

# **STRATEGIC INVESTMENT BOARD LIMITED**

Company Registration No. NI 45710

Annual Review and Financial Statements 2016-2017

Year Ended 31st March 2017



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# 1 Officers and Professional Advisers

## 1.1 Directors

Mr. Gerry McGinn	Chairman (from September 2013)	
Mr. Frank Hewitt	Non-Executive Director	(from December 2010, concluded term of office November 2016)
Mr. Duncan McCausland	Non-Executive Director	(since September 2013)
Ms. Marie-Thérèse McGivern	Non-Executive Director	(since September 2013)
Mr. Daniel McSorley	Non-Executive Director	(since November 2015)
Mrs. Kathryn Thomson	Non-Executive Director	(since September 2015)
Mr. Chris Thompson	Non-Executive Director	(from December 2010, concluded term of office November 2016)
Mr. Brett Hannam	Chief Executive	(since June 2012)

## 1.2 Secretary

Gregor Hamilton

## 1.3 Auditors

Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU

## 1.4 Registered Office

FinTrU House  
Gasworks Business Park  
1 Cromac Ave  
Belfast  
BT7 2JA

## 1.5 Principal Bankers

Danske Bank  
8-9 Donegall Square North  
Belfast  
BT1 5GJ

## **2 Performance Report for the Year Ended 31st March 2017**

### **2.1 Overview**

During 2016-17 Strategic Investment Board Ltd continued to provide advice to Ministers and departments in relation to the articulation and delivery of the Executive's major investment programmes. For the fifth year in succession, Strategic Investment Board Ltd has provided assistance (including research, consultancy, project management and other services) to every government department and a range of other partners including agencies, NDPBs and local authorities.

#### **2.1.1 Chief Executive's Perspective on Performance**

In 2016-17 Strategic Investment Board Ltd contributed to the success of its partners in the following areas:

- managing projects contained in the Programme for Government such as the Strule Education Campus, Casement Park, the Northern Ireland Fire and Rescue Service College and the implementation of the Education Authority;
- supporting other projects with a regional or sub-regional significance such as arc21; Energy Wise; Ebrington and Urban Villages;
- continuing to support local authorities in the delivery of investment projects such as the Waterfront Hall Conference Centre, Connswater Greenway, Coleraine Enterprise Zone and the North West Sports Village; and
- achieving the Executive's targets for the realisation of capital from surplus assets; the implementation of the Executive's asset management strategy and the reform of property management.

#### **2.1.2 Performance and Activities**

During 2016-17, Strategic Investment Board Ltd:

- Provided Project Directors or Managers for the:
  - i. Strule Education Campus;
  - ii. NIFRS Training College at Desertcreat;
  - iii. Education Authority Implementation Programme;
  - iv. Casement Park;
  - v. Belfast Rapid Transit Programme;
  - vi. Urban Villages Regeneration Programme;
  - vii. The Energywise project;
  - viii. Department of Agriculture, Environment & Rural Affairs Wind Farms Programme;

- ix. Department of Finance (formerly Department of Finance and Personnel)  
Reform of Property Management Project;
  - x. Arc21 Waste Management procurement;
  - xi. Southern Regional College Campus Programme
  - xii. Northern Regional College Campus Programme
  - xiii. Waterfront Hall Extension project;
  - xiv. Connswater Greenway project;
  - xv. HMS Caroline project;
  - xvi. Museum of Free Derry;
  - xvii. Ebrington Capital Projects;
  - xviii. North Coast Sports Village;
  - xix. Government Data Centre;
  - xx. NI Public Sector Shared Network project;
  - xxi. South Lake Leisure Centre;
  - xxii. United Youth Programme
  - xxiii. The Maze Long Kesh (MLK) Development Corporation.
- prepared the Executive's 2017 Investment Strategy;
  - delivered £21m through capital realisations;
  - assisted departments to develop and implement asset management plans;  
and
  - managed the Investment Strategy Northern Ireland Delivery Tracking System  
and project pipeline on behalf of the Executive; and

Specifically, Strategic Investment Board Ltd:

- supported The Executive Office by:
  - i. drafting the Executive's Investment Strategy;
  - ii. providing the acting Chief Executive for the MLK Development Corporation;
  - iii. staffing the Urban Villages Delivery Unit;
  - iv. providing the Head of the Delivering Social Change (DSC) Delivery Unit;
  - v. providing project advisors to the Social Investment Fund capital and revenue programmes;

- vi. the provision of Programme and Project Managers to deliver capital projects at Ebrington; and
- vii. completing Business cases to support investment at Ebrington;
- viii. reviewing existing PPP/PFI contracts; and
- ix. seconding interns into the Delivering Social Change unit.
- supported the Department of Finance by:
  - i. providing the Executive's Asset Management Unit;
  - ii. providing a project manager and delivery team for the Reform of Property Management project;
  - iii. providing a project manager for the Government Data Centre Project and the NI Public Sector Shared Network project; and
  - iv. establishing the 'Buy Social' unit to promote the delivery of social value in public sector procurement.
- supported Department of Education by:
  - i. providing a Construction Manager and leading the Communications function for the Strule Educational Campus programme;
  - ii. providing a Strategic Advisor to the Education Authority;
  - iii. providing a Human Resources team to support the recruitment of senior staff for the Education Authority and associated bodies; and
  - iv. providing analytical support to the department's planning for primary education.
- supported the Department for Infrastructure by:
  - i. providing a Director of Projects who is managing the Belfast Rapid Transit Programme<sup>1</sup>;
  - ii. advising on the Belfast Transport Hub project;
  - iii. advising on the upgrade of street lighting;
  - iv. advising Translink on income optimisation; and
  - v. advising NIW water on its PFI projects;

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<sup>1</sup> The Strategic Investment Board Ltd's Project Director transferred to the NICS in October 2016.



- supported the Department of Health through:
  - i. membership of the Health Infrastructure Board;
  - ii. advising on a programme of revenue funded investment in primary health care facilities (including the preparation of business cases; the conduct of bidder negotiations and the provision of legal advice);
  - iii. advising on the reform of GP Out of Hours services;
  - iv. advising on the development of the 111 and National Pan-endemic Flu service; and
  - v. advising on an SBRI scheme for medicines.
- assisted the Department of Justice (DoJ) by
  - i. providing a Project Manager for the NIFRS College at Desertcreat;
  - ii. providing advice in the development of an anti-paramilitary strategy; and
  - iii. providing legal advice to the Causeway 2 project.
- supported the Department for Communities by
  - i. providing GAA with a project manager for Casement Park; and
  - ii. providing a team to advise and manage Community Cohesion Capital Projects;
  - iii. providing project management support to urban development in Portrush.
- supported the Department of Agriculture, Environment & Rural Affairs by
  - i. providing a manager for the Wind Farm project;
  - ii. providing a project manager to the arc21 residual waste management infrastructure project;
  - iii. providing strategic advice on waste management;
  - iv. advising on the Mobuoy Road SBRI Project; and
  - v. advising on the Circular Waste Economy.
- Supported the Department for the Economy by:
  - i. providing a project manager and procurement advisor for the Energy Wise programme;
  - ii. providing a project manager for the Museum of Free Derry Project;
  - iii. providing a project manager for the HMS Caroline project;

- iv. providing a Chief Digital Officer to INI and TNI;
- v. establishing and staffing the Digital Catapult NI;
- vi. providing project managers for the Southern and Northern regional Colleges capital investment programmes;
- vii. providing advice to the South Western Regional College;
- viii. supporting work to promote the economic development of Kilkeel.
- ix. managing the Department's FTC loan portfolio.
- assisted the Police Service of Northern Ireland (PSNI) by:
  - i. providing support to the Royal Ulster Constabulary George Cross museum project; and
  - ii. advising on the governance of the Risk Avoidance Danger Awareness Resource (RADAR) Centre.
- supported Belfast City Council by
  - i. providing a project manager for the Connswater Greenway Project; and
  - ii. providing a project manager for the Waterfront Hall conference centre extension project.
- Supported Derry City and Strabane District Council through the provision of a Property Advisor and Capital projects Advisors;
- Supported seven other councils by providing strategic and other advice;
- Provided 1,612 days of support on 93 assignments to departments and councils through the deployment of Associate Strategic Advisers; and
- Supported departments and other organisations through the provision of recruitment advice.

### **2.1.3      *The Key Issues and Risks***

This section examines the major risks arising from the environment in which Strategic Investment Board Ltd operates and sets out Strategic Investment Board Ltd's response.

Demand for Strategic Investment Board Ltd support has continued to rise during the reporting period. This has mainly been the result of Strategic Investment Board Ltd providing increased support to councils and through growth in the work of the Strategic Support Unit. There have also been additional requests for assistance from the Buy Social Unit. There is a risk that Strategic Investment Board Ltd may not be able to recruit staff with the skills, knowledge and experience required to address these requirements. The organisation is also vulnerable to current staff being attracted by offers from a newly resurgent private sector. Current policy does not allow the organisation to respond to requests for increased pay. Similarly, Strategic Investment Board Ltd's ability to respond positively to the aspirations of its staff to develop their careers and experience is limited. Strategic Investment Board Ltd supports several important programmes and projects, the success of which would be endangered by the sudden loss of key staff. Increased demand for the high-quality personnel on which it depends means that the market rates for such staff will be subject to upward pressure. Strategic Investment Board Ltd will continue to manage these risks by carefully prioritising its work and focusing support where it will have the greatest beneficial impact on the most important projects.

Significant reductions in Strategic Investment Board Ltd's core funding will, for the foreseeable future, reduce its ability to provide services to partners that are free at the point of use. Strategic Investment Board Ltd will, therefore, continue to seek co-funding from partners where this is required to help achieve their objectives. It will continue to seek to recoup the full costs of providing project management support to partner organisations.

The Asset Management Unit's (AMU) experience has been, in recent years, that asset values are difficult to determine confidently in the current economic and political context. Prices have been highly variable as a result of Brexit, distressed asset sales, limits on the availability of debt and the high yields required by liquid investors. Strategic Investment Board Ltd will continue to work to develop the value of the government's surplus assets in order to increase their attractiveness. It will also continue to seek socially valuable alternative uses for assets that are surplus but cannot be sold in current conditions.

Strategic Investment Board Ltd staff can only operate effectively as part of appropriately staffed and resourced teams established by those partners. There is a risk that reductions in the size of the public sector may disrupt such teams and adversely impact on delivery.

There is a risk that procedures may be put in place by the Northern Ireland Civil Service to satisfy the requirements of the Northern Ireland Civil Service Commissioners that could delay the appointment of Strategic Investment Board Ltd staff to roles embedded in departments.

The ability of Strategic Investment Board Ltd to discharge its statutory and other functions requires the development and maintenance of effective working

relationships with its partners. There is a risk that such stakeholder relationships may break down, adversely impacting on the organisation's efficacy.

The Board will continue to monitor these risks and will, as far as is possible within current pay policy, take the action necessary to reduce them.

#### **2.1.4      *The Going Concern Basis***

The Financial Statements have been prepared on the assumption that Strategic Investment Board Limited is a going concern basis and will continue in operation for the foreseeable future.

#### **2.1.5      *Performance Summary***

In 2016-17 Strategic Investment Board Limited has:

- Drafted the Executive's Investment Strategy;
- delivered strategic infrastructure planning models in key sectors, which help its partners to plan and deliver more economically and operationally sustainable infrastructure to meet contemporary and future needs across the region;
- helped Departments deliver larger and better project procurements (in terms of faster delivery, lower risk and best value) than would otherwise have been possible;
- met the targets set it for the use of Financial Transaction Capital (including supporting the establishment and operation of the NI Investment Fund);
- met the targets set it for the generation of additional capital;
- helped Departments develop and implement asset management plans;
- provided information to the private and third sectors that informs their decision-making and fosters the development of the local economy;
- worked to ensure that sustainable development principles, including Social Value, guide capital investment decisions on all major publicly funded buildings and infrastructure projects;
- helped Departments develop their infrastructure programme and project delivery capability so that projects and programmes can be delivered efficiently, effectively and with a reduced need for ongoing Strategic Investment Board Ltd support;
- provided detailed information to its stakeholders on progress with the implementation of the Investment Strategy; and
- developed as an organisation so that it met the requirements of its stakeholders: Ministers, local representatives, the Departments, its shareholder (The Executive Office, formerly Office of the First Minister and deputy First Minister), the private and third sectors, its staff and the public.

## **2.2 Performance Analysis**

### **2.2.1 How Performance is Measured**

The diverse nature of Strategic Investment Board Ltd's business is reflected in its use of a range of performance measures and indicators. These include:

- Performance against the expectations of the First and deputy First Ministers;
- Performance against specific objectives set out in the annual business plan;
- Performance against cost, schedule and quality targets set out in specific programme and project plans;
- Targets for the raising of additional capital and other asset management activities set out in the Asset Management Unit (AMU) Operational Plan; and
- Performance against internal administrative targets.

