



Labour Relations

AGENCY

Improving Employment Relations

ANNUAL REPORT

& ACCOUNTS

2003 - 2004



progressive.
inclusive
impartial

...promoting new ways forward in the workplace

Mission Statement

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

Equality Statement

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

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

Core Values

In delivering services the Agency will:

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

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



**Labour Relations Agency Annual Report and Accounts
For the year ended 31 March 2004**

Laid before the Houses of Parliament by the Department for Employment and Learning in accordance with Paragraph 12(2) and 12(4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 29 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

15 December 2004

Laid before the Northern Ireland Assembly under Paragraph 15(5) and Paragraph 16 of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992 by the Department for Employment and Learning

15 December 2004

Ordered by the House of Commons to be printed

15 December 2004

**HC 14
NIA 129/03**

LONDON: The Stationery Office

£16.00

5 July 2004

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

Dear Mr Haire

Annual Report and Accounts of the Labour Relations Agency: 2003-2004

In accordance with Article 16(1) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I have pleasure in submitting the Annual Report and Accounts of the Labour Relations Agency on its activities during the twelve month period ended 31st March 2004.

Yours sincerely



PATRICK McCARTAN
Chairman

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*Leading employment relations
in Northern Ireland*



*Quality, impartiality,
independence*

The LRA Board



Dr Boyd Black

Lecturer in Employment Relations at Queen's University Belfast, where he is Subject Leader in Economics and Finance. His research interests include Northern Ireland employment relations and comparative employment relations.



Ms Julie Anne Clarke

Associate Partner in Elliott Duffy Garrett Solicitors specialising in employment and discrimination law. Committee member of the Employment Lawyers Group NI and a regular speaker at Legal-Island conferences.



Mr Harry Goodman OBE

Former Chief Executive of the Equality Commission for NI and prior to that Chief Executive of the Fair Employment Commission for NI. Member of the Council for Catholic Maintained Schools.



Mr Patrick McCartan (Chairman)

Chairman of North and West Belfast Health and Social Services Trust and Co-Operation Ireland. Fellow of the Chartered Institute of Personnel and Development.



Mr Jim McCusker

Former General Secretary of NIPSA and member of the NI Committee of the Irish Congress of Trade Unions (NIC-ICTU), the Executive Council of ICTU, the NI Economic Development Forum and the European Union Peace II Monitoring Committee.



Mrs Margaret Watson

Margaret Watson, Employment Law Consultant, was formerly Deputy Director of Employment Equality, Sex Equality Directorate of the Equality Commission for NI and prior to that Senior Legal Services Officer at the Fair Employment Commission for NI.



Mr Eugene McGlone

Senior Regional Industrial Organiser with the ATGWU. Adviser on Industrial Relations. Panel Member of the Industrial Tribunals and the Criminal Injuries Compensation Appeals Panels.



Mr Alan Mercer

Director of Human Resources, NI Transport Holding Company. Member of the Corporate Affairs Committee of the Confederation of British Industry, Board Member of Transfed and member of the European Public Transport HR Directors' Forum.



Mr Gordon Milligan

Responsible for Human Resource Operations within the UK and Ireland for Nortel Networks. Frequent lecturer in management development throughout the UK.



Mr Roden Ward

Recently Head of Human Resources in the First Trust Bank where he has worked since 1991. Prior to that held managerial positions in human resources in both the public and private sectors throughout Northern Ireland.



Mr Jim Collins

Former Chief Executive of Ford Motor Company NI. Board Member of Enterprise Ulster, Ortus West Belfast Development Agency and NI Curriculum Council for Educational Assessment as well as Chairman of the Manufacturing Technical Partnership. Panel Member of Industrial Tribunals.



Ms Patricia Maxwell

Senior Lecturer in the School of Law at the University of Ulster. Has researched and published widely in employment law, human rights and anti-discrimination law. Regular speaker at the Legal-Island Annual Review of Employment Law.



Ms Elizabeth May

Facilities Services Policy Manager in the NI Housing Executive. Member of NIPSA, the Advisory Committee to the Central Investment Fund for Charities and the British Institute of Facilities Management. Panel Member of Industrial Tribunals.

A word from the Chairman



It is my privilege to present the Annual Report and Accounts for the work of the Board of the Labour Relations Agency covering the period April 2003 to March 2004. The year has been marked by being the busiest for employment relations in Northern Ireland we have ever recorded. This is due to the rise in high profile industrial disputes, and to the number and complexity of outstanding individual claims, asserting employment rights, to Industrial and Fair Employment Tribunals. Also, the demands for our advisory and information services have been running at record levels. These factors have combined to place special demands on our professional staff, whose dedication and skilled service continue to make Northern Ireland a better place in which to work.

“Our business and its successful outcome for those who seek our input, is reliant on the approachability, professionalism and dedication of our people.”

Large-scale private sector and public sector disputes characterised the year, with Shorts Bombardier, the Fire Service, the Education

Service, and the Northern Ireland Civil Service being the most prominent. At one period, when combined with the 14,000 outstanding individual cases at tribunals, over 10% of Northern Ireland’s workforce was directly involved in conflict at work. The workload on LRA staff in resolving conflict is never done, but it has also increased in complexity and intensity throughout the year, owing to the introduction of new legislation, (Employment Relations (Northern Ireland) Order 2003), requiring new codes of practice. New individual rights have also added to our work. It is therefore no surprise that the Board of the LRA made a special approach to the Department for Employment and Learning to seek additional resources for our work and as the year ended our detailed submission was receiving careful attention.

Our Board has been gratified to receive the continued support and encouragement of the social partners for our work throughout the past year. We rely on them to help us with our policy development and good practice, and the Northern Ireland Committee - ICTU, and the CBI NI Branch do an excellent job in promoting positive employment relationships, in disseminating information, giving feedback, and in participating in our events. We have further developed our co-operation and joint working with Invest NI, with the Federation of Small Businesses, and with the Chartered Institute of Personnel and Development. Our seminar on improving dispute resolution methods was well attended, with a host of good ideas emerging for further work in the coming year. All this would not have been possible but for the excellent co-operation received from the Labour Relations Commission, and ACAS, the Advisory, Conciliation and Arbitration Service. Also, we have benefited from our international links by examining in detail the methods and legislative incentives used for promoting fast and effective

conflict resolution and positive employment relations in workplaces in the US, the EU, Canada, South Africa, New Zealand and



Australia. All of these assist us in considering new methods, and in trying to promote greater involvement of the parties to disputes in solving problems within the workplace itself.

The experience of the past year has drawn our attention to the changing nature of the conduct of employment relationships within the workplace. Whilst the number of days lost to industrial disputes shows little increase over levels in the recent past, and certainly no return to the levels in the 1970s, there has clearly been a hardening of attitudes between the parties. Also, tactics have changed in disputes, shifting the burden to individual rights litigation, and to sanctions, or one- or two-day stoppages, or specific groups only being asked to take extended strike action with the financial support of others not on strike. Such disputes are lengthy, and damaging to competitiveness, to job security, to productivity, to citizens and to the wider public interest. In some instances the parties are focused on the tactics and conduct of the dispute, rather than on finding solutions. Against such a background, it is difficult to make progress towards a solution. Our Board as well as the public, find it frustrating. The legislation under which we operate, the 1992 Industrial Relations (Northern Ireland) Order, gives us powers to intervene, to take action unilaterally if necessary. However, the Board believe they should only intervene if by doing so the situation becomes easier to resolve.

During the year, Jim Collins (Vice-Chairman), Patricia Maxwell, and Liz May completed terms of distinguished service as Board Members of the LRA. Their contribution to the improvement of employment relations in Northern Ireland is greatly appreciated. Harry Goodman acts as Vice-Chairman, and the Minister appointed three new members, Julie Anne Clarke, Jim McCusker and Roden Ward. All have great experience to bring to our work, and have already made a significant contribution.

We are already one year into our corporate plan for 2003 - 06 and have made progress in addressing major changes in improving our employment relationships as this annual report

testifies. What is particularly pleasing is the high level of trust, respect, and co-operation for the work of our officers from all with whom we interact - employees, unions, employers, large and small, public agencies and government departments at all levels. But more needs to be done - to address the EU Directive on Information and Consultation, to implement workplace practice and tribunal reforms, to modernise and improve our practices in conflict resolution, arbitration, and third party intervention, and to promote greater mutuality and partnership working.

The co-operation of the LRA Board, our staff, and all of us engaged in employment relations is essential, and I wish to thank everyone for their hard work over the past year.

Patrick McCartan
Chairman

A word from the Chief Executive Bill Patterson



“2003-2004 was a year in which the staff of the Agency made considerable contribution to employment relations and to taking the organisation forward. Undoubtedly the coming year will see further change and development.”

This has been a demanding year for the LRA driven by an increase in the number of high level public sector disputes as well as an increase in Tribunal cases received for conciliation. We have put specific measures in place to help us deal with the volume of disputes and cases over the next few years, ranging from strategic partnerships to improved best practice for the Agency itself.

Addressing Employment Issues

Employees, trade unions and employers continue to use our advisory services which are highly valued and in considerable demand, particularly in the small firms sector. Pending changes in legislation, requiring all employers to meet statutory standards in the handling of discipline and grievance matters, will drive further demand on our services. However, we are in a position to help you with the development and implementation of these procedures.

The LRA publishes articles on employment relations issues which employers and employees may find a helpful guide. This presents an opportunity for employment relations practitioners and academics to publish articles directly relevant to Northern Ireland. Published articles are downloadable from our website.

We always welcome the submission of articles for possible publication. Simply contact us if you have a useful article.

We are willing to facilitate constructive debate on key issues in Northern Ireland employment relations.

We can assist in the resolution of workplace disputes through Alternative Dispute Resolution (ADR). An example of this is our newly introduced Unfair Dismissal Arbitration Scheme, which fast-tracks the resolution of unfair dismissal disputes. The non-adversarial approach of arbitration is conducive to the full involvement of employment relations practitioners in the process of resolution. There is still some way to go in developing ADR as the automatic first choice for employers, trade unions and employees. Why not use the LRA to ensure that disputes are turned round in your organisation?



Strategic Partnerships at Work for You

During 2003-2004 we initiated a number of partnerships and alliances with a view to promoting good employment relations through learning from the experiences of others.

During the year the Department for Employment and Learning launched the NI Partnership Fund. The Fund selection panel met in March 2004. The scheme provides financial support for partnership working. Successful applicants will be known by May 2004. If you are facing a difficult change issue why not contact our Advisory Services section and find out if joint working can help.

“Partnership working at enterprise level can be an effective lever for change and for dealing with difficult business circumstances. Agency staff can facilitate employers and trade unions in support of formal partnership projects and with joint working.”

In March 2004 the social partners, CIPD, NIFIR (NI Forum on Industrial Relations), LRA and key stakeholders held the first meeting of the Northern Ireland Employment Relations Forum. It is the intention of the group to support the strategic development of employment relations in Northern Ireland and to promote good employment relations particularly at industry and regional levels. There is a vacuum to be filled in recognising the contribution of good employment relations to the Northern Ireland economy.

Best Practice

Sharing and introducing best practice continues to be a core focus for LRA. With this in mind we

held a successful seminar to examine the Republic of Ireland Rights Commissioner service and to hear about the new mediation services offered by ACAS in Great Britain. Also in 2003-2004 we prepared a Flexible Working Arbitration Scheme which we intend to launch in autumn 2004.

Changes in employment law in 2003-2004 continued to impact on LRA services. The Agency Code of Practice on Time Off for Trade Union Duties and Activities (Including Guidance on Time Off for Union Learning Representatives) was revised and issued for consultation, nine seminars on the Employment Relations (Northern Ireland) Order 2002 were held and the Agency also held seminars jointly with the Equality Commission for NI on Bullying and Recruitment and Selection.

