



STRATEGIC INVESTMENT BOARD LIMITED

Company Registration No. NI 45710

ANNUAL REVIEW AND FINANCIAL STATEMENTS 2012/2013

Year Ended 31 March 2013

STRATEGIC INVESTMENT BOARD LIMITED

ANNUAL REVIEW AND FINANCIAL STATEMENTS 2012/2013 For the year ended 31 March 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

David Dobbin – Chairman Appointed Nov 09

Bro McFerran – Non Executive Director Appointed Nov 09

Geraldine McAteer – Non Executive Director Appointed Nov 09

Denis Rooney – Non Executive Director Appointed Nov 09, Resigned Oct 12

Frank Hewitt – Non Executive Director Appointed Dec 10

Chris Thompson – Non Executive Director Appointed Dec 10

Brett Hannam – Chief Executive (effective April 2010) & Chief Operating Officer
appointed Jan 06 - May 2012

SECRETARY

Gregor Hamilton

AUDITORS

NIAO

106 University Street

Belfast

BT7 1EU

REGISTERED OFFICE

Clare House

303 Airport Road West

Belfast

BT3 9ED

PRINCIPAL BANKERS

Danske Bank

8/9 Donegall Square North

Belfast

BT1 5GJ

DIRECTORS' REPORT

For the year ended 31 March 2013

The directors are pleased to present their annual review and the financial statements for the year to 31 March 2013.

PRINCIPAL ACTIVITIES

The Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003 established SIB in April 2003. The legislation created the mechanisms and structures required to enable ministers to coordinate work across Departments to deliver the new schools, hospitals, roads and other civic infrastructure the region requires for the 21st century.

SIB is a company limited by guarantee. It is owned by the Office of the First Minister and deputy First Minister (OFMDFM) and financed from within that Department's expenditure limit. The Board of SIB is accountable, through its Chair, to the First Minister and deputy First Minister.

SIB supports Government Departments and Agencies to help them achieve the delivery of major investment programmes and projects at lower cost, with reduced risk and faster than would otherwise be the case. In parallel, SIB works with the private sector to stimulate market interest and ensure that companies have the information they need about Government's investment plans. SIB seeks to develop the market in ways that deliver competitive tension and thus help Departments achieve better value for public money.

SIB has four responsibilities. Firstly, it prepares the Investment Strategy for Northern Ireland (ISNI). This is a rolling ten-year plan that describes the public infrastructure Government intends to deliver. The scope of the ISNI encompasses every area of government including education, health, and transport and is the expression of the priorities of the Northern Ireland Executive ('the Executive'), which published the latest revision of the strategy in October 2012.

Secondly, SIB assists the public sector to develop and deliver investment programmes and projects. SIB's role is to work in partnership with Government Departments to accelerate delivery timetables and obtain better value for the taxpayer. SIB provides staff to fill key project management and advisory roles within Departments. Such staff have specialist skills, knowledge and experience that suit them to the particular projects on which they are deployed.

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For the year ended 31 March 2013

SIB has developed expertise and techniques that can assist Departments to produce strategic infrastructure planning models. These models inform infrastructure planning decisions by modelling the impact of different options for service delivery.

Ministers have asked SIB to work with Departments to develop proposals for accelerating and increasing capital spending through the use of revenue funded investment (RFI) mechanisms.

Thirdly, SIB contains the Asset Management Unit (AMU). In 2011 the Executive authorised the establishment of this unit within SIB and tasked it with the realisation of £100m of additional capital during the period 2011-2015. The AMU also maintains the ePIMS public sector asset database, assists Departments to develop effective asset management plans and is developing an Asset Management Strategy for the effective and efficient management of public sector property assets.

Finally, SIB works to improve the capability of the public sector through championing reform in the systems and processes for infrastructure delivery; by developing specialist skills and capabilities and by carrying out relevant research and analysis. An example of SIB's work in this field is the review of the commissioning, procurement and delivery of major capital projects currently being undertaken in partnership with the Department of Finance and Personnel (DFP).

REVIEW OF RESULTS

During 2012/13 SIB continued to provide advice to Ministers and Departments in relation to the articulation and delivery of the Executive's major investment programmes. SIB has provided assistance (including research, consultancy, project management and other services) to every Government Department and a range of other customers including Agencies, NDPBs, city and local councils.

The highlights of SIB's work in 2012/13 included:

- the publication of the Executive's Investment Strategy;
- progress on the Lisanelly Campus, Community Safety College at Desertcreat, Belfast Rapid Transit, Waste Management, e-Cars, Colin Regeneration,

DIRECTORS' REPORT

For the year ended 31 March 2013

Prisons Estate, Prison Reform and ESA Implementation programmes, where SIB provides the project directors;

- the operation of the Maze/Long Kesh (MLK) Programme Delivery Unit (including achieving agreement for the move of the RUAS to the site; the formal establishment of the MLK Development Corporation and the commissioning of Daniel Libeskind as the lead architect for the Peace building and Conflict Resolution Centre);
- the extension of support to Belfast and Derry~Londonderry Councils in the delivery of investment projects such as the Waterfront Hall Conference Centre and City of Culture;
- progress with the delivery of over 40 other projects across the pillars of the investment strategy; and
- the achievement of the Executive's targets for the realisation of capital from surplus assets; the population of the ePIMS asset management database and the development of the Executive's asset management strategy.

During 2012/13, SIB was responsible for:

- developing the 2012 update to the Executive's investment strategy;
- achieving the capital realisation targets agreed with Ministers for 2012/13;
- developing the Executive's Asset Management Strategy;
- maintaining and enhancing the e-PIMS asset management database;
- assisting Departments to develop asset management strategies;
- providing Project Directors or managers for the:
 - Northern Ireland Community Safety College at Desertcreat;
 - Lisanelly shared Educational Campus;
 - ESA Implementation Programme;
 - Regional Stadiums Programme;

DIRECTORS' REPORT

For the year ended 31 March 2013

- Belfast Rapid Transit Programme;
 - NIPS Change Programme;
 - Colin Glen Regeneration Project;
 - Plugged In Places (e-cars) Project;
 - Apprentice Boys of Derry Heritage Centre Project;
 - North West Regional Waste Management Procurement;
 - Arc21 Waste Management Procurement;
 - Waterfront Hall Extension Project;
 - World Police Fire and Games;
 - The Derry~Londonderry City of Culture venues;
 - Derry City Council's support to UK City of Culture; and
 - The Maze Long Kesh (MLK) programme delivery unit (PDU).
- supporting the Office of the First Minister and deputy First Minister (OFMDFM) by:
 - creating and staffing the MLK PDU and the MLK Development Corporation that has succeeded it;
 - proposing Daniel Libeskind as the lead architect for the conflict resolution centre at Maze/Long Kesh;
 - advising on the management and disposal of the strategic sites passed to the Executive under the terms of the Hillsborough Agreement;
 - providing a range of support to the Delivering Social Change Programme;
 - supporting the Department of Finance and Personnel (DFP) by:
 - working with CPD to review the processes and procedures for the commissioning, procurement and delivery of major capital projects;
 - working with Properties Division and Land and Property Services to develop new processes and procedures for the management of assets;

DIRECTORS' REPORT

For the year ended 31 March 2013

- supporting Department of Education (DE) by:
 - providing the Implementation Director for the Education and Skills Authority (ESA);
 - providing an Acting Director of Operations and Estates to ESA;
 - providing a Programme Director for the Lisanelly Shared Educational Campus project;
 - providing analytical support to the Department's planning for primary education.
- supporting Department of the Environment (DoE) by:
 - continuing to support the Waste partnerships through the staffing of the Waste Programme Delivery Support Unit;
 - jointly employing hydrogeologists with the Environment Agency in order to reduce the costs of assessing decontamination requirements for the strategic and other sites;
 - assisting DVA in the review of the contract for the operation of MOT centres;
 - supporting DOE in the Strategic Review of Vehicle Testing.
- supporting the Department for Regional Development (DRD) by:
 - providing a Director of Projects who is managing the Belfast Rapid Transit Programme;
 - providing a project manager for the 'Plugged in Places' (e-cars) project;
- supporting Department of Health, Social Services and Public Safety (DHSSPS) through:
 - membership of the Health Infrastructure Board;
 - designing a £300m programme of revenue funded investment in primary health care facilities;
 - assisting in the planning of a new regional Children's Hospital;
 - developing a business case for the reform of GP Out of Hours services;
- assisting the Department of Justice (DoJ) by

DIRECTORS' REPORT

For the year ended 31 March 2013

- providing a Director and Procurement Manager for the Community Safety College at Desertcreat;
- providing a Director for the Northern Ireland Prison Service (NIPS) strategic change programme;
- providing an advisor to devise and implement the NIPS estate strategy;
- providing a manager for the Forensic Science Agency's change programme;
- supporting the Department for Culture Arts and Leisure (DCAL) by
 - providing a Programme Director for the Regional Stadiums Programme;
 - providing a Project Manager for the World Police and Fire Games;
 - providing legal advice on the Libraries NI IT project;
 - helping to develop its commercialisation and asset management strategies;
- supporting the Department for Social Development (DSD) by
 - advising on the Social Housing Development Programme and the development of new financial models;
 - devising a sustainable framework for the development of the Colin Town Centre and by providing a Programme Director;
 - supporting the Belfast Partnership Boards.
- supporting the Department for Agriculture and Rural Development (DARD) by
 - assisting Forest Service to complete a business case for the exploitation of commercial opportunities;
 - providing a manager for the Wind Farm project;
 - providing an Asset Manager to implement the Department's asset management strategy;
 - assisting the Agri-food and Biosciences Institute (AFBI) to implement a commercialisation strategy.