Strategic Investment Board Ltd obtains written feedback on the performance of its staff from its partners at least annually. A performance report is completed at the conclusion of each assignment undertaken by Associate Advisers.

### **2.2.2 Analysis and Explanation**

At the 31<sup>st</sup> March 2017:

- All Ministerial expectations had been met.
- Of Strategic Investment Board Ltd's 22 business plan targets, 19 were successfully completed, and 3 were not completed. This latter group related to arc21, Casement Park and the development at Maze Long Kesh.
- All Asset Management targets were achieved.
- Internal administrative targets relating to budget underspend, prompt payments, the completion of annual reports, the completion of Post Project Evaluations, cost recovery and internal communications were all achieved.
- The Strategic Support Unit carried out 93 assignments. Feedback from departments and councils indicated that 100% would employ the relevant adviser again and 100% agreed that the output of the assignments had been of a high quality.

### **2.2.3 Long-term Expenditure Trends**

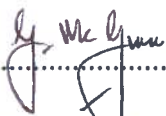
Strategic Investment Board Ltd is funded by its sponsor Department, the Executive Office (TEO). TEO intends to continue to fund the organisation for the foreseeable future and has provided indicative budgets for 2017-18. The organisation has the staff resources required to achieve its current business objectives. However Strategic Investment Board Ltd recognises the financial pressures and uncertainties which exist in future years. Strategic Investment Board Ltd will endeavour to meet this challenge through changes in operational processes and procedures to deliver increased efficiencies.

#### **2.2.4 Sustainability Report**

Strategic Investment Board Limited is committed to the Executive's Sustainable Development Strategy. Policies and practices have been introduced within Strategic Investment Board Limited to encourage efficiency in the use of resources. These include the 100% use of recycled paper, the introduction of multifunction printing/ copying/ scanning devices which are set to duplex printing by default and the use of efficient heaters to provide hot water for refreshments.

In September 2013, Strategic Investment Board Limited moved to Carleton House. Despite increases in headcount from 2013, the organisation has not increased the size of its office space since then. This has been made possible through the aggressive use of 'hot-desking'. The company has also, in order to reduce its carbon footprint, pursued a policy of enabling staff to work from home and to use video-conferencing as an alternative to travelling by air.

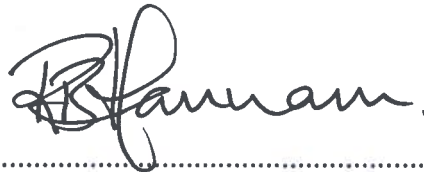
Strategic Investment Board Limited promotes economic, social and environmental sustainability in all its projects. Over the past year it has, for example, promoted the development of renewable energy through its work on the Forest Service wind farm programme; encouraged the wider use of 'Buy Social' in construction and service contracts and supported sustainable economic growth through its work on the Investment Strategy.



.....  
Gerry McGinn

Chairman

Date: 13<sup>th</sup> June 2017



.....  
Brett Hannam

Chief Executive

## **3 Accountability Report for the Year Ended 31st March 2017**

### **3.1 Corporate Governance Report**

#### **3.1.1 Directors' Report**

##### **3.1.1.1 Future Developments**

Strategic Investment Board Ltd derives its strategic priorities from the outcomes identified by Ministers in the Programme for Government, which is currently in draft. These are:

- We prosper through a strong, competitive regionally balanced economy;
- We live and work sustainably – protecting the environment;
- We have a more equal society;
- We enjoy long, healthy, active lives
- We are an innovative, creative society where people can fulfil their potential
- We have more people working in better jobs; and
- We have a safe community where we respect the law and each other.

The over-arching priority for Strategic Investment Board Ltd is to help government deliver “enhanced economic infrastructure”. Subject to any new priorities or targets in the final Programme for Government, the priority issues Strategic Investment Board Ltd will address:

- the statutory requirement for Strategic Investment Board Ltd to advise the Executive in relation to the formulation and implementation of its programme of major investment projects;
- the need to deliver those projects to the required quality, on time and within budget;
- the need to obtain value for money for infrastructure investment (including the delivery of social value through sustainable procurements and use of assets);
- the need to make best use of existing assets and dispose of those that are surplus to requirements;
- the need to engage with the private sector more closely in order to optimise the use of private funding in support of public investment, (while recognising that private funds do not have general applicability at all times or across all types of infrastructure);
- the need to deliver the best possible return to the Executive through the use of Financial Transactions Capital (FTC) and the Investment Fund;
- the need to support strategic infrastructure planning;
- the need to improve the infrastructure delivery capabilities of government departments and local councils;

- the need for continual improvement in the processes and procedures for the commissioning and procurement of major capital investment;
- the need to develop Strategic Investment Board Ltd's capacity and capabilities to ensure it continues to meet the needs of its partners; and
- the need to be flexible and informed to support departments in the delivery of new major investment policies and programmes.

Further information can be found in Strategic Investment Board Ltd's Corporate and Business Plan 2016-19 [www.sibni.org](http://www.sibni.org)

### **3.1.1.2 Share Capital**

The company is limited by guarantee and has no share capital.

### **3.1.1.3 Fixed Assets**

Details of the movement of fixed assets have been summarised in note 9 to the accounts. The company does not believe that there is any material difference between the market and book value of its fixed assets as at 31 March 2017.

### **3.1.1.4 Financial Assets**

In 2016-17 Strategic Investment Board Ltd processed a loan to Queen's University, Belfast (QUB) for £9,381,000 (2015-16: £14,500,000). The funding for this loan, made using Financial Transactions Capital, was provided to Strategic Investment Board Ltd by the Department of Finance through The Executive Office at the request of the Department for the Economy. The NI Executive agreed that the loan should be channelled through Strategic Investment Board Ltd in accordance with Strategic Investment Board Ltd's particular vires. The loans will be repaid by QUB and the receipts returned to Department of Finance (formerly Department of Finance and Personnel) through The Executive Office (formerly Office of the First Minister and deputy First Minister).

### **3.1.1.5 Data Protection and Freedom of Information**

Strategic Investment Board Ltd is required to report on personal data related incidents. Within its Government framework, Strategic Investment Board Ltd has an explicit control system to meet its responsibility under Data Protection and Freedom of Information. The control system has been established to ensure that appropriate handling of personal data and information used for operational and reporting purposes through the development of appropriate strategy and policy. In the 2016-17 year Strategic Investment Board Ltd received five (2015-16: six) Freedom of Information (FOI) requests, and responded to all of them within the 20 day deadline. Strategic Investment Board Ltd will continue to monitor and assess its information risks in order to identify and address any weakness and ensure continuous improvement of its systems.

There were no incidents of personal data loss recorded within the period under review.



### **3.1.1.6 Reporting of Complaints**

Strategic Investment Board Ltd is required to disclose its approach to complaints handling. Strategic Investment Board Ltd has a complaints policy for dealing with complaints from the public or other third parties (the procedure for internal complaints is detailed separately in the Strategic Investment Board Ltd Staff Handbook). The complaints policy is published on the Strategic Investment Board Ltd Website. All complaints are referred to the Chief Executive as soon as they are received. Strategic Investment Board Ltd's pledge on response times are:

- Strategic Investment Board Ltd will acknowledge receipt of a complaint within 2 working days.
- Normally Strategic Investment Board Ltd will issue a full response within 10 working days.
- If there is a delay in responding we must keep the complainant informed of our progress.

In 2016-17 Strategic Investment Board Ltd received two complaints (2015-16: one complaint). Following investigation, one complaint was upheld and appropriate action taken. The other was not upheld.

### **3.1.1.7 Payments to Suppliers**

Strategic Investment Board Ltd is committed to the prompt payment of bills for goods and services received, in accordance with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended. Strategic Investment Board Ltd follows DAO 12/08 "Supporting Businesses Prompt Payment of Invoices" which introduced a prompt payment target of ten days, with effect from December 2008. In the year ended 31 March 2017, Strategic Investment Board Ltd has paid 99% of its suppliers within 10 days (2015-16: 97%). In the year ended 31 March 2017, 99% of suppliers were paid within 30 days (2015-16: 99%).

### **3.1.1.8 Statement of Directors' Responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have received assurance that the financial statements have been prepared in line with the requirements above.

The directors confirm that so far as they are aware, there is no relevant audit information of which the auditor is unaware, and the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for The Executive Office (formerly Office of the First Minister and deputy First Minister) has designated the Chief Executive as the Accounting Officer for Strategic Investment Board Ltd. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of public finances and for the keeping of proper records, are set out in the Accounting Officer Memorandum, in compliance with Chapter 3 of Managing Public Money Northern Ireland and Financial Reporting Manual (FReM).

#### ***3.1.1.9 Charitable Donations***

The company made no charitable donations during the period.

#### ***3.1.1.10 Corporate Governance***

The company's Statement of Corporate Governance is set out on page 17.

#### ***3.1.1.11 Statement of Disclosure of Information to Auditors***

The directors confirm that, for all directors in office at the date of this report:

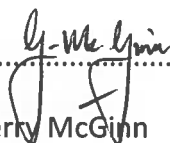
- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. For this purpose, "relevant audit information" comprises the information needed by the company's auditors in connection with preparing their report; and
- each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he or she ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### 3.1.1.12 Auditors

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013, the Comptroller and Auditor General for Northern Ireland has statutory responsibility for the audit of the Strategic Investment Board Limited under the Audit and Accountability (NI) Order 2003.

### 3.1.1.13 National Fraud Initiative

The Comptroller and Auditor General for Northern Ireland has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. The Northern Ireland Audit Office (NIAO) commissioned a National Fraud Initiative (NFI) Data Matching Exercise in October 2016.



Gerry McGinn

Chairman

Date: 13<sup>th</sup> June 2017



Brett Hannam

Chief Executive

### **3.1.2 Statement of Accounting Officer's Responsibilities**

Under the under the terms of the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003 the Executive Office (formerly Office of the First Minister and deputy First Minister) (with approval from Department of Finance, formerly Department of Finance and Personnel) has directed Strategic Investment Board Ltd to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Strategic Investment Board Ltd and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Accounting Officer of the Executive Office (formerly Office of the First Minister and deputy First Minister) has appointed the Chief Executive as the Accounting Officer of Strategic Investment Board Ltd. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Strategic Investment Board Ltd's assets, are set out in *Managing Public Money Northern Ireland* published by Department of Finance (formerly Department of Finance and Personnel).

### **3.1.3 Governance Statement**

The Strategic Investment Board Ltd is a company limited by guarantee, owned by the Executive Office (TEO) and functioning as one of that Department's Arm's Length Bodies (ALBs). It is financed from TEO's departmental expenditure limit (DEL). Its board reports directly to the First Minister and the deputy First Minister.

This statement is given in respect of Strategic Investment Board Ltd's Resource Account for 2016-17. The Governance Statement comprises two broad elements. Firstly, it describes Strategic Investment Board Ltd's governance framework; identifying responsibilities and explaining the functions of its constituent elements. Secondly, it reports my assessment as Accounting Officer of the effectiveness of the framework during the reporting period. The report identifies any significant governance issues and concludes with a review of Strategic Investment Board Ltd's conformance with the Code of Conduct.

### **3.1.4 The Purpose of the Governance Framework**

The purpose of the Governance Statement to report publicly on the extent to which Strategic Investment Board Ltd complies with its code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year. The process of preparing the governance statement itself adds value to the effectiveness of the corporate governance and internal control framework.

### **3.1.5 The Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which Strategic Investment Board Ltd is directed and controlled. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve Strategic Investment Board Ltd's aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework described below has been in place in Strategic Investment Board Ltd for the year ended 31 March 2017. It comprises:

- the Board;
- the Accounting Officer;
- the Audit Committee;
- the Internal Audit function; and
- the External Audit function.

These organisational structures, together with an overview of their responsibilities and performance in year, are set out in the relevant sections below.

The framework also includes a number of additional elements that contribute to the effective governance of the organisation. These comprise:

- The Investment Committee

- The Management Statement and Financial Memorandum;
- Executive Office (TEO) Oversight Arrangements;
- The Corporate and Business Plans;
- The Performance Management Framework;
- The Risk Management Framework;
- Financial Policies and Procedures;
- Operational Partnership Agreements;
- Customer Feedback and Performance Reports;
- Whistleblowing Arrangements; and
- The Fraud Prevention Strategy and Response Plan.

These elements, together with an assessment of their effectiveness in year, are described in the relevant sections below.