Pushing for Improvement

During the year the Agency commissioned an Investors in People assessment. We coped well on many of the criteria and regard all of the findings as a vehicle to improve our services through the skill and commitment of staff. IiP is viewed as a building block of our quality strategy which was reviewed in Autumn 2003. The Agency also reviewed its business risks and developed a risk register which is fundamental to ensuring sound internal control. We believe, based on formal and informal feedback, that our customer satisfaction is high but we need to take a more systematic and consistent approach to determining both customer and staff satisfaction. An assessment of overall staffing requirements was undertaken by the senior management team in support of Board representation to DEL. This stemmed from the need to assess the impact of the introduction of fixed periods for conciliation to be introduced in April 2005 and from the need to assess the resources required to fully meet the Agency's corporate commitments and operational demands. A staffing bid was put to DEL in March 2004 the outcome of which will be determined early in the 2004-05 financial year.

We also implemented two revised staffing policies - Equal Opportunities Policy and Harassment

Policy. The Agency Joint Negotiating and Consultative Committee has continued to work on the revision of Agency staffing policies and procedures.

During the year, Business Development Services have progressed staffing reviews of pressure points in the Agency and also its responsibilities for resourcing the Certification Office for NI. Although the full outcome will not be known until summer 2004, initial feedback has been useful in terms of optimising systems and the roles and responsibilities of staff.

Our focus on improvement has stretched to bricks and mortar as we have commenced refurbishment of the Agency's premises in Gordon Street, Belfast. We have also rented additional premises to house the Certification Office and improve facilities for LRA staff.

"Throughout the year we have effectively managed internal change to provide a better service; we have strengthened strategic partnerships to ensure we have all the tools to assist in employment relations issues. It has been a busy but productive and fruitful year which has seen us raise standards overall."

Finally, we have improved our marketing and communications through press articles, publicising our events and advertising our services in key business magazines. The work we do is crucial to the business community and it is vital we continue to raise our profile and drive awareness of our services.



Bill Patterson
Chief Executive





The Advisory service of the Agency is recognised for promotion of good employment relations, both in terms of compliance with legislative requirements and also through encouragement of good practice. Our aim is for the LRA to be the first port of call in the minds of our customers.

Good Practice in the Workplace

Advisory Assistance

This year the Agency assisted 374 organisations develop and maintain good practice in employment policies and procedures. In almost 90% of cases, this involved an Agency Officer assisting with vetting and updating existing employment policies and procedures to ensure compliance with the legislative requirements and to promote good practice.

The workshops are designed primarily to provide participants with the necessary information to draft documentation which complies with statutory obligations and embraces good practice. They also provide an awareness of a range of employment-related matters which enable disputes to be avoided and improve relationships in the workplace.

The Agency hosted 36 advisory workshops during the year. We also refined the standard documents

issued at workshops and improved our service through delivery of documents electronically. This has helped organisations to improve drafting of basic employment documents. We also offer a supplementary service of vetting these draft documents to ensure

It is our firm view that sound policies and procedures are desirable methods of communicating rights and responsibilities in the workplace and form a valuable basis for the working relationship.

Sound procedures provide a means for disputes to be resolved in the workplace without the need for recourse to tribunals.

compliance with legislative requirements. Feedback from workshop participants has been very favourable.

The users of the service reflect the structure of the Northern Ireland economy in that the vast majority of clients (some 90%) employed less than 50 employees and came from a wide variety of market sectors.

Workshops on Employment Documentation

Our advisory workshops assist in the preparation of new employment documentation. These are hands-on sessions where practical guidance is given on the preparation of employment documents such as Written Statements of Main Terms and Conditions of Employment, Disciplinary Rules and Procedures and Absence Notification and Certification Procedures.





Good Practice Seminars

Continuing our programme of promoting good employment practice and preventing disputes arising in the workplace, we host a series of seminars led by experienced Agency staff. We publicise this service through a brochure, providing information on the seminars available. Details of the seminars are also available on our website.

Eleven seminars are offered covering -

- A General Appreciation of Employment-related Legislation
- Unfair Dismissal: The Law and Practice
- Working Time Regulations
- The Less Favourable Treatment of Part-time Workers Regulations
- The Right of Workers to be accompanied at Certain Types of Grievance and Disciplinary Hearings
- Statutory Trade Union Recognition
- Bullying in the Workplace
- The Employment (Northern Ireland) Order 2002
- Labour Relations Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes
- The Less Favourable Treatment of Fixed-Term Employees Regulations
- Recruitment and Selection

These seminars, which are free and open to all, are held in the Agency's premises in Belfast or Derry according to demand.

Where any one organisation indicates a sufficient number of attendees, the Agency can facilitate seminars for that specific group either in the Agency or onsite.

We have also joined with the Equality Commission for NI and delivered a series of joint good practice seminars on "Bullying and Harassment in the Workplace" and "Recruitment

and Selection." These seminars are promoted via the Equality Commission's Training Programmes and are designed to develop the skills of those attending in these two key areas of the employment relationship.

We also facilitated a number of additional seminars, not listed in the brochure, in response to requests from clients faced with the ever-changing environment in which employment relations practitioners operate.

Reflecting the continuing and constant demand for information and guidance on employment law the Agency provided a total of 60 good practice seminars throughout the year compared to 24 in the previous year. Approximately 900 people attended these events.

The provision of good practice advice is certainly popular with both employers and employees. Given the demand and positive feedback from seminar participants we plan to expand the range of issues covered in the seminar series in the coming year.

Good Employment Practice

The Agency has given specific focus to Good Employment Practice (formerly known as Preventative Conciliation) over the past year, especially within the context of facilitating joint working and partnership arrangements within private and public sector organisations.

The facilitation role of the Agency can range from helping organisations design and implement job evaluation schemes through to assisting in change management programmes.

In all instances the process is one of joint working where union or employee representatives and management representatives sit together and resolve problems as a team with professional Agency assistance. This process is invaluable in producing durable solutions and a shared ownership of success.

During the year eight new good employment practice projects commenced. Work also continued on four other projects which were incomplete at 31 March 2003. These twelve projects comprised two private sector companies and ten public sector organisations. Of these projects four were completed during the year and work was still continuing on eight at year end.

Enquiries and Advice

The Agency's enquiry lines continue to be a valuable resource in helping to resolve employment relations problems or as a first port of call for those seeking information about their rights and responsibilities. For many people this is their first contact with the Agency so it is crucial it is an efficient, professional and friendly service.

Enquirers are put through to the Enquiry Service in either the Head or Regional Office. They can discuss the nature of their problem with an Enquiry Officer who will have considerable knowledge of employment law and practice. While the Enquiry Officer will not give legal opinion, they will provide information and advice to enable employers, employees and their representatives to take informed decisions. The service is impartial, confidential and free. Approximately 42% of users raised enquiries on behalf of employers and 58% on behalf of employees.

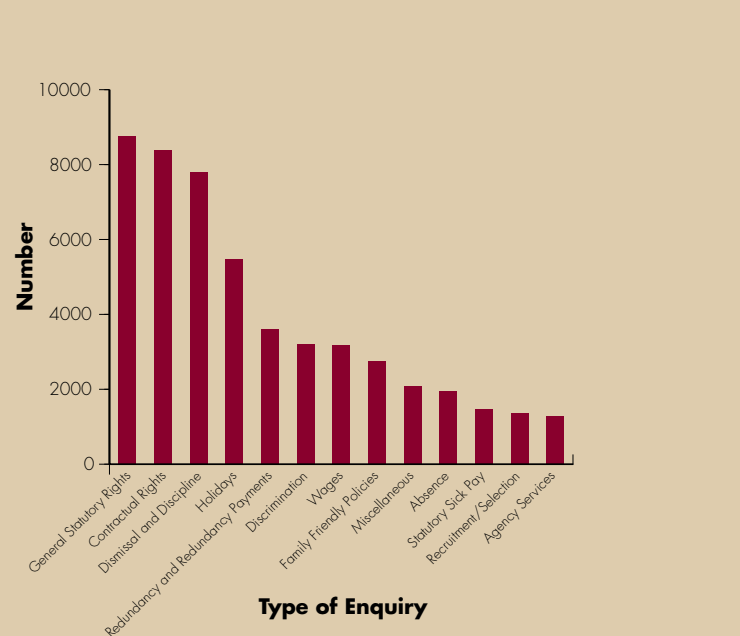
The enquiry lines fill up very quickly during the course of a day and it is often necessary to inform callers that due to the volume of calls it will be necessary to phone back the following day. In these circumstances, we also direct callers to our website where they may find information of assistance in the interim. Because of the complexity of most employment relations queries, it is not possible for the Agency to respond to enquiries received via e-mail.

Calls made to the Agency during the year generated a total of 51,189 separate enquiries on a wide range of employment-related topics (see Table 1).

During the year ended 31 March 2004, the Agency dealt with 29,943 callers compared to 28,432 in the previous year. Each of these callers may have had several types of enquiry. Of these, 29,071 contacted the Agency via telephone and the remaining 872 availed of the Agency's visitor booking system to come into the Head or Regional Office to discuss their enquiry in person.

Table 1:

Type of Enquiry	
General Statutory Rights	8,767
Contractual Rights	8,384
Dismissal and Discipline	7,793
Holidays	5,468
Redundancy & Redundancy Payments	3,607
Discrimination	3,192
Wages	3,173
Family Friendly Policies	2,750
Miscellaneous	2,069
Absence	1,943
Statutory Sick Pay	1,423
Recruitment/Selection	1,350
Agency Services	1,270
	51,189





A Day in the life... Enquiry Point Officers

8.30am

The working day starts. The phone lines do not open until 9am, so the officers have a quick half hour to catch up on administration and plan the day. Each officer gets a block of study time once a week to research developments in case and statute law and increase their already considerable bank of knowledge of employment policies and practices. The Enquiry Manager usually calls in before 9am each day to discuss any issues which may have given cause for concern.

9.00am

The phone lines are open to callers throughout Northern Ireland. Calls come either through the Head Office or the Regional Office. The initial flow of calls normally gets directly through to an Enquiry Point Officer. However, as the volume builds callers may be asked to leave a number and to await a call back from the next available officer.

9.30am

At Head Office in Belfast, four appointments a day are made for visitors to meet with an officer to discuss their enquiries in depth. The first of these is at 9.30 am. Arrangements are also made for enquirers to visit the Regional Office where an officer will endeavour to assist visitors with problems.

10.30am

Typically around 40 calls will have been put through to the Enquiry Point Officers who will have been providing advice and assistance on a continuous basis.

12 noon

Usually the lines close temporarily to allow officers to deal with the backlog of calls which will have accumulated on the answer machine. Callers phoning at this time will be given the option to call back when lines reopen or to leave a message and have their call returned when an officer becomes available. This same process will be repeated in the afternoon when lines have to be closed for the day to enable the answer machine messages to be cleared.

On occasion the lines may be closed for a full or half day for the purposes of staff development. Callers will be informed in advance of such occasions

2.00pm

The Enquiry Manager may call in with messages received via post or e-mail. Because of the unique nature of each enquirer's problem, it is not possible to deal with written requests for information unless they are purely factual and require no further discussion (eg what is the National Minimum Wage?) Whenever an e-mail is received to the Agency's general e-mail address, the enquirer will be asked to e-mail a contact number or to call the Enquiry Line.

4.00pm

Officers take some administration time in order to ensure that any written information of assistance to callers is ready in time to catch the 5pm post collection. Enquirers with computer access will also be guided by the officers to the Agency's website www.lra.org.uk.

Enquiry Point Officers may also recommend other Agency services, such as a Good Practice Seminar on Recruitment and Selection or a Workshop on Terms and Conditions of Employment. Where an enquirer expresses an interest in these, the officer will complete the necessary application form and forward it to the Workshop Co-ordinator.

5.30pm

Most officers have gone at this stage to charge the batteries for another day. Some stay to contact people who had been unavailable earlier in the day.

While the day is structured around the phone lines and meetings, there is time for officers to get a break, even if it is to discuss particular aspects of enquiries with each other or the Manager.

The role is crucial to the success of the Agency and the volume of calls alone this year highlights that it is a service well used by employees and employers.





Codes of Practice

During the year the Agency commenced revision of two of its Codes of Practice: the Code of Practice on Time Off for Trade Union Duties and Activities and the Code of Practice on Disciplinary and Grievance Procedures.