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- supporting Department for Enterprise, Trade and Investment (DETI) by:
 - advising on the Science Centre Review;
 - advising on the potential for a new Media Hub;
 - providing a Project Director and PDSU for the Nitrates Disposal project;
 - managing the production of a report for the Economic Advisory Group on SME Access to Funding;
- supporting DETI and DCAL by providing a Chief Executive for Titanic Foundation Ltd;
- supporting Department of Education and Learning (DEL) by:
 - providing analytical support to the Regional Further Education Colleges;
 - developing a business case for the replacement of Line of Business IT applications;
- supporting Derry City Council through:
 - the provision of a Project Director for the Council's work in support of City of Culture;
 - the provision of an Acting Director of Communications for the City of Culture;
 - providing a Project Manager to support Ilex in the delivery of 'The Venue' and the Tate Venue;
 - providing a project manager for the Apprentice Boys of Derry (ABOD) Heritage Project;
- assisting the Police Service of Northern Ireland (PSNI) by:
 - the provision of a Project Director and a procurement manager for the Northern Ireland Community Safety College at Desertcreat;
 - developing a Police Operations Decision Support model;
 - providing a project manager for the RUC GC museum project;
 - advising on the management of the 'Safety House' project.

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For the year ended 31 March 2013

- developing a Community Consultation Toolkit that will assist Departments to conduct effective public consultations;
- supporting NI Transport Holding Company (NITHCO) in the development of proposals for the Belfast Transport Hub;
- supporting Belfast City Council by
 - Providing a project manager for the Connswater Greenway Project;
 - Providing a project manager for the Waterfront Hall conference centre extension project;
- supporting the Southern Health and Social Care Trust and Banbridge District Council on the redevelopment of the Rathfriland site;
- supporting Fermanagh District Council in the development of a shared service facility on the Erne Hospital site at Enniskillen; and
- supporting Departments, Belfast and Derry City Councils and other organisations through the provision of recruitment advice.

The company has continued to develop its organisational capabilities. During the year:

- 171 days were spent on training and development activities, an average of 2.76 per full time employee (2012: 113 days: 2.6 per employee);
- One member of staff is studying for a PhD and another is studying towards a Post Graduate Certificate in Operational Research;
- One member is studying an Economics course with the Open University;
- All staff undertook training in the SIB Equality Scheme;
- All appropriate staff undertook training in recruitment and selection and tender evaluation; and
- The organisation has continued to run its successful internship programme providing placements for seven recent graduates.

The company continues to develop its web site, there were 22,388 visitors to the website during the year who viewed 91,599 pages, an average of 250 page views per day. Reports from the ISNI Delivery Tracking System are distributed monthly to Members of the Legislative Assembly and the relevant Assembly Committees.

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FUTURE DEVELOPMENTS

SIB derives its strategic priorities from the targets set by Ministers in the Programme for Government¹. These are:

- Growing a Sustainable Economy and Investing in the Future
- Creating Opportunities, Tackling Disadvantage and Improving Health and Well-Being
- Protecting Our People, the Environment and Creating Safer Communities
- Building a Strong and Shared Community
- Delivering High Quality and Efficient Public Services

The over-arching priority for SIB is to help Government deliver “enhanced economic infrastructure”².

The priority issues SIB will address are:

- the statutory requirement for SIB 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 leverage of private funding in support of public investment, (while recognising that private funds do not have general applicability across all types of infrastructure);
- the need to improve the infrastructure delivery capabilities of Government Departments in Northern Ireland;

¹ Programme for Government 2011-15, p29.

² Programme for Government 2011-15, p30.

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- the need for continual improvement in the processes and procedures for the commissioning and procurement of major capital investment; and
- the need to develop the Company's capacity and capabilities to ensure it continues to meet the needs of its customers.

The medium-term objectives derived from the strategic objectives are:

- to keep the Investment Strategy under review in the light of changing circumstances;
- to support Departmental investment planning through the provision of analytical support and advice, including advice on project finance;
- to deliver supported projects/ programmes in accordance with the plans set out in ISNI 2011-21 and the principles of economic, social and environmental sustainability;
- to seek effective ways to accelerate the investment timetable without compromising value for money;
- to meet Ministers' targets for the realisation of surplus assets;
- to support Departments and other public bodies in the efficient and effective management of their estate;
- to identify socially valuable uses for surplus assets that cannot for the present be sold or otherwise exploited;
- to support Departments in the development of strategies for the commercial exploitation of their assets;
- to foster and promote reform both in the delivery of major public sector infrastructure and as a pre-requisite for such investment;
- to work with relevant bodies and Departments to ensure that their infrastructure plans are aligned and, where appropriate, that these plans are also aligned with those in the Republic of Ireland, in accordance with North South agreements; and
- to develop the organisation and the individuals within the organisation.

SIB will directly contribute to the delivery of the following objectives set out in the Programme for Government (the nature of SIB's contribution is set out thus *[within square brackets]*):

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- to include Social Clauses in all public procurement contracts for supplies, services and construction; *[Provision of guidance on use of Social Clauses; Use of Social Clauses in projects]*
- to develop sports stadiums as agreed with the IFA, GAA and Ulster Rugby; *[Provision of a Programme Manager]*
- to make the Education and Skills Authority operational in 2013; *[Provision of Implementation Programme Manager and the ESA Estates & Operations Director]*
- to reduce the environmental impacts from the waste we generate; *[Provision of Waste PDSU & Project Managers, Nitrates Disposal Project Manager]*
- to host the World Police and Fire Games in 2013; *[Provision of Project Manager]*
- to develop Maze/Long Kesh as a regeneration site of regional significance; *[Provision of Chief Executive and staff for Development Corporation]*
- to develop the 'One Plan' for the regeneration of Derry~Londonderry, to provide financial and other support across Government to ensure the success of the Derry/Londonderry City of Culture 2013; *[Provision of Support to Ilex, Derry City Council and Culture Company including Programme Manager, Communications Director, Infrastructure Project Manager]*
- to provide £40 million to address dereliction and promote investment in the physical regeneration of deprived areas through the Social Investment Fund; *[Provision of Social Change Delivery Unit to support OFMDFM]*
- to substantially complete the construction of the new Police, Prison and Fire Training College; *[Provision of Project Manager & Support Staff]*
- to reform and modernise the Prison Service; *[Provision of Change Manager and Estates Strategy Manager]*
- to progress the upgrade of key road projects and improve the overall road network to ensure that by March 2015 journey times on key

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transport corridors reduce by 2.5%; *[Provision of DRD Director of Transport Projects]*

- to invest over £500 million to promote more sustainable modes of travel; *[Provision of Sustainable Travel Projects Director]*
- to significantly progress work on the plan for the Lisanelly Shared Educational Campus as a key regeneration project. *[Provision of Project Director]*

The outcomes of achieving these objectives will be that, by the end of the period covered by this plan:

- SIB has delivered strategic infrastructure planning models in key sectors, which help its customers to plan and deliver more economically and operationally sustainable infrastructure to meet contemporary and future needs across the region;
- SIB has helped Departments deliver larger and better project procurements (in terms of faster delivery, lower risk and best value) than would otherwise have been possible;
- SIB has met the targets set it for the use of Revenue Funded Investment;
- SIB has met the targets set it for the generation of additional capital;
- SIB has helped Departments develop and implement asset management plans;
- SIB has advised the private and third sectors on the delivery of public sector infrastructure in ways that foster the development of the local economy;
- where it is involved, SIB has worked to ensure that sustainable development principles guide capital investment decisions on all major publicly funded buildings and infrastructure projects;
- SIB has 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 SIB support;
- SIB has provided detailed information to its stakeholders on progress with the implementation of the Investment Strategy; and

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SIB has developed as an organisation so that – insofar as this is possible within budget constraints - it meets the requirements of its stakeholders: Ministers, local representatives, the Departments, its shareholder (OFMDFM), private sector bidders, its staff and the public.

SHARE CAPITAL

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

FIXED ASSETS

Details of the movement of fixed assets have been summarised in note 11 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 2013.

EMPLOYEE POLICY

SIB 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 and advancement 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 in 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.

DATA PROTECTION AND FREEDOM OF INFORMATION

SIB is required to report on personal data related incidents. Within its Government framework, SIB 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 12/13 year SIB received eleven Freedom of Information (FOI) requests, and responded to all of them within the 20 day deadline. SIB will continue

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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.

ABSENCE DATA

Listed in the table below are the sick absence results for SIB:

	Working Days lost 12/13	Average days lost per FTE member of staff	Absence rate 12/13 %
Including long-term absence	169	2.89	1.14
Excluding long term absence	62	1.06	0.42

SUSTAINABILITY REPORT

SIB is committed to the Executive's Sustainable Development Strategy.

Policies and practices have been introduced within SIB 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.