### ***3.1.6 The Accounting Officer***

As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of Strategic Investment Board Ltd's aims and objectives. I also have responsibility for the propriety and regularity of the public finances allocated to Strategic Investment Board Ltd and for safeguarding public funds and assets: in accordance with the responsibilities assigned to me in the Corporate Governance Code and Managing Public Money Northern Ireland.

In my role as Accounting Officer, I function with the support of the Strategic Investment Board Ltd's Board ('the Board'). This includes highlighting to the Board specific business risks and, where appropriate, the measures that can be employed to manage these risks.

#### ***3.1.6.1 The Board***

The Board is chaired by a non-executive Director. It supports the delivery of effective Corporate Governance and operates within best practice guidelines set out in "Corporate Governance Code of Good Practice (NI) 2013". The Board takes an objective long-term view of the business of the organisation, leading its strategic planning process and assisting me in meeting my corporate governance responsibilities.

The Terms of Reference of the Board make clear its responsibility to establish and oversee the organisation's Corporate Governance arrangements.

Notwithstanding this, all tiers of management have commensurate responsibilities for ensuring that good governance practices are followed within the organisation.

Under the general guidance and direction of TEO Ministers, the key aspects of the Board's role include:

- setting the strategic direction for the organisation, including its vision, values and strategic objectives; overseeing the implementation its corporate and business plans, monitoring performance against objectives and supervising its budget;
- leading and overseeing the process of change and encouraging innovation, to enhance the organisation's capability to deliver;
- overseeing the strategic management of staff, finance, information and physical resources, including setting training and health and safety priorities;
- establishing and overseeing the implementation of Strategic Investment Board Ltd's corporate governance arrangements, including risk management; and
- overseeing and monitoring the organisation's progress against all of its equality of opportunity and good relations obligations.

The Board is required to act in accordance with the responsibilities assigned to it in the *Corporate Governance Code of Good Practice (NI)* and *Managing Public Money Northern Ireland*.

The Board operates as a collegiate forum under the leadership of the Chair. It ensures that the appropriate strategic planning processes are in place and that there is effective operational management of their implementation. The Board operates in an advisory and consultative capacity, offering guidance when sought. Day-to-day operational matters are my responsibility and that of senior staff. The Board does not direct me on how such business should be run, unless in exceptional circumstances, of which none occurred during this reporting period.

Each Non-Executive Board Member participates in the high-level corporate decision-making process as a member of the Board; contributes to the operation of corporate governance arrangements within the organisation and supports me in my roles of Chief Executive and Accounting Officer.

As Chief Executive, I am responsible for organising the agenda for monthly Board meetings and ensuring the Chair and Board members are provided with timely information to support full discussion at each meeting.

The Board receives monthly written reports from me; the head of the Asset Management Unit and Chief Investment Officer. It also receives a monthly financial and budget monitoring report and a pack of relevant media reporting.

I provide quarterly reports on the status of supported projects; delivery of business plan objectives; expenditure against plan; resource inputs by project; requests made under the Freedom of Information Act; press reporting of Strategic Investment Board Ltd; usage of the Strategic Investment Board Ltd web sites; Assembly Questions relevant to Strategic Investment Board Ltd; absence management; recruitment; communications; legal work and requests for Strategic Investment Board Ltd support.

Strategic Advisers and Project Managers provide the Board with quarterly reports on the progress of their work.

The Board maintains a Register of Interests that is published on the Strategic Investment Board Ltd web site. This lists, for each Director, all commercial and other relevant interests. A similar register is maintained by all Strategic Investment Board Ltd staff. The published versions of the registers are updated every six months but Directors and staff are required to report any significant changes as they occur.

Each Board and committee meeting begins with those present declaring any conflicts of interest that may arise from agenda items. The Terms of Reference for the Board set out how such conflicts should be managed should they arise. These terms require a Director with a conflict of interest to withdraw from any discussion of the relevant matter and to abstain from any associated vote.

In 2016-17 Board members declared possible conflicts of interest relating to particular projects and their involvement in organisations with which Strategic Investment Board Ltd works. These were recorded in the minutes of the meetings. On no occasion was a Director required, on account of such interests, to withdraw from any meeting.

In 2016-17, the Board comprised the following members:

Mr Gerry McGinn	Chairman (from September 2013)	
Mr. Frank Hewitt	Non-Executive Director	(since December 2010, concluded term of office November 2016)
Mr Duncan McCausland	Non-Executive Director	(since September 2013)
Ms. Kathryn Thomson	Non-Executive Director	(since September 2015)
Ms. Marie-Thérèse McGivern	Non-Executive Director	(since September 2013)
Mr Danny McSorley	Non-Executive Director	(since November 2015)
Mr Chris Thompson	Non-Executive Director	(since December 2010, concluded term of office November 2016)
Mr. Brett Hannam	Chief Executive	(since June 2012)



The Board held 11 meetings and an away-day during 2016-17. Attendance was as follows:

	Maximum Attendance	Actual Attendance
Mr Gerry McGinn	11	11
Mr. Frank Hewitt*	8	6
Mr Duncan McCausland	11	11
Ms. Kathryn Thomson	11	9
Ms. Marie-Thérèse McGivern	11	9
Mr. Danny McSorley	11	10
Mr Chris Thompson*	8	8
Mr. Brett Hannam	11	11

*\*concluded term of office November 2016*

In October 2016 the Board held its meeting at Ebrington Barracks, Derry~Londonderry. In December 2016 the Board held its annual away day at the University of Ulster York Street Campus in Belfast.

In 2016-17 the Strategic Investment Board Ltd Board considered the following standing agenda items:

- Minutes of the Previous Meeting;
- Chairman's and Directors' business;
- Chief Executive's report, which included reports on significant developments in projects supported by Strategic Investment Board Ltd; governance and staffing issues;
- Head of AMU's report, which included reports on the development and implementation of the Asset Management Strategy and the achievement of the executive's targets for capital release;
- Chief Investment Officer's report, which included reports on the development of Strategic Planning Models and the Investment Strategy;
- Finance Report; and
- Media Report.

The Board took quarterly reports on projects, corporate performance; resource utilisation, requests for Strategic Investment Board Ltd support and other related matters.

The Board heard individual reports on, and then discussed, the following programmes and projects:

- Strategic Investment Board Ltd support to Local Authorities;
- HMS Caroline ;
- The draft Investment Strategy;
- Southern Regional College Estates Programme;
- The Urban Villages Programme;
- The reform of Property Management;
- Strategic Investment Board Ltd Work in Derry~Londonderry;
- The Circular Economy;
- The 'Living with Water' Programme; and
- The Education Authority Strategic Infrastructure Planning Model.

In addition the Board considered the following matters:

- A Report on the 2015/16 underspend on the Urban Villages Programme;
- The Risk Appetite Statement and Risk Register;
- The terms of reference for the Strategic Investment Board Ltd Review;
- The Strategic Investment Board Ltd Staff Survey and associated Action Plan;
- Internal and External Communications;
- The draft Ministerial Letter of Expectation;
- The draft Corporate and Business Plans; and
- The NICS Skills Gap Review.

The Board reviewed its own effectiveness in October 2016 and subsequently took into account the findings of the review in its operation.

## **3.2 Board Committees**

The Board operates the following committees:

- The Audit Committee, which provides assurance to the Board, (and indirectly the shareholder – TEO), that the company's financial and other control systems are operating effectively;
- The Strategy & Communications Committee, which supports the development of long-term plans and policies and which scrutinises the organisation's strategic communications and engagement work; and
- The Remuneration Committee, which approves senior appointments and salaries and scrutinises recruitment.

All appointments to committees are confirmed in writing by the Chairman. Members are provided with the terms of reference of the committee, details of the committee's membership; an account of the members' responsibilities and a copy of the 'Nolan Principles'.

### **3.2.1.1 The Audit Committee**

The Audit Committee's terms of reference set out its purpose as being to support me as Accounting Officer in monitoring risk, control and governance systems (including financial reporting). Additionally the Committee will advise the Board and the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control. The Audit Committee does not have executive powers.

The Audit Committee and its Chair are appointed by the Board from amongst its non-executive members and a quorum comprises not less than two non-executive members. The Audit Committee Chair is a non-executive member of the Board other than its Chair.

In addition to its members, the following normally attend meetings of the Committee:

- The Accounting Officer;
- The Internal Auditor;
- The External Auditor;
- A representative of TEO;
- The Finance Manager (Secretary to the Committee); and
- The Compliance Manager.

The committee last reviewed its own effectiveness in March 2016. As a result it subsequently made changes to its process for disseminating Board papers and instigated performance reviews for committee members.

The Committee chairman reports after each meeting to the Board on any significant issues that have arisen. The Committee Chair, on behalf of the committee, reports in writing once a year to the Accounting Officer and the Board on the findings and conclusions of the committee for the past year.

The membership of the Strategic Investment Board Ltd Audit Committee in 2016 - 17 comprised:

Mr. Chris Thompson	(Chair, until November 2016)
Mr. Duncan McCausland	(Chair from December 2016)
Mr. Frank Hewitt	(Until November 2016)
Ms. Marie Therese McGivern	
Ms. Kathryn Thomson	

The Audit Committee met five times in 2016-17. All meetings were quorate. The committee took three reports from its internal auditors. The results were as follows:

- Grants Administration (Satisfactory<sup>2</sup>)
- Corporate Governance, Fraud & Risk Management (Satisfactory)
- Travel & Subsistence; Gifts & Hospitality (Satisfactory)

All recommendations from the internal audit reports were accepted. The internal auditor's overall assurance rating for 2016-17 was 'satisfactory'.

The committee reviewed risk and the risk register at its meetings. It made recommendations regarding risk ownership.

The committee met the internal and external auditors in the absence of the executive. No matters were raised with the executive as a result of these meetings.

The committee submitted a formal written report on its work to the Strategic Investment Board Ltd Board in May 2017. The Chair reported orally to the Strategic Investment Board Ltd Board after each of the committee's meetings.

The Chair attended a meeting of TEO Audit Committee Chairs and reported on it to the Strategic Investment Board Ltd Audit Committee.

The committee noted DAO letters issued during the reporting period. It also considered a number of other relevant reports and papers.

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<sup>2</sup> The assessment scale for internal audit assurance ratings changed for 2016-17. The highest possible rating is 'Satisfactory'.

### **3.2.1.2 Sources of Independent Assurance**

The Department obtains Independent Assurance from the following sources:

- Internal Audit; and
- The Northern Ireland Audit Office.

Strategic Investment Board Ltd's internal audit services are provided by ASM, a representative of which attended all Strategic Investment Board Ltd Audit Committee meetings.

I am independently advised by the Head of Internal Audit who operates in accordance with Public Sector Internal Audit Standards (PSIAS).

Strategic Investment Board Ltd is also subject to independent scrutiny from the Northern Ireland Audit Office. A representative from the Northern Ireland Audit Office attends all Strategic Investment Board Ltd Audit Committee meetings.

### **3.2.1.3 Other Board Committees**

The Strategy & Communications Committee met twice during the reporting period. Its main focus was the scrutiny of work relating to the development of the Investment Strategy and oversight of the organisation's internal and external communications function.

The Remuneration Committee met twice during the reporting period. In addition, it considered out of committee, by written procedure, proposals for senior appointments. All such appointments were formally ratified at the following meeting. The committee agreed a cost of living pay increase of 1% for 2015-16 that is awaiting Ministerial approval

### **3.2.1.4 Board Effectiveness**

The evidence presented in the preceding sections provides me with assurance that the Board operates effectively.

### **3.2.1.5 The Investment Committee**

The Investment Committee is an internal executive management committee. Its purpose is to appraise expenditure proposals, ensuring that the principles of regularity, propriety, probity and value-for-money are achieved and that the proposed investment of resources is consistent with Strategic Investment Board Ltd's overall aims and objectives.

The committee consists of the Chief Executive, the Legal Director, Compliance Manager and Finance Manager. A Principal Officer from TEO and the HR Manager attend as observers. The Investment Committee met 11 times during the reporting period. It approved one hundred and thirty-two business cases with a total value of £9,117K. Of these, fifty-seven (£6,750k) were cases for the employment of staff and seventy-five (£2,367k) were for external support or direct contributions to departmental projects.

Strategic Investment Board Ltd awarded contracts directly on four occasions during the reporting period. None of these required the approval of the TEO Accounting Officer as they were all within Strategic Investment Board Ltd's Accounting Officer delegation. All instances were reported to Strategic Investment Board Ltd's Audit Committee.

