

**Registered No. NI 005192**

**Ulster Supported Employment Limited  
Annual Report and Accounts  
for the year ended 31 March 2020**

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**Directors and advisers**

**Directors**

William Leathem (Chairman)

Appointed 1 August 2019

Carol Magill

Appointed 1 January 2017

Raymond Donnelly

Appointed 1 May 2019

Dermot O'Hara

Appointed 1 May 2019

Joan Cowan

Appointed 1 August 2019

Ray Havlin

Appointed 1 August 2019

**Chief Executive and Accounting Officer**

B Atkinson

**Company Secretary**

SJ Mowbray

**Registered office**

182-188 Cambrai Street

Belfast

BT13 3JH

**Bankers**

Danske Bank Limited

235 Shankill Road

Belfast

BT13 1FE

**Solicitors**

Johns Elliot & Co

40 Linenhall Street

Belfast

BT2 8BA

**Statutory auditor**

Comptroller & Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

## Chief Executives Foreword

I am pleased to present our Annual Report and Accounts for 2019-20.

Despite the impact of COVID 19 in March 2020, we achieved almost all of our key operational targets. I am immensely proud of staff and Associates across Usel who have consistently produced/provided a range of goods/services that contribute to leading disability employment support across NI.

A key priority for the year was defining and shaping Usel's values framework. Our Values Framework helps us to reach our organisational goals and to nurture and develop our employees. Our Values Framework outlines the skills, knowledge and behaviours that lead to great performance. We reviewed our organisational goals and gathered feedback on the key behaviours that are required from all employees both now and in the future at Usel. We have developed four different elements to the Values Framework that represent the skills, knowledge and behaviours that are at the heart of our organisation:

- We Champion Ability
- We Love what we do
- We Grow Together
- We Make a Difference

2019-20 brought significant growth of our presence in the hospitality sector, with the opening of four new coffee shops at: the Belfast Zoo; The Stables at Lady Dixon; the Acute Mental Health Unit at the Belfast Trust; and the ECOS Centre in Ballymena.

We also opened a second retail space, selling our manufactured bedding products. Slumberin opened in November 2019 in the Tower Centre, Ballymena. Not only did this provide an opportunity to sell good quality bedding products direct to the public, it also gave an outlet for placement students studying retail on our Training for Success programme.

We continued to deliver an excellent standard of disability employment support via the five employment programmes. A recent Education and Training Inspectorate (ETI) Inspection resulted in Usel maintaining the highest level of confidence and safeguarding outcomes possible.

We had a really strong performance in the circular economy department. 52,000 mattresses (equating to 1,200 tonnes) were recycled, which is 10,000 more than 2018-19. 510 tonnes of carpet was recycled. In addition to the increase in throughput, the department diversified with two additional income streams, namely facilities management and confidential paper shredding.

Whilst we face unprecedented challenges during the COVID pandemic, we have seized the opportunity to review our business model. I am confident that following some necessary changes we will emerge much stronger and more resilient.



**Bill Atkinson**

**Chief Executive Officer, Usel**

## Non-Executive Board Member Report

It is an honour and a privilege to pen this forward as the new Chairman of the Board of Ulster Supported Employment Limited (“Usel”). I commenced my chairmanship on 1<sup>st</sup> August 2019 and I would like to pay tribute to the former Chairman Mr Jim Perry MBE for his outstanding leadership and dedication to Usel for the last seven years.

The last year has seen a significant development in the business offering. The Board has remained focused on the company’s key aim to help those with a disability or health related condition gain employment. To this end considerable work has been undertaken in terms of our five key strategic areas:

- ***Social entrepreneurship***
- ***Business planning for a growth agenda***
- ***Developing as a learning organisation***
- ***Stakeholder engagement***
- ***Good governance***

The Chief Executive’s Performance Report sets out the key business achievements over the last twelve months with significant growth in business activity being undertaken up to the end of February 2020.

A considerable amount of the Board’s time is focused on ensuring sound and proper compliance throughout all aspects of our business. As Chair, I very much appreciate the diligent work undertaken by our Audit and Risk Assurance Committee with a new chair appointed this year Mrs Carol Magill taking over from Mr Aidan Bennett. The Board reviews the Risk Register on a regular basis.

