts, Internal Audit's Final Annual Assurance Statement and draft Internal Audit programme for 2016-17. At the September 2016 meeting terms of reference for each element of Internal Audit's work programme were approved and a range of general governance matters were considered including a detailed review of the Agency's corporate risk register. At the December 2016 meeting the Committee agreed further changes to the corporate risk register, received the Chief Executive's mid-year assurance statement and discussed the findings from two Internal Audit reports. At the March 2017 meeting the ARAC approved the Northern Ireland Audit Office's (NIAO) external audit strategy, agreed the timeline for production of the 2016-17 Annual Report and Accounts, received three Internal Audit reports and approved terms of reference for a Value for Money review. The ARAC also approved the tender specification for the procurement of a new Internal Audit service and agreed to hold a separate workshop in May 2017 to review the structure and content of the corporate risk register to ensure appropriate alignment with the Agency's new Corporate Plan.

The ARAC's quorum is three. ARAC members' attendance in 2016-17 was as follows:

Deirdre Fitzpatrick (Chairperson)	4/4
Louise Crilly	4/4
Gary M^cMichael	1/4
Alison Millar	4/4
Daire Murphy	3/4
Pauline Shepherd	3/4

The Finance and Personnel (F&P) Committee

The F&P Committee fulfills an advisory role on a wide range of corporate issues and is constituted by members of the Board with the Chief Executive, Director of Corporate Services and other members of the Corporate Services team in attendance.

The Committee held three meetings during the current reporting period but has agreed to meet quarterly in 2017-18. The Chair of the F&P Committee briefed the Board on the outcomes of the three meetings held in 2016-17.

The F&P Committee's terms of reference are:

- (a) consider and report to the Board on planning for and the management of Agency resources e.g. financial, staffing and accommodation;
- (b) consider and report to the Board on policy and strategic matters relating to finance and personnel;
- (c) monitor, in line with the annual business plan, the financial performance of the Agency;
- (d) monitor, in line with the annual business plan, staffing, equality and organisational development matters;
- (e) monitor the evaluation of Agency services in respect of performance and quality;
- (f) undertake such duties as determined by the Board under agreed Agency employment policies and procedures e.g. the Agency Discipline and Grievance Procedures;
- (g) consider a report from the Chair of the Board on the annual performance appraisal of the Chief Executive;
- (h) undertake such other duties as may, from time to time, be determined and delegated by the Board;
- (i) in relation to the above duties, receive reports, advice and recommendations from the Chief Executive.

The F&P Committee members' attendance in 2016-17 was as follows:

Albert Mills (Chairperson)	3/3
Michelle M^cGinley	3/3
Jill Minne	3/3

4.3 GOVERNANCE STATEMENT 2016-17 cont'd ...

The Senior Management Team (SMT)

Membership of the SMT consists of the Chief Executive and the three Directors responsible for Advisory, Corporate, and Conciliation & Arbitration Services. The SMT is responsible for the day-to-day management of the Agency ensuring that all major policies are implemented and significant operational priorities are addressed. Meetings are held weekly with a flexible agenda based on time-critical operational issues with a formal SMT meeting held on a monthly basis where a standard agenda applies.

The Agency's corporate risk register is reviewed at the monthly formal SMT meeting. The Directors also have monthly management/team meetings which provide the opportunity to consult and communicate on the strategic direction of the Agency. The Chief Executive attends individual management/team meetings as required to brief and consult staff on key strategic priorities.

The terms of reference for the SMT are as follows:

- ensure the delivery of high quality, responsive services that contribute to the improvement of employment relations and working life;
- under the direction of the Board develop the Corporate and annual Business Plans;
- monitor, improve and report on the performance against objectives set out in annual Business Plans;
- ensure the delivery of the Agency's statutory duties, powers and strategic objectives making certain that appropriate processes and reasonable controls are maintained;
- ensure that all public funds made available to the Agency, including any approved income or other receipts, are used in accordance with the statutory duties, and that these, together with the Agency's assets, equipment and staff, are used economically, efficiently and effectively;
- maintain effective change management systems, enabling the Agency to continuously improve in relation to the delivery of its mission and objectives; and
- ensure that the Agency meets its statutory duties under Section 75 of the Northern Ireland Act (1998).

Board Effectiveness

In line with established corporate governance standards, all Boards and Board Sub-Committees should carry out an annual assessment of their effectiveness.

The Agency's Board Chair is appraised by the Department annually. The Chair also undertakes Board member appraisals on an annual basis. Board member training and development along with conflicts of interest are standing agenda items at each Board meeting. The Board agreed that collective training around board effectiveness should be a priority during the reporting period. In addition, the Board completed an assessment of its performance during 2016-17 using the CIPFA self-assessment checklist. The feedback from this self-assessment exercise was very positive in providing substantial assurance that the Agency complies with good governance standards for Boards in Northern Ireland.

The Board and the SMT also conducted an assessment of the Board's operations against the NIAO's Board Effectiveness Guide which identified a number of areas for further development. The Board then held a facilitated Governance Workshop in March 2017 which included some formal governance training and provided a further opportunity to reflect on Board performance. The feedback from the Governance Workshop was that the Board is already operating effectively but that there is value in putting in place a Board Improvement Plan. The Board agreed an action plan that focuses on the following themes; streamlining of Board processes; ensuring appropriate attention to governance and monitoring of performance; and greater emphasis on strategic discussion to inform the development of the Agency's new corporate plan in the context of a new Programme for Government.

The review of the Board's performance was also informed by the ARAC's own detailed self-assessment which confirms that the ARAC is in compliance with the National Audit Office requirements. In line with best practice the ARAC has decided to move to four meetings per year and has asked that all governance-related policies are updated as a matter of priority. The work of the F&P Committee has also provided a very important contribution to Board Effectiveness.