The Code on Time Off was issued in draft form for public consultation which ended on 30 March 2004. This draft included guidance and clarification on matters arising from new and imminent statutory provisions concerning trade union learning representatives contained in Article 31 of the Employment (Northern Ireland) Order 2003. It updated statutory source references which have changed since the existing Code was implemented in 1993. It also provided clarification on the difference between time off rights for trade union duties and activities under the Employment Rights (Northern Ireland) Order 1996 and time off rights for trade union officials acting as companions where workers exercise their right of accompaniment at certain types of disciplinary and grievance hearings under Article 12 of the Employment Relations (Northern Ireland) Order 1999. The Agency envisages that the operational date for the new Code will coincide with the operational date for Article 31 of the 2003 Order concerning trade union learning representatives.

At the end of the year we were nearing the stage when we would issue a draft Code on Disciplinary and Grievance Procedures for public consultation. In particular, the draft Code will take account of new statutory discipline and grievance procedures set out in the Employment (Northern Ireland) Order 2003. Failure to observe these procedures, where applicable, could lead to sanctions including findings of automatically unfair dismissal, increases and reductions in industrial tribunal awards by up to 50% and refusals by industrial tribunals to accept certain applications. The Agency envisages that the operational date for the new Code will coincide with the operational date for implementation of the new statutory procedures.

Two other Codes of Practice published by the Agency are on Redundancy Consultation and Procedures and on Disclosure of Information for Trade Unions for Collective Bargaining Purposes.

We provide all the above Codes in hard copy or they can be downloaded from our website.



Codes of Practice on Time Off for Trade Union Duties and Activities (Including Guidance on Time Off for Union Learning Representatives) and Disciplinary and Grievance Procedures





Update.. Web Page www.lra.org.uk



2003-2004 has seen the Agency expand its website as a means of communicating advice and information on good employment practice. On 24 March we launched our new web page devoted to employment legislation.

The page is in essence a "link" page which allows the user to access primary and secondary

legislation relevant to employment. The link aspect of the page brings the user to the actual legislation maintained online by a joint HMSO and Office of the First Minister and Deputy First Minister statutory publications initiative.

The user benefits are numerous and include:

- speedy access to updated employment legislation;
- access to detailed information on specific aspects of legislation;
- opportunity to tap into other links and documents;
- ability to track developments within certain areas of employment law.

Employment legislation detailed on the site is comprehensively indexed as far back as 1871 up to summer 2004 and lists the vast majority of employment legislation applicable in Northern Ireland.

We hope the employment legislation link page becomes a favourite with all our website users as we are committed to keeping up to date with technological advances.


Promotional Activity

The Agency entered a partnership arrangement with the Business Support Team of the Inland Revenue during the final quarter of the 2003-2004 reporting year. This involved input by an officer of the Agency into the Business Support Team workshops for employers, and by a member of the Business Support Team into the Agency's workshops. The joint venture, which is designed to inform participants in workshops about the services provided by the Agency and the Business Support Team, began as a pilot exercise. At the year end it was reviewed and subsequently agreed that the arrangement would continue into the 2004-2005 year after which it would be further evaluated.

In November 2003 the Agency participated in the first of a series of Start a Business shows organised by Invest Northern Ireland. The exhibition, which was advertised under the heading "Go For It" took place over a two-day period at the Odyssey Arena in Belfast and attracted over 4,500 people, most of whom were interested in self-employment or starting their own business. It is anticipated that the Agency will continue to take part in "Go For It" shows throughout the Province during the next three years.

Talks and Conferences

Requests for Agency staff to speak at conferences and seminars not organised by the Agency totalled 73 compared to 70 in the previous year. Demand for speakers came from a variety of sources which were representative of all sectors of Northern Ireland - employers' organisations, private sector employers, trade unions, Health Trusts, Local Councils, Further Education Colleges and community and voluntary groups. Among the topics covered were the role and function of the Agency, individual employment rights, dealing with discipline and grievances, work-life balance, contracts of employment and absence control.

A close-up photograph of a hand holding a CD/DVD disc over a computer keyboard. The disc is held between the thumb and index finger, with its surface reflecting light in iridescent colors. The keyboard is black with white text on the keys. A white label with black text is visible on the left side of the keyboard. The background is a wooden desk surface.

Advisory services within the LRA had a challenging but productive year. We have endeavoured to give the best possible service to all our users.

A highlight of the year was the Agency's collaboration with Invest Northern Ireland and the Equality Commission for Northern Ireland in designing and holding a conference for small and medium-sized businesses (SMEs) in Northern Ireland. This conference was the second such joint conference sponsored by Invest Northern Ireland.

The half-day joint Agency and Equality Commission for NI conferences bring together expert speakers from both organisations. They are specifically aimed at addressing the needs of small to medium-sized employers. The conferences focus on developments in employment and equality law with the aim of creating awareness of new issues in the field of employment and providing advice on how to avoid the pitfalls which could result in an industrial tribunal case.

This latest conference was very well attended with 93 representatives present from SMEs in the district council areas of Londonderry, Coleraine, Limavady and Strabane. Feedback from the conference showed that it was extremely well received both in terms of content and relevance.



The Labour Relations Agency continues to champion the message of alternative dispute resolution through its experienced team in Conciliation and Arbitration. The objective is to resolve disputes through individual or collective conciliation, mediation or arbitration. These services are referred to as third party dispute resolution processes. These are alternative tools to the use of law or industrial action.

The team offers these third party services on a voluntary and confidential basis.

A Culture of Alternative Dispute Resolution

Resolving Disputes: The Process

Over recent years the number of individual employment rights has increased with the introduction of new entitlements such as discrimination on the grounds of sexual orientation, and the right to flexible working arrangements. If an individual believes that there has been an infringement of their employment rights they may refer the matter to the Office of the Industrial Tribunals and the Fair Employment Tribunal.

The Agency receives a copy of all the applications to the Tribunal offices and has a statutory duty to promote settlements of these claims without the need for a tribunal hearing. This process of settlement is referred to as "individual conciliation". In conciliation a third party conciliator assists the parties to the dispute to reach their own resolution. However, if the conciliation process is not successful, individuals reserve the right to take their case to a tribunal hearing.

Industrial action can occur when a trade union becomes involved in a dispute with an employer about aspects of terms and conditions of employment. For instance wages can be a hot issue which can often cause disputes. Industrial action can take the form of a 'go slow,' overtime ban or a strike.

This form of dispute is known as a "collective dispute."

If a dispute remains unresolved after the process of conciliation, the parties may decide to refer the issues to a mediator or an arbitrator for settlement.

Mediation is the process whereby a third party makes a recommendation to the parties regarding the dispute with a view to resolving the issues.

Arbitration is the process whereby the Arbitrator makes a decision on the resolution of the dispute. The decision is morally, but not usually legally, binding on both parties to the dispute. The Agency retains a panel of qualified people to act as mediators or arbitrators in determining such disputes.

The Agency, with the agreement of both parties, can become involved in the process of resolving collective disputes. The participation of the parties in the resolution process is voluntary; the time taken to resolve the dispute can vary and depends on the nature and complexity of the dispute itself.





SEMINAR ON ALTERNATIVE DISPUTE RESOLUTION

The Rights Commissioner Model in the Republic of Ireland
Kieran Mulvey, Labour Relations Commission, Dublin
Mediation - A Pilot Exercise by ACAS
Lionel Harrison and Dave Nicholson, ACAS

Wednesday 24th March 2004

Seminar Aims

- To raise awareness of Alternative Dispute Resolution;
- To assess and discuss the Rights Commissioner Model in the Republic of Ireland; and
- To examine Mediation - A Pilot Exercise by ACAS.

“ *Excellent calibre speakers in terms of background.* ”

Attended by the social partners, employers, trade unions and practitioners in employment relations, the seminar examined the case for Northern Ireland to have fast, low cost conflict resolution systems to assist in the avoidance of expensive and stressful employment and fair employment tribunals.

Speaking at the seminar Mr Pat McCartan, Chairman of the Labour Relations Agency, said:

‘Employment legislation is complicated and many small businesses in Northern Ireland are concerned they may fall foul of the law. Every year thousands of people make applications to the tribunals in Northern Ireland, yet often with a little help and discussion at an early stage much of this could be avoided.’

The seminar examined the Rights Commissioner Model in the Republic of Ireland and Kieran Mulvey, Chief Executive of the Labour Relations Commission presented the advantages of the Republic’s system. Lionel Harrison and Dave Nicholson, experts from the Advisory, Conciliation and Arbitration Service, the Agency’s sister organisation, outlined the latest developments in mediation services in Britain and described ACAS’ mediation model being piloted for the first time.

Mr McCartan advised that:

‘Northern Ireland needs to catch up with the Republic of Ireland, the US and elsewhere by having a simple method of sorting out employment disagreements or disputes. We simply cannot maintain a situation where cases involving some 17,000 jurisdictions are waiting to be heard at tribunals. The Labour Relations Agency will take feedback from the seminar on how best to develop its approaches to conflict resolution in the workplace, so that tribunal applications can be avoided, with all the time, expense and worry this involves for everyone concerned. Northern Ireland deserves nothing less.’

“ *Very interesting course. Ideas could be developed in NI.* ”

“ *ACAS speakers were most informative - excellent presentation by both of them! Mediation sounds a most valuable service.* ”

Individual Conciliation: The Facts

The Agency's conciliation officers have a high success rate in dealing with cases.

Only 14% of all applications received proceeded to a tribunal hearing in 2003-2004. This figure is a reflection on the effectiveness of the conciliation team in resolving the vast majority of applications. Significantly, 86% of applications were either settled or withdrawn, representing an increase of 2% over 2002/2003.

The number of applications, other than fair employment applications, received by the Agency for the year ended 31 March 2004 was 5,292, a decrease of 5% on the previous year. Of these, 4,694 applications were received through the Tribunal system and 598 requests were made directly to and resolved by the Agency.

The 598 applications made directly to the Agency concerned applications that could otherwise have been lodged with the Tribunal system. If the Agency achieves a settlement in these cases, then the individuals cannot subsequently submit applications to a tribunal for the same alleged infringement of employment rights. The number of direct requests received and settled decreased by 27% from 821 in 2002-2003 to 598 in 2003-2004.

Individual Conciliation Applications

4,725 applications were dealt with between 1 April 2003 and 31 March 2004 - see Tables 2 and 3. The cases dealt with include 588 bulk applications. A bulk application is where a group of 5 or more individual applications are submitted at the same time, in respect of the same employer or group of employers and frequently in respect of the same alleged action/s by the employer. There were a further 6169 applications in a bulk case which have been recorded separately. The number of conciliated settlements in 2003-2004 decreased by 167 (8%) from 1,973 in 2002-2003 to 1,806 in 2003-2004.

Table 2 - Individual Conciliation Applications (excluding fair employment) 2002-2003 figures for comparison in brackets - adjusted from previous annual report

Jurisdiction	Applications Received		Applications Dealt With	
Unfair Dismissal	2350	(2237)	1865	(2083)
Wages Order	788	(934)	695	(766)
Sex Discrimination	462	(566)	624	(608)
Breach of Contract	578	(737)	570	(681)
Equal Pay	89	(99)	91	(126)
Disability Discrimination	179	(198)	162	(145)
Race Discrimination	63	(86)	106	(126)
Other Employment Rights	783	(737)	612	(533)
Total	5292	(5594)	4725	(5068)



Table 3: Individual Conciliation Applications Dealt With and their Outcome (excluding fair employment) 2002-2003 figures for comparison in brackets - adjusted from previous annual report

Jurisdiction	Settled by Conciliation	Withdrawn during Conciliation	Referred to Tribunal	Total Applications Dealt with
Unfair Dismissal	1012 (1260)	677 (634)	176 (189)	1865 (2083)
Wages Order	251 (215)	307 (351)	137 (200)	695 (766)
Sex Discrimination	113 (106)	446 (426)	65 (76)	624 (608)
Breach of Contract	187 (180)	289 (337)	94 (164)	570 (681)
Equal Pay	8 (23)	69 (84)	14 (19)	91 (126)
Disability Discrimination	29 (18)	122 (105)	11 (22)	162 (145)
Race Discrimination	13 (12)	72 (96)	21 (18)	106 (126)
Other Employment Rights	193 (159)	308 (254)	111 (120)	612 (533)
Total	1806 (1973)	2290 (2287)	629 (808)	4725 (5068)

Equal pay for Work of Equal Value

The Agency maintains a list of independent experts who may be asked by an industrial tribunal to report on whether or not particular jobs are equally demanding. Such requests usually arise out of equal pay for work of equal value applications. In 2003-2004 we had no requests for this service. Our independent experts are Mr R Allen, Mr W E Deane, Mr J N McCaul, Dr O Lundy, Dr J R Young and Mr J G Lytle.