#### **3.2.1.6 The Management Statement and Financial Memorandum (MSFM)**

The MSFM is a key control document. The management statement sets out the broad framework within which the Strategic Investment Board Ltd will operate, in particular it defines:

- the Strategic Investment Board Ltd's overall aim, objectives and targets in support of TEO's wider strategic aims;
- the rules and guidelines relevant to the exercise of the Strategic Investment Board Ltd's functions, duties and powers;
- the conditions under which any public funds are paid to the Strategic Investment Board Ltd; and
- how the Strategic Investment Board Ltd is to be held to account for its performance.

The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the Strategic Investment Board Ltd is required to observe, including delegated financial authorities.

#### **3.2.1.7 The Executive Office Oversight Arrangements**

Within TEO, the Strategic Investment and Regeneration branch (SIR) is the sponsoring branch for Strategic Investment Board Ltd. SIR, in consultation as necessary with TEO's Accounting Officer, is the primary source of advice to Ministers on the discharge of their responsibilities in respect of Strategic Investment Board Ltd, and the primary point of contact for Strategic Investment Board Ltd in dealing with the Department. SIU carries out its duties under a senior officer who has as one of her primary responsibilities the duty of overseeing the activities of Strategic Investment Board Ltd.

During the reporting period I have submitted Quarterly Assurance Statements to TEO as requested by the department. These have been considered by the Strategic Investment Board Ltd Audit Committee.

I have attended, with senior staff, Quarterly Accountability Meetings with the TEO Accounting Officer or his deputy and senior staff from the Department.

#### **3.2.1.8 The Corporate and Business Plan**

The purpose of the Corporate Plan is to document the medium term objectives of the Strategic Investment Board Ltd and describe the corporate strategy it will follow to

achieve them. The annual Business Plan develops the Corporate Plan by defining in detail Strategic Investment Board Ltd's targets for the year ahead, the resources it will use and the activities it will undertake. The format of the three-year Corporate Plan is defined in the organisation's Management Statement and Financial Memorandum (MSFM). The Corporate and Business Plan can be found at [www.sibni.org](http://www.sibni.org)

### **3.2.1.9 The Performance Management Framework**

Strategic Investment Board Ltd operates within a performance management framework that is consistent with the government's FABRIC<sup>3</sup> approach. The Strategic Investment Board Ltd Performance Management Framework ensures the framework is:

- *Focused* on the core aims and objectives of the organisation;
- that it is *Appropriate*, in that it delivers to stakeholders the information they need;
- *Balanced* because it covers all the organisation's significant areas of work; considers both financial and non-financial data and provides indicators of future as well as past performance;
- *Robust*, as it can survive changes in personnel and structure of the organisation;
- *Integrated*, in that the results of the system are monitored and used as part of the business planning and management process; there is consistent performance information at all levels of the organisation and performance measures for individuals and teams are consistent with measures for the organisation; and
- *Cost Effective*, because the resources put into collecting performance information proportionate to the benefit of the organisation.

I have monitored Strategic Investment Board Ltd's performance against the targets set out in its business plan and have reported quarterly on these to the Board and to TEO. I have satisfied myself as to the quality of data reported to the Board through personal inspection, by reports provided to me from electronic data sources and by assurances provided by senior staff. I have sought feedback from customers on the performance of Strategic Investment Board Ltd staff and have incorporated such feedback into

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<sup>3</sup> *Choosing the Right FABRIC - A Framework for Performance Information*, HM Treasury *et al*, March 2001.

performance appraisals. I have provided customers with the opportunity to comment on the services provided by Strategic Investment Board Ltd and have taken such feedback into account in my business planning and my management of day-to-day operations.

### **3.2.1.10 Operational Partnership Agreements (OPAs)**

OPAs are important control mechanisms that define the relationship between Strategic Investment Board Ltd and its individual customers. The precise terms of the OPA vary between customers, but will always contain a clear definition of the work Strategic Investment Board Ltd will carry out for the customer.

### **3.2.1.11 Financial Management**

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with me as Accounting Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

### **3.2.1.12 Risk Management**

Strategic Investment Board Ltd's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness.

Relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of Strategic Investment Board Ltd's aims and objectives, and where necessary, are brought to the attention of TEO.

The system of internal control is based on an on-going process designed to:

- determine and document the organisation's risk appetite;
- identify and prioritise the risks to the achievement of Strategic Investment Board Ltd's aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage such risks efficiently, effectively and economically.

I drafted the 2016-17 Corporate Risk Register and it was subject to revision through regular scrutiny by the Audit Committee and Board. Board members had the



opportunity to identify and consider any emerging external risks/threats that could affect the Strategic Investment Board Ltd's capacity to deliver its Business Plan commitments.

The key risks to Strategic Investment Board Ltd that were managed during the reporting period were:

<i>Risk</i>	<i>Residual Impact (02/3/17)</i>	<i>Residual Likelihood (02/3/17)</i>
1 Strategic Investment Board Ltd may not be able to recruit or retain the staff needed to achieve its business objectives.	HIGH	MEDIUM
2 Key stakeholder relationships may break down.	HIGH	MEDIUM
3 Strategic Investment Board Ltd's financial and other controls may not be sufficient to prevent or identify fraud.	HIGH	LOW
4 Strategic Investment Board Ltd's information may not be protected or managed adequately.	MEDIUM	LOW
5 Strategic Investment Board Ltd may fail to manage grants effectively.	MEDIUM	MEDIUM
6 Strategic Investment Board Ltd's performance may be adversely affected by its staff appointments being made subject to CSC approval.	HIGH	LOW

A number of other risks were removed during the reporting period.

Strategic Investment Board Ltd has identified the following vulnerabilities 'on the horizon' that may occasion additional risk in the coming reporting period:

<i>Vulnerability</i>	<i>Significance</i>
The improving economic outlook may lead to construction cost inflation.	The costs of major projects may be underestimated or become unaffordable.
The improving economic outlook may make it more difficult to recruit and retain staff.	Strategic Investment Board Ltd depends on key individuals, the loss of whom would seriously impact on its ability to achieve its business objectives. The market salaries of staff may increase; thus increasing the costs of the organisation. The impacts of the limitations of current pay policy may become more acute.
The current political situation may make it more difficult to achieve the political consensus required to deliver projects successfully.	Without such consensus, key projects may stall; which will increase delay and costs.
Brexit may, in the short term, monopolise the attention of partner organisations.	The work of Programme and Project teams may be adversely affected.

During this reporting period, management provided the audit and risk committee with a report setting out the sources of risk assurance. In my opinion there have been no material changes that required this report to be re-considered.

No 'Ministerial Directions' have been issued to Strategic Investment Board Ltd.

There have been no major lapses of protective or information security.

### **3.2.1.13 Fraud and Counter-Fraud**

Strategic Investment Board Ltd's Policy and Procedures on Fraud, (Including the Strategic Investment Board Ltd Whistle-blowing Policy and Guidance on Conflicts of Interest) sets out the responsibilities of staff with regard to fraud prevention, what staff should do if they suspect fraud and the action that will be taken by management in such circumstances (the Strategic Investment Board Ltd Fraud Response Plan).

One instance of suspected fraud which amounted to £103.50 was identified during the reporting period (2015-16: three). The fraud was in relation to a premium rate SMS text scam. After investigation by the Department of Finance's Group Fraud Investigation Service (GFIS) Strategic Investment Board Ltd received a full refund in March 2017.

### **3.2.1.14 Whistleblowing**

The Strategic Investment Board Ltd Whistle-blowing Policy provides staff with a procedure for reporting concerns about unlawful conduct, fraud, dangers to the public or the environment, or other malpractice. The aim of this policy is to reassure them that they can feel confident in exposing wrongdoing without any risk to themselves.

During the reporting period the Department of Finance and Strategic Investment Board Ltd received a whistle-blowing allegation. The Department of Finance's Group Fraud Investigation Service was commissioned to undertake an investigation. No fraud or irregularity was identified in any of the areas examined.

In June 2015 SIB was informed that a complaint had been made to the Department of Health in relation to the conduct of a procurement being supported by SIB. Subsequently SIB was informed by the Department that it had initiated a whistleblowing inquiry into the complaint. This inquiry is ongoing.

### **3.2.1.15 Significant Governance Issues**

No governance matters arising in prior years are still considered to represent internal governance issues for 2016-17. There were no significant issues arising during 2016-17 in respect of Corporate Governance.

### **3.2.1.16 Financial Transactions Capital loans**

Strategic Investment Board Ltd is the channel through which loans of Financial Transactions Capital (FTC) are made from the Department for the Economy to the universities. Strategic Investment Board Ltd performs this function because the Department for the Economy does not currently have the vires to make such loans. In February 2017 Strategic Investment Board Ltd initiated discussions with the Department for the Economy regarding legislation being put in place as soon as possible to provide the Department for the Economy with the vires to make FTC loans directly.

### **3.2.1.17 Conformance with Code of Conduct**

Strategic Investment Board Ltd, like other public bodies, has a duty to conduct affairs in a responsible and transparent way, and to take into account the standards in public life set out by the Nolan Committee and "*Corporate Governance Code of Good Practice NI*".

Except where noted below, and throughout the year ended 31 March 2017, Strategic Investment Board Ltd has complied with all relevant Code provisions.

Following the principle of 'Comply or Report', the following paragraph describes where Strategic Investment Board Ltd has substituted alternative governance measures for provisions in the *Code of Good Practice*:

- Strategic Investment Board Ltd does not have a Board Operating Framework (Para 2.8 of the Code). Instead, it has Board Terms of Reference and a Board Code of Conduct, which fulfil the same purpose.

**3.2.1.18 Certification**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal governance is informed by the work of the Internal Auditors and senior staff within the organisation, who have responsibility for the development and maintenance of the internal control framework. I also consider the comments made by the NIAO in its management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control, by the Strategic Investment Board Ltd Board and by the Audit Committee.

Strategic Investment Board Ltd has a rigorous system of accountability on which I rely, as Accounting Officer, to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI.

Having considered the operation of its governance framework, I am content that Strategic Investment Board Ltd has operated a sound system of internal governance during the period 2016-17.



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Brett Hannam

Chief Executive

Date: 13<sup>th</sup> June 2017

### **3.2.2 Remuneration and Staff Report**

#### **3.2.2.1 Remuneration Policy**

The Remuneration Committee consists of non-executive board members of the company. The Remuneration Committee is currently chaired by Gerry McGinn. Duncan McCausland is also a member. The Chief Executive and Finance Manager attend as observers and the HR Manager provides a secretariat function.

The committee considers and, if satisfied, approves all appointments to posts with a salary greater than £50,000 pa. The Chief Executive was delegated the authority to approve appointments below this threshold, commencing March 2012.

The Committee also considers other matters relating to pay and performance. Pay awards are made within the parameters set by the Department of Finance and Personnel.

Remuneration of all staff is set out in their contracts and may be subject to annual review under NICS pay remit guidelines. Such review requires the approval of the Minister of Finance. The committee agreed a cost of living pay increase of 1% for 2015-16 that is awaiting Ministerial approval.

The notice period for Strategic Investment Board Ltd staff ranges from one to three months.

**3.2.2.2 Directors' Emoluments (Audited)**

	Year ended 31 March 2017					Year ended 31 March 2016				
	Salary	Bonus	Benefits in kind	Pension benefits	Total	Salary	Bonus	Benefits in kind	Pension benefits	Total
	£'000	£'000	(to nearest £100)	(to nearest £1,000)	£'000	£'000	£'000	(to nearest £100)	(to nearest £1,000)	£'000
<b>Hannam B</b> <i>Chief Executive</i>	140 - 145	-	-	-	140 - 145	140 - 145	-	-	-	140 - 145
<b>McGinn G</b> <i>Chairman</i> <i>(from September 2013)</i>	15 - 20	-	-	-	15 - 20	15 - 20	-	-	-	15 - 20
<b>Hewitt F</b> <i>Non-Executive Director</i> <i>(until 30 November 2016)</i>	5 - 10 <i>(10 - 15 full year equivalent)</i>	-	-	-	5 - 10	10 - 15	-	-	-	10 - 15
<b>Thompson C</b> <i>Non-Executive Director</i> <i>(until 30 November 2016)</i>	5 - 10 <i>(10 - 15 full year equivalent)</i>	-	-	-	5 - 10	10 - 15	-	-	-	10 - 15
<b>McCausland D</b> <i>Non-Executive Director</i> <i>(from September 2013)</i>	10 - 15	-	-	-	10 - 15	0-5 <i>(10 - 15 full year equivalent)</i>	-	-	-	0-5
<b>McGivern MT</b> <i>Non-Executive Director</i> <i>(from September 2013)</i>	10 - 15	-	-	-	10 - 15	10 - 15	-	-	-	10 - 15
<b>Thomson K</b> <i>Non-Executive Director</i> <i>(from September 2015)</i>	10 - 15	-	-	-	10 - 15	5 - 10 <i>(10 - 15 full year equivalent)</i>	-	-	-	5 - 10
<b>McSorley D</b> <i>Non-Executive Director</i> <i>(from November 2015)</i>	10 - 15	-	-	-	10 - 15	0-5 <i>(10 - 15 full year equivalent)</i>	-	-	-	0-5
<b>Band of Highest Paid Director's Total Remuneration</b>					140 - 145					140 - 145
<b>Median Total Remuneration</b>					70					72.5
<b>Ratio</b>					2.03					1.96

Directors' emoluments consisted of basic salary only. There were no bonus payments, benefits in kind or non-cash benefits provided to any director during the year or in the previous year. Mr Hannam was appointed as Chief Executive on 1<sup>st</sup> June 2012. In 2016-17 Mr Hannam's base salary remained at £142,322.