A critical priority for the Board is to monitor performance against targets within the Business Plan. The Board monitors performance against business plan targets using a RAG classification system and through a range of subject-specific papers presented by the SMT. Internal Audit commented favorably

4.3 GOVERNANCE STATEMENT 2016-17 cont'd ...

on the efficacy of the current business plan performance reporting system and has made some suggestions as to how the current system can be further improved. In general terms the information received during the current reporting period was considered adequate to allow the Board to exercise its overall functions of (1) keeping in touch with current employment relations issues and stakeholders, (2) determining the policy, strategy and business agenda of the Agency and (3) ensuring the effective performance of the Agency through acceptable governance and management arrangements as delivered by the Chief Executive/Accounting Officer and the SMT. The recent governance workshop has identified a number of actions that will further assist the Board in delivering on its governance responsibilities

The Agency Board is committed to improving the existing governance arrangements and is actively considering the suitability of a range of external governance frameworks as a mechanism for strengthening and bringing greater coherence to all of the Agency's governance activities.

4. The Risk and Internal Control Framework

It is the Board/ARAC on the advice of the Chief Executive which decides on the risk appetite of the Agency. In policy terms, the position of the Agency is as follows:

- (a) For matters of statutory and legal compliance and for matters linked with public sector values such as fairness and openness, the Agency is risk averse. This means that it will maximise its controls in this area and avoid significant levels of residual risk wherever possible. Where not avoidable, the Agency will protect itself, for example through the provision of contingencies and insurance.
- (b) For matters which are in the realm of developing good employment relations within the province and which have the potential to directly or indirectly stimulate the economy, the Agency will be willing to accept a degree of risk which is commensurate with that in the province's economic and business environment. However, in that context, the formality of its risk assessment and the management arrangements and controls put in place to mitigate risk will be scrutinised firstly by the SMT and thereafter by the Board through its ARAC.

The Agency Board has delegated responsibility for the ongoing management of risk to the SMT with the Chief Executive reporting on progress at each of the ARAC quarterly meetings. At least annually, the Board reviews and challenges the Corporate Risk Register including the Agency's appetite for risk. At each ARAC meeting the risks are reviewed to ensure that risk management processes are in place and are effective.

The SMT meets regularly to review performance against the annual business plan and to assess and monitor key corporate risks in line with the business planning cycle. The risk management policy defines how risk is managed and is explicit on the roles and responsibilities of all relevant staff. Individual members of the SMT have lead responsibility for monitoring each of the Agency's corporate risks.

The identification and assessment of risk is fully embedded within the Agency's business planning cycle. The annual Business Plan and individual project plans contain an explicit assessment of risk. The Agency's (Section 75) Equality Scheme is highly influenced by an "Audit of Inequalities", the output of which is a statement of Equality Risk which is incorporated in the risk register.

The level of risk is determined by assessing the impact and time weighted likelihood of particular scenarios arising. Internal Audit findings, the wider policy, funding and economic context are all considered when reviewing the risk register. The Agency currently recognises the following high level risks:

- The Agency loses credibility and does not adequately influence changes in the NI employment relations environment;
- The loss of the Agency's reputation for the provision of high quality, independent and impartial employment relations services;
- Failure to deliver key 2014-17 corporate and business objectives due to budget pressures;
- The Agency's information systems do not adequately support business-critical operations;
- Non-compliance with relevant legislation results in the loss, misuse of data and a failure to properly disclose information leading to reputational damage;
- Failure to demonstrate value for money (VfM);
- The Agency fails to meet its statutory equality duties and equality best practice standards;
- The Agency may encounter significant skills deficits following the retirement/departure of Board members/senior staff.

4.3 GOVERNANCE STATEMENT 2016-17 cont'd ...

Even though none of the above risks were realised during 2016-17 the Agency continued to strengthen its internal control measures. The ARAC has agreed to hold a risk management workshop in May 2017 to ensure that the Agency's corporate risk register is fully reflective of the challenges and commitments set out in the new 2017-21 Corporate Plan.

5. Review of Effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the Agency's governance, risk management and internal control systems. My assessment is informed by the following mechanisms; the findings/recommendations arising from Internal Audit's annual plan and the annual Internal Audit Assurance Report; the assurances provided by the Agency's executive managers who have responsibility for the development of/and adherence to the internal control framework; the opinion of the Comptroller and Auditor General as set out in the Northern Ireland Audit Office's Report to Those Charged with Governance; and the work of the ARAC, the Board and the F&P Sub-Committee.

This Governance Statement represents the end product of my assessment of the effectiveness of the Agency's governance, risk management and control framework for 2016-17, which has provided a satisfactory level of assurance.

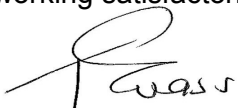
In summary, the following actions have been taken to ensure that the Agency delivers on its accountability commitments:

- the Board meets regularly to monitor performance against the targets in the operational plan and to set the strategic direction for the Agency;
- the SMT meets regularly to review operational performance and to ensure that corporate risks are being appropriately managed;
- the ARAC's detailed consideration of internal and external audit reports;
- Internal Audit reporting is to Public Sector Internal Audit Standards. Each year, through its annual assurance, the Head of Internal Audit provides an opinion on the adequacy and effectiveness of the Agency's internal controls together with any recommendations for improvement;
- the Chair of the ARAC reports to the Board after each Audit Committee meeting;
- the SMT discusses progress made in implementing outstanding Internal Audit recommendations;
- Internal Audit gave an overall "*Satisfactory*" annual assurance in relation to risk management, control and governance notwithstanding the significant control issues identified though the review of records management. In all respects the recommendations associated with the audit opinion have been accepted fully by management and are being implemented;
- the Corporate Risk Register is regularly reviewed and updated by the SMT, ARAC and the Board;
- monthly performance reports to the Board are provided which detail progress against business plan objectives and the extent of achievement of key performance indicators. These reports allow the Board and the SMT to make informed decisions in relation to priorities and resources.