SIB's office accommodation is located within Clare House. This building was designed and built in accordance with best practice in sustainability. Its energy usage is monitored and reported. Despite increasing its headcount during the past year, the organisation has not increased the size of its office. 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 up to 20% of their time and to use video-conferencing as an alternative to travelling by air. During 12/13, staff recorded 374 days worked from home, saving around 15,000 miles which equates to 4.7 tonnes of CO₂ emissions prevented.

SIB 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 social clauses in construction and service contracts and supported sustainable economic growth through its work on the Investment Strategy. SIB has

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provided a manager for the e-cars project and funded the creation of an energy model to inform decisions on energy policy.

SIB has, as in previous years, promoted consideration of sustainability issues in design and construction through its sponsorship of the Royal Society of Ulster Architects' Sustainability Award.

PAYMENTS TO SUPPLIERS

SIB 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. SIB 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 2013, SIB has paid 86% of its suppliers within 10 days (86% in 11/12).

During the 2012-13 financial year, 98% of suppliers were paid within 30 days.

FINANCIAL POSITION AND RESOURCES

SIB is funded by its sponsor Department, OFMDFM. OFMDFM has indicated that it intends to continue to fund the organisation for the foreseeable future and has provided indicative budgets up to the end of the current budget period in 2014/15. The organisation has the staff resources required to achieve its current business objectives.

FINANCIAL KEY PERFORMANCE INDICATORS

In the 12/13 financial year, SIB spent 100% of its budget allocation from OFMDFM.

The average cash held in the bank throughout the year was £758,509.

Applying the Creditor Days ratio as at 31st March 13, the proportion that is the aggregate amount owed to trade creditors at the year end 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 25.5 In 2012 the ratio was 12.1 as the outstanding creditors value at 31st March 2012 was lower than at 31st March 2013. This ratio is based at a point in time, and therefore does not suggest that an issue with prompt payment of creditors exists.

DIRECTORS' REPORT

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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 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 OFMDFM has designated the Chief Executive as the Accounting Officer for SIB. 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 Chapter 3 of Managing Public Money NI, and Annex 1 FReM 12/13.

RELATED PARTIES

Details of the company's related parties are set out in note 9 to the financial statements and in the Remuneration Report.

CHARITABLE DONATIONS

The company made no charitable donations during the period.

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CORPORATE GOVERNANCE

The company's Statement of Corporate Governance is set out on page 19.

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.

AUDITORS

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2008¹³, the Comptroller and Audit General has statutory responsibility for the audit of the Strategic Investment Board Limited under the Audit and Accountability (NI) Order 2003.



David Dobbin
Chairman

Date: // June 2013



Brett Hannam
Chief Executive

ANNUAL GOVERNANCE STATEMENT

For the year ended 31 March 2013

The Strategic Investment Board (SIB) is a company limited by guarantee, owned by the Office of the First Minister and deputy First Minister (OFMDFM) and functioning as one of that Department's Arm's Length Bodies (ALBs). It is financed from OFMDFM'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 SIB's Account for 2012-13. The Governance Statement comprises two broad elements. In the first part, the Statement describes SIB's governance framework; identifying responsibilities and explaining the functions of its constituent elements. The second part of the Statement 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 SIB's conformance with the Code of Conduct (2005).

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The purpose of the Governance Statement to report publicly on the extent to which SIB 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.

THE GOVERNANCE FRAMEWORK

Overview of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which SIB 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 SIB'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 SIB for the year ended 31 March 2013. It comprises:

- the Board;
- the Accounting Officer;

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- 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 explained 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 Remuneration Committee;
- The Management Statement and Financial Memorandum;
- OFMDFM 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.

The Accounting Officer

As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of SIB's aims and objectives. I also have responsibility for the propriety and regularity of the public finances allocated to SIB and for safeguarding public funds and assets, in accordance with the responsibilities

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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 SIB Board ('the Board'). This includes highlighting to the Board specific business risks and, where appropriate, the measures that could be employed to manage these risks.

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 HM Treasury's "*Corporate Governance: Code of Good Practice*". The Board takes an objective long-term view of the business of the organisation, leading its strategic planning process and assisting the Chief Executive in meeting his 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 the OFMDFM 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 SIB's corporate governance arrangements, including risk management; and

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- overseeing and monitoring the Department'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 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. It does not usually direct the Chief Executive on how SIB's business should be run. Day-to-day operational matters are the responsibility of the Chief Executive and senior staff.

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

The Chief Executive is 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 the Chief Executive, head of the Asset Management Unit and head of Investment Strategy. It also receives a monthly financial and budget monitoring report and a pack of relevant media reporting.

The Chief Executive provides 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 SIB; usage of SIB web sites; Assembly Questions relevant to SIB; absence management; recruitment; communications; legal work and requests for SIB support. Strategic Advisers and Project Managers provide the Board with quarterly reports on the progress of their work.

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Board Committees

The Board operates the following committees:

- The Audit Committee, which provides assurance to OFMDFM, as shareholder, that the company's financial and other control systems are operating effectively;
- The Strategy Committee, which scrutinises and supports the development of long-term plans and policies and the delivery of analytical support and research;
- The Remuneration Committee, which approves senior appointments and salaries and scrutinises recruitment;
- The AMU Committee, which oversees the work of the AMU; and
- The Communications Committee, which scrutinises the organisation's strategic communications and engagement work.

The Audit Committee

The Audit Committee's terms of reference set out its purpose as being to support the 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:

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- The Accounting Officer;
- The Internal Auditor;
- The External Auditor; and
- A representative of OFMDFM.

In line with best practice set out in the HMT Audit Committee Handbook, the chair of the ARC approves an agreed agenda of work for its meetings, which will include:

- the review of the corporate risk register;
- scrutiny of the annual accounts;
- review of Stewardship Statements;
- consideration of internal and external audit strategy;
- review of internal and external audit findings;
- consideration of fraud;
- consideration of any Directly Awarded Contracts;
- consideration of DAO letters; and
- monitoring of residual audit recommendations.

The committee reviews its own effectiveness annually. The committee Chairman reviews the effectiveness of its members and report on this to the Board Chairman annually.

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.

Internal Audit

The Committee obtains Independent Assurance from the the Internal Auditors. The primary role of Internal Audit is to provide the Accounting Officer and the Board with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the

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organisation's agreed objectives. Internal Audit provides independent assurance by giving an independent opinion on the adequacy and effectiveness of SIB's system of internal control to the Accounting Officer and Audit Committee.

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

The Accounting Officer is independently advised by the Head of Internal Audit who operates in accordance with Government Internal Audit Standards.

External Audit

SIB is also subject to independent scrutiny from the Northern Ireland Audit Office. The Audit Office is independent of Government and is tasked by the Assembly to hold the Northern Ireland Departments and their Agencies to account for their use of public money. The Comptroller and Auditor General works closely with the Assembly's Public Accounts Committee which can require Accounting Officers and senior officials to account for their actions in relation to the management of public funds.

A representative from the Northern Ireland Audit Office attends all SIB Audit Committee meetings.

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 SIB's overall aims and objectives. The committee consists of the Chief Executive, the Legal Director, Compliance Manager and Finance Manager. A Principal Officer from OFMDFM attends as an observer. Minutes are prepared after the meeting by the finance team, which record the committee's decisions. These are made available to OFMDFM and the internal and external auditors. Representatives of the NIAO usually attend at least one meeting per year.

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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 SIB will operate, in particular it defines:

- the SIB's overall aim, objectives and targets in support of OFMDFM's wider strategic aims and current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of the SIB's functions, duties and powers;
- the conditions under which any public funds are paid to the SIB; and
- how the SIB 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 SIB is required to observe, including delegated financial authorities. A revised MSFM was agreed during 2012.

OFMDFM Oversight Arrangements

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

In order to discharge its duties on behalf of the sponsor Department, SIU administers the following oversight controls:

- Quarterly Stewardship Statements; (see below)
- Quarterly Performance Reports; (to a format set out in the MSFM)
- Financial Monitoring Reports; (in a standard format)
- Monthly Stocktake Meetings; (attended by the Chief Executive) and

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- Quarterly Accountability and Oversight Meetings; (attended by the Chief Executive and senior SIB staff).

The Quarterly Stewardship statement, prepared under the direction of, and signed by, the Chief Executive, provides information and assurance in the following areas:

- Business Planning;
- Business cases (including Economic Appraisal, and Post Project Evaluation);
- Consultancy;
- Forecasting & Monitoring of Expenditure;
- Procurement;
- Information Assurance;
- Business Continuity Plans;
- Staff (including attendance, gifts and hospitality);
- Third Party Organisations;
- Internal & External Audit Reports; and
- Other significant issues.

The Corporate and Business Plan

The Corporate and Business Plans are the main planning documents for SIB. The purpose of this Corporate Plan is to set out the medium term objectives SIB and describe the corporate strategy it will follow to achieve them. The annual Business Plan develops the Corporate Plan by defining in detail SIB's targets for the year ahead, the resources it will employ 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) and comprises two elements:

- Section 1 describes the context within which SIB operates. It begins with a review of the organisation's work in 2012/13 and shows how this supported the achievement of the Executive's objectives. This

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section also documents those factors that SIB takes into account when determining how it can best reach its own goals and meet the needs of its customers. It sets out those factors that may significantly affect the organisation's ability to execute the plan, including an assessment of key risks. Finally it explains the policy context within which the company operates. An important element of this section is the Letter of Expectations sent to the SIB Chair by the First and the deputy First Ministers. These requirements define the strategic direction of the company and provide the context within which SIB's Board determines the company's operating strategy.