Total remuneration including pension payments are disclosed in the remuneration table. Strategic Investment Board Ltd Directors do not receive pension benefits. The Chief Executive however is a member of a defined contribution pension scheme operated by Strategic Investment Board Ltd for all staff. The employer makes a contribution of 10% of basic salary to the company's pension scheme. The employee does not have to contribute to this scheme. Contributions on behalf of the Chief Executive were £14,232. Strategic Investment Board Ltd also contributes to a centrally-provided risk benefit scheme (that provides cover for death in service and retirement

due to ill health). A total contribution of £8,019 was made on behalf of the Chief Executive.

Expenses reimbursed to/incurred in respect of non-executive directors were as follows:

	Year Ended 31-Mar 2017 £	Year Ended 31-Mar 2016 £
F Hewitt	72	199
D McSorley	216	174
C Thompson	289	-
	<u>577</u>	<u>373</u>

### **3.2.2.3 Compensation for Loss of Office and Early Retirement for Directors**

Non-executive directors have fixed-term public appointments not exceeding three years. These appointments are renewable. Individual appointments are made, and remuneration levels set, by the Executive Office Ministers. There has been no compensation for loss of office or early retirement for Directors in 2016-17 (2015-16: nil).

### **3.2.2.4 Staff Report: Exit Packages**

No exit packages were made in 2016-17 (2015-16: nil)

### **3.2.2.5 Staff Numbers**

The average number of employees (full time equivalents), excluding Non Executive Directors, in the company is made up as follows:

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
Staff	35	32
Staff recharged to other departments	56	45
Seconded staff*	<u>7</u>	<u>4</u>
Total	<u>98</u>	<u>81</u>
Permanent	35	34
Temporary contracts	63	47

\* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

**3.2.2.6 Staff Report: Analysis of Staff Costs**

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
Wages and salaries (increased by employee benefits)	3,221,236	3,186,442
Wages and salaries recharged to other departments	3,232,683	3,011,364
Social security costs	778,625	737,460
Health Insurance	355,233	329,452
Other pension costs	<u>643,502</u>	<u>602,001</u>
Total staff cost	8,231,279	7,866,719
Seconded staff *	589,781	250,631
Total employment cost	<u>8,821,060</u>	<u>8,117,350</u>

\* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

Fees paid to third party organisations for services of seconded staff include management charges, employment costs, social security costs, pension costs and VAT.

There are no equal pay claims and therefore no provision is required for equal pay claims in Strategic Investment Board Limited accounts.

**3.2.2.7 Staff Report: Other**

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

The banded remuneration of the highest-paid director in Strategic Investment Board Ltd in the financial year 2016-17 was £142,322 (2015-16: £142,322). This was 2.03 times (2015-16: 1.96) the median remuneration of the workforce, which was £70,000, down £2,490 on prior year (2015-16: £72,490).

Remuneration (FTE) ranged from £18,000 to £142,322 (2015-16: £15,856 to £142,322). Total remuneration includes salary and benefits-in-kind but does not include severance pay. There were no severance payments made in 2016-17 (2015-16: nil). It does not include employer pension contributions. There were no bonus payments or off-payroll engagements in 2016-17.

The arrangements for early termination of members would be made in accordance with the employment contract of the relevant individual. Strategic Investment Board Ltd’s liabilities in the event of termination do not, at present, exceed those set out in statute. During the year no early termination payments were paid to these members.



### 3.2.2.8 Staff Composition (Gender Analysis)

Throughout 2016-17 Strategic Investment Board Ltd had 125 members of staff on payroll; 66 male and 59 female (full time equivalent: 98; 55 male and 43 female). As at 31<sup>st</sup> March 2017 there were 116 members of staff on payroll; 64 male and 52 female.

As at 31<sup>st</sup> March 2017 Strategic Investment Board Ltd had five Non-Executive Directors; 3 male and 2 female.

### 3.2.2.9 Sickness Absence Data

	<b>Working Days lost 2016/17</b>	<b>Working Days lost 2015/16</b>	<b>Variance</b>
Including long-term absence	276	260	16.0
Excluding long term absence	102	90	12.0
	<b>Average days lost per FTE member of staff 2016/17</b>	<b>Average days lost per FTE member of staff 2015/16</b>	<b>Variance</b>
Including long-term absence	2.6	2.7	-0.1
Excluding long term absence	1.0	0.9	0.0
	<b>Absence rate 2016/17</b>	<b>Absence rate 2015/16</b>	<b>Variance</b>
	%	%	%
Including long-term absence	0.99	1.02	-0.03
Excluding long term absence	0.36	0.35	0.01

### 3.2.2.10 Staff Policies

Strategic Investment Board Ltd is committed to the development of its staff and to policies that enable them to contribute to the performance and long-term effectiveness of the organisation.

In particular, the company:

- follows the Northern Ireland Civil Service policy that all eligible persons shall have equal opportunity for employment on the basis of their ability, qualification and aptitude for the work;
- gives equality of opportunity when considering applications from disabled persons, in compliance with all existing legislation with regard to disabled employees;
- recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance; and
- regularly provides employees, through meetings and notices, with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them.

Strategic Investment Board Ltd's policies are contained in Strategic Investment Board Ltd's staff handbook which is accessible to all members of staff.

### **3.3 Accountability and Audit Report**

#### **3.3.1 Regularity of Expenditure**

In the 2016-17 financial year, Strategic Investment Board Ltd spent 99.9% (2015-16: 99%) of its budget allocation from the Executive Office.

The average cash held in the bank throughout the year was £853,796 (2015-16: £956,549).

Applying the Creditor Days ratio as at 31st March 2017, the proportion that is the aggregate amount owed to trade creditors at the yearend compared with the aggregate amount invoiced by suppliers during year, expressed as a number of days in the same proportion to the total number of days in the financial year was 12.3 (2015-16: 2).

#### **3.3.2 Fees and Charges (Audited)**

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013, the Comptroller and Auditor General for Northern Ireland has statutory responsibility for the annual external audit of the Strategic Investment Board Limited under the Audit and Accountability (NI) Order 2003.

Strategic Investment Board Ltd has appointed ASM Chartered Accountants as Internal Auditors for 2016-17. ASM Chartered Accountants developed an audit charter in 2009 but revised this to meet the requirements of Public Sector Internal Audit Standards (PSIAS). The Executive Office's Internal Auditors examined the Charter in 2014 and are satisfied that it fully conforms with the requirements of PSIAS. As an external body ASM are functionally independent of Strategic Investment Board Ltd executive responsibilities.

	Year Ended 31-Mar 2017 £	Year Ended 31-Mar 2016 £
External Audit	12,000	14,808 *
National Fraud Initiative (NIAO)	1,261	0
Internal Audit	7,968	7,968
	<u>21,229</u>	<u>22,776</u>

\* SIB's External Audit fee estimate as at 31st March 2016 was £10,650.

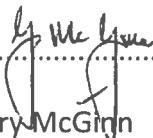
The actual fee was £14,808 due to the extra work undertaken in respect of Financial Transactions Capital loans.

**3.3.3 Remote Contingent Liabilities (Audited)**

The Strategic Investment Board Ltd makes provision in the amount of £550,000 by way of contingent liability in respect of any ongoing claims, claims threatened against Strategic Investment Board Ltd or, insofar as Strategic Investment Board Ltd is aware, claims that are pending against Strategic Investment Board Ltd. Claims in this context shall include demands, actions, complaints and proceeding, whether arising under contract, statute, at common law or in equity or under any treaties including the Treaty on the Functioning of the European Union, the laws of the European Union or otherwise.

**3.3.4 Losses and Special Payments (Audited)**

There were no losses or special payments in 2016-17 (2015-16: nil).



Gerry McGinn

Chairman



Brett Hannam

Chief Executive

Date: 13<sup>th</sup> June 2017

## **Strategic Investment Board Limited 2016-17**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF STRATEGIC INVESTMENT BOARD LIMITED**

I certify that I have audited the financial statements of the Strategic Investment Board Limited for the year ended 31<sup>st</sup> March 2017 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. The financial statements comprise the Statement of Comprehensive Expenditure, Statement of Financial Position, Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration and Staff Report and the Accountability disclosures within the Accountability Report that are described in that report as having been audited.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are 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 Companies (Public Sector Audit) Order (Northern Ireland) 2013. 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Review 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 company's affairs as at 31st March 2017 and of its nil balance for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Accountability disclosures to be audited have been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' 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 disclosures 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

15 June 2017

## 4 Financial Statements for the Year Ended 31st March 2017

### 4.1 Statement of Financial Position as at 31<sup>st</sup> March 2017

		As at 31-Mar 2017	As at 31-Mar 2016
		£	£
<b>Non-current assets</b>			
Property, Plant and Equipment	9a	807	2,743
Intangible Assets	9b	26,439	41,455
Financial Assets (Investments)	10	78,115,127	70,357,371
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	11	1,816,315	1,148,986
Financial Assets (Investments)	10	961,000	580,000
Cash and cash equivalents	12	49,079	899,735
<b>Total current assets</b>		<hr/> 2,826,394	<hr/> 2,628,721
		<hr/>	<hr/>
<b>Total Assets</b>		80,968,767	73,030,290
<b>Current liabilities</b>			
Trade and other payables	13	<u>(1,892,640)</u>	<u>(2,092,919)</u>
<b>Total assets less net current liabilities</b>		79,076,127	70,937,371
<b>Non-current liabilities</b>			
Provision for Liabilities	19	(79,076,127)	(70,937,371)
<b>Assets less liabilities</b>		<hr/> <u>0</u>	<hr/> <u>0</u>
<b>Reserves</b>			
General reserve (Income and Expenditure account)	21	<hr/> 0	<hr/> 0
<b>Total</b>		<hr/> <u>0</u>	<hr/> <u>0</u>

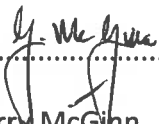

***Statement of Financial Position continued***

The members have not required Strategic Investment Board Limited (Company Registration No. NI 45710) to obtain an audit of its accounts for the year ended 31st March 2017, in accordance with section 476 of the Companies' Act 2006. However Strategic Investment Board Limited is subject to audit by the Comptroller and Auditor General for Northern Ireland under the Companies (Public Sector Audit) Order (Northern Ireland) 2013.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

The Financial Statements on pages 42-71 were approved on 13th June 2017 by the Strategic Investment Board Limited Board of Directors.

Signed on behalf of the Board of Directors by:

 .....	 .....
Gerry McGinn	Brett Hannam
Chairman	Chief Executive

Date: 13<sup>th</sup> June 2017

Notes 1 to 25, on pages 46-71, form part of these financial statements.