During this financial year, the Agency has continued to optimise the use of its resources in light of reducing budgets; and significant progress has been made. The impact of in-year budget constraints resulted in a delay in filling permanent vacancies and created operational pressures. Through appropriate management interventions all key service delivery targets were met. The Agency has taken steps to mitigate any negative impacts of the current budget pressures but does recognise that this may not be sustainable in the longer term.

The Agency has continued to identify savings in areas of discretionary expenditure; however the potential to identify further reductions is limited given the current public sector funding constraints. In this context, the Agency is finding it much more difficult to plan for and resource new initiatives such as the introduction of Early Conciliation and the development of an Employment Relations model for Northern Ireland.

I have considered all available evidence in the production of this Governance Statement; my assessment is that the Agency's governance structures and control measures have been appropriate and have been working satisfactorily throughout 2016-17.



Accounting Officer LRA

22nd June 2017

Date

4.4 REMUNERATION AND STAFF REPORT FOR YEAR ENDED 31 MARCH 2017

A.REMUNERATION REPORT

REMUNERATION POLICY

As an NDPB, members of staff of the Labour Relations Agency are not civil servants. However, staff of the Agency, whether on permanent or temporary contract, are subject to levels of remuneration and terms and conditions of service (including superannuation) within the general NICS pay structure as approved by the Department and The Department of Finance.

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

SERVICE CONTRACTS

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

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

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org

SALARY AND PENSION ENTITLEMENTS

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

SALARY

'Salary' includes gross salary; performance pay and overtime and any other allowance to the extent that it is subject to UK taxation and any gratia payments. The Agency makes no other payments to Board members or staff other than expenses, travel and subsistence.

BONUS PAYMENTS

Bonus payments were not made to Board members or staff.

BENEFITS IN KIND

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

There were no benefits in kind paid to any member of staff or to members of the Board of the Agency.

Remuneration (including salary) and pension entitlements (Audited information)

Board members	2016-17				2015-16			
	Salary £000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total £000	Salary £000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total £000
Mrs M Mallon	20-25	-	-	20-25	20-25	-	10	5-10
Mrs A Millar	5-10	-	-	5-10	5-10	-	-	5-10
Mr G McMichael	5-10	-	-	5-10	5-10	-	-	5-10
Mr A Mills	5-10	-	-	5-10	5-10	-	-	5-10
Ms P Shepherd	5-10	-	-	5-10	5-10	-	-	5-10
Mrs D Fitzpatrick	5-10	-	-	5-10	5-10	-	-	5-10
Mrs J Minne	5-10	-	-	5-10	5-10	-	-	5-10
Mr D Murphy	5-10	-	-	5-10	5-10	-	-	5-10
Mrs L Crilly	5-10	-	-	5-10	0-5	-	-	5-10
Mrs M McGinley	5-10	-	-	5-10	0-5	-	-	5-10
Management								
T Evans Chief Executive	65-70	-	18	88-90	65-70	-	63	125- 130
**D Leeson (appointed 1/3/17)	0-5	-	1	0-5	-	-	-	-
P Holloway	50-55	-	12	62-65	50-55	-	7	55-60
D McGrath	50-55	-	12	62-65	50-55	-	7	55-60
***G O'Neill to 30/09/16 part-time	20-25	-	5	30-35	40-45	-	11	51-55
The Certification Office:								
S Havlin (part-time)	20-25	-	5	40-45	20-25	-	9	25-30

**The full time equivalent salary is £50-£55k per year.

***The full time equivalent salary is £50-£55k per year.

Pension Benefits (Audited information)

Chairman/Officials	P Holloway £	D McGrath £	D Leeson £	G O'Neill £	S Havlin £
Value of pension benefits for single total figure of remuneration in 2016-17 (£)	9,241	9,226	1,629	(9,612)	4,596
Value of pension benefits for single total figure of remuneration in 2015-16 (£)	5-10,000	5-10,000	20-25,000	10-15,000	0-5,000
Real increase in pension (£) in 31/03/16 – 31/03/17	568	568	97	(1,178)	480
Real increase in lump sum (£) in 31/03/16 – 31/03/17	1,705	1,703	-	15,073	-
Accrued pension at 31/03/17 or date of leaving	27,100	27,313	-	9,671	2,336
Accrued lump sum at 31/03/17 or date of leaving	81,299	81,939	-	47,617	*
CETV @ 31/03/17 or at date of leaving (nearest £k)	565	532	50	217	23
CETV @ 31/03/16 or at date of leaving (nearest £k)	559	527	50	223	18
Employee Contributions and transfers-in (£)	3,833	3,833	-	1,130	5,011
Real increase (decrease) in CETV as funded by employer (nearest £k)	8	7	-	5	-1

Chairman / Officials	M Mallon £	T Evans £
Value of pension benefits for single total figure of remuneration in 2016-17 (£)	10,081	29,553
Value of pension benefits for single total figure of remuneration in 2015-16 (£)	5-10,000	60-65,000
Real increase in pension (£) in 31/03/16 – 31/03/17	-	1,503
Real increase in lump sum (£) in 31/03/16 – 31/03/17	-	4,509
Accrued pension at 31/03/17 or date of leaving	375	37,011
Accrued lump sum at 31/03/17 or date of leaving	*	111,031
CETV @ 31/03/17 or at date of leaving (nearest £k)	6	810
CETV @ 31/03/16 or at date of leaving (nearest £k)	6	783
Employee Contributions and transfers-in (£)	1,318	5,016
Real increase in CETV as funded by employer (nearest £k)	7	28

*A lump sum for M Mallon and S Havlin is not fixed, so is not determinable.