- Section 2 sets out SIB's medium-term corporate strategy. It defines the company's vision, its strategic priorities, objectives and desired outcomes. The section also provides a high-level description of the approach SIB will take to the achievement of these goals and outcomes. The section concludes by enumerating the resources the company expects to use to achieve its objectives.

The annual Business Plan defines SIB's business targets for the year ahead. The Business Plan is derived from the three-year Corporate Plan, which sets out SIB's medium term objectives and high-level corporate strategy. Taken together these documents describe the outcomes and the outputs it will deliver using the resources SIB have been allocated.

The Corporate and Business Plans are drafted by the Chief Executive with input from senior staff and key stakeholders. The plan is considered in draft by the SIB Board and OFMDFM. Once approved it is presented to Ministers and the Department of Finance and Personnel.

The Performance Management Framework

SIB operates within a performance management framework that is consistent with the Government's FABRIC[‡] approach. The SIB Performance Management Framework ensures the framework is:

[‡] *Choosing the Right FABRIC - A Framework for Performance Information*, HM Treasury et al, March 2001.

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- *Focused* on the core aims and objectives of the organisation;
- *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.

Operational Partnership Agreements (OPAs)

OPAs are important control mechanisms that define the relationship between SIB and its individual customers. The precise terms of the OPA vary between customers, but will always cover the following:

- A clear definition of the work SIB will carry out for the customer;
 - The financial relationship (e.g. co-funding) between SIB and the customer organisation, if any;
 - Arrangements for SIB obtaining feedback and assessment;
 - Arrangements for publicity and communications; and
 - Arrangements for record keeping.
-

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Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the 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. SIB has established Financial Policies and Procedures that address areas of risk as well as operational efficiency and effectiveness. These documents act as a reference point detailing all Financial Policies and Procedures that have been approved by the SIB Board.

SIB has developed, in consultation with its sponsor Department, a suite of other policies, processes and procedures that cover the full range of its activities. These are available to staff through the SIB intranet. Staff are required to review the key policies and procedures annually and certify that they accept and understand them.

All staff are briefed on these policies during their induction. Senior managers and line managers identify additional training needs as part of the performance appraisal system. These needs are addressed through SIB's annual training and development plan.

Risk Management

SIB'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 SIB's aims and objectives, and where necessary, are brought to the attention of OFMDFM.

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

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- identify and prioritise the risks to the achievement of SIB's aims and objectives;
- to evaluate the likelihood of those risks being realised and the impact should they be realised; and
- to manage them efficiently, effectively and economically.

SIB's policy is to pursue a structured approach to the management of risk in pursuit of business objectives. This continuous process of integrated activities ensures the potential impact of risks to the achievement of SIB's objectives is managed. SIB's policy is to adopt good practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated, reduced to an acceptable level or managed and contained; and to embed risk management practices within management and planning activities.

SIB's risk management policy sets out the process whereby SIB methodically identifies, assesses and responds to the risks attaching to its activities. It assigns responsibility and accountability for risk management; defines the processes for risk review and reporting; describes a format for the organisation's corporate risk register and explains the organisation's approach to training in risk management.

To assist in the Risk Management Process, SIB has developed and maintained a Risk Register which is scrutinised through reports to Audit Committee. The Risk Register:

- identifies SIB's high level risks; and
- analyses the risks related to the current Business Plan.

The Risk Register identifies the Risk Owner for each of these risks and reinforces the link between risk management and the business planning and execution processes. Senior Staff are required to review the risks attaching to their work on a quarterly basis as part of the Performance Reports, report to the Departmental Board on any amendments, and review and revise their programme and project Risk Registers as necessary. All new business activities are assessed for key risks and controls put in place.

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The Risk Assessment has the following sections:

- Risk Summary;
- Risk Movement Chart;
- Risk Register;
- Fraud Risk Assessment;
- Bribery Risk Assessment;
- Impact Assessment for Records Management Systems;
- Control Measures for records Management Risks;
- Harm (Impact) reference Table; and
- Likelihood Reference Table.

Fraud and Counter-Fraud

SIB's Policy and Procedures on Fraud, (Including the SIB 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 SIB Fraud Response Plan).

Whistleblowing

The SIB 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.

REVIEW OF EFFECTIVENESS

The Board

In 2012-13, the Board comprised the following members:

Dr. David Dobbin	Chairman & Non-executive Director
Mr. Frank Hewitt	Non-Executive Director
Ms. Geraldine McAteer	Non-Executive Director
Mr. Bro McFerran	Non-Executive Director
Mr Chris Thompson	Non-Executive Director

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Mr Denis Rooney	Non-Executive Director (resigned October 2012)
Mr. Brett Hannam	Chief Executive

The Board held **11** meetings and an away-day during 2012-13. Attendance was as follows:

<i>Director</i>	<i>Meetings Attended</i>	<i>Possible Attendance</i>
Dr. David Dobbin	11	11
Mr. Frank Hewitt	11	11
Ms. Geraldine McAteer	8	11
Mr. Bro McFerran	7	11
Mr Chris Thompson	10	11
Mr Denis Rooney	5	6
Mr. Brett Hannam	11	11

Review of Executive Reporting

The following paragraphs set out the scope of the Board's work during the reporting period.

In 2012-13 the SIB Board considered the following standing agenda items:

- Minutes of the Previous Meeting;
- Chief Executive's report;
- Head of AMU's report;
- Head of Investment Strategy's report;
- Finance Report; and
- Media Report.

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

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

- Maze-Long Kesh Development Corporation;
- Revenue Financed Investment Programme (twice);
- Strategic Waste Programme;

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- Area Planning for Education;
- Colin Town Centre Regeneration;
- The Strategic Review of Procurement;
- The Infrastructure Audit;
- The Annual Report to Ministers on the operation of the AMU;
- Strategic Planning Models;
- Draft Asset Management Strategy;
- Social Housing: Potential Asset Transfer (twice);
- Desertcreat Community Safety College;
- DETI EAG Report on Access to Finance;

The Board received the following reports from its sub-committees:

- Five reports from the Audit Committee, together with the Audit Committee Annual Report and an Internal Audit Report on allegations against an SIB Adviser dating from the previous year.
- Three reports from the Remuneration Committee, together with a proposal to establish a delegated authority for staff appointments;
- Two reports from the Programmes & Projects Committee Report;
- One report from the Communications Committee.

In addition the Board considered the following matters:

- The operation of the Associate Advisers pilot scheme;
- The draft Report & Accounts
- The draft Corporate and Business Plan
- The draft Ministerial 'Letter of Expectation'
- The draft Management Statement and Financial Memorandum;
- The revised SIB Equality Scheme;

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- A report on the UN Centre of PPP Excellence, European Centre of PPP Excellence and the International Project Finance Association;
- Proposals for Membership of Board Sub-Committees & Project Oversight;
- A report on the work of Infrastructure UK, followed by a discussion with Mr Geoffrey Spence, of Infrastructure UK

The Board held an Away-Day in August 2012 at which it considered its own effectiveness. Although broadly content, the Board produced an action plan to deliver improvements.

In the course of the self-assessment, the Board confirmed that it was content with the quality of management information and other papers provided to it.

At this event, the Board also heard feedback on the work of SIB from the Head of the Civil Service, the OFMDFM Director with responsibility for SIB and the head of SIB's sponsor Division.

The Chair conducted a review of the effectiveness of each Board member and reported this to OFMDFM. OFMDFM carried out a review of the effectiveness of the Chair.

Based on the foregoing, I believe that the SIB Board has conformed to its terms of reference, with the exception that it has not completed a formal review of those Terms of Reference.

The Audit Committee

The membership of the SIB Audit Committee in 2012/13 comprised:

Mr Chris Thompson (Chair)
Mr Frank Hewitt
Mr Bro McFerran

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The Audit Committee met five times in 2012/13. All meetings were quorate.

<i>Director</i>	<i>Meetings Attended</i>	<i>Possible Attendance</i>
Mr. Frank Hewitt	4	5
Mr. Bro McFerran	4	5
Mr Chris Thompson	5	5
Mr. Brett Hannam	5	5

The Board reviewed the SIB's financial accounts in May 2012 and recommended that they should be adopted by the Board. The Comptroller and Auditor General issued an unqualified audit opinion on the 2011/12 accounts.

The committee took three reports from its internal auditors. Each gained a 'satisfactory' assurance rating. The subjects of the reports were:

- Travel & Subsistence and Hospitality;
- Payroll and Pensions
- The Provision of Advice

All recommendations from the audit reports were accepted.

The internal auditor's overall assurance rating for 2012/13 was 'satisfactory'. The committee reviewed risk and the risk register at its meetings. It made recommendations regarding risk ownership and paid particular attention to Procurement Risks and Information Assurance risks. The Executive provided the committee with a report setting out the sources of risk assurance. The committee considered a report on risks arising from the implementation of the Bribery Act. The report led to all SIB staff receiving additional training in this area.