## 4.2 *Statement of Comprehensive Net Expenditure for the Year Ended 31<sup>st</sup> March 2017*

		Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
	<b>Note</b>		
<b>OPERATING INCOME - Grant in aid</b>	<b>2</b>	8,238,585	7,562,611
<b>- Income from activities</b>	<b>2</b>	<u>3,464,637</u>	<u>3,181,652</u>
		<u>11,703,222</u>	<u>10,744,263</u>
<b>OPERATING EXPENDITURE</b>			
Staff costs (including employee benefits)	4	8,821,060	8,117,350
Enabling expenditure	6	1,967,667	1,860,599
Other operating charges	5	892,863	747,541
Depreciation - Property, Plant & Equipment	9a	1,936	4,366
Amortisation - Intangible Assets	9b	19,696	14,407
<b>TOTAL EXPENDITURE</b>		<u>11,703,222</u>	<u>10,744,263</u>
Finance cost: unwinding of impairment on Provision	19	(1,560,622)	(1,291,147)
Finance income: unwinding of impairment on Financial Assets	10	1,560,622	1,291,147
<b>NET SURPLUS (Non Operating) FOR THE YEAR</b>		<u>0</u>	<u>0</u>



### 4.3 Statement of Cash Flows

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
	<b>Note</b>	
<b>Cash flows from operating activities</b>	<b>18</b>	
Deficit for the year	0	0
Depreciation - Property, Plant and Equipment	1,936	4,366
Depreciation - Intangible Assets	19,696	14,407
Loss on disposal	0	0
Increase / (Decrease) in trade and other payables	(200,279)	86,185
(Increase)/ Decrease in trade and other receivables	(667,329)	745,075
<b>Net cash flow from operating activities</b>	<u>(845,976)</u>	<u>850,033</u>
<b>Cash flows from investing activities</b>		
Purchase of Property, Plant and Equipment	0	0
Purchase of Intangible Assets	(4,680)	(14,700)
Financial Asset Investment (FTC)	(9,381,000)	(14,500,000)
Repayment of FTC loan receipt to the Executive Office	(580,000)	(180,000)
<b>Net cash flow from investing activities</b>	<u>(9,965,680)</u>	<u>(14,694,700)</u>
<b>Cash flows from financing activities</b>		
Funding received in respect of FTC loans	9,381,000	14,500,000
Receipt of FTC loan repayment	580,000	180,000
<b>Increase/ (Decrease) in cash and cash equivalents</b>	<u>(850,656)</u>	<u>835,333</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>899,735</u>	<u>64,402</u>
<b>Cash and cash equivalents at end of the period</b>	<u>49,079</u>	<u>899,735</u>

## ***Notes to the Accounts***

### **1. Note 1 to the Accounts**

#### ***Accounting Policies***

##### **General**

These financial statements have been prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006, without limiting the information given. In addition the accounts comply with the accounting and disclosure requirements contained in the Government Financial Report Manual (FReM) which applies International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context with the exception of the treatment of Grant-in-Aid.

FReM requires Non-Departmental Public Bodies to regard Grant in Aid received as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence accounted for as financing, i.e. by crediting them to the income and expenditure reserve.

The disclosure requirements in relation to this are set out in Note 22 to these accounts. The particular accounting policies adopted are described below.

##### **Convention**

These financial statements have been prepared in accordance with the historical cost convention.

##### **Income**

Income represents grants receivable to enable Strategic Investment Board Limited to discharge its duties, powers and function under the Strategic Investment and Regeneration of Sites (Northern Ireland) 2003 Order.

##### **Other operating income**

Other operating income relates to the recovery of project related costs from other Government entities.

##### **Fixed assets and depreciation**

- a) The cost of fixed assets comprises purchase price and any installation charges. The current capitalisation threshold is £1,000.
- b) Depreciation is calculated to write off the cost of assets, less estimated residual value over their useful lives. The method adopted and rate used is -33.33% straight line.

##### **Intangible Assets**

Expenditure on intangible assets which includes information technology, software licences, websites and the associated costs of implementation is capitalised where the cost is £1,000 or more. Intangible assets are amortised over the shorter of the term of the license and the useful economic life.

## **Employee Benefits and Pensions**

Under the requirements of IAS 19: 'Employee Benefits,' staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave at the year end. This cost has been calculated using the untaken leave per staff member and applying this to their annual salary to calculate the leave balance as at 31<sup>st</sup> March 2017.

Seconded staff members remain members of their respective pension schemes.

The company makes pension contributions at a rate of 10% to approved schemes as chosen by the employees. The cost of contributions for providing pensions for employees is charged to the statement of comprehensive net expenditure account as they are earned, in accordance with IAS 19 '*Employee Benefits*'.

## **Value Added Tax**

Strategic Investment Board Ltd is VAT registered in relation to its vatable activity. VAT is accounted for in accordance with Statement of Standard Accounting Practice (SSAP) 5, in that amounts are shown net of VAT except where irrecoverable VAT is charged to the income and expenditure and included under the heading relevant to the type of expenditure. The FReM retains the SSAP 5 guidance in relation to VAT.

## **Taxation**

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the financial statement date, this is in accordance with IAS 12 '*Income taxes*'.

## **Operating Segments**

Strategic Investment Board Ltd has identified only one operating segment under IFRS 8 and has prepared the accounts accordingly.

## **Loans and receivables**

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

At each year-end, the future discounted cash flows are re-estimated, resulting in a change in carrying amount of the asset. The required adjustment is recognised in Net Expenditure.

## **Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivables has been incurred, Strategic Investment Board Limited measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

## **Provisions**

Provisions are recognised when the Strategic Investment Board Ltd has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

## **Contingencies**

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Strategic Investment Board Ltd's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

## **Changes in Accounting Policy and Disclosure**

SIB is aware of the IASB Disclosure Initiative to improve presentation and disclosure in financial reporting. The IASB has completed the first stage with the publication of Disclosure Initiative (Amendments to IAS 1) which introduces five, narrow-focus improvements to the disclosure requirements in IAS 1 Presentation of Financial Statements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation. Further projects under the initiative will consider amendments to IAS 7 Statement of Cash Flows and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Strategic Investment Board Ltd considers that these changes have no impact on its operations.

## **Accounting standards, interpretations and amendments to published standards not yet effective**

Strategic Investment Board Ltd has reviewed the revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FRM) 2016-17.

New standards, interpretations and amendments to existing standards have been drafted but not yet issued and will come into effect in accounting periods beginning on or after 1 April 2017 or after. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The International Accounting Standards Board (IASB) have issued new and amended standards (IFRS 10, IFRS 11, IFRS 12) that affect the consolidation and reporting of

subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014. Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on the UK Office for National Statistics (ONS) control criteria, as designated by Treasury. A similar review in Northern Ireland, which will bring Northern Ireland departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirement under IFRS 12. Strategic Investment Board Ltd applies IFRS in full and the consolidation boundary may change as a result of the new Standards.

### Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 2. Income

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
This comprises:		
Grant in Aid receivable (TEO)	<u>8,238,585</u>	<u>7,562,611</u>
Total revenue grants receivable	<u>8,238,585</u>	<u>7,562,611</u>

Strategic Investment Board Ltd recovers a proportion of the costs incurred in respect of work performed on behalf of other Government Departments. The actual cost recovery was calculated as follows:

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
Trading Income	3,464,637	3,181,652
Expenditure	<u>(3,464,637)</u>	<u>(3,181,652)</u>
	<u>0</u>	<u>0</u>

FTC loan funds of £9,381,000 were received from the Executive Office in 2016-17 (2015-16: £14,500,000), and immediately transferred to Queen's University, Belfast, as part of a loan agreement under the direction of Department of Finance and the former Department of Employment and Learning.

### 3. Net Deficit from Operations

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
The net deficit from operations is stated after charging:		
Property rent & costs	205,334	185,803
Depreciation - Property, Plant & Equipment	1,936	4,366
Amortisation - Intangible Assets	19,696	14,407
Loss on disposal of fixed assets	0	0
Auditors' remuneration - audit services	<u>17,419</u>	<u>10,650</u>

### 4. Employees and Staff costs

The average number of employees (full time equivalents), excluding Non Executive Directors, in the company is made up as follows:

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
Staff	35	32
Staff recharged to other departments	56	45
Seconded staff*	<u>7</u>	<u>4</u>
Total	<u><u>98</u></u>	<u><u>81</u></u>
Permanent	35	34
Temporary contracts	63	47

\* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

Staff per salary scales are detailed in the table below.

		Year ended 31-Mar 2017	Year ended 31-Mar 2016
	Pay Scale	No of Staff	No of Staff
Administrators	£15k- 30k	12	10
Assistant Advisors/ Administration Managers	£30k- 60k	33	22
Strategic & Project Managers	£60k-125k	51	47
Senior Management	£125k-150k	2	2
		<u>98</u>	<u>81</u>

### *Employees (Cost)*

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
	£	£
The costs incurred in respect of these employees were:		
Wages and salaries (increased by employee benefits)	3,221,236	3,186,442
Wages and salaries recharged to other departments	3,232,683	3,011,364
Social security costs	778,625	737,460
Health Insurance	355,233	329,452
Other pension costs	<u>643,502</u>	<u>602,001</u>
Total staff cost	8,231,279	7,866,719
Seconded staff *	589,781	250,631
Total employment cost	<u>8,821,060</u>	<u>8,117,350</u>

\* Staff seconded to Strategic Investment Board Limited from the Civil Service or private sector organisations.

Fees paid to third party organisations for services of seconded staff include management charges, employment costs, social security costs, pension costs and VAT.

**5. Other Operating Charges**

		Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
Office Accommodation	(i)	205,334	185,803
Telephones and postage		47,369	42,631
Computer consumables		7,304	4,435
Stationery		9,599	7,034
Recruitment costs	(ii)	85,131	54,051
Travel, accommodation and subsistence	(iii)	126,112	82,607
IT Costs	(iv)	170,483	134,936
Training & Conferences	(v)	50,988	89,819
Hospitality		5,160	3,415
Misc Operational Costs		35,467	31,423
Communication		12,837	3,100
Fees		57,542	34,535
Director Costs		<u>79,538</u>	<u>73,752</u>
		<u>892,863</u>	<u>747,541</u>

- i. Office Accommodation costs have increased in 2016-17 due to additional service charges for repairs and maintenance carried out at FinTrU House (formerly Carleton House).
- ii. Recruitment costs are significantly higher in 2016-17 due to HR advertising in relation to staff hired for project specific roles. The advertising was subsequently recharged to the external clients (where applicable).
- iii. In 2016-17 Strategic Investment Board Ltd established Digital Catapult Northern Ireland which has been travelling to America in respect of its duties.
- iv. IT Assist have introduced a recharge policy for the use of laptops and PCs; the annual fee for a laptop is £1,920 (inclusive of VAT) or £1,440 (inclusive of VAT) for a personal computer. The increase in 2016-17 is attributed to the additional staff employed during the financial year.
- v. 195 days were spent on training and development activities, an average of 1.99 per full time employee (2015-16: 269 days, 3.32 per full time employee).



**6. Sources and Application of Funds**

SOURCE OF FUNDS	Note	Year ended	Year ended
		31-Mar 2017	31-Mar 2016
		£	£
The Executive Office Grant in Aid including ring-fenced funding	2	8,238,585	7,562,611
Department of Finance		658,544	290,614
Department for Communities		638,487	609,083
The Education Authority		431,341	309,177
Department of Education		289,375	199,740
Belfast City Council		134,520	175,271
Department for the Economy		154,470	142,072
Forest service		118,148	177,591
Maze Long Kesh Development Corporation		105,313	108,696
Derry City & Strabane Distric Council		103,672	-
Southern Regional College		96,714	55,848
Invest NI		87,375	9,770
Causeway Coasts and Glens Borough Council		75,942	39,706
Armagh Banbridge Craigavon Borough Council		73,295	-
Northern Regional College		72,951	8,000
Police Service of Northern Ireland		69,579	227,909
Department of Agriculture, Environment & Rural Affairs		53,911	206,968
Northern Ireland Environment Agency		42,000	35,808
Department for Infrastructure		38,550	182,368
Newry Mourne and Down District Council		38,192	4,765
Tourism NI		32,274	-
Ards & North Down Council		28,077	-
Department of Justice		24,140	-
Ulster University		24,000	23,619
National Museums NI		21,082	-
Department of Health		15,000	-
Fermanagh & Omagh District Council		10,000	-
Canada Life		8,587	8,468
Belfast Metropolitan College		5,575	4,830
South West College		4,976	-
The Executive Office		4,587	20,906
Land & Property Services		2,500	-
Other		1,460	2,715
Northern Ireland Housing Executive		-	145,766
Northern Ireland Prison Service		-	143,078
Forensic Science Northern Ireland		-	37,418
Arts Council Northern Ireland		-	11,466
		<u>11,703,222</u>	<u>10,744,263</u>

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
<b>APPLICATION OF FUNDS</b>		
Staff Costs (see note 4)	8,821,060	8,117,350
Other operating charges (see note 5)	892,863	747,541
Other		
<i>Enabling Expenditure by project</i>		
Urban Villages programme	1,190,299	723,895
Asset Management Unit	367,925	686,018
Data Analytics Research & Exploitation (QUB)	220,000	-
Programme for Government mobilisation	50,400	-
Digital Catapult	44,035	-
Primary Care Programme	33,342	231,337
Buy Social (Toolkit Development)	19,237	14,508
Causeway Coasts and Glens Borough Council	18,000	80,532
Kilkeel Harbour project	11,406	-
Investment Strategy Northern Ireland 2	8,716	84,560
Energywise (formerly HEaT)	3,128	16,216
Circular Economy	2,322	-
Northern Ireland Community Safety College (Desertcreat)	312	2,993
Other	285	-
Risk Avoidance Danger Awareness Resource (RADAR)	-	9,990
Forensic Science Northern Ireland	-	8,208
Royal Ulster Constabulary George Cross Foundation	-	3,400
Strule Shared Education Campus (formerly Lisanelly)	-	12
Craigavon House	-1,740	-1,070
Total Enabling Expenditure	<u>1,967,667</u>	<u>1,860,599</u>
<b>Total Expenditure (excl Depreciation)</b>	<b><u>11,681,590</u></b>	<b><u>10,725,490</u></b>
Depreciation	21,632	18,773
Net deficit (surplus) for the year	0	0

**Enabling Expenditure**

This expenditure on enabling costs is principally undertaken in respect of Strategic Investment Board Ltd supported projects, and includes VAT and in some cases subcontractor costs.