NORTHERN IRELAND CIVIL SERVICE PENSION ARRANGEMENTS

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011, pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a "Career Average Revalued Earnings" (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who in 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were with 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a "Career Average Revalued Earnings" (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in CPI.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

The employee contribution rates for all members for the period covering 1st April 2017 to 31st March 2018 year are as follows:

SCHEME YEAR 1ST APRIL 2017 TO 31ST MARCH 2018

Annualised Rate of Pensionable Earnings (salary bands)	Contribution rates- All other members	Contribution rates- Classic plus, premium, nuvos and alpha
From – To	From 01 April 2017 to 31 March 2018	From 01 April 2017 to 31 March 2018
From £0 to £15,000.99	4.6%	4.6%
From £15,001 to £21,422.99	4.6%	4.6%
From £21,423 to £51,005.99	5.45%	5.45%
From £51,006 to £150,000.99	7.35%	7.35%
£150,001 and above	8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

SCHEME YEAR 1ST APRIL 2017 TO 31ST MARCH 2018 (CONTINUED)

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website www.finance-ni.gov.uk/topics/workings-northern-ireland

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

ILL-HEALTH RETIREMENT

There were no staff retiring due to ill-health in the 2016-17 year.

EXIT PACKAGES

No exit packages were provided to staff in the 2016-17 year.

COMPENSATION FOR LOSS OF OFFICE

No members of staff leaving the Agency in 2016-17 received compensation for loss of office.

PAY MULTIPLES

	2016-17			2015-16		
	Salary (exc non-consol perf pay) £'000	Non-Consolidated Performance Pay £'000	Benefits in Kind nearest £100	Salary (exc non-consol perf pay) £'000	Non-Consolidated Performance Pay £'000	Benefits in Kind nearest £100
Chief Executive	65-70	-	-	65-70	Nil	Nil
Band of the highest paid directors total remuneration	65-70	Nil	Nil	70-75	Nil	Nil
Median Total Remuneration	30.38	-	-	28.50	Nil	Nil
Ratio	2.39			2.55		

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

To calculate the median salary all salaries (other than that of the highest paid "director") were listed in order of value and the median between the highest and lowest was taken.

In 2016-17, one employee, the Chief Executive was the highest-paid director with remuneration of 65-70k.

In 2015-16, the Chief Executive was also the highest-paid director with remuneration of £65-70k.

The banded remuneration of the highest paid directors was £65-70k. The ratio between the Median Total Remuneration and the mid-point of the banded remuneration of the highest paid director was 2.39

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

B. STAFF REPORT

STAFF NUMBERS AND RELATED COSTS

B.1 Staff costs comprise:-	2016-17 £	2015-16 £
Agency (excluding Certification Office):-		
Permanently employed staff:		
Wages and salaries (includes childcare vouchers)	1,924,328	1,945,031
Social security costs	170,832	135,252
Other pension costs – superannuation	413,044	415,329
	2,508,204	2,495,612
Others:		
Employment Agency Staff	69,736	61,159
Sub Total (excluding Certification Office)	2,577,940	2,556,771
Less recoveries in respect of outwards secondments	(20,693)	(84,146)
Total net Agency costs	2,557,247	2,472,625
The Certification Officer and assistants		
Wages and salaries	121,711	124,404
Social Security Costs	11,410	9,041
Other pension costs – superannuation	27,177	41,303
Total net Certification Office costs	160,298	174,748
TOTAL STAFF COSTS	<u>2,717,545</u>	<u>2,647,373</u>

STAFF NUMBERS AND RELATED COSTS cont'd ...

B.2 The above staff costs are analysed as follows:	2016-17	2015-16
	£	£
Board members		
Chairman's salary and other Board members fees	72,077	72,451
Social security costs	2,259	1,605
Other pension costs – superannuation re Chairman	6,425	6,404
	80,761	80,460
Staff: Chief Executive and other management		
Salary	201,326	211,256
Social security costs	23,793	22,242
Other pension costs – superannuation	47,093	50,536
	272,212	284,034
Operational: Salaries (includes child care vouchers)	1,267,582	1,249,042
Social security costs	110,539	84,218
Other pension costs – superannuation	269,752	261,800
	1,647,873	1,595,060
Support: Salaries (includes travel card)	367,801	347,842
Social security costs	32,634	22,173
Other pension costs – superannuation	86,230	81,897
Employment agency staff	69,736	61,159
	556,401	513,071
Total staff costs (excluding Certification Officer)	2,557,247	2,472,625
Certification Officer: Salary	20,933	20,726
Social security costs	1,771	1,743
Other pension costs - superannuation	4,776	18,262
	27,480	40,731
Certification Office Support: Salaries	100,778	103,679
Social Security costs	9,639	7,297
Other pension costs - superannuation	22,401	23,041
	132,818	134,018
Total Certification Office staff costs	160,298	174,748
TOTAL STAFF COSTS	2,717,545	2,647,373

B.3 Pension Costs

The Northern Ireland Civil Service Pension Schemes (Northern Ireland) [PCSPS(NI)] are unfunded multi-employer defined benefit schemes 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 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DOF Superannuation and Other Allowances Resource Accounts as at 31 March 2017.