The committee reviewed all instances of Directly Awarded Contracts (DACs) made during the year and was content that all were managed appropriately.

The committee reviewed and approved the internal audit plan and the external audit strategy.

No instances of fraud or suspected fraud were identified during the reporting period.

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The committee did not instigate any investigations during the reporting period. The committee reviewed the implementation of previous audit recommendations.

The committee reviewed the Stewardship Statements submitted by the Chief Executive to OFMDFM.

The committee completed a self-assessment exercise in December 2012. The internal and external auditors were invited to contribute to this process. The committee made a number of recommendations for changes to its processes and took steps to implement such improvements.

The committee reviewed its terms of reference in February 2013 and made a number of minor changes.

The committee met the internal and external auditors twice in the absence of the executive.

The committee submitted a formal written report on its work to the SIB Board in May 2012. The Chair reported orally to the SIB Board after each of the committee's meetings.

The Chair attended a meeting of OFMDFM Audit Committee Chairs and reported on it to the SIB audit committee.

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

Board Committees

The Strategy Committee met twice during the reporting period. Its main work was the instigation and monitoring of an audit of Northern Ireland's infrastructure. This work is on-going.

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 ratified at the following meeting. The

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committee considered proposals for a cost of living pay increase and initiated a review of SIB pay policy, which is on-going.

The Programmes and Projects Committee met three times during the year to scrutinise individual programmes and projects; to consider project risks and to examine requests for SIB support. The Board reviewed the operation of this committee at its Away Day and decided to implement a new system for Board oversight of projects. This system has been implemented and the Programmes and Projects Committee has been discontinued.

The AMU Committee has met twice during the reporting period to consider the work of the unit and to scrutinise key reports.

The Communications Committee did not meet during the reporting period.

OFMDFM Oversight

The Accounting Officer has submitted Quarterly Stewardship Statements to OFMDFM as requested by the Department. These have been considered by the SIB Audit Committee.

The Accounting Officer has attended, with senior staff, Quarterly Accountability Meetings with the OFMDFM Accounting Officer or his deputy and senior staff from the Department.

The Accounting Officer has attended monthly Stocktake Meetings with senior officials from OFMDFM.

Senior SIB staff and the CEO have operated a 'no surprises' policy in respect of ensuring that officials in the Department are aware of all material events, transactions and other issues that could be considered contentious or attract public comment, whether positive or negative.

During 2012/13 the MSFM was reviewed and a new version agreed by OFMDFM, the Board and DFP.

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Performance Management

The CEO has monitored SIB's performance against the targets set out in its business plan and has reported quarterly on these to the Board and to OFMDFM. He has provided the Board and OFMDFM with 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 SIB; usage of SIB web sites; Assembly Questions relevant to SIB; absence management; recruitment; communications; legal work and requests for SIB support. Strategic Advisers and Project Managers have provided the Board and OFMDFM with quarterly reports on the progress of their work.

The CEO has satisfied himself as to the quality of data reported to the Board through personal inspection, by reports provided to him from electronic data sources and by assurances provided by senior staff.

The Board indicated, in the course of its self-assessment, that it is satisfied with the quantity and quality of the management and other information provided to it.

The CEO sought feedback from customers on the performance of SIB staff and has incorporated such feedback into performance appraisals. He has provided customers with the opportunity to comment on the services provided by SIB and has taken such feedback into account in business planning and the management of day-to-day operations.

Training

The 2012/13 Training Plan was drafted by the HR Manager. This year, particular attention was paid to ensuring relevant staff were qualified to evaluate tenders and to participate as members of recruitment panels. All staff received training in the implications of the Bribery Act and in the implementation of the SIB Equality Scheme. All staff were required to re-familiarise themselves with SIB's key policies and procedures. Data from the TRIM records management system demonstrates that individual members of staff have met this requirement.

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Board members are offered the opportunity to declare any training needs and to have them addressed by the company. No directors declared any such needs during 2012/13.

Risk Management

The 2012-13 Corporate Risk Register was drafted by the Accounting Officer and was subject to regular revision, through scrutiny by the Audit Committee. Board members have the opportunity to identify and consider any emerging external risks/threats that could affect the SIB's capacity to deliver on its Business Plan commitments. The key risks to SIB that were managed during the reporting period are:

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<i>Risk</i>	<i>Residual Impact</i>	<i>Residual Likelihood</i>
SIB may not have the capacity and capability to achieve its business objectives.	HIGH	MEDIUM
Key external stakeholder relationships may break down or deteriorate in ways that adversely impact SIB's ability to achieve its business objectives.	MEDIUM	MEDIUM
SIB may not obtain the financial resources required to achieve its objectives.	MEDIUM	MEDIUM
There is a risk that SIB may be unable to raise the private finance required for the programme of revenue-funded investment envisaged by ministers.	HIGH	MEDIUM
SIB's financial and other controls may not be sufficient to prevent or identify fraud.	MEDIUM	LOW
Access to information may not be limited to a pre-defined group of authorised staff; information may not be complete, accurate and valid; information may not be accessible and usable when required by staff.	MEDIUM	LOW
SIB may have inadequate or inappropriate procurement processes.	MEDIUM	MEDIUM

There are no corporate risks to SIB that have both a residual 'HIGH' impact and 'HIGH' likelihood.

The Accounting Officer provided the Audit Committee with a report setting out the sources of risk assurance. For each risk this identified the likely root causes,

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described current controls and, for each of the latter, set out the sources of assurance.

No 'Ministerial Directions' have been issued to SIB.

There have been no significant lapses of protective security.

SIB's risk appetite is defined as the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time. At present, SIB assesses its risk appetite on the basis of an assessment of individual risks in the context of all other risks. The audit committee considers the risk register put forward by the executive; reviews the assessment and determines whether the level of residual risk remaining after control measures have been implemented is acceptable (i.e. is within the level of risk the organisation is prepared to tolerate) at an individual and collective level. Should the committee determine that the level of residual risk is unacceptable, then it would refer the matter to the Board for a decision on whether the activity or situation giving rise to the risk(s) can be allowed to continue. In 2012/13 there were no instances where the committee determined that risk(s) lay outside the organisation's risk appetite and was thus unacceptable.

Looking forward, it is likely that the risk profile of the organisation will be maintained broadly at its current level. However, the involvement of SIB in projects that are politically controversial (for example the Peace-building and Conflict Resolution Centre) may lead to some increase in risks arising from the organisation's need to maintain the support of a wide range of stakeholders. The Board will continue to keep this matter under review in 2013/14.

Similarly, the scale of the company's operations is likely to increase in the coming twelve months, placing additional pressures on its support functions, including finance. The Board will monitor these pressures and ensure that, where necessary, additional resources are provided where these are required to maintain the necessary levels of assurance.

Financial Management

The implementation of SIB financial management process in 2012/13 included:

- The setting of annual Enabling and Operational budgets;

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- Monitoring of actual income and expenditure against the annual budget;
- Three in-year monitoring reviews of the budget, reported to OFMDFM;
- Setting and management of expenditure profiles
- Monthly reporting of SIB's financial position to the Board;
- A clearly defined system of expenditure authority delegations;
- Clear processes for the authorisation of expenditure and the payment of invoices; and
- Managing risk in key financial service areas.

Procurement

The Investment Committee has met 12 times during the reporting period. It has approved eighty-one business cases with a total value of £11,887k. Of these, forty (£8,700k) were cases for the employment of staff and forty-one (£3,187k) were for external support or direct contributions to Departmental projects.

The committee has extended its remit to include the consideration of business cases for the employment of staff and Post-Project Evaluations.

Through its work the committee has provided assurance that SIB adheres to the procurement and appraisal procedures set out in its MSFM, DFP guidance and procurement regulations, and that its budget is used with due regard for probity and value for money.

SIB awarded contracts directly on four occasions during the reporting period. Three of these required the approval of the OFMDFM Accounting Officer, which was obtained prior to award. All instances were reported to, and approved by, the SIB Audit Committee.

SIGNIFICANT GOVERNANCE ISSUES

No governance matters arising in prior years are still considered to represent internal governance issues for 2012-13.

There were no instances of 'whistle blowing' within SIB during 2012-13.

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There were no significant issues arising during 2012/13 in respect of Corporate Governance.

CONFORMANCE WITH CODE OF CONDUCT

SIB, 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 HM Treasury's *"Corporate Governance in Central Government Departments: Code of Good Practice (2005)"*. Where appropriate, the organisation has taken account of additional good practice documented in the 2011 edition of the Code.

SIB is not a Central Government Department and cannot, therefore, comply with those parts of the code that are only applicable to such Departments. However, SIB's corporate governance arrangements have been established in such a way as to conform broadly to these standards in accordance with the Code's recommendation that for bodies such as SIB "the code should be applied with adjustments to suit their scale, responsibilities and accountability chains". Throughout the year ended 31 March 2013, SIB has complied with all relevant 2005 Code provisions.

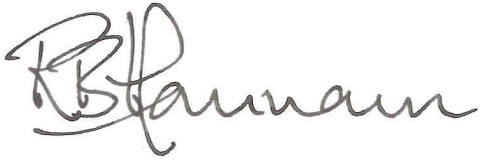
CERTIFICATION

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 SIB Board and by the Audit Committee.

SIB 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.