The table below lists all suppliers in excess of £100,000 unless separately disclosed for comparative purposes:

	No. of Projects 2017	Year Ended 31-Mar 2017 £	No. of Projects 2016	Year Ended 31-Mar 2016 £
AECOM	3	135,063	3	90,000
KPMG	1	33,342	1	231,337
Queen's University Belfast	1	220,000	1	45,000
Translink (Support to Dept Projects)	-	-	1	300,000
<b>Total Suppliers Over 100k</b>		<b>388,405</b>		<b>666,337</b>
Suppliers Under £100k		1,579,262		1,194,262
<b>Total Enabling Spend</b>		<b>1,967,667</b>		<b>1,860,599</b>

The expenditure in relation to Government bodies listed above comprises recharges from those bodies in relation to projects supported by Strategic Investment Board Ltd.

Of the project spend detailed in note six above, a total of £110,786 was declared as consultancy costs. This was categorised by the consultancy definitions set out in Department of Finance guidance (See Table 1 below).

**Table 1: Use of Consultancy**

	Year Ended 31-Mar 2017	Year Ended 31-Mar 2016
Financial	900	7,180
Marketing	-	-
Strategic	88,742	393,132
Technical	21,144	154,775
<b>Total</b>	<b>110,786</b>	<b>555,087</b>

## 7. Related Party Transactions

The Executive Office is regarded as a related party. During the year Strategic Investment Board Ltd received grant in aid for normal activities and for the FTC loan arrangement. The Executive Office is also a shareholder in Maze Long Kesh Development Corporation to whom Strategic Investment Board Ltd provided staff during the year.

### **Transactions Involving Directors and Related Parties to Strategic Investment Board Limited**

Due to the nature of Strategic Investment Board Ltd's operations and the composition of its Board, it is inevitable that there will be relationships or transactions with companies and organisations in which Board members may have a beneficial or non beneficial interest or with which they have a relationship. A beneficial interest is when the Board member is either, directly or through a family connection, a material shareholder or receives remuneration (including expenses) from the entity.

The following table lists the related party relationships involving Strategic Investment Board Ltd, and any Board Members interests during the year ended 31st March 2017.

Board Member	Related Party to Strategic Investment Board Limited	Nature of Relationship with Strategic Investment Board Limited	Board Member's Interest	Financial Reward from Related Party (if any)
G McGinn	Deloitte	Strategic Investment Board Limited may contract work to Deloitte in relation to projects	A family member works for Deloitte	N/A
G McGinn	Baker & McKenzie	Strategic Investment Board Limited may contract work to Baker & McKenzie in relation to projects	A family member works for Baker & McKenzie	N/A
B Hannam	Armagh Observatory and Planetarium (AOP)	Strategic Investment Board Limited provides advice to the Department for Communities and AOP.	Member is non-executive Director of AOP.	None
D McCausland	Maze Long Kesh Development Corporation	Strategic Investment Board Limited provides support to the MLK Development Corporation	Member is a Non-executive director of the MLK Development Corporation	Remuneration
D McCausland	G4S (NI)	G4S (NI) has a contract for the supply of security services to NICS	Member is an employed associate of G4S(NI)	Remuneration

Board Member	Related Party to Strategic Investment Board Limited	Nature of Relationship with Strategic Investment Board Limited	Board Interest	Member's	Financial Reward from Related Party (if any)
D McCausland	PwC	Strategic Investment Board Limited has awarded contracts to PwC	Member is an employed associate of PwC (but no work undertaken in year)		Remuneration
D McCausland	KPMG	Strategic Investment Board Limited has awarded contracts to KPMG	Member is an employed associate of KPMG (but no work undertaken in year)		Remuneration
M T McGivern	Titanic Foundation	Strategic Investment Board Ltd has provided support and advice to Titanic Foundation	Member is a Non-executive director of Titanic Foundation		None
M T McGivern	Belfast Metropolitan College	Strategic Investment Board Ltd has provided support, funding and advice to Belfast Metropolitan College.	Principal and Chief Executive		Remuneration
M T McGivern	IoD Ni Advisory Panel	IoD have a networking relationship with Strategic Investment Board Ltd on general business themes	Member		No
M T McGivern	CBI NI Council	CBI NI have a networking relationship with Strategic Investment Board Limited on general business themes	Council Member		No
M T McGivern	PwC	Strategic Investment Board Limited may contract work to PwC in relation to projects	A family member works for PwC		N/A
D McSorley	Stadia Safety Technical Group	Strategic Investment Board Ltd employ staff to support DfC on all aspects of delivery of the regional stadia developments	Independent Chair		Remuneration
D McSorley	Graham Construction Company	Possibility of Graham Construction being awarded a contract for an Strategic Investment Board Ltd supported project	Son is an employee		N/A
K Thomson	Tourism Ireland	Some Strategic Investment Board Ltd projects work in partnership with Tourism Ireland/DETI	Previous Chief Operating Officer for NITB		No

## Strategic Investment Board Limited

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Board Member	Related Party to Strategic Investment Board Limited	Nature of Relationship with Strategic Investment Board Limited	Board Member's Interest	Financial Reward from Related Party (if any)
K Thomson	National Museums NI (NMNI)	ALB which is funded by the former Department of Culture Arts and Leisure. Strategic Investment Board Ltd may carry out work in support of NMNI	Chief Executive of NMNI. Appointed March 2016	Remuneration
F Hewitt (concluded term of office 30 <sup>th</sup> November 2016)	Northern Ireland Transport Holding Company	Strategic Investment Board Ltd provides support to Translink on various projects	The member is a non-Executive director of NITHCO	Remuneration
C Thompson (concluded term of office 30 <sup>th</sup> November 2016)	G4S (NI)	G4S (NI) has a contract for the supply of security services to NICS	Member is an employed associate of G4S (NI)	Remuneration

Strategic Investment Board Ltd maintains a register of the interests for the members of the Board of Directors that is published on the Strategic Investment Board Ltd website, [www.sibni.org](http://www.sibni.org), and is also available upon request to the Company Secretary.

## **8. Taxation**

HM Revenue & Customs has determined that Strategic Investment Board Ltd is a taxable entity but not all of the income will be taxable. In the year ended 31 March 2017, no provision for tax has been made as there has been no assessable income arising (period ended 31 March 2016: £nil).

**9 a) Property, Plant and Equipment**

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
<b>Cost:</b>		
At 1 April 2016	15,408	15,408
Additions in year	0	0
Disposals	0	0
At 31 March 2017	<u>15,408</u>	<u>15,408</u>
<b>Accumulated Depreciation:</b>		
At 1 April 2016	12,665	8,299
Charge in year	1,936	4,366
Disposals	0	0
At 31 March 2017	<u>14,601</u>	<u>12,665</u>
<b>Net book value:</b>		
At 31 March 2017	<u>807</u>	<u>2,743</u>

**9 b) Intangible Assets**

	IT £	Software licenses £	Websites £	Total £
<b>Cost:</b>				
At 1 April 2016	9,998	3,310	42,924	<b>56,232</b>
Additions in year	0	0	4,680	<b>4,680</b>
Disposals	0	0	0	<b>0</b>
At 31 March 2017	<u>9,998</u>	<u>3,310</u>	<u>47,604</u>	<b>60,912</b>
<b>Accumulated Amortisation:</b>				
At 1 April 2016	3,379	1,118	10,280	<b>14,777</b>
Charge in year	3,333	1,103	15,260	<b>19,696</b>
Disposals	0	0	0	<b>0</b>
At 31 March 2017	<u>6,712</u>	<u>2,221</u>	<u>25,540</u>	<b>34,473</b>
<b>Carrying amount at 31 March 2017</b>	<u>3,286</u>	<u>1,089</u>	<u>22,064</u>	<b>26,439</b>
<b>Carrying amount at 31 March 2016</b>	6,619	2,192	32,644	<b>41,455</b>

**10. Financial Assets**

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
	£	£
	Financial Transaction Capital Loans	Financial Transaction Capital Loans
As at 1 April 2016	70,937,371	58,688,521
Loans provided in year	9,381,000	14,500,000
Repayment of loan in year*	(580,000)	(180,000)
Impairment of loans issued in year	(2,222,866)	(3,362,297)
Unwinding of impairment in year	1,560,622	1,291,147
<b>As at 31 March 2017</b>	<b><u>79,076,127</u></b>	<b><u>70,937,371</u></b>

**Maturity of Financial Assets are as follows:**

Repayable within 1 year	961,000	580,000
Repayable more than 1 year	78,115,127	70,357,371
<b>At 31 March 2017</b>	<b><u>79,076,127</u></b>	<b><u>70,937,371</u></b>

Strategic Investment Board Ltd facilitated the transfer of funds between Department of Finance via the Executive Office and Queen's University, Belfast for a Financial Transactions Capital loan agreement, at the request of Ministers. It is an interest free loan agreement. Funding for the loans was received from the Executive Office and has been recorded at amortised cost at an effective interest rate of 2.2%.

\*In October 2016 Strategic Investment Board Ltd received the second loan repayment of £580,000 (December 2015: £180,000) from Queen's University, Belfast. Strategic Investment Board Ltd transferred the repayment to the Executive Office (see note 19).



**Financial instruments**

All of the Strategic Investment Board Ltd's financial assets, which comprise Financial Transactions Capital loans, cash and cash equivalents, trade receivables and accrued income are classified as "loans and receivables". All of the Strategic Investment Board Ltd's financial liabilities, which comprise trade payables, accruals and employee benefits are classified as "other financial liabilities" are held at amortised cost.

**11. Trade and Other Receivables**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Trade Receivables	1,009,541	592,165
Amounts owed by TEO re Grant in Aid	189,407	0
Prepayments and Accrued Income	<u>617,367</u>	<u>556,821</u>
	<u>1,816,315</u>	<u>1,148,986</u>

**Analysed between amounts due from:**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Central government bodies	1,137,912	721,508
Local Government	232,352	23,007
NHS Bodies	0	0
Bodies external to government	<u>446,051</u>	<u>404,471</u>
	<u>1,816,315</u>	<u>1,148,986</u>

**12. Cash and Cash Equivalents**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Balance as at 1 April:	899,735	64,402
Net Changes in cash and cash equivalent balances	<u>(850,656)</u>	<u>835,333</u>
Balance as at 31 March	<u>49,079</u>	<u>899,735</u>

*The above balances comprise balances at commercial banks and cash in hand.*

### 13. Trade and Other Payables

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Included in liabilities falling due within one year are:		
Trade Payables	277,283	37,376
Accruals	1,153,964	1,194,102
Employee benefits (Note 14)	241,496	227,314
Deferred Income (Grant in Aid)	0	438,178
Value Added Tax	219,897	195,949
	<u>1,892,640</u>	<u>2,092,919</u>

#### Analysed between amounts owed to:

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Central government bodies	250,527	655,307
Local authorities	18,084	0
Public Corporations	12,000	10,650
NHS bodies	0	0
Bodies external to government	1,370,533	1,199,648
Employee benefits	241,496	227,314
	<u>1,892,640</u>	<u>2,092,919</u>

### 14. Employee Benefits

Strategic Investment Board Ltd has recognised the cost of providing employee benefits in the period in which the benefit was earned by the employee, rather than when it is paid or payable. Short term benefits are recorded as an expense in the period in which the employee renders the service. For Strategic Investment Board Ltd, this expense relates solely to the cost of any untaken annual leave at the year end. This policy has been adopted in accordance with IAS 19 'Employee benefits' (2016-2017: £241,496; 2015-2016: £227,314).

### 15. Contingencies and Commitments

Strategic Investment Board Ltd is committed to supporting various projects which are on-going at year end. Strategic Investment Board Ltd is dependent on funding from Departments to meet its commitments. There were no capital commitments, commitments under leases or other financial commitments at the year-end.

The Strategic Investment Board Ltd makes provision in the amount of £550,000 by way of contingent liability in respect of any ongoing claims, claims threatened against Strategic Investment Board Ltd or, insofar as Strategic Investment Board Ltd is aware, claims that are pending against Strategic Investment Board Ltd. Claims in this context

shall include demands, actions, complaints and proceeding, whether arising under contract, statute, at common law or in equity or under any treaties including the Treaty on the Functioning of the European Union, the laws of the European Union or otherwise.