STAFF NUMBERS AND RELATED COSTS cont'd ...

For 2016-17, employers' contributions of £454,938 were payable to the PCSPS(NI) pension arrangements (2015-16, £441,940) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new funding valuation scheme based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of Alpha from April 2015. For 2017/18 the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. One employee joined the partnership pension account in 2016/17.

Partnership Pension Account

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £623 (2015-16 £NIL) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015-16 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £18, 0.5% (2015-16 £NIL, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no prepaid pension costs at 31 March 2017.

B.4 Average number of persons employed

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

The number of Board members serving at any one time during the year was:	2016 – 17 Male	2016-17 Female	2016-17 Total No	2015-16 Total No
Board Members (including Chairman)	3	7	10	10
The average number (full time equivalent) of:-				
Management (including Chief Executive)	3	1	4	4
Operational	17	22	39	44
Support	4	8	12	12
The Certification Officer (part-time)	-	1	1	1
Certification Office Support Staff	2	2	4	4
	26	34	60	65
Employment Agency staff	2	2	4	3
Total (including The Certification Officer)	31	43	74	78

4.5 Assembly Accountability and Audit Report

There were no remote contingent liabilities as at 31 March 2017 (2015-16: one).

There were no losses or special payments during 2016-17 (2015-16: none).



Chief Executive

22 June 2017

Date



FINANCE REPORT



Financial Statements
of
The Labour Relations Agency
and
The Certification Officer
for Northern Ireland
31 March 2017



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

I certify that I have audited the financial statements of the Labour Relations Agency for the year ended 31 March 2017 under the Industrial Relations (Northern Ireland) Order 1992. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Accountability and Audit Report within the Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Industrial Relations (Northern Ireland) Order 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Labour Relations Agency's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and Department for the Economy (formerly Department for Enterprise, Trade and Investment) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Accountability and Audit Report to be audited have been properly prepared in accordance with the Department for the Economy directions made under the Industrial Relations (Northern Ireland) Order 1992; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Accountability and Audit Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

28 June 2017

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Agency £	Certification Officer £	2016-17 Total £	2015-16 Total £
Expenditure					
Staff costs	See Remuneration & Staff Report	2,557,247	160,298	2,717,545	2,647,373
Depreciation	4	136,549	-	136,549	163,623
Other expenditure	4	921,065	43,454	964,519	884,187
Total expenditure		3,614,861	203,752	3,818,613	3,695,183
Income	3	-	-	-	-
Net operating cost		<u>3,614,861</u>	<u>203,752</u>	<u>3,818,613</u>	<u>3,695,183</u>

OTHER COMPREHENSIVE NET EXPENDITURE

	Notes	2017 £	2016 £
Net Operating Cost		3,818,613	3,695,183
Items that will not be reclassified to net Operating cost:			
Net gain on revaluation of Property, Plant and Equipment	5	15,252	3,073
Net gain on revaluation of Intangibles	6	22,557	2,529
Total Comprehensive Net Expenditure for the year ended 31 March 2017		<u>3,780,804</u>	<u>3,689,581</u>

All amounts above relate to continuing activities.

The notes on pages 76 to 86 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Non-current assets:			
Property, plant and equipment	5	263,499	256,852
Intangible assets	6	<u>131,008</u>	<u>172,775</u>
Total non-current assets		394,507	429,627
Current assets:			
Trade and other receivables	7	195,630	40,095
Cash and cash equivalents	8	2,198	172,754
Total current assets		<u>197,828</u>	<u>212,849</u>
Total assets		592,335	642,476
Current Liabilities			
Bank Overdraft	8	(7,537)	-
Trade and other payables	9	(148,125)	(203,999)
Provisions	11	<u>(25,000)</u>	-
		<u>(180,662)</u>	<u>(203,999)</u>
Total assets less liabilities		<u>411,673</u>	<u>438,477</u>
Taxpayers' equity			
Revaluation reserve		87,612	49,803
General reserve		<u>324,061</u>	<u>388,674</u>
Total taxpayers' equity		<u>411,673</u>	<u>438,477</u>

The financial statements on pages 72 to 86 were approved by the Board on 22 June 2017 and were signed on its behalf by:



Marie Mallon,
Chair



Tom Evans,
Chief Executive and Accounting Officer

The notes on pages 76 to 86 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2016-17 £	2015-16 £
Cash flows from operating activities			
Net operating cost		(3,818,613)	(3,695,183)
Adjustments for non-cash transactions	4	136,549	163,623
Increase in trade and other receivables		(155,535)	13,215
Decrease in trade payables exc. capital creditors		<u>(12,181)</u>	<u>69,901</u>
Net cash outflow from operating activities		<u>(3,849,780)</u>	<u>(3,448,444)</u>
Cash flows from investing activities			
Purchase of plant, property and equipment		(44,181)	(19,609)
Purchase of intangible assets		<u>(38,132)</u>	<u>(106,977)</u>
Net cash outflow from investing activities		(82,313)	(126,586)
Cash flows from financing activities			
Financing – grant drawn down from Department for The Economy			
- Agency		3,564,000	3,432,500
- Certification Officer		<u>190,000</u>	<u>195,000</u>
Net financing		<u>3,754,000</u>	<u>3,627,500</u>
Net decrease in cash and cash equivalents in the period	8	(178,093)	52,470
Cash and cash equivalents at the beginning of the period	8	<u>172,754</u>	<u>120,284</u>
Cash and cash equivalents at the end of the period	8	<u>(5,339)</u>	<u>172,754</u>

Notes:

The grant drawn down is intended to finance both revenue and capital expenditure, details of which are summarised in the Statement of Comprehensive Net Expenditure and Notes 3, 4, 5 & 6 to the accounts respectively.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Capital Reserve £	Revaluation Reserve £	SoCNE Reserve £	Total Reserves £
Balance at 31st March 2015	21,837,144	44,201	(21,380,787)	500,558
Changes in Taxpayers' Equity 2015-16				
Grant from Department for the Economy – drawn down	3,627,500	-	-	3,627,500
Transfers between reserves	-	-	-	-
Comprehensive Expenditure for the year	-	-	(3,695,183)	(3,695,183)
Movements in Reserves				
Net gain (loss) on revaluation of property, plant & equipment	-	15,765	-	15,765
Transfer of amount equivalent to additional depreciation on assets where revaluation is more than historical cost	-	(10,163)	-	(10,163)
Balance at 31st March 2016	25,464,644	49,803	(25,075,970)	438,477
Changes in Taxpayers' Equity 2016-17				
Grant from Department for the Economy - drawn down	3,754,000	-	-	3,754,000
Transfers between reserves	-	-	-	-
Comprehensive expenditure for the year			(3,818,613)	(3,818,613)
Movements in Reserves				
Net gain on revaluation of property, plant & equipment and intangible assets (Notes 5&6)	-	91,799	-	91,799
Transfer of amount equivalent to additional depreciation on assets where revaluation is more than historical cost (Notes 5&6)	-	(53,990)	-	(53,990)
Balance as at 31st March 2017	29,218,644	87,612	(28,894,583)	411,673

The general fund serves as the chief operating fund. The general fund is to be used to account for all financial resources except those required to be accounted for in another fund.

The revaluation reserve records the unrealised gain or loss on the revaluation of assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Labour Relations Agency and The Certification Officer for Northern Ireland for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Labour Relations Agency and the Certification Officer for Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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 she may require for the carrying out of her 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. These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Recognition of Income

The approved resource allocations from the Department for the Economy are credited direct to the General Fund reserve on a cash draw-down basis. The annual recurrent allocations from the Department for the Economy are intended to meet recurrent costs. Income from services rendered is included to the extent of the completion of the contract or service concerned.

1.3 Property, plant and equipment

The cost of property, plant and equipment comprises the purchase price and any installation charge.

A capitalisation threshold of £250 (excluding VAT) for IT assets and Building Adaptations and £1,000 (excluding VAT) for all other assets is applied. On initial recognition assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition.

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

The methods adopted and estimated useful lives used are:

Adaptations to short leasehold buildings	-	10 years straight line
Office equipment, furniture and fittings	-	5 & 7 years straight line
Computer equipment	-	3 years straight line

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Property, plant and equipment are revalued by reference to appropriate "Price Index Numbers for Current Cost Accounting" produced by Office for National Statistics. 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 the general fund.

1.4 Intangible assets

Intangible assets comprise capitalised operational software licenses and the costs involved in implementing the software. The cost of licences and implementation costs are amortised over their expected useful lives of three years. The minimum level for capitalisation of an intangible asset is £250 (excluding VAT) (2016: £250). These assets have been restated using valuation techniques produced by the Office for National Statistics.

1.5 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.

1.6 Value Added Tax

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

1.7 Operating Leases

The total cost of operating leases is expensed in equal instalments over the life of the lease.

1.8 Operating Income

Operating income principally relates to bank interest receivable which is accounted for on an accruals basis.

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

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

1.10 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the Agency becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

The Agency has financial instruments in the form of trade receivables, trade payables and cash at the bank.

Cash and other receivables are classified as they are initially measured at fair value and are subsequently measured at amortised cost, if appropriate, using the effective interest method less any impairment.

Financial liabilities are initially measured at fair value, net of transaction costs, if applicable. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1.11 Staff Costs

Under IAS 19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using the Agency's annual leave records.

2. STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

The two main segments operating in the Labour Relations Agency are Labour Relations and the Certification Office. The principal activities of the Labour Relations Agency are to assist employers, employees and their representatives to improve the conduct of their employment relations. The Agency provides a range of services to those engaged in industry, commerce and the public services. These services include advice and assistance on all aspects of employment relations and employment practices and also comprehensive conciliation and arbitration services for resolving both individual and collective matters. The Certification Office is responsible for ensuring that Trade Unions and Employer's Associations comply with statutory provisions relating to the regulation of Trade Unions and Employer's Associations. The non-current assets of the Labour Relations Agency are all located in Northern Ireland.

	2016-17		2015-16	
	Agency £	Certification Officer £	Agency £	Certification Officer £
Gross Expenditure	3,614,861	203,752	3,481,975	213,208
Income	-	-	-	-
Net Expenditure	3,614,861	203,752	3,481,975	213,208

2.1 Reconciliation between Operating Segments and SoCNE/SoFP

	2016-17		2015-16	
	Agency £	Certification Officer £	Agency £	Certification Officer £
Total net expenditure reported for operating segments	3,614,861	203,752	3,481,975	213,208
Total net expenditure per the Consolidated Statement of Comprehensive Net Expenditure	3,614,861	203,752	3,481,975	213,208

3. INCOME

The only monies received in the year related to recoveries in respect of an outward secondment. This amount was netted off total salaries. See staff report B.1

	2016-17 £	2015-16 £
Recoveries in respect of outward secondment	20,693	84,146
Total	20,693	84,146