Dealing with Religious/Political Discrimination (Fair Employment Applications)

We have a statutory duty to seek to promote settlement of applications relating to religious and/or political discrimination in the same way as other employment jurisdictions.

Tables 4 and 5 summarise the complaints, alleging religious and/or political discrimination, received and dealt with. The applications received in respect of religious and/or political discrimination decreased by 24% in the 2003-2004 year.

Table 4: Fair Employment Applications Received and Dealt With

Applications	2003-2004	2002-2003
Received for conciliation	381	501
Dealt with	480	434

Table 5: Analysis of Fair Employment Applications Dealt With

Applications	2003-2004	2002-2003
Withdrawn	343	323
To Tribunal	58	47
Settled by conciliation	79	64
Total dealt with	480	434

Table 6 illustrates the increasing backlog of individual conciliation cases held by the Agency. Whereas the number of employment and equality cases carried forward continues to rise, there has been a levelling out in the number of fair employment cases carried forward into the next year.

Table 6: Individual Conciliation Trends in Receipts and Cases Dealt with 1 April 1995-31 March 2004

Year	Employment & Equality Cases				Fair Employment Cases			
	Brought Forward	Received in Year	Dealt with in Year	Carried Forward	Brought Forward	Received in Year	Dealt with in Year	Carried Forward
95/96	5,678	5,454	5,018	6,114	581	501	321	761
96/97	6,114	4,757	3,805	7,066	761	560	371	950
97/98	7,066	4,112	3,895	7,283	950	623	636	937
98/99	7,283	4,140	2,846	8,577	937	559	502	994
99/00	8,577	5,844	3,626	10,794	994	516	292	1,218
00/01	10,794	5,778	6,092	10,480	1,218	586	524	1,280
01/02	10,480	5,420	4,486	11,414	1,280	548	321	1,507
02/03*	11,414	5,594	5,068	11,940	1,507	501	434	1,574
03/04	11,940	5,292	4,725	12,507	1,574	381	480	1,475

* Amended figures from the 2002/03 Annual Report

Training and Partnerships

During the year conciliation officers attended several training courses, workshops and seminars. In addition, a number of staff were enrolled on higher education courses.

The individual case management system is undergoing constant refinement to meet the changing needs of conciliation staff. A review of the administration of the case load was undertaken and new systems piloted.

Meetings were held with the relevant staff in the Department for Employment and Learning, the Equality Commission for Northern Ireland and the Office of the Industrial Tribunals and the Fair Employment Tribunal.

Relationship building is a key focus for all Agency Departments. In 2003-2004 the Conciliation and Arbitration Department strengthened links between the Agency and its partners to focus on the provision of services to those with industrial tribunal applications.

Arbitration/Mediation: The Facts

During the year under review, the Agency received 24 requests for Arbitration, other than under the Agency's Arbitration Scheme for the Resolution of Unfair Dismissal Disputes.

Arbitration Requests

8	from procedures agreed within the non-teaching sector of the education process
4	from procedures agreed within the teaching sector of the education process
4	from procedures agreed within other public sector voluntary bodies
3	from procedures agreed within further education
3	from procedures agreed within local government
2	referred from within the private sector

Subject of Requests

19	Discipline/Grievance
4	Redundancy
1	Grading/Job Evaluation



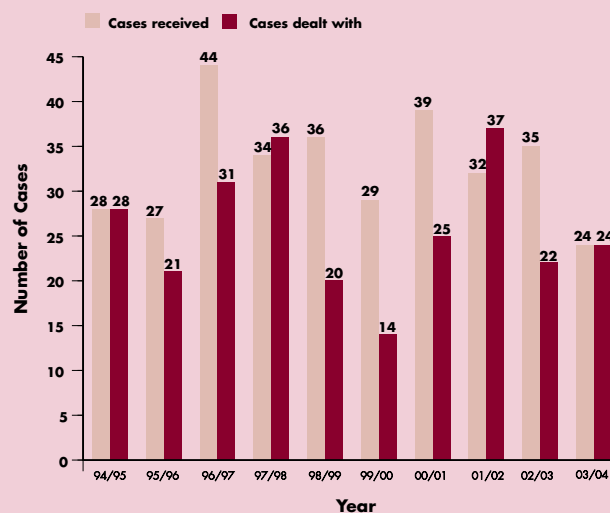
Arbitration and mediation remain effective means of resolving difficult disputes. The Agency encourages employers and trade unions to review internal procedures with a view to formally incorporating arbitration and/or mediation as alternatives to pursuing industrial action or taking legal proceedings.

The 24 requests received combined with 18 cases brought forward from the previous year amounted to a caseload of 42 arbitration cases. The 24 cases heard during the year were addressed by the Agency's qualified Independent Arbitrators and decisions were issued in all 24 cases. Ten cases were withdrawn and eight cases have been carried forward into the 2004-2005 financial year.

Table 7 shows arbitration cases received and dealt with from 1994/95 to 2003/04. The average number of cases dealt with per year is 26.

Table 7: Arbitration Cases Received and Dealt With 1994-2004

	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	94/04 Total for 10 years	Average over 10 years
Cases brought forward from previous year	2	2	2	14	8	19	18	21	12	18		
Cases received in year	28	27	44	34	36	29	39	32	35	24	328	33
Total cases in hand	30	29	46	48	44	48	57	53	47	42		
Cases dealt with by Mediator/ Arbitrator	28	21	31	36	20	14	25	37	22	24	258	26
Cases withdrawn	0	6	1	4	5	16	11	4	7	10	64	
Cases carried forward into next year	2	2	14	8	19	18	21	12	18	8		



Statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes

The Agency's Statutory Arbitration Scheme for the Resolution of Unfair Dismissal Disputes offers an alternative to using the Industrial Tribunal. It became operational on 28 April 2002. An extensive range of documentation to support the Scheme is available directly from us or can be downloaded from our website.

It is normal practice that all applicants, respondents and their representatives for cases of alleged unfair dismissal are sent appropriate documentation on the Scheme with their first contact letter from their allocated Conciliation Officer. This ensures all relevant parties are fully informed about the Scheme as early as possible.

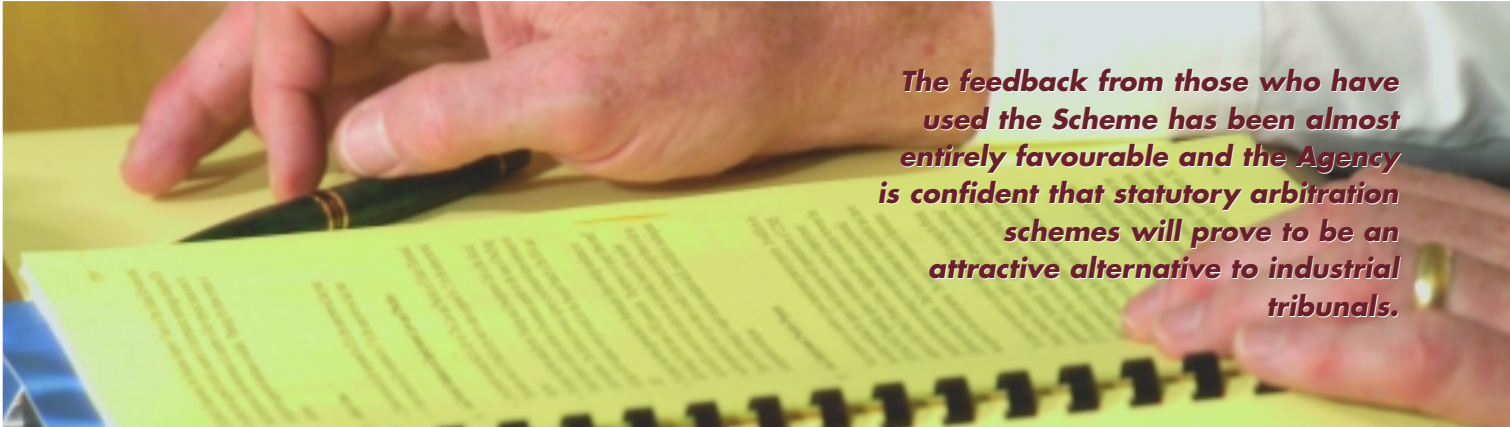
Raising awareness of the Scheme has been a top priority. An external promotion programme kicked off in September 2002 including delivery of over 20 presentations to key organisations. These included the Confederation of British Industry, the Northern Ireland Committee of the Irish Congress of Trade Unions, the Construction Employers' Federation, Citizens Advice Bureaux and the Employment Lawyers' Group, together with a number of public sector bodies. The presentations were well received and the Agency continued to promote the Scheme through delivery of a further 18 presentations throughout the 2003/2004 year.

We received our first case under the Scheme in September 2002 which was determined in November 2002. Five cases were determined by way of statutory arbitration in 2003/04.

Although the initial take-up of arbitration has been small, there have been many encouraging signs. The representatives in most recent cases have involved "key players" in the Tribunal system - senior trade union officials and employment law firms. There have been repeat users. There have been numerous approaches from one of the sides in dispute - the main difficulty has been in getting both sides to agree to go to arbitration.

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

A second statutory arbitration scheme, dealing with the right to request time off for flexible working was developed in 2003/04 and will be launched in Autumn 2004.



The feedback from those who have used the Scheme has been almost entirely favourable and the Agency is confident that statutory arbitration schemes will prove to be an attractive alternative to industrial tribunals.



LRA ARBITRATION SCHEME

FOR THE RESOLUTION OF UNFAIR DISMISSAL DISPUTES

The Scheme had just one referral in its first year. Growth has been slow but the signs are encouraging: there were five more cases heard in the Scheme's second year and there are a number of others 'bubbling under'. The representatives in the latest cases include employment law firms and the larger trade unions - an indication that major stakeholders in the Tribunal system are also interested in the LRA'S Arbitration Scheme.

Practical Benefits of the Arbitration Scheme

Date and place are fixed. The arbitrator has just one case to hear per day. Parties will not turn up to hear they are third or fourth on the list. Parties will not be told that their case will not start until 2pm at the earliest. Parties will not be sent away and told that their case will be re-listed. All of the hearings have been heard on the day and at the time agreed to in advance by the parties. Arbitrations can be held at a place and (within reason) at a time to suit the parties. That could even be at the place of work (by agreement) if there are suitable facilities.

'I liked the convenience and less waiting time. Also in this case the more informal method to help the applicant who was too nervous for the more formal tribunal route' - An employee's non-legal representative

Informality

The procedural informality of the arbitration process has many advantages over the Tribunal procedure. If there is a good reason for an adjournment request it can be granted without a fuss eg a solicitor who represented an applicant was engaged in a criminal trial which was going to overrun. He telephoned the day before the arbitration hearing-consent was obtained and a new date found

within an hour or so. No-one's time was wasted on unnecessary formality.

'Far better, less stuffy, not as bureaucratic, informal and I thought it was very people orientated' - A manager

Parties are asked for papers in advance. These typically include a summary of their position, witness statements and relevant documents eg the contract, the disciplinary procedure, the dismissal letter. Parties have to provide such documents in any event in an industrial tribunal, particularly under the new rules. However, the arbitration system can be more flexible. If a party fails to cover a relevant point or fails to furnish a relevant document, eg redundancy criteria, the arbitrator will ask for it in advance of the hearing. It will then be copied to the other party and time will be saved.

Speed

As part of the entry requirements, the parties have to sign certain documents, including a waiver of the right to go to Tribunal. The arbitration hearings so far have all been dealt with within two few weeks of the waivers being signed and decisions have been issued within two weeks of the hearings. Arbitration hearings so far have lasted for approximately one half day and none lasted beyond 3pm.