### **16. Guarantee**

The members of the company undertake to contribute to the assets of the company in the event of the same being wound up while such party is a member, or within one year after such party ceases to be a member, for payment of the debts and liabilities of the company contracted before such party ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of its contributories among themselves, such amount as may be required not exceeding one pound.

### **17. Deferred Income**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
At 1 April 2016	(438,178)	(384,789)
Capital grant received in year	0	0
Deferred Income	0	(438,178)
Released to Statement of Comprehensive Net Expenditure	438,178	384,789
<b>At 31 March 2017</b>	<u>0</u>	<u>(438,178)</u>

## 18. Notes to the Cash Flow Statement

(i) Reconciliation of deficit for the year to net cash inflow from:

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
	£	£
<b>Operating Activities</b>		
Deficit for the year	0	0
Depreciation - Property, Plant and Equipment	1,936	4,366
Depreciation - Intangible Assets	19,696	14,407
Loss on disposal	0	0
Increase / (Decrease) in trade and other payables	(200,279)	86,185
(Increase)/ Decrease in trade and other receivables	<u>(667,329)</u>	<u>745,075</u>
<b>Net cash inflow/ (outflow) from operating activities</b>	<u>(845,976)</u>	<u>850,033</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	0	0
Purchase of Intangible Assets	(4,680)	(14,700)
Financial Investment (FTC)	(9,381,000)	(14,500,000)
Repayment of FTC loan receipt to the Executive Office	<u>(580,000)</u>	<u>(180,000)</u>
<b>Net cash inflow/ (outflow) from Investing activities</b>	<u>(9,965,680)</u>	<u>(14,694,700)</u>
<b>Cash flows from financing activities</b>		
Funding received in respect of FTC loans	9,381,000	14,500,000
Receipt of FTC loan repayment	<u>580,000</u>	<u>180,000</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(850,656)</u>	<u>835,333</u>

(ii) Reconciliation of net cash flow to movement in net funds:

	Year ended 31-Mar 2017	Year ended 31-Mar 2016
	£	£
Increase (decrease) in cash and cash equivalents	(850,656)	835,333
Cash and cash equivalents at the beginning of the period	<u>899,735</u>	<u>64,402</u>
	<u>49,079</u>	<u>899,735</u>

**19. Provision for Liabilities**

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
As at 1 April	70,937,371	58,688,521
Loans issued in year	9,381,000	14,500,000
Impairment of loans issued in year	(2,222,866)	(3,362,297)
Repayment of loan in year	(580,000)	(180,000)
Unwinding of impairment in year	1,560,622	1,291,147
<b>Balance at 31 March 2017</b>	<u>79,076,127</u>	<u>70,937,371</u>

Whilst the Strategic Investment Board Ltd does not have a legal obligation to repay FTC loans to the Executive Office, based on its memorandum of understanding, it does have a constructive obligation and therefore provides for this obligation. This provision is discounted at a rate of 2.2% per annum.

**20. Financial Instruments**

IFRS 7 'Financial Instruments: Disclosures' requires disclosure that enables evaluation of the significance of financial instruments for Strategic Investment Board Ltd's financial position and performance, the nature and extent of risks arising from financial instruments which Strategic Investment Board Ltd is exposed to during the period and at the reporting date, and how Strategic Investment Board Ltd manages those risks. As a result of the non-trading nature of its activities and the way in which Strategic Investment Board Ltd is financed, Strategic Investment Board Ltd is not exposed to the degree of financial risk faced by business entities. The carrying value of trade and other receivables, bank, trade and other payables (including accruals) as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. No other disclosures are relevant to Strategic Investment Board Limited's activities.

**21. Reserves**

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
As at 1 April 2016	0	0
Net surplus for the year	0	0
<b>As at 31 March 2017</b>	<u>0</u>	<u>0</u>

**Movement to Reserves**

There was no movement from the Statement of Comprehensive Net Expenditure to Reserves in 2016-17 (2015-16: nil).

## 22. Additional Disclosures to Comply With FReM

FReM requires non-Departmental public bodies to regard Grant in Aid received as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence accounted for as financing, i.e. by crediting them to the income and expenditure reserve.

If the Strategic Investment Board Ltd were to comply with FReM, the following would be the effect of this compliance:

### Statement of Comprehensive Net Expenditure Prepared Under FReM

		Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
	<b>Note</b>		
<b>INCOME</b>			
Other operating income	2	3,464,637	3,181,652
		<u>3,464,637</u>	<u>3,181,652</u>
<b>EXPENDITURE</b>			
Staff costs	4	8,821,060	8,117,350
Enabling expenditure	6	1,967,667	1,860,599
Other operating charges	5	892,863	747,541
Depreciation - Property, Plant & Equipment	9a	1,936	4,366
Amortisation - Intangible Assets	9b	19,696	14,407
FTC Loan Impairment	10	662,244	2,071,150
		<u>12,365,466</u>	<u>12,815,413</u>
<b>TOTAL EXPENDITURE</b>			
		<u>(8,900,829)</u>	<u>(9,633,761)</u>
<b>NET DEFICIT FOR THE YEAR</b>			
<b>AMOUNT TRANSFERRED TO RESERVES</b>		<u>(8,900,829)</u>	<u>(9,633,761)</u>

**Statement of Cashflows Prepared Under FReM**

	Year ended	Year ended
	31-Mar 2017	31-Mar 2016
	£	£
<b>Cashflows from Operating Activities</b>		
Net Deficit after interest and tax	(8,900,829)	(9,633,761)
Non Cash Transactions (Depreciation - Property, Plant & Equipment)	1,936	4,366
Non Cash Transactions (Amortisation - Intangible Assets)	19,696	14,407
Increase / (Decrease) in trade and other payables	237,899	32,796
(Increase)/ Decrease in trade and other receivables*	<u>(477,922)</u>	<u>745,074</u>
Net Cash used in Operating Activities	<u>(9,119,220)</u>	<u>(8,837,118)</u>
<b>Cash flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	0	0
Purchase of Intangible Assets	(4,680)	(14,700)
FTC Loan GIA received	(9,381,000)	(14,500,000)
Impairment Reserve	662,244	2,071,150
Repayment of FTC loan receipt to the Executive Office	<u>(580,000)</u>	<u>(180,000)</u>
Net Cash used in Investing Activities	<u>(9,303,436)</u>	<u>(12,623,550)</u>
<b>Cash flows from Financing Activities</b>		
Grant in Aid from Parent Department	7,611,000	7,616,000
Grant in Aid re FTC	9,381,000	14,500,000
Other Grants received	0	0
Receipt of FTC Loan repayment	<u>580,000</u>	<u>180,000</u>
Net Cash used in Financing Activities	<u>17,572,000</u>	<u>22,296,000</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>(850,656)</u>	<u>835,333</u>
Cash and cash equivalents at beginning of the period	<u>899,735</u>	<u>64,402</u>
<b>Cash and cash equivalents at end of the period</b>	<u>49,079</u>	<u>899,735</u>

In October 2016 Strategic Investment Board Ltd received a Financial Transactions Capital loan repayment of £580k from Queen's University, Belfast. Strategic Investment Board Ltd immediately transferred the repayment to the Executive Office.

**Statement of Changes in Taxpayers' Equity Note Prepared Under FReM**

	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
<b>Analysis of Income and Expenditure Reserves:</b>		
Balance at 1 April 2016	71,375,549	59,073,310
Grant in Aid received in year	16,992,000	22,116,000
Net operating cost for the year	(8,900,829)	(9,633,761)
Receipt of FTC Loan repayment	(580,000)	(180,000)
<b>Balance at 31 March 2017</b>	<u><u>78,886,720</u></u>	<u><u>71,375,549</u></u>
	Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
<b>Summary of Balances:</b>		
Income & Expenditure reserve	78,886,720	71,375,549
<b>Balance at 31 March 2017</b>	<u><u>78,886,720</u></u>	<u><u>71,375,549</u></u>

FReM accounting does not recognise deferred income (note 17). Grant in Aid received over and above expenditure incurred is credited to the Income and Expenditure Reserve. The Income and Expenditure reserve within the Statement of Taxpayers' Equity note is reconciled in the table below:

**Movement in Reserves Prepared Under FReM**

		Year ended 31-Mar 2017 £	Year ended 31-Mar 2016 £
Reserves at 1st April		71,375,549	59,073,310
FTC loans issued in 2016-17	10	9,381,000	14,500,000
Impairment of loans issued in year	10	(2,222,866)	(3,362,297)
Unwinding of impairment in year	10	1,560,622	1,291,147
Receipt of FTC Loan repayment	10	(580,000)	(180,000)
Movement in Deferred/ Accrued Income in year	11 & 17	(627,585)	53,389
<b>Reserves at 31st March 2017</b>		<u><u>78,886,720</u></u>	<u><u>71,375,549</u></u>



### ***23. Statement of Financial Position as at 31st March 2017 Prepared Under Department of Finance Guidance***

In 2015-16 Strategic Investment Board Ltd sought and received independent financial advice regarding the correct accounting treatment of the Financial Transactions Capital (FTC) loans in the company set of accounts which resulted in the recognition of a provision. However, in line with Treasury's guidance and the requirements of the Memorandum of Understanding, Department of Finance have confirmed that the Strategic Investment Board Ltd should recognise a financial asset for loans made but should not recognise any liability for the repayment. Under FReM accounting the transaction represents funding from the Consolidated Fund and the Strategic Investment Board Ltd has been advised by the Department of to record all FTC transactions through reserves. The following amended Statement of Financial Position is not part of the primary statements of the Strategic Investment Board Ltd but has been prepared to illustrate the financial position based on the Department of Finance guidance.

		31-Mar 2017	31-Mar 2016
	Note	£	£
<b>Non-current assets</b>			
Property, Plant and Equipment	9a	807	2,743
Intangible Assets	9b	26,439	41,455
Financial Assets (Investments)	10	78,115,127	70,357,371
<b>Current assets</b>			
Trade and other receivables	25	1,626,909	1,148,986
Financial Assets (Investments)		961,000	580,000
Cash and cash equivalents	12	49,079	899,735
<b>Total current assets</b>		<u>2,636,988</u>	<u>2,628,721</u>
<b>Total Assets</b>		80,779,360	73,030,290
<b>Current liabilities</b>			
Trade and other payables	24	<u>(1,892,640)</u>	<u>(1,654,741)</u>
<b>Non current assets less net current liabilities</b>		78,886,720	71,375,549
<b>Non-current liabilities</b>		0	0
<b>Assets less liabilities</b>		<u>78,886,720</u>	<u>71,375,549</u>
<b>Reserves</b>			
General reserve (Income and Expenditure account)	22	<u>78,886,720</u>	<u>71,375,549</u>
<b>Total</b>		<u>78,886,720</u>	<u>71,375,549</u>

**24. Trade and Other Payables Prepared Under FReM**

FReM accounting does not recognise deferred income. Grant in Aid received over and above expenditure incurred is credited to the Income and Expenditure Reserve.

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Included in liabilities falling due within one year are:		
Trade Payables	277,283	37,376
Accruals	1,153,964	1,194,102
Employee benefits (Note 14)	241,496	227,314
Value Added Tax	219,897	195,949
	<u>1,892,640</u>	<u>1,654,741</u>

**Analysed between amounts owed to:**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Central government bodies	250,527	217,129
Local authorities	18,084	0
Public Corporations	12,000	10,650
Bodies external to government	1,370,533	1,199,648
Employee benefits	241,496	227,314
	<u>1,892,640</u>	<u>1,654,741</u>

**25. Trade and Other Receivables Prepared Under FReM**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Trade Receivables	1,009,541	592,165
Prepayments and Accrued Income	617,367	556,821
	<u>1,626,908</u>	<u>1,148,986</u>

**Analysed between amounts due from:**

	Year ended 31-Mar-17	Year ended 31-Mar-16
	£	£
Central government bodies	948,505	721,508
Local government	232,352	23,007
Bodies external to government	446,051	404,471
	<u>1,626,908</u>	<u>1,148,986</u>

#### **4.5      *Events after the Reporting Period***

The Strategic Investment Board Ltd has considered the impact of the European Union referendum and the United Kingdom's vote to leave. Except so far as referred to in section 2.1.3 'The Keys Issues and Risks' the Strategic Investment Board Ltd does not believe that it will have a material adverse effect on the company or the budget for the foreseeable future.

#### **4.6      *Date Authorised for Issue***

The Accounting Officer authorised the issue of these financial statements on

15 June 2017.