ANNUAL GOVERNANCE STATEMENT
For the year ended 31 March 2013

Having considered the operation of its governance framework, I am content that SIB has operated a sound system of internal governance during the period 2012/13.

A handwritten signature in black ink, appearing to read 'B Hannam', with a stylized initial 'B'.

BRETT HANNAM
CHIEF EXECUTIVE & ACCOUNTING OFFICER
STRATEGIC INVESTMENT BOARD LTD

REMUNERATION REPORT

For the year ended 31 March 2013

Remuneration Report

The Remuneration Committee consists of non-executive board members of the company. The Remuneration Committee is chaired by Frank Hewitt. Other members are David Dobbin and Chris Thompson. The Chief Executive attends as an observer 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 salaries below this threshold, commencing March 2012.

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

Service Contracts

Remuneration of senior members 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. SIB is currently awaiting the outcome of its 2012/13 pay remit submission.

The notice period for all SIB staff is one month.

The arrangements for early termination of senior members are made in accordance with the employment contract of the relevant individual. SIB'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.

In previous years each member of permanent staff participated in a discretionary bonus scheme. The bonus was linked to the individual's and corporate performance. Bonus payments were non-consolidated and non-pensionable. The bonus scheme has not operated since the 08/09 financial year and consequently no bonuses were paid in the current year.

Non-executive directors have fixed-term appointments not exceeding three years. These appointments are renewable. Individual appointments are made, and remuneration levels set, by OFMDFM after consultation with the Chairman.

REMUNERATION REPORT

For the year ended 31 March 2013

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 SIB in the financial year 2012-13 was £140,000 (2011-12, £125,000). This was 2.2 times (2011-12, 1.8 times) the median remuneration of the workforce, which was £63,500, down £6,500 on prior year (2011-12, £70,000) due to an increase in junior staff.

In 2012-13, no employees received remuneration in excess of the highest-paid director, (2011-12, two employees). Remuneration ranged from £11,000 to £140,000 (2011-12 £11,000- £150,000).

Total remuneration includes salary and benefits-in-kind but does not include severance pay. There were no severance payments made in 12/13. It does not include employer pension contributions and there were no bonus payments made in 12/13.

Directors Emoluments (Audited)

The following directors received emoluments directly from the company during the year.

	Year ended 31 March 2013			31-Mar-12
	£s			£s
	Salary	Bonus	Total	Total
Hannam B	137,500	-	137,500	125,000
Dobbin D	16,000	-	16,000	16,000
McAteer G	11,000	-	11,000	11,000
Rooney D*	6,417	-	6,417	11,000
McFerran A	11,000	-	11,000	11,000
Hewitt F	11,000	-	11,000	11,000
Thompson C	11,000	-	11,000	11,000
D Waugh*	-	-	-	2,250
Total	<u>203,917</u>	<u>0</u>	<u>203,917</u>	<u>198,250</u>
Highest Paid Director Remuneration			137,500	125,000
Median Total Remuneration (staff)			63,500	70,000
Ratio			2.2	1.8
Pension				
Hannam B			13,750	12,500
Total			<u>13,750</u>	<u>12,500</u>

* D Rooney left Oct 12, D Waugh left July 11

REMUNERATION REPORT

For the year ended 31 March 2013

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. Brett Hannam was appointed as Chief Executive on 1st June 2012 and received an increase in remuneration from £125k to £140k.

Pensions

SIB operates a defined contribution pension scheme for all permanent staff. The employer makes a contribution of 10% of basic salary to the company's pension scheme or a registered pension scheme of the employee's choice. The employee does not have to contribute to this scheme. SIB also contributes to a centrally-provided risk benefit scheme (that provides cover for death in service and retirement due to ill health).

Fees to Third Parties

There were no amounts paid, excluding expenses, to third parties in respect of directors of the company in 2012/13.

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

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
D Dobbin	-	117
F Hewitt	277	238
C Thompson	202	-
D Waugh	-	927
	<u>479</u>	<u>1,282</u>

Transactions Involving Directors and Related Parties

C Thompson is a non executive director of G4S (NI) which has a contract for the supply of security services to Maze/Longkesh. The Police Service of Northern Ireland occasionally employ C Thompson as a consultant.

REMUNERATION REPORT

For the year ended 31 March 2013

F Hewitt is a non executive director of the Northern Ireland Transport Holding Company, the NI Science Park and the Ilex Urban regeneration company.

There are no other commercial or financial relationships involving directors of SIB.

The directors have non-financial interests in the following organisations for which SIB has carried out work:

URFU Stadium	D Dobbin
Culture Company 2013, Armagh Observatory and Planetarium	B Hannam
Culture Company 2013	B McFerran
Danske Bank	B McFerran
PSNI	C Thompson

SIB maintains a register of the interests of its Directors that is available on request to the Company Secretary.



David Dobbin

Chairman

Date: 11 June 2013



Brett Hannam

Chief Executive

STRATEGIC INVESTMENT BOARD LIMITED

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the under the terms of the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003 the Office of the First Minister and deputy First Minister (with approval from DFP) has directed SIB 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 SIB 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 and Personnel, 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 OFMDFM has appointed the Chief Executive as the Accounting Officer of SIB. 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 SIB's assets, are set out in *Managing Public Money Northern Ireland* published by DFP.

STRATEGIC INVESTMENT BOARD LIMITED

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 March 2013 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the 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 Report that is 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 examine, 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions 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 31 March 2013 and of its nil balance and cashflows 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 part of the Directors' Remuneration Report to be audited has 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 part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel'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

14 June 2013

STRATEGIC INVESTMENT BOARD LIMITED

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2013

		Year ended 31-Mar 2013	Year ended 31-Mar 2012
		£	£
	Note		
INCOME - Grant in aid	2	6,423,660	6,149,701
- Other operating income	2	1,784,648	1,064,586
		<u>8,208,308</u>	<u>7,214,287</u>
EXPENDITURE			
Staff costs (including employee benefits)	5	5,025,421	3,523,631
Enabling expenditure	7, 8	2,519,327	2,993,049
Other operating charges	6	662,790	697,607
Depreciation/ Loss on disposal of fixed assets	11	770	0
TOTAL EXPENDITURE		<u>8,208,308</u>	<u>7,214,287</u>
NET SURPLUS (DEFICIT) FOR THE YEAR	4	0	0
AMOUNT TRANSFERRED TO RESERVES		<u>0</u>	<u>0</u>

There are no recognised gains or losses for the current period other than as stated above. Accordingly, no statement of changes in equity is given.

Notes 1 to 23 on pages 57 to 75 form part of these financial statements.

STRATEGIC INVESTMENT BOARD LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	As at 31-Mar 2013 £	As at 31-Mar 2012 £
Non-current assets			
Property, plant and equipment	11	<u>8,473</u>	<u>0</u>
Current assets			
Trade and other receivables	12	643,232	299,512
Cash and cash equivalents	13	<u>548,028</u>	<u>880,860</u>
Total current assets		<u>1,191,260</u>	<u>1,180,372</u>
Total Assets		<u>1,199,733</u>	<u>1,180,372</u>
Current liabilities			
Trade and other payables	14	<u>(1,199,733)</u>	<u>(1,180,372)</u>
Non current assets less net current liabilities		0	0
Non-current liabilities		0	0
Assets less liabilities		<u><u>0</u></u>	<u><u>0</u></u>
Reserves			
General reserve (Income and Expenditure account)	22	<u>0</u>	<u>0</u>
Total		<u><u>0</u></u>	<u><u>0</u></u>

In the view of the Board an exemption from the audit requirements of Part 16 of the Companies Act 2006 is available under section 482 of that Act, since the company meets the Department of Finance and Personnel's definition of a non-profit-making company and is subject to a public sector audit under the Companies (Public Sector Audit) (Northern Ireland) Order 2013, being an order issued under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003. The Board therefore claims this exemption.

The accounts are subject to audit by the Comptroller and Auditor General for Northern Ireland by virtue of an order under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003 (S.I. 2003/418N.I.5)).

STRATEGIC INVESTMENT BOARD LIMITED

STATEMENT OF FINANCIAL POSITION CONTINUED

The members have not required SIB (Company Registration No. NI 45710) to obtain an audit of its accounts for the year ended 31st March 2013, in accordance with section 476 of the Companies' Act 2006.

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 53-75 were approved and authorised for issue on 11 June 2012 by the SIB Board of Directors.

Signed on behalf of the board of directors by:



David Dobbin
Chairman



Brett Hannam
Chief Executive

Notes 1 to 23, on pages 57 to 75, form part of these financial statements.

STRATEGIC INVESTMENT BOARD LIMITED

STATEMENT OF CASHFLOW For the year ended 31 March 2013

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
	Note	
Cash flows from operating activities	19	
Deficit for the year	0	0
Depreciation	770	0
Loss on disposal	0	0
(Decrease)/Increase in trade and other payables	19,361	(426,025)
Decrease/ (Increase) in trade and other receivables	(343,720)	740,763
Net cash flow from operating activities	<u>(323,589)</u>	<u>314,738</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,243)	0
Cash flows from financing activities	0	0
Increase (decrease) in cash and cash equivalents	<u>(332,832)</u>	<u>314,738</u>
Cash and cash equivalents at the beginning of the period	<u>880,860</u>	<u>566,122</u>
Cash and cash equivalents at end of the period	<u><u>548,028</u></u>	<u><u>880,860</u></u>

1. 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. The accounts comply with the accounting and disclosure requirements contained in the Northern Ireland International Financial Reporting Standards based Financial Reporting Manual (FReM) and accounting disclosure requirements issued by the Department of Finance and Personnel 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 (SIB) 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.