Inquisitorial System

The way in which the arbitrators and the parties conduct themselves is entirely different from the adversarial system in Tribunals. The arbitrator

teases out questions and answers. There is no aggressive questioning or cross-examination of witnesses by the parties or their representatives.

Parties may not need a lawyer. A good personnel manager or someone who can present a cogent argument may suffice. Some parties have been unrepresented; others have used lawyers or trade union officials. Nonetheless, parties who have someone who can present a case cogently and logically have an advantage. Lawyers represented seven out of 10 parties in the year and have helped produce well-presented written submissions and oral arguments.

The atmosphere is noticeably less contentious and aggressive than that of a Tribunal. The parties are put at the ease by the staff of the LRA and the arbitrator. Both sides have a separate conference room and are supplied with refreshments. The arbitrator generally encourages everyone to refer to attendees by their first names. The emphasis is on establishing the right answer rather than attempting to 'beat' the other side.

The hearings are short and focused. The LRA provides guidance on how to prepare submissions and what documents may be included as appendices. The LRA also ensures that the papers are exchanged on time.

The arbitrator and the parties will have read the papers in advance and already know the background. The relevant issues are identified right at the start and time is not wasted. This is a key reason why the bulk of arbitration hearings are completed by lunchtime.

'The arbitrator conducted the hearing in a very professional manner. No complaints, fair and impartial; didn't rush any of the parties' - An employee's non-legal representative

Client Satisfaction

The LRA has formally surveyed participants and the feedback has been exceptionally positive.

Managers and employees like the opportunity to have their say and to explain their side of the argument in a two-way conversation with the arbitrator. Some participants feel

that the Tribunal setting with its formal procedure drags out matters unnecessarily and some feel they have been prevented from putting their point in the way they wanted at Tribunal.

'The hearing was professionally and fairly conducted, I would recommend it to others- it is quick, efficient and informal'

An employer's non-legal representative

Managers and their lawyers particularly like the speed and flexibility of the system. Above all, they comment on the different atmosphere - less aggressive, less formal, no threat of costs.

Participants like the fact that the written decision is issued almost immediately - and it includes recommendations on how to improve employment relations.

Even where a party has lost, they know why they have lost. The written decision is in straightforward, non-legalistic language, and reflects the strengths and weaknesses of each side's case.

All but one person who responded said they would generally prefer an arbitration hearing to a tribunal.

'The hearing was professionally and fairly conducted, I would recommend it to others - it is quick, efficient and informal' - An employer's non-legal representative

Appointment of Arbitrators/Mediators

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

The list of arbitrators at 31 March 2004 consisted of:

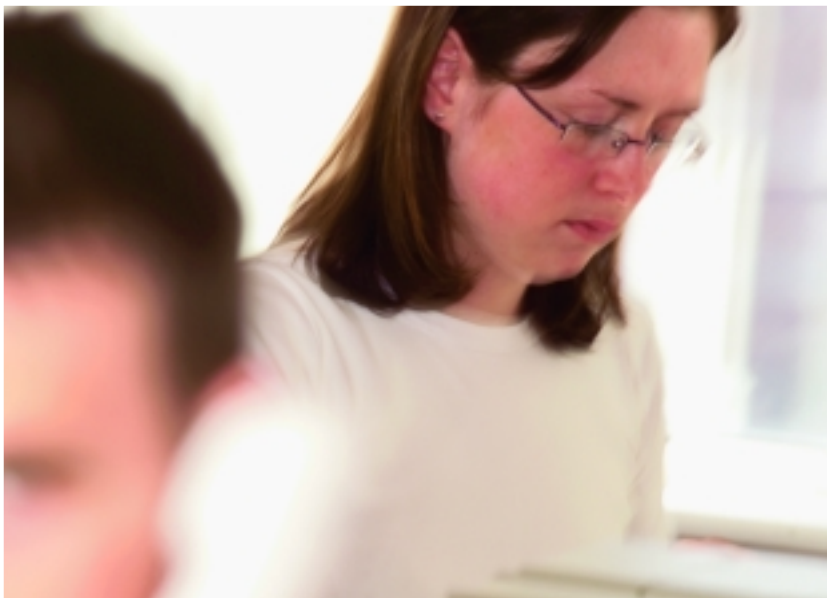
- People who can be called upon to act as single arbitrators or to chair panels of arbitration -13
- People nominated by the Confederation of British Industry to represent employer interests on panels of arbitration -10
- People nominated by the Northern Ireland Committee of the Irish Congress of Trade Unions to represent employee interests on panels of arbitration -10

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

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

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

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





Collective Conciliation

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

The Agency received 33 new requests for conciliation in trade disputes in the year under review. This was a decrease of 15 on the number received in the previous year. In total 27 cases were completed during the year under review. An analysis of the cases received and dealt with compared to the previous year, is shown in Table 8.

The Agency may receive requests for assistance from either of the parties or may actively contact the parties to a dispute to offer assistance. Table 9 shows the sources of requests for assistance.

The sector with the largest number of requests for assistance with disputes was the manufacturing sector (see Table 10). However, there were a number of national disputes in the public sector affecting trade union members in Northern Ireland but these disputes were dealt with by ACAS. In disputes such as this, the Agency maintains a close watching brief. Contact is maintained with the Northern Ireland representatives of the employers and the trade unions involved.

Table 8: Collective Conciliation Cases Received and Dealt With

Cases	2003-2004	2002-2003
Brought forward from previous year	10	14
Received for conciliation	33	48
Total	43	62
Dealt with during the year	27	52 *
Carried forward to the following year	16	10

* Please note change in figure to 52 rather than 50 as given in last year's Annual Report.

Table 9: Sources of Requests for Collective Conciliation

	2003-2004	2002-2003
Trade Union Approach	13	20
Employer Approach	7	13
Joint Approach	10	12
LRA	3	3
Total	33	48

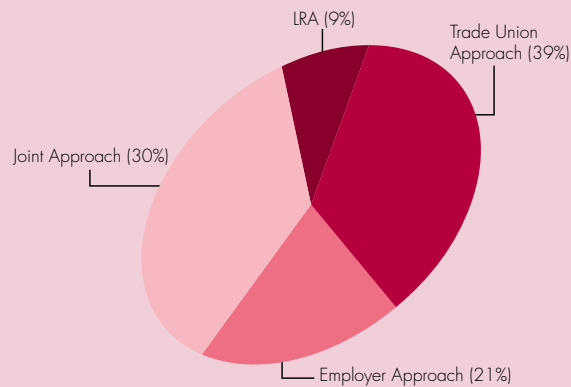
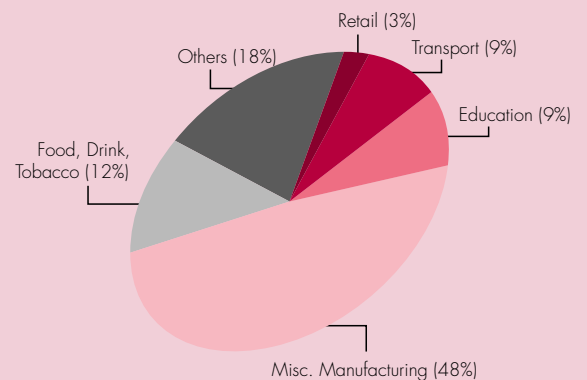


Table 10: Collective Conciliation Cases Received by Industry Classification

Cases	2003-2004	2002-2003
Retail	1	4
Transport	3	4
Education	3	4
Misc. Manufacturing	16	21
Food, Drink, Tobacco	4	6
Others	6	9
Total	33	48

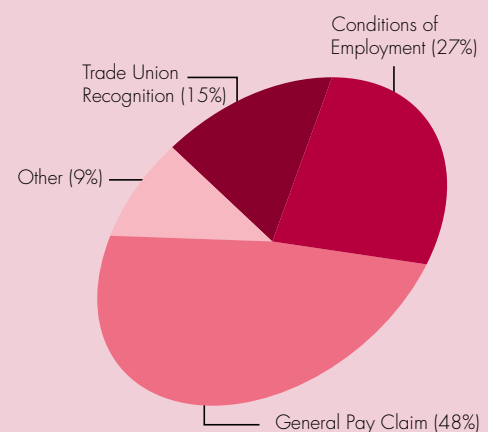


At year end 16 cases were still the subject of ongoing conciliation assistance. The majority of the disputes have involved pay and conditions of

employment. Table 11 provides information on the nature of the disputes in the year under review.

Table 11: Nature of Disputes

	2003-2004	2002-2003
General Pay Claim	16	16
Conditions of Employment	9	16
Trade Union Recognition	5	7
Other	3	9
Total	33	48



There have been a number of disputes in which the Agency has given advice to the parties and where the disputes have been subsequently resolved without the parties seeking formal conciliation assistance from the Agency. The Agency is proactive in respect of contacting parties to known disputes at the earliest stage possible in order to offer assistance.

Regional Office

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

The Regional Office dealt with three of the 33 collective conciliation cases completed during the year demonstrating the importance of being rooted within the local business community.



Delivering on Services Locally

We are one of the few Agencies in Northern Ireland who have an established presence outside Belfast.

The Agency currently employs five staff in Derry who are responsible for delivering the same varied and quality services as our colleagues in Belfast.

The Facts Speak for Themselves:

- During the reporting year we assisted a total of 140 organisations to develop or update their employment documents, for example
 - Statement of Main Terms and Conditions of Employment
 - Disciplinary Procedures
 - Grievance Procedures
- 53 organisations attended our monthly workshop at which assistance and guidance is given on how to develop the documents listed above; feedback has been really positive
- We delivered in excess of 20 talks on a variety of subjects on employment-related topics and dealt with over 4,000 employment-related enquiries
- Conciliation services received 489 individual conciliation cases and cleared a total of 677 cases in the reporting year; of those clearances only 1.5% proceeded to tribunal; three collective disputes were received and dealt with during 03/04
- Overall we have had a busy year in the Regional Office and with further changes afoot in 2004/2005 it is anticipated that demand for services in the area will increase.

Brian McNulty, Proprietor of 'McNulty's The Real Fish and Chip Shop', Limavady

Brian attended the Agency Advisory workshop on how to prepare a Statement of Main Terms and Conditions of Employment and Disciplinary Procedures. He found the workshop to be very informative. Following the workshop he had several further one-to-one consultations with the Agency officer to discuss specific conditions for his 25 employees and to discuss various employment enquiries. He found that the Agency officer was easily contactable by phone and e-mail and undertook the work efficiently.

Brian has now introduced all the employment contracts to his employees and has already recommended the Agency's services to other business colleagues.

Paddy Doherty, Domino's Pizzas

Paddy attended the Advisory Workshop in the Regional Office. This workshop gave him a good foundation in employment rights and covered the main legislative areas for employers. The delivery was at the right level of detail and allowed ample time for discussion. The literature given at the workshop such as holiday rights, procedures for handling grievance, discipline and absence etc. was very good.

Following the workshop, further meetings were held with the Advisory Officer to develop specific clauses to cover the nature of the work in Domino's Pizzas. He found the service was 100% and the Advisory Officer was only a telephone call away; calls were responded to efficiently.

Domino's has now issued all its employment documentation to its employees and recommends the usefulness of this service to other employers.

Delivering and Promoting A Quality Service

The Corporate Services section provides support for the delivery of the Agency's employment relations services.

of the framework is that it encompasses all policies relating to 'communications' and once finalised can be used as a source for the forthcoming consultation process. When the EQIA is complete, separate policies and procedures will be developed for marketing, communications and PR (although they will always interrelate). These will then also contribute to the development of corporate strategy and the delivery of services.

The Agency recognises that it maintains credibility through the commitment and performance of dedicated staff. By raising its public profile, the Agency aims to stimulate debate on improving employment relations in Northern Ireland.

A fundamental backdrop to this work is the Agency's compliance with its statutory duties as in the management of its assets, or in the implementation of the Agency's equality obligations. These are significant areas of work and are fundamental to the contribution of corporate services to the Agency's success.