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

4. OTHER EXPENDITURE

	Agency £	Certific. Officer £	2016-17 Total £	Agency £	Certific. Officer £	2015-16 Total £
Cash items						
Premises Costs:						
Rent, under operating leases, including car parks	229,872	15,497	245,369	204,348	13,872	218,220
Rates, including car parks	90,386	4,349	94,735	87,989	4,349	92,338
Service charges maintenance, cleaning, security, heating, lighting and insurance	137,605	3,765	141,370	137,420	4,261	141,681
Other Office Running Costs:						
Staff training	15,552	4,154	19,706	15,934	833	16,767
IT Managed Services, Maintenance and licenses	135,760	3,000	138,760	142,489	3,000	145,489
IT Development and implementation	40,045	-	40,045	2,378	-	2,378
Postage and telephones	66,351	438	66,789	58,070	459	58,529
Library services	22,418	-	22,418	30,112	-	30,112
Office, supplies, photocopying, printing and stationery	49,463	22	49,485	49,684	834	50,518
Publications and advertising	9,293	3,002	12,295	7,789	1,967	9,756
Conference & Seminars	4,334	412	4,746	1,463	635	2,098
Travel and subsistence	29,022	2,696	31,718	26,426	333	26,759
Hospitality	5,080	-	5,080	3,869	-	3,869
Miscellaneous expenditure	5,235	4,828	10,063	8,398	6,340	14,738
Interpreter fees and venue hire	4,110	-	4,110	-	-	-
Professional subscriptions	8,698	-	8,698	7,542	-	7,542
Advertising (staff vacancies)	4,898	-	4,898	3,939	-	3,939
Bank charges	714	160	874	830	229	1,059

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

4. OTHER EXPENDITURE cont'd ...

	Agency £	Certific. Officer £	2016-17 Total £	Agency £	Certific. Officer £	2015-16 Total £
Fees and Expenses:						
Other professional fees	34,213	296	34,509	22,748	296	23,044
Arbitration fees and expenses	12,543	-	12,543	20,056	-	20,056
Internal auditors' remuneration	7,757	451	8,208	7,844	451	8,295
External auditors' remuneration	7,716	384	8,100	6,616	384	7,000
Total cash expenditure	921,065	43,454	964,519	845,944	38,243	884,187
Non-cash items						
Depreciation						
Depreciation of property, plant and equipment	34,093	-	34,093	61,827	217	62,044
Amortisation of intangible assets	102,456	-	102,456	101,579	-	101,579
Sub Total Depreciation	136,549	-	136,549	163,406	217	163,623
Impairment	-	-	-	-	-	-
Total net non-cash expenses	136,549	-	136,549	163,406	217	163,623
Total	1,057,614	43,454	1,101,068	1,009,350	38,460	1,047,810

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. PROPERTY, PLANT AND EQUIPMENT

2016-17

	Adaptations to Agency Short Leasehold Buildings £	Agency Office Equipment, Furniture & Fittings £	Agency Computer Equipment £	Certific. Officer Office Furniture Fittings £	Certific. Officer Computer Equipmen t £	Total £
Cost or valuation						
At 1 April 2016	613,788	246,619	280,296	6,331	5,019	1,152,053
Additions	16,234	1,680	7,574	-	-	25,488
Disposals	-	-	-	-	-	-
Impairment/ Adjustment arising on revaluation	25,627	6,696	22,917	105	414	55,759
At 31 March 2017	655,649	254,995	310,787	6,436	5,433	1,233,300
Depreciation						
At 1 April 2016	406,987	230,982	245,882	6,331	5,019	895,201
Provision for year	24,992	3,370	5,731	-	-	34,093
Disposal	-	-	-	-	-	-
Impairment/ Adjustment arising on revaluation	15,318	6,393	18,277	105	414	40,507
At 31 March 2017	447,297	240,745	269,890	6,436	5,433	969,801
Carrying amount at 31 March 2016	206,801	15,637	34,414	-	-	256,852
Carrying amount at 31 March 2017	208,352	14,250	40,897	-	-	263,499

All Assets were subject to revaluation using annual indices provided by the Office of National Statistics. The assets were re-valued using March 2017 statistics.

NB: The depreciation charge per note 5 of £34,093 (2016: £62,044) for the year reflects the depreciation provision for Property, plant and equipment. No impairment adjustment was required in to the SoCNE in 2017 (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. PROPERTY, PLANT AND EQUIPMENT cont'd ...

Leased Assets

The adaptations to Agency buildings on short leasehold land carried at a Net Book Value at 31 March 2017 of £206,801 and represent the Agency's only leased assets.

2015-16

	Adaptations to Agency Short Leasehold Buildings £	Agency Office Equipment, Furniture & Fittings £	Agency Computer Equipment £	Certific. Officer Office Furniture Fittings £	Certific. Officer Computer Equipment £	Total £
Cost or valuation						
At 1 April 2015	588,075	240,358	259,244	6,331	4,972	1,098,980
Additions	18,763	4,000	18,624	-	-	41,387
Disposals	-	-	-	-	-	-
Impairment/ Adjustment arising on revaluation	6,950	2,261	2,428	-	47	11,686
At 31 March 2016	613,788	246,619	280,296	6,331	5,019	1,152,053
Depreciation						
At 1 April 2015	364,963	219,978	228,517	6,114	4,972	824,544
Provision for year	37,714	8,888	15,225	217	-	62,044
Disposal	-	-	-	-	-	-
Impairment/ Adjustment arising on revaluation	4,310	2,116	2,140	-	47	8,613
At 31 March 2016	406,987	230,982	245,882	6,331	5,019	895,201
Carrying amount at 31 March 2015	223,112	20,380	30,727	217	-	274,436
Carrying amount at 31 March 2016	206,801	15,637	34,414	-	-	256,852

All Assets were subject to revaluation using annual indices provided by the Office of National Statistics. The assets were re-valued using September 2015 statistics.