Capital grants

There were no capital grants in the 2012/13 financial year.

1. ACCOUNTING POLICIES (CONT'D)

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.

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 31st March 2013.

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

SIB 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

In line with advice from OFMDFM, SIB has identified only one operating segment under IFRS 8 and has prepared the accounts accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Changes in Accounting Policy and Disclosure

The following additional or revised accounting standards and new (or amendments to) interpretations are contained within the Government Financial Reporting Manual (FReM) 2012-13

- Business combinations under common control
- Accounting for the Carbon Reduction Commitment
- Financial Instruments Disclosure (IFRS 7)
- Governance Statement

With the exception of the requirement in relation to the Governance Statement, SIB considers that these changes are not relevant to its operations.

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

SIB has reviewed the following additional or revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FReM) 2013-14.

- Presentation of financial statements (Other Comprehensive Income, IAS 1,)
- Income taxes (IAS12)
- Post employment benefits (pensions) (IAS 19)
- Financial instruments (IFRS 9 & IAS 32)
- Consolidation and reporting of subsidiaries, associates, joint ventures and Investment entities (IFRS 10)
- Fair value measurement (IFRS 13)
- Property, plant and equipment (IAS 16)
- Interim financial reporting (IAS 34)

These changes will be mandatory for accounting periods beginning on or after 1 April 2013 or later periods, but which SIB has not adopted early. SIB considers that these changes are not relevant to or will have minimal impact on its operations.

In addition, certain 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 2014. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

2. INCOME

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
This comprises:		
Grant in Aid receivable (OFMDFM)	6,414,195	6,149,701
Grant in Aid receivable (DSD)	9,465	
Total revenue grants receivable	<u>6,423,660</u>	<u>6,149,701</u>

SIB 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 2013 £	Year ended 31-Mar 2012 £
Income	1,784,648	1,064,586
Expenditure	<u>(1,784,648)</u>	<u>(1,064,586)</u>
	<u>0</u>	<u>0</u>

3. NET DEFICIT FROM OPERATIONS

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
The net deficit from operations is stated after charging:		
Property rent & costs	173,856	194,222
Depreciation	0	0
Loss on disposal of fixed assets	0	0
Auditors' remuneration - audit services*	<u>11,064</u>	<u>16,858</u>

*External Audit fee was over accrued by £4,746 in 11/12, and has been adjusted for in the 12/13 year
The figure also includes £1,175 in respect of the National Fraud Initiative

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

4. EMPLOYEES

The average number of employees, excluding Non Executive Directors, (not full-time equivalents) in the company is made up as follows:

	Year ended 31-Mar 2013	Year ended 31-Mar 2012
Staff	41	33
Staff recharged to other departments	17	9
Seconded staff*	5	2
Total	63	44
Permanent	27	23
Temp contracts	35	21

Staff per salary scales are detailed in the table below.

Note showing number of staff in Salary bandings		Year ended 31-Mar 2013	Year ended 31-Mar 2012
	Pay Scale	No of Staff	No of Staff
Administrators	£15k- 30k	14	8
Assistant Advisors/ Administration Managers	£30k- 60k	17	13
Strategic Advisors	£60k-125k	30	22
Senior Management	£125k-150k	2	2
		63	44

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

5. EMPLOYEES (Cost)

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
The costs incurred in respect of these employees were:		
Wages and salaries (increased by employee benefits)	2,391,477	1,786,262
Wages and salaries recharged to other departments	1,413,622	843,044
Social security costs	461,807	322,474
Health Insurance	201,225	92,598
Other pension costs	<u>381,127</u>	<u>261,405</u>
Total staff cost	4,849,258	3,305,783
Seconded staff *	176,163	217,849
Total employment cost	<u><u>5,025,421</u></u>	<u><u>3,523,631</u></u>

* Staff seconded to SIB 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.

No provision is required for equal pay claims in SIB accounts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

6. OTHER OPERATING CHARGES

		Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Office Accommodation	(i)	173,856	194,222
Telephones and postage		33,562	18,821
Computer consumables		5,016	2,728
Stationery		13,347	8,311
Recruitment costs	(ii)	95,117	141,056
Travel, accommodation and subsistence		122,890	94,317
IT Costs		36,945	43,200
Training & Conferences		37,621	28,418
Hospitality		6,681	4,565
Misc Operational Costs		16,096	12,235
Communication		8,393	11,324
Fees	(iii)	37,665	56,062
Director Costs		71,301	78,698
Equality Support		4,300	3,650
		<u>662,790</u>	<u>697,607</u>

(i) Office Accommodation includes rent, rates and facilities management charge relating to Clare House. SIB is charged rent and rates by DFP and this totalled £72,500 (2012: £87,000) and £37,279 respectively for the year ended 31st March 2013. DFP had three tenants in the building and rent and rates are apportioned, by head count. During 12/13 SIB was charged 7.5% of the miscellaneous building expenses. This reduced to 6.3% from 1st April 2012. Currently they have no separable lease agreement with Turkington (the owners of the building) so the potential adjustments on lease treatment (IAS 17 'Leases') is immaterial. Service charges decreased from £33.5k to £22.2k. VAT is no longer charged on any of our accommodation invoices, resulting in a 20% saving on prior year.

(ii) Of the £95,117 expenditure incurred in recruitment costs, £84,029 (2012: £59,583) was recharged to other Departments in relation to staff secondees hired for project specific roles.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

- (iii) Fees include payments to Central Procurement Department (CPD) for running procurement competitions, internal/external audit fees, and sundry legal advice.

7. SOURCES AND APPLICATION OF FUNDS

SOURCE OF FUNDS	Note	Year ended	Year ended
		2013	2012
		£	£
OFMDFM Grant in Aid	2	6,414,195	6,149,701
DSD Grant in Aid	2	9,465	
MLK		350,206	
DE		218,992	99,680
DoE		202,569	226,461
OFMDFM		177,674	369,782
PSNI		172,154	154,938
NIPS		148,712	59,473
DRD		108,849	84,086
DETI		100,059	
BCC		95,207	
WPFPG		63,322	
DCAL		57,864	26,559
NIEA		34,787	
DARD		20,457	
FSNI		16,702	
ESA		15,384	
LCC		10,590	
Other		1,120	11,022
AFBI		-10,000	10,000
Armagh Council			22,585
		<u>8,208,308</u>	<u>7,214,287</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

7. SOURCES AND APPLICATION OF FUNDS (Continued)

APPLICATION OF FUNDS	Year ended 2013 £	Year ended 2012 £
Staff Costs (see note 5)	5,025,421	3,523,631
Other operating charges (see note 6)	662,790	697,607
Other	0	0
<i>Enabling Expenditure by project</i>		
Titanic Quarter Signature Proj	346,735	138,935
Lisanelly	289,552	785,565
Desercreat Training College	250,000	300,000
Waste Management	244,214	361,938
Asset Management Unit	188,867	154,444
ISNI 2	157,964	103,130
Driver Vehicle Licencing Agency	150,000	296,371
Belfast Transport Hub	149,690	136,406
Colin Town Centre	149,457	53,602
AMU BRG Work	121,114	7,860
Primary Care Program	95,138	
Belfast Media Hub	88,380	
Derry City of Culture 13-Preps	78,717	
Maze Long Kesh	77,380	140,937
PSNI Decision support system	41,400	6,000
Regeneration (Social)	35,024	27,940
Toolkit Development	19,792	28,753
GP Out of Hours NHS 111 OBC	12,690	
Poultry Litter SBRI	10,288	
Sally Gardens Regeneration	7,927	10,648
Hollywood Arches Urban Design	5,000	
Sports Stadium	2	39,997
East Belfast P Regen Officer	1	28,917
St Comgalls	-4	10,000
The MAC		53,118
Templemore Ave Redevelopment		99,446
W5 Review		41,746
Belfast Bike Hire scheme		5,243
Armagh Gaol		26,650
Commercialisation		46,938
Creative Industries		9,301
Crumlin Road Gaol		7,740
e Cars Project		50,000
Glen Road		5,572
PLACE		12,291
St Mary's		3,100
Other		460
Total Enabling Expenditure	<u>2,519,328</u>	<u>2,993,049</u>
Total Expenditure (excl Depreciation)	<u>8,207,539</u>	<u>7,214,287</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

8. ENABLING EXPENDITURE

This expenditure on enabling costs is principally undertaken in respect of SIB 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:

Supplier	No of		No of	
	Projects	Year Ended	Projects	Year Ended
	2013	2013	2012	2012
		£		£
Deloitte	2	393,413	1	121,783
PSNI (Support to Dept Projects)	1	250,000	1	300,000
DOE (Support to Dept Projects)	1	239,864	2	371,680
Driver Vehicle Agency (Support to Dept project)	1	150,000	1	296,371
Translink (Support to Dept Projects)	1	149,690	1	136,406
Rothchilds	1	121,130		
KPMG	5	121,103	4	115,866
DFP	6	100,553		
Bovis Lend Lease	1	15,544	1	593,770
CPD	2	50,215	3	120,384
Colliers International	2	71,432	2	109,246
GVA Grimley				
PWC				
DSD				
McVickerMann Consulting LLP				
Derry City Council				
Kindred Agency				
Gardiner & Theobald				
Total Suppliers Over 100k		1,662,944		2,165,506
Suppliers Under £100k		623,511		579,802
Direct Dept Funding Contributions		64,141		247,741
Project Staffing related costs		168,731		
Total Enabling Spend		2,519,327		2,993,049

The expenditure in relation to Government bodies listed above comprises recharges from those bodies in relation to projects supported by SIB.