Relationships and Communication with Clients and other Stakeholders

Following a very successful conference in February 2003: Employment Relations: Agenda for Change, the proceedings were documented and evaluated internally to influence the direction of future corporate strategy. These proceedings were published in September 2003 and made available on the Agency's website.

Also developed during the year was a framework for marketing, communications and PR. This will meet a number of needs. The most immediate is as a building block to support the Agency's Equality Scheme. Through screening and consultation, the Agency has determined that two broad areas of policy require to be equality impact assessed (EQIA'd). These are 'Communications' in 2004 and 2005 and 'Access' in 2005 and 2006. An immediate use

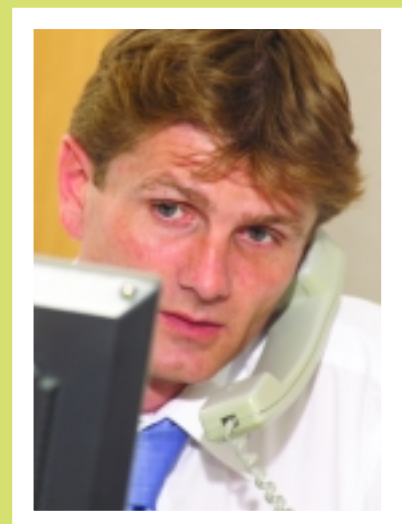
Research and Evaluation

Following a Quinquennial Review which reported in 2002, the Agency has re-evaluated the priority being given to research activities. The Research Forum remains central to this in discussing research needs and opportunities in the employment relations field within the Province. Work continues in formalising the research policy and procedural framework within the Agency and a draft proposal is a matter of ongoing discussion with management. This will define the control systems and standards for research and clarify the respective roles and responsibilities of the Board, Management and Research Forum.

Financial Reporting

The Agency has continued to refine its monthly management reports to the Chief Executive and the Board.

For an initial year, considerable additional resource was spent in providing financial reports configured to support *Whole of Government Accounts*. The ultimate aim of these is to enable an overall account of public sector finances to be produced.





Recruitment and Selection

2003-2004 saw follow-up to the Quinquennial Review in the form of staffing reviews focused on pressure points in the organisation. The outcome of these is expected shortly. In parallel with this, the Agency appraised its staffing in the context of new employment relations legislation now expected to go live in spring 2005.

During the period, the Agency agreed to undertake staffing of the Northern Ireland Certification Office. This is consistent with its support responsibilities under the legislation. These requirements were incorporated in the staffing review referred to above. The review report for this area was received in the period and recruitment was planned for early action in 2004 - 05.

In its Operational Plan for the period, the Agency had identified that it was significantly underfunded. In this respect, in November 2003, it obtained an additional £200,000 from its sponsoring Department, DEL.

The Agency promotes good employment relations through conferences and seminars. It is happy to acknowledge sponsorship from Invest Northern Ireland which is reflected in Note 6 of the Financial Statements for the year.

During the year, the Agency developed its corporate risk registers using a zero-based approach. These will now be subject to a review from a strategic viewpoint and action plans embedded in the objectives of the organisation.

The balance of activities in the organisation identified a need for an additional Director for several months. This was achieved through short-term promotions at the Agency's middle management and professional grades.

Staff Welfare

Organisational and central (civil service) responsibilities on pensions have been made more complex because of the variety of options and information which legislation requires to be provided to employees. Considerable time and resource has been spent enabling these provisions. At the core has been the provision of historical records for centralised computerisation.

Organisational and Staff Development

During the period, the Agency reviewed its approach to organisational development with a draft report provided for management review.

The Agency also undertook an initial Investors in People (IiP) assessment. The objective of this was to identify areas where staff development could be improved in order to enable more effective achievement of mission aims. A secondary reason was to achieve IiP in the medium term. The report found that the Agency was committed to staff development and effective people management to supply a high quality service. There is a sound and dedicated professional base for that service. There was a need for improvements which related to: internal communication; clarification and agreement on a common ethos of management at senior grades; and a more structured support and training structure for those undertaking new roles. The Agency also needs to more formally evaluate its training policies and activity.

Information Systems Planning and Co-ordination

Although the Agency has not as yet been in a position to formalise its IS Strategy, planning work and meetings with suppliers have been progressed. It is now anticipated that the Agency will seek improvements to ensure that all of its services can be delivered electronically. Typical new developments would include: reporting facilities; workflow software; an intranet; personnel systems; links with the Office of Industrial Tribunals and the Fair Employment Tribunal; a data network upgrade; revised IS Security policy/procedures; and continuity planning.

A data network upgrade and continuity planning are now in progress. Application development was modest during the period. The most significant development was a series of upgrades to the Agency's client management system.

Accommodation

The Agency has been suffering from floor place constraints and anticipates a significant rise in staff numbers because of an increase in its statutory responsibilities. Therefore, it has leased adjacent premises. Late in 2003-2004 it received funding to commission these premises and to renovate its existing headquarters. By March 2004,

contractors had been appointed and work commenced.

Compliance

The Agency continues with its commitments laid out in its Equality Scheme (approved July 2001). These are described in its Annual Report to the Equality Commission for Northern Ireland, available in a separate section of this document.

The Agency's updated Health and Safety Manual is now in operation and is subject to ongoing amendment to comply with new guidelines and changes arising as a result of discussions with the trade union and staff.





Planning for implementation of the Freedom of Information Act in January 2005 has been progressed with useful support provided through the sponsoring department, DEL

As reported above, the Agency is aware in its planning and provisions for information technology that its core services should be IT enabled by 2005.

A fraud policy implementation plan was revised and approved by the Board. At the year end this was in discussion with the trade union with a view to prompt implementation.

Staff Retirements

Mrs Ethna Palmer MBE, a long-standing Senior Personal Secretary, with a distinguished record of commitment to the Agency's Board and Senior Management team, retired in January 2004.

The Agency wishes to express its good wishes to Ethna and thank her for the valued service she gave the Agency.

Length of Service Awards

The Agency paid tribute to the contribution made by a number of staff who had completed 25 years' service in 2003. These were:

Lorraine Armstrong
Paul Blease
Stewart Dickson
Hazel Grove
Jim Lenaghan
David McGrath



Annual Report to the Equality Commission for Northern Ireland



The Agency has identified over 30 functions which it subjected to internal screening in compliance with its Equality Scheme. The outcome was published for external consultation in autumn 2003 and the ensuing feedback from interest groups incorporated in the planning process. Following a review of requirements in the context of resources available, the Agency took external advice to identify the most effective way forward. The Agency now plans to combine proposed impact assessments (EQIAs) for about ten functions into two large ones with one to be done per year.

These will be Communications in 2004 and 2005 and Access in 2005 and 2006. HR policies will be subject to screening and consultation as they are developed. The Marketing, Communications and PR Policy framework will support the Communications EQIA. All Board papers will, from April 2004 onwards, state the outcome of equality screening for the particular topic under consideration. In this manner, the Agency is seeking to embed equality within its policy formulation mechanisms.



CURRENT PUBLICATIONS

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

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

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

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

Research Reports

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

Occasional Papers

An Examination of Recent and Likely Future Developments in Employment Law in Northern Ireland
Pat Maxwell, University of Ulster

The LRA's Journal - Review of Employment Topics

Volume 1 No. 1 - April 1993 (£10.00 inc p&p)
 Volume 2 No. 1 - June 1994 (£10.00 inc p&p)
 Volume 3 No. 1 - August 1995 (£10.00 inc p&p)
 Volume 4 No. 1 - August 1996 (£15.00 inc p&p)
 Volume 5 No. 1 - September 1997 (£17.00 inc p&p)
 Volume 6 No. 1 - September 2003 (£15.00 inc p&p)

Annual Reports

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

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

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

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

Other Publications

Equality Scheme

Conciliation in Complaints to the Industrial Tribunal and Fair Employment Tribunal

Guide to Services

Charter

Corporate Plan 2003-2006

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. Notes for Guidance

Choosing our Arbitration Scheme. How the LRA can Help

An Introduction to the LRA Arbitration Scheme

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes. A Guide to the Scheme

The LRA Arbitration Scheme for the Resolution of Unfair Dismissal Disputes



5 July 2004

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

Dear Mr Haire,

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

Audited Financial Statements for year ended 31 March 2004

In accordance with paragraph 1.5(4) of Schedule 4 to the Industrial Relations (Northern Ireland) Order 1992, I enclose two copies of the audited Financial Statements for the year ended 31 March 2004.

Yours sincerely

PATRICK McCARTAN
Chairman

THE LABOUR RELATIONS AGENCY
(INCORPORATING THE CERTIFICATION OFFICER FOR
NORTHERN IRELAND)
REPORT AND FINANCIAL STATEMENTS
31 March 2004





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FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

Background information

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

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

Auditor details

The Northern Ireland Audit Office has been appointed under statute to examine these accounts and report to the Assembly on the audit examination. The agreed fees of £4,500 to cover the Labour Relations Agency and the Certification Office are confined to the statutory audit and neither include or permit other services which might diminish auditor independence.

Principal activities

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

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

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

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

Certification Officer for Trade Unions and Employers' Associations

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

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

Business review

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

FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004 (Cont'd)

Results for the year

The results of the Agency are set out in detail in the Income and Expenditure Account. The surplus for the year was £97,424 (2003: deficit of £139,130).

Fixed assets

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

Future developments

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

Following a review of Certification Officer support staffing levels, it is planned in 2004/05 that their numbers will be maintained at four and that these will be recruited by the Labour Relations Agency as part of its support function under Article 69(3) of the 1992 Order. However, the functioning of the Certification Officer will remain independent from that of the Labour Relations Agency.

Important events occurring after the year end

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

Charitable donations

Any charitable donations made did not exceed £600.

Board members

The following served as Board members during the year:

- Mr P McCartan - Chairman, part-time
- Mr J Collins (term ended 30 September 2003)
- Ms E May (term ended 30 September 2003)
- Ms P Maxwell (term ended 30 September 2003)
- Mr A S Mercer
- Mrs M Watson
- Mr E McGlone
- Mr H Goodman
- Dr B Black
- Mr G Milligan
- Mr W R Ward (appointed 1 October 2003)
- Ms J A Clarke (appointed 1 October 2003)
- Mr J McCusker (appointed 1 October 2003)

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



FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004 (Cont'd)

Board members' interests

An up-to-date register of Board members' interests is maintained by the Chief Executive, as Accounting Officer, and is available for inspection at the Agency's Head Office, 2-8 Gordon Street, Belfast, BT1 2LG.

Disabled employees

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

Employee involvement

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

Equality statement

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

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

Payment to suppliers

The Labour Relations Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. Despite ongoing administrative pressures (staff turnover and exceptional administrative responsibilities), the average payment to suppliers based on an analysis of five months spanning April to August of 2003 was 88% (2003: 50%). Interest amounting to £109 was paid for one late payment.

**Signed on behalf of the Board
PATRICK McCARTAN (Chairman)**

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

**Signed by The Chief Executive
and Accounting Officer
WILLIAM PATTERSON**

5 July 2004

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

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

In preparing the accounts the Agency is required to:

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

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



STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the Department for Employment and Learning's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

In the above context, the Agency's Financial Memorandum sets out the accountability arrangements which, *inter alia*, include the approval of a three-year corporate plan and an annual operating plan which establishes specific goals supporting the corporate plan. This is monitored through formalised quarterly meetings involving the Assistant Secretary of the Department and myself as the Accounting Officer of the Agency.

2. The purpose of the system of internal control

The 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, 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. The system of internal control has been in place in the Agency for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

3. Capacity to handle risk

Over the past three years, I have led the Agency in developing a policy and procedural framework for the systematic management of risk. This resulted in an initial Risk Register for 2002/03 which was considerably refined by the three directorates under my control in 2003/04.

In consequence of this, there have been two workshops held for the senior management and management tiers of the Agency, one in March 2002 which established the principles involved and one which concentrated on distinguishing between inherent risk and residual risk.

Different trainers from different sectors of the auditing profession were used on the above occasions to ensure that there was optimum understanding of recognised good practice.

4. The risk and control framework

The Agency has in place a framework for risk management which includes arrangements to identify, assess and manage risks across all aspects of its governance and business.