NB: The depreciation charge per note 5 of £62,044 (2015: £80,956) for the year reflects the depreciation provision for Property, plant and equipment. A net revaluation downwards adjustment of £nil (2015: £942) has been posted to impairment in the SoCNE.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

6. INTANGIBLE ASSETS

Intangible assets comprise computer software, development costs and licences.

2016-17

Cost or Valuation	Agency £	Cert' Office £	Total £
At 1 April 2016	432,478	8,944	441,422
Additions	38,132	-	38,132
Impairment / Adjustment arising on revaluation	35,302	738	36,040
At 31 March 2017	505,912	9,682	515,594
Amortisation			
At 1 April 2016	259,703	8,944	268,647
Charged in year	102,456	-	102,456
Impairment / Adjustment arising on revaluation	12,745	738	13,483
At 31 March 2017	374,904	9,682	384,586
Carrying value at 31 March 2016	172,775	-	172,775
Carrying value at 31 March 2017	131,008	-	131,008

All Assets were subject to revaluation using annual indices provided by the Office of National Statistics. The assets were re-valued using March 2017 statistics.

NB: The depreciation charge per note 5 of £102,456 (2016: £101,579) for the year reflects the depreciation provision for intangible assets. No impairment adjustment was required to the SoCNE in 2017 (2016: £nil downwards adjustment).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

6. INTANGIBLE ASSETS cont'd ...

Intangible assets comprise computer software, development costs and licences.

2015-16

Cost or Valuation	Agency £	Cert' Office £	Total £
At 1 April 2015	427,117	8,861	435,978
Additions	1,365	-	1,365
Impairment/ Adjustment arising on revaluation	3,996	83	4,079
At 31 March 2016	432,478	8,944	441,422
Amortisation			
At 1 April 2015	156,657	8,861	165,518
Charged in year	101,579	-	101,579
Adjustment arising on revaluation	1,467	83	1,550
At 31 March 2016	259,703	8,944	268,647
Carrying value at 31 March 2015	270,460	-	270,460
Carrying value at 31 March 2016	172,775	-	172,775

7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2016-17 £	2015-16 £
Amounts falling due within one year:		
Other receivables	29,764	1,983
Prepayments	41,866	38,112
Grant due from The Department for the Economy	124,000	-
	195,630	40,095

The above includes £28,048 (2016: £nil) due to the Agency from the Certification office.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

8. CASH AND CASH EQUIVALENTS

	Agency £	Certification Officer £	2016-17 Total £	2015-16 Total £
Balance at 1 April	168,528	4,226	172,754	120,284
Net change in cash and cash equivalent balances	(176,065)	(2,028)	(178,093)	52,470
Balance at 31 March	(7,537)	2,198	(5,339)	172,754
The following balances at 31 March were held at:				
Commercial banks and cash in hand	(7,537)	2,198	(5,339)	172,754
Balance at 31 March	(7,537)	2,198	(5,339)	172,754

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2016-17 £	2015-16 £
Amounts falling due within one year:		
Trade payables	42,626	51,297
Accruals	<u>105,499</u>	<u>152,702</u>
Total	148,125	203,999

10. CAPITAL COMMITMENTS

There are no capital commitments at the year-end 31 March 2017.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2016-17 £	2015-16 £
Provision – not later than one year:		
Opening balance	-	-
Provided in the year	25,000	-
Provision utilised during the year	-	-
Closing balance	25,000	-

An obligation has arisen at 31st March 2017 from a contractual dispute regarding a past event. It is probable that this will have to be settled in 2017-18. To avoid prejudicing the outcome, the Labour Relations Agency does not feel that it is appropriate to disclose further information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

12. COMMITMENTS UNDER LEASES

Operating Leases:

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

Buildings:	2016-17 £	2015-16 £
Not later than one year	215,400	215,400
Later than one year and not later than five years	215,400	430,800
Later than five years	-	-
	430,800	646,200

13. OTHER FINANCIAL COMMITMENTS

The Labour Relations Agency has no other Financial Commitments and has not entered into non-cancellable contracts.

14. RELATED PARTY TRANSACTIONS

The Labour Relations Agency is a Non-Departmental Public Body sponsored by the Department for the Economy, formerly The Department for Employment and Learning. The Department for the Economy is regarded as a related party. During the year the only transactions which the Agency has had with the Department is the receipt of £3,754,000 (2015/16: £3,627,500) grant, as disclosed in the statement of cash flows. 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, other than the reimbursement of expenses necessarily incurred by staff in the course of their employment.

15. FINANCIAL INSTRUMENTS

As the cash requirements of the Labour Relations Agency and the Certification Officer of Northern Ireland are met through Grant-In Aid provided by the Department for the Economy, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Labour Relations Agency's expected purchase and usage requirements and the Labour Relations Agency is therefore exposed to little credit, liquidity or market risk.

16. IMPAIRMENTS

The total impairment charge for the year is £nil (2015-16: £nil).

17. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting period which need to be disclosed.

18. CONTINGENT LIABILITY UNDER IAS 37

There were no contingent liabilities as at 31 March 2017.

Date of authorisation for issue

The Accounting Officer authorised these financial statements on 22 June 2017.

Head Office

2-16 Gordon Street, Belfast BT1 2LG

Telephone: 028 9032 1442
Facsimile: 028 9033 0827
TDD (Textphone): 028 9023 8411
Email: info@lra.org.uk

Regional Office

1-3 Guildhall Street, Londonderry BT48 6BB

Telephone: 028 7126 9639
Facsimile: 028 7126 7729
Email: info@lra.org.uk

www.lra.org.uk

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