Of the project spend detailed in notes 7 and 8 above, a total of £999,923 was declared as Consultancy costs. This was categorised by the consultancy definitions set out in DFP guidance (See table on page 67).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

8. ENABLING EXPENDITURE (Continued)

Use of Consultancy	Year Ended	Year Ended
	2013	2012
Financial	386,293	342,663
Legal	750	34,702
Marketing	65,872	140,086
Strategic	280,914	148,884
Technical	266,094	553,282
Total	999,923	1,219,618

9. RELATED PARTY TRANSACTIONS

OFMDFM is regarded as a related party. During the year SIB received grant in aid of some £6,414,195. SIB also received £177,674 from OFMDFM in relation to staff recharged on the MLK project. OFMDFM are also a shareholder in Ilex Urban Regeneration Corp.

10. TAXATION

HM Revenue & Customs has determined that SIB is a taxable entity but not all of the income will be taxable. In the year ended 31 March 2013, no provision for tax has been made as there has been no assessable income arising (period ended 31 March 2012: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

11. PROPERTY, PLANT AND EQUIPMENT

	Year ended 2013 £	Year ended 2012 £
Cost:		
At 1 April 2012	0	0
Additions in year*	9,243	0
Disposals	0	0
At 31 March 2013	<u>9,243</u>	<u>0</u>
Accumulated Depreciation:		
At 1 April 2012	0	0
Charge in year	770	0
Disposals	0	0
At 31 March 2013	<u>770</u>	<u>0</u>
Net book value:		
At 31 March 2013	<u>8,473</u>	<u>0</u>
At 31 March 2012	<u>0</u>	<u>0</u>

* The finance system was upgraded in Dec 12 at a capital cost of £9243

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

12. TRADE AND OTHER RECEIVABLES

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
Trade Receivables	333,963	195,613
Amounts owed by OFMDFM re Grant in Aid	0	0
Prepayments and Accrued Income	309,269	103,899
	<u>643,232</u>	<u>299,512</u>

Analysed between amounts due from:

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
Central government bodies	345,169	224,177
Local Government	47,842	0
NHS Bodies	0	0
Bodies external to government	250,221	75,335
	<u>643,232</u>	<u>299,512</u>

13. CASH AND CASH EQUIVALENTS

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
Balance as at 1 April:	880,860	566,122
Net Changes in cash and cash equivalent balances	(332,832)	314,738
Balance as at 31 March	<u>548,028</u>	<u>880,860</u>

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

14. TRADE AND OTHER PAYABLES

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
Included in liabilities falling due within one year are:		
Trade Payables	428,244	204,040
Accruals	530,832	621,627
Employee benefits (Note 15)	145,259	116,667
Deferred Income (Grant in Aid)	2,166	151,216
Value Added Tax	93,232	86,823
	<u>1,199,733</u>	<u>1,180,372</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

14. TRADE AND OTHER PAYABLES (continued)

Analysed between amounts owed to:

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
Central government bodies	129,827	242,261
Local authorities	0	0
Public Corporations	257,867	283,109
NHS bodies	0	0
Bodies external to government	666,779	538,335
Employee benefits	145,259	116,667
	<u>1,199,733</u>	<u>1,180,372</u>

15. EMPLOYEE BENEFITS

SIB 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 SIB, 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*' (2013: £145,259 ,2012: £116,667).

As a result of recognising employee benefits, there was a cumulative adjustment on closing reserves of £116,667 as at 31 March 2012. A further adjustment of £28,592 was made in the Statement of Comprehensive income for the year ended 31st March 2013 resulting in a closing liability for employee benefits of £145,259.

16. CONTINGENCIES AND COMMITMENTS

There were no contingencies or capital commitments at the year-end. SIB is committed to supporting various projects which are on-going at year end. SIB is dependent on funding from its sponsoring Department, OFMDFM, to meet its commitments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

17. 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.

18. DEFERRED INCOME

	Year ended 31-Mar-13	Year ended 31-Mar-12
	£	£
At 1 April	0	0
Capital grant received in year	0	0
Deferred Income	(2,166)	(151,216)
Released to Statement of Comprehensive Net Expenditure	0	0
At 31 March	<u><u>(2,166)</u></u>	<u><u>(151,216)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

19. NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Deficit for the year	0	0
Depreciation	770	0
Loss on disposal	0	0
(Decrease)/Increase in trade and other payables	19,361	(426,025)
Decrease/ (Increase) in trade and other receivables	(343,720)	740,763
Net cash inflow/ (outflow) from operating activities	<u>(323,589)</u>	<u>314,738</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,243)	0
Cash flows from financing activities	0	0
Increase (decrease) in cash and cash equivalents	<u>(332,832)</u>	<u>314,738</u>

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

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Increase (decrease) in cash and cash equivalents	(332,832)	314,738
Cash and cash equivalents at the beginning of the period (1 st April 2012)	<u>880,860</u>	<u>566,122</u>
Cash and cash equivalents at end of the period (31st March 2013)	<u><u>548,028</u></u>	<u><u>880,860</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

20. RESERVES

The movement on the income and expenditure reserve in the year comprised:

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Balance at 1 April 12	0	0
Deficit for the year	<u>0</u>	<u>0</u>
Balance at 31 March 13	<u><u>0</u></u>	<u><u>0</u></u>

21. FINANCIAL INSTRUMENTS

IFRS 7 '*Financial Instruments: Disclosures*' requires disclosure that enables evaluation of the significance of financial instruments for SIB's financial position and performance, the nature and extent of risks arising from financial instruments which SIB is exposed to during the period and at the reporting date, and how SIB manages those risks. As a result of the non-trading nature of its activities and the way in which SIB is financed, SIB 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 SIB's activities.

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 SIB were to comply with FReM, the following would be the effect of this compliance:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

STATEMENT OF COMPREHENSIVE NET EXPENDITURE PREPARED UNDER FReM

		Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
	Note		
INCOME			
Other operating income	2	1,784,648	1,064,586
		<u>1,784,648</u>	<u>1,064,586</u>
EXPENDITURE			
Staff costs	5	5,025,421	3,523,631
Enabling expenditure	8	2,519,327	2,993,049
Other operating charges	6	662,790	697,607
Depreciation & Loss on disposal of fixed assets	11	770	0
TOTAL EXPENDITURE		<u>8,208,308</u>	<u>7,214,287</u>
NET DEFICIT FOR THE YEAR	3	(6,423,660)	(6,149,701)
AMOUNT TRANSFERRED TO RESERVES		<u>(6,423,660)</u>	<u>(6,149,701)</u>

		Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Statement of Cashflows prepared under FReM			
Cashflows from operating activities			
Net Deficit after interest and tax		(6,423,660)	(6,149,701)
Non Cash Transactions (Depreciation)		770	0
Increase / (decrease) in trade and other payables		19,361	(426,025)
Increase / (decrease) in trade and other receivables		(343,720)	740,763
Net Cash used in operating activities		<u>(6,747,249)</u>	<u>(5,834,963)</u>
Cash flows from financing activities			
Grant in Aid from Parent Department		6,414,195	6,149,701
Other Grants received		9,465	
Net Cash used in financing activities		<u>6,423,660</u>	<u>6,149,701</u>
Cash flows from investing activities			
Purchase of Property, Plant & Equipment		(9,243)	0
Net increase / (decrease) in cash and cash equivalents		<u>(332,832)</u>	<u>314,738</u>
Cash and cash equivalents at beginning of the period		880,860	566,122
Cash and cash equivalents at end of the period		<u>548,028</u>	<u>880,860</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

22. ADDITIONAL DISCLOSURES TO COMPLY WITH FReM (continued)

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Analysis of Income and Expenditure Reserves:		
Balance at 1 April	151,216	(525,092)
Grant in Aid received in year	6,274,610	6,826,009
Net operating cost for the year	(6,423,660)	(6,149,701)
Balance at 31 March	<u>2,166</u>	<u>151,216</u>
	Year ended 31-Mar 2,013 £	Year ended 31-Mar 2012 £
Summary of Balances:		
Income & Expenditure reserve	2,166	151,216
	<u>2,166</u>	<u>151,216</u>

There was no closing Debtor in relation to Grant in Aid. In addition, £151,216 was received and included in the year ended 31 March 2012 but this related to Grant in Aid monies for the 12/13 financial year. £2,166 was received in cash in 12/13, but relates to Grant in Aid monies for the 13/14 financial year and is shown as deferred income. There were no losses or special payments in 2012/13.

23. POST BALANCE SHEET EVENTS

None