The main categories of risk contained in the HM Treasury document: "Management of Risk - a Strategic Overview" are used as a "check list" to maintain a sufficient degree of completeness in assessing risk. This includes the key risk classifications of: External; Financial; Activity and Human Resources.

Risk is a function of the potential impact and the likelihood of materialisation

i.e. Risk = impact (or consequence) x probability

STATEMENT ON INTERNAL CONTROL (Cont'd)

Impact is classified as light (score ≈ 1), moderate (score ≈ 2) or severe (score ≈ 3). Probability is scored as improbable (score ≈ 1), possible (score ≈ 2) or probable (score ≈ 3).

An overall risk factor is produced for each risk identified.

Risk factor = impact score x probability score

The system allows for point scores; therefore: Impact 2.4 x Probability 2.8 = Risk Factor 6.7

A scoring and evaluation system is in place as summarised in the tables below:

Risk Classification	Risk factor
Low	1
Medium	2-6
High	>6

Risk Classification	Action
Low	Ensure standard policies and procedures are effectively implemented
Medium	Review policies and procedures and introduce/review a programme of risk reduction
High	Immediate action to reduce risk; CEO to be informed

There is an Agency Risk Register highlighting all risks classified as medium and high. Low risks are retained in the register and included in all reviews of risk which are to be taken from a zero basis rather than incremented from the previous risk assessment.

This policy and framework is reviewed on a biennial basis by the Chief Executive and subsequently by the Board.

Through the Board, the Agency is essentially risk averse. However, it recognises that risks must be taken in the furtherance of Government Objectives and at times of resource constraint. All ensuing risks identified which are greater than "low" as classified above, are subject to close senior management team scrutiny and prompt action.

Risk management is now being embedded in the development of policy. For example, the recently drafted policy on communications relies fundamentally on a risk assessment contained in its appendices.



STATEMENT ON INTERNAL CONTROL (Cont'd)

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their 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 Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement is in place.

As part of the risk management framework which is now in its first full year of operation, the following arrangements apply:

- The Board through its Audit Committee oversees the policy and framework for risk management and reviews the most significant risks on a biennial basis.
- The Chief Executive (CEO) is accountable for approving, implementing, monitoring and evaluating an adequate risk policy, framework and arrangements. The CEO submits a biennial Risk Management Report to the Board through the Audit Committee. This includes key risk indicators and sets out the status of management in covering exposed areas of risk.
- Directors have general responsibility for identifying any new areas of risk, or significant changes in risk, and bringing these to the attention of the CEO. As the Chief Executive must formally address risk reporting on an annual basis, Directors should expect to review the risks associated with their operational area on a six-monthly basis and to report formally on the outcome to the Director (Corporate Services) who has formal responsibility for maintaining the Risk Register.
- Internal audit base their planning on the Agency's Risk Register (as a starting point) and focus their findings on priorities set by the Agency.

William Patterson
Chief Executive/Accounting Officer
26 November 2004

Labour Relations Agency

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages FS10 to FS25 under the Industrial Relations (Northern Ireland) Order 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages FS14 and FS15.

Respective Responsibilities of the Agency, the Chief Executive and Auditor

As described on page FS4 the Agency and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Industrial Relations (Northern Ireland) Order 1992 and Department for Employment and Learning directions made thereunder and for ensuring the regularity of financial transactions. The Agency and the Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages FS5 to FS7 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

**Basis of Audit Opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Labour Relations Agency at 31 March 2004 and of the surplus, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Industrial Relations (Northern Ireland) Order 1992 and directions made thereunder by the Department for Employment and Learning; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

J M Dowdall CB
Comptroller and Auditor General
1 December 2004

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2004

	Notes	Agency £	Certification Officer £	2004 Total £	2003 Total £
Income					
Grant from Department for Employment and Learning	2	2,313,384	161,079	2,474,463	2,240,330
Other operating income	3	484	-	484	1,353
Total income		<u>2,313,868</u>	<u>161,079</u>	<u>2,474,947</u>	<u>2,241,683</u>
Expenditure					
Staffing costs	4	1,554,688	94,941	1,649,629	1,542,584
Depreciation	8	94,330	2,899	97,229	110,810
Release of grant on capital expenditure	12	(107,234)	(2,899)	(110,133)	(121,380)
Amounts written off fixed assets	8	12,904	-	12,904	10,570
Other operating costs	6	652,686	63,933	716,619	815,435
		<u>2,207,374</u>	<u>158,874</u>	<u>2,366,248</u>	<u>2,358,019</u>
Notional cost of capital	7	10,651	624	11,275	22,794
Total expenditure		<u>2,218,025</u>	<u>159,498</u>	<u>2,377,523</u>	<u>2,380,813</u>
Surplus/(deficit) for the year		95,843	1,581	97,424	(139,130)
Credit in respect of notional cost of capital	7	10,651	624	11,275	22,794
Amount transferred to (deducted from) reserves		<u>106,494</u>	<u>2,205</u>	<u>108,699</u>	<u>(116,336)</u>

All amounts above relate to continuing activities.

Notes 1 to 18 form part of these financial statements.



CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES for the year ended 31 March 2004

	Notes	2004 £	2003 £
Result for the year (prior to adjustment in respect of notional cost of capital)		97,424	(139,130)
Unrealised surplus on revaluation of fixed assets	13	2,269	5,635
Total recognised gains (losses) for the year		99,693	(133,495)

CONSOLIDATED BALANCE SHEET
as at 31 March 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	8	176,758	244,085
Current assets			
Debtors	9	48,757	60,377
Cash at bank and in hand	10	137,742	31,521
		<hr/>	<hr/>
		186,499	91,898
Current liabilities			
Creditors - amounts falling due within one year	11	(20,194)	(34,292)
		<hr/>	<hr/>
Net current assets		166,305	57,606
Total assets less current liabilities			
		343,063	301,691
Deferred income	12	(150,428)	(220,024)
		<hr/>	<hr/>
NET ASSETS		192,635	81,667
		<hr/> <hr/>	<hr/> <hr/>
Financed by:			
Capital and Reserves			
General Fund	13	171,604	62,122
Revaluation Reserve	13	21,031	19,545
		<hr/>	<hr/>
		192,635	81,667
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 25 June 2004 and were signed on its behalf by:



Patrick McCartan, Chairman



William Patterson, Chief Executive and Accounting Officer

Notes 1 to 18 form part of these financial statements.



**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2004**

	Notes	2004 £	2003 £
Net cash inflow(outflow) from operating activities	14.1	106,221	(107,049)
Capital expenditure		(40,537)	(75,670)
Capital grant received		40,537	75,670
		<hr/>	<hr/>
Increase/(Decrease) in cash	14.2	<u>106,221</u>	<u>(107,049)</u>

Notes 1 to 18 form part of these financial statements.

NOTES TO THE ACCOUNTS for the year ended 31 March 2004

1 ACCOUNTING POLICIES

1.1 Accounting convention

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

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

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

1.2 Grant income

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

1.3 Fixed assets

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

A capitalisation threshold of £100 is applied.

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

The methods adopted and rates used are:

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

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

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



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

1.4 Treatment of pension liabilities

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

1.5 Value Added Tax

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

2. GRANT FROM THE DEPARTMENT FOR EMPLOYMENT AND LEARNING Request for Resources B (2003: Request for Resources B)

	2004	2003
	£	£
Total grant receivable [including £163,000 (2003: £195,000) re The Certification Officer]	2,515,000	2,316,000
Less transfer to deferred income in respect of capital expenditure [including £1,921 (2003: £4,129) re The Certification Officer] (Notes 8 and 12)	(40,537)	(75,670)
Grants credited to revenue account	<u>2,474,463</u>	<u>2,240,330</u>

3. OTHER OPERATING INCOME

	2004	2003
	£	£
Other operating income comprises:		
Receipts from sale of publications	-	420
Miscellaneous receipts	484	933
Total	<u>484</u>	<u>1,353</u>

NOTES TO THE ACCOUNTS for the year ended 31 March 2004

4. STAFF COSTS

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

	2004	2003
	No	No
Board members (including Chairman)	10	10
The average weekly number (full time equivalent) of:		
Management (including Chief Executive)	4	4
Operational (permanent)	29	26
Operational (temporary)	1	0
Support	11	17
The Certification Officer (part-time)	1	1
Certification Office Support Staff	3	4
	49	52
Employment Agency staff	5	-
Total (including The Certification Officer)	64	62

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

	2004	2003
	£	£
Agency (excluding The Certification Officer):		
Wages and salaries (permanent staff)	1,184,854	1,183,480
Wages and salaries (temporary staff)	24,518	-
Social security costs	86,413	77,381
Other pension costs - superannuation	151,027	160,217
Employment Agency staff	107,876	-
Total (excluding The Certification Officer)	1,554,688	1,421,078
Certification Officer:		
The Certification Officer		
Salary	18,280	14,631
Social security costs	1,840	1,181
	20,120	15,812
Seconded staff assistants to The Certification Officer	74,821	105,694
Total (re The Certification Officer)	94,941	121,506
TOTAL STAFF COSTS	1,649,629	1,542,584

In 2003, Employment Agency staff were recorded under "Other Operating Costs" (Note 6)



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

4. STAFF COSTS (Cont'd)

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

	2004	2003
	£	£
Board members		
Chairman's salary and other Board members' fees	62,182	60,831
Social security costs	1,518	1,311
Other pension costs - superannuation re Chairman	2,751	2,795
	66,451	64,937
Staff		
Chief Executive and other management		
Salary	193,923	189,995
Social security costs	18,683	16,524
Other pension costs - superannuation	31,028	33,249
	243,634	239,768
Operational		
Salaries (permanent staff)	684,159	647,502
Salaries (temporary staff)	24,518	-
Social security costs	50,095	41,052
Other pension costs - superannuation	87,953	89,939
	846,725	778,493
Support		
Salaries	244,591	285,152
Social security costs	16,115	17,010
Other pension costs - superannuation	29,296	35,718
Employment Agency staff	107,876	-
	397,878	337,880
Total staff costs (excluding The Certification Officer)	1,554,688	1,421,078
The Certification Officer and his assistants	94,941	121,506
	1,649,629	1,542,584
TOTAL STAFF COSTS	1,649,629	1,542,584

In 2003, Employment Agency staff were recorded under "Other Operating Costs" (Note 6)

- (d) **Chief Executive**
The Chief Executive's salary does not include a performance-related bonus.
He does not receive any taxable benefits in kind.
He is a member of the PCSPS (NI) on the same basis as all other members of the Agency's staff.
He is a permanent employee on the same terms and conditions as all other Agency staff.

NOTES TO THE ACCOUNTS for the year ended 31 March 2004

4. STAFF COSTS (Cont'd)

- (e) Details are given below of salary and pension entitlement (excluding any pension benefits arising from Additional Voluntary Contributions or the pension benefits transferred from another scheme) of the Chairman, other Board members, the Chief Executive and other senior management included in the above staff cost summaries. Other than the Chairman, the Board members are not in the pension scheme.

Board members	2003/04	2002/03			
	Salary	Salary			
	£	£			
Mr P McCartan (from 01/02/02) <i>Chairman</i>	21,165	20,700			
Dr B Black - appointed 01/10/02	4,555	2,227			
Mr J Collins - term ended 30/09/03	2,278	4,455			
Mr H Goodman, OBE	4,555	4,455			
Ms P Maxwell - term ended 30/09/03	2,278	4,455			
Ms E May - term ended 30/09/03	2,278	4,455			
Mr E McGlone	4,555	4,455			
Mr A S Mercer	4,555	4,455			
Mr G Milligan - appointed 01/10/02	4,555	2,227			
Mrs M Watson	4,555	4,455			
Mr W R Ward - appointed 01/10/03	2,278	-			
Ms J A Clarke - appointed 01/10/03	2,278	-			
Mr J McCusker - appointed 01/10/03	2,278	-			
Management					
Mr W Patterson <i>Chief Executive & highest paid employee</i>	70,655	67,936			
Ms P Holloway	36,864	35,716			
Mr D McGrath	41,954	40,706			
Dr G O'Neill	44,449	45,638*			
*including £2,437 re 2001/02					
	P McCartan	W Patterson	P Holloway	D McGrath	G O'Neill
Pension increase at 31/03/03 - 31/03/04	0 - 2,500	0 - 2,500	0 - 2,500	0 - 2,500	0 - 2,500
Lump sum increase at 31/03/03 - 31/03/04	0 - 2,500	2,500 - 5,000	0 - 2,500	0 - 2,500	0 - 2,500
Accrued pension at 31/03/04 or date of leaving	0 - 5,000	20,000 - 25,000	10,000 - 15,000	15,000 - 20,000	15,000 - 20,000
Accrued lump sum at 31/03/04 or date of leaving	5,000 - 10,000	60,000 - 65,000	30,000 - 35,000	45,000 - 50,000	35,000 - 40,000
CETV @ 31/03/03 or at date of leaving (to nearest £k)	51	298	194	240	178
CETV @ 31/03/04 or at date of leaving (to nearest £k)	59	333	214	259	198
Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	5	19	10	11	11

Other than P McCartan, no other Board member benefits from a pension with the Agency.



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

4. STAFF COSTS (Cont'd)

(e) (Cont'd)

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

(f) Pension arrangements

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**Classic**, **Premium**, and **Classic Plus**). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of **Premium** or joining a good quality "money purchase" stakeholder-based arrangement with a significant employer contribution (**partnership pension account**).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website
www.civilservicepensions-ni.gov.uk

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in that scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. Where quoted, the CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Civil Service Vote has received a transfer payment commensurate

NOTES TO THE ACCOUNTS **for the year ended 31 March 2004**

to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

(g) Pension costs

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Labour Relations Agency is unable to identify its share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 1999 and an interim estimate of the scheme liability is available at 31 March 2003. A full actuarial valuation of the scheme liability is currently underway

For 2003-04, employers' contributions of £151,027 were payable to the PCSPS(NI) (2002-03: £160,217) at one of four rates in the range 12 to 18 per cent of pensionable pay, based on salary bands. It is anticipated that rates will remain the same next year, subject to revalorisation of the salary bands, but may change from 2005-06 depending on the result of the current actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Contributions due to the partnership pension providers and paid over to the providers at the balance sheet date were £3,501. Contributions prepaid at that date were £0. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £24, this being 0.8 per cent of pensionable pay, were payable to the **PCSPS(NI)** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of this employee.

5. PERFORMANCE AGAINST KEY FINANCIAL TARGETS

Subject to the restriction of not accumulating unnecessary bank and cash balances in year and at year end, the Department for Employment and Learning does not consider it appropriate to set key financial targets for the Agency.



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

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

	Agency £	Certific. Officer £	2004 Total £	Agency £	Certific. Officer £	2003 Total £
Rent and rates including car parks	222,937	23,892	246,829	191,607	21,002	212,609
Service charges, maintenance, cleaning, heating, lighting and insurance	35,230	2,327	37,557	51,942	4,809	56,751
Security	30,810	-	30,810	27,453	-	27,453
Arbitration fees and expenses	17,814	-	17,814	24,757	-	24,757
Advisors' fees and expenses	1,784	226	2,010	5,994	1,165	7,159
Employment Agency fees re temporary staff	-	-	-	61,232	-	61,232
Office supplies, printing and stationery	27,088	3,048	30,136	23,263	3,448	26,711
Postage and telephones	46,784	5,456	52,240	44,968	4,048	49,016
External auditors' remuneration						
- audit fees	4,000	500	4,500	3,970	704	4,674
- other services	-	-	-	3,845	-	3,845
Internal auditors' remuneration	6,903	-	6,903	9,715	-	9,715
Legal fees	33,270	1,175	34,445	42,594	411	43,005
Other professional fees	14,846	12,975	27,821	481	1,175	1,656
IT managed services	34,829	-	34,829	36,989	-	36,989
IT maintenance and licenses	41,687	-	41,687	33,380	-	33,380
IT development and implementation	6,289	-	6,289	11,923	-	11,923
Travel and subsistence	19,376	-	19,376	21,783	3,528	25,311
Staff training	20,479	229	20,708	43,093	229	43,322
Industrial relations training, seminars and research	372	-	372	11,711	1,622	13,333
Publications and advertising	35,186	5,896	41,082	37,763	4,180	41,943
LRA Conference	15,639	3,652	19,291	20,804	-	20,804
Website development costs	-	-	-	4,553	10,692	15,245
Advertising (staff vacancies)	9,254	-	9,254	-	-	-
Library services	11,948	1,479	13,427	12,258	810	13,068
Hospitality	5,969	667	6,636	10,761	761	11,522
Miscellaneous expenditure and venue hire	5,696	367	6,063	13,312	290	13,602
Professional subscriptions	3,580	1,908	5,488	5,169	-	5,169
Bank charges	916	136	1,052	1,121	120	1,241
	<u>652,686</u>	<u>63,933</u>	<u>716,619</u>	<u>756,441</u>	<u>58,994</u>	<u>815,435</u>

In 2003, the cost of Employment Agency staff was recorded under "Other Operating Costs" (Note 6). In 2004, the cost of Employment Agency staff is recorded under "Staff Costs" (Note 4).

NOTES TO THE ACCOUNTS for the year ended 31 March 2004

7. NOTIONAL COSTS

Notional cost of capital

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the Labour Relations Agency. The basis of the charge is 3.5% (2003 - 6%) of the average capital employed by the Agency during the year, defined as total assets less current liabilities.

8. FIXED ASSETS

	Adaptations to Agency Short Leasehold Buildings	Agency Office Furniture & Fittings	Agency Computer Equipment	Certific. Officer Office Furniture & Fittings	Certific. Officer Computer Equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At start of year	122,816	190,824	246,491	14,718	9,875	584,724
Additions	235	15,678	22,703	458	1,463	40,537
Adjustment arising on revaluation	2,948	547	(31,327)	29	(1,255)	(29,058)
	<u>125,999</u>	<u>207,049</u>	<u>237,867</u>	<u>15,205</u>	<u>10,083</u>	<u>596,203</u>
Depreciation						
At start of year	50,708	129,657	144,961	8,370	6,943	340,639
Provision for year	12,537	22,860	58,242	2,182	625	96,446
Adjustment arising on revaluation	1,217	342	(18,423)	15	(791)	(17,640)
	<u>64,462</u>	<u>152,859</u>	<u>184,780</u>	<u>10,567</u>	<u>6,777</u>	<u>419,445</u>
Net Book Value						
At 31 March 2004	<u>61,537</u>	<u>54,190</u>	<u>53,087</u>	<u>4,638</u>	<u>3,306</u>	<u>176,758</u>
At 31 March 2003	<u>72,108</u>	<u>61,167</u>	<u>101,530</u>	<u>6,348</u>	<u>2,932</u>	<u>244,085</u>
If stated under historical cost principles the comparable amounts would be:						
Cost	109,209	193,313	345,566	14,351	15,546	677,985
Accumulated depreciation	(55,157)	(140,561)	(286,872)	(10,449)	(14,251)	(507,290)
Historical cost value						
At 31 March 2004	<u>54,052</u>	<u>52,752</u>	<u>58,694</u>	<u>3,902</u>	<u>1,295</u>	<u>170,695</u>
At 31 March 2003	<u>64,697</u>	<u>58,515</u>	<u>111,925*</u>	<u>6,131</u>	<u>2,066</u>	<u>243,334</u>

NB: The depreciation charge of £97,229 (2003: £110,810) for the year reflects the depreciation provision of £96,446 (2003: £108,563) together with net revaluation adjustments totalling £783 (2003: £2,247) in respect of those asset categories where amortised current value exceeds amortised historic cost.

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

	£
Agency	12,904
Certification Officer	-
	<u>12,904</u>



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

9. DEBTORS: amounts due within one year

	2004	2003
	£	£
Prepayments	48,757	60,377
	<u>48,757</u>	<u>60,377</u>

10. CASH AT BANK AND IN HAND

	Agency	Certification	2004	2003
	£	Officer	Total	Total
	£	£	£	£
Cash at bank	128,428	9,064	137,492	31,271
Cash held at Regional Office	50	-	50	50
Cash held at Head Office	100	100	200	200
	<u>128,578</u>	<u>9,164</u>	<u>137,742</u>	<u>31,521</u>
Total	<u>128,578</u>	<u>9,164</u>	<u>137,742</u>	<u>31,521</u>

11. CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Sundry creditors and accruals	20,194	34,292

12. DEFERRED CAPITAL GRANT INCOME

Capital allocations not yet released to income and expenditure account.

	2004	2003
	£	£
At start of year	220,024	265,734
Received in year	40,537	75,670
Released to income and expenditure account in respect of depreciation and other amounts written off fixed assets	(110,133)	(121,380)
	<u>150,428</u>	<u>220,024</u>
At end of year	<u>150,428</u>	<u>220,024</u>

NOTES TO THE ACCOUNTS for the year ended 31 March 2004

13. RECONCILIATION OF MOVEMENTS IN RESERVES AND GENERAL FUND

	Note	General Fund £	Revaluation Reserve £	2004 Total £	2003 Total £
At start of year		62,122	19,545	81,667	192,368
Result for the year		97,424	-	97,424	(139,130)
Credit in respect of notional cost of capital		11,275	-	11,275	22,794
Unrealised surplus on revaluation of fixed assets	8	-	2,269	2,269	5,635
Transfer of amount equivalent to additional depreciation on assets where revaluation is more than historical cost		783	(783)	-	-
At end of year		<u>171,604</u>	<u>21,031</u>	<u>192,635</u>	<u>81,667</u>

14. NOTES TO CASH FLOW STATEMENT

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

	2004 £	2003 £
Result for the year	97,424	(139,130)
Credit in respect of notional cost of capital	11,275	22,794
Adjustment for non cash transactions		
Depreciation	97,229	110,810
Release of grant on capital expenditure	(110,133)	(121,380)
Amounts written off fixed assets	12,904	10,570
Adjustments for movements in working capital		
Decrease/(increase) in debtors	11,620	(1,344)
(Decrease)/increase in creditors	(14,098)	10,631
Net cash inflow (outflow) from operating activities	<u>106,221</u>	<u>(107,049)</u>



NOTES TO THE ACCOUNTS for the year ended 31 March 2004

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

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

	2004	2003
	£	£
Cash in bank at start of year	31,521	138,570
Net cash inflow (outflow)	<u>106,221</u>	<u>(107,049)</u>
Cash in bank at end of year	<u><u>137,742</u></u>	<u><u>31,521</u></u>

15. FUTURE CAPITAL EXPENDITURE

	2004	2003
	£	£
Contracted	-	-
Authorised but not contracted for	<u>49,000</u>	<u>-</u>
Total	<u><u>49,000</u></u>	<u><u>-</u></u>

16. CONTINGENT LIABILITIES

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

There are no other contingent liabilities at the year end (2003 - £nil).

17. FINANCIAL COMMITMENTS

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

	2004	2003
	£	£
Within one to two years	*5,712	12,000
Within two to five years	-	-
After five years	<u>161,558</u>	<u>161,562</u>
	<u><u>167,270</u></u>	<u><u>173,562</u></u>

* This lease is planned to expire in July 2004.

18. RELATED PARTY TRANSACTIONS

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

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

1. The Labour Relations Agency shall prepare accounts for the financial year ended 31 March 2004 and subsequent financial years comprising:
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses;

including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. the disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which DFP may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. the accounting and disclosure requirements given in "Government Accounting Northern Ireland" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;

insofar as these are appropriate to the Labour Relations Agency and are in force for the financial year for which the statement of accounts is to be prepared.
4. Clarification of the application of the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a. Fixed assets at their value to the Agency by reference to current costs; and
 - b. Stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

(The wording above reflects the fact that the Department of Finance and Personnel has, through the Department for Employment and Learning, confirmed that the prior year Accounts Direction applies unchanged for the year ended 31 March 2004.)



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

Companies (Northern Ireland) Order 1986

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

Accounting Standards

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

ADDITIONAL DISCLOSURE REQUIREMENTS

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

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