As an NDPB the relationship with our parent Department is critical and it is essential that appropriate arrangements are in place to manage that relationship. I would like to acknowledge the support received from our Sponsor Branch. We look forward to working with the Department in further developing the relationship arrangements between our two organisations. During the last year the Department has been undertaking a Tailored Review which will consider the most appropriate model of delivery for achieving Usel’s key objectives into the future. The Board looks forward to working with Departmental officials in considering any recommendations which may emerge.

The Board has been encouraged by the level of staff engagement that is undertaken on a regular basis. A new Employee Performance Review based on our Values framework has been developed and used in the past year to ensure there is an accountable two way process which supports, motivates and enables the development of good practice for individual members of staff.

Five of the Board members retired in the past year. Two members retired at the end of April 2019, Mr Trevor Hinds and Mr Don Mackay and three retired at the end of July 2019, Doc Gavin Adams, Mr Aidan Bennett (Audit and Risk Assurance Committee Chair) and the former Board Chairman Mr Jim Perry MBE. All five were dedicated members and made an important contribution to the company’s development during their tenure. The Board membership has changed significantly with Mr Raymond Donnelly and Mr Dermot O Hara commencing 1<sup>st</sup> May 2019 and Mr Ray Havlin and Mrs Joan Cowan and myself commencing 1<sup>st</sup> August 2019. One more change in Board membership is due to take place in 2020-21. I have enjoyed working with the Board who I would

like to thank for their help and assistance and their dedication. I would also pay tribute to our Chief Executive and the other members of the Senior Management Team. Their commitment and enthusiasm has been exemplary. The business model which has been developed is robust and challenging but will help to ensure the long term sustainability of an organisation committed to 'championing ability'.



**William Leathem**  
**Chair of Usel Board**

## Performance Report

### Overview

Ulster Supported Employment Limited (Usel) is an executive Non-Departmental Public Body (NDPB) and operates under the direction of the Department for Communities (DfC) (formerly the Department for Employment and Learning) and in particular on a day-to-day basis the Guidance, Learning and Development Branch. The Company is a private, not for profit Company, limited by guarantee and does not have a share capital, domiciled in Northern Ireland.

The Company is a registered charity under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 20 March 1996.

The Company was established in 1962 to fulfil an act of Parliament to provide supported paid employment for disabled people and in 1980 the Company expanded through the acquisition of the Workshops for the Blind (The Belfast Association for the Employment of the Industrious Blind) to become the largest employer of disabled people within Northern Ireland. At the time of the merger the Workshops for the Blind had been providing employment only for people with vision impairment as it had always done since it was established in 1871.

By special resolution, the Company changed its original incorporation name of Ulster Sheltered Employment Limited to Ulster Supported Employment Limited on 25 September 1998. There have been no changes in the Company's activities during the year and none are anticipated in the foreseeable future. These accounts have been prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006 and, in a form, directed by the Department for Communities with the approval of the Department of Finance.

Whilst Usel is a non-departmental public body, it operates on a social enterprise business model. As a social enterprise, Usel is subject to the standard risks facing any business, such as sourcing materials cost effectively, competition and managing cash flow accordingly. Our products must be able to compete within the marketplace. The services delivered must meet client expectations. This ensures we maximize the benefit to our clients, and we deliver good value for money.

### Statement by the Chief Executive

#### Results for the year

The results for the financial year are set out in the Statement of Comprehensive Net Expenditure on page 47. Net expenditure for the year was £767,003 (2018-19: £1,474,373). Although the Statement of Financial Position shows the Company to have a net liability position, the Directors do not consider there is a risk of the Company not being a going concern. The net liability position has several contributing factors – the defined benefit pension and the loan from the Department secured on the Cambrai Street site. Confirmation has been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22. The Department has also confirmed that presently there is no intention to call down the outstanding debenture of £799,687 for repayment. This debenture is due to expire on 31 March 2021.

On this basis, the Directors consider the Company's financial position at the year-end to be satisfactory.

On the issue of risk, the management team review risk as part of the monthly management team meeting. This is then, where appropriate, updated within the risk register and the Directors receive regular updates on the risk register at the Board every month. This is further augmented by the detailed reporting of the Senior Management Team on the business in the monthly Board Report. The Directors are satisfied there are robust plans and activities to manage these risks. In terms of corporate governance the Directors recognise the need to manage the various elements within that, and are satisfied the Accounting Officer discloses accurate and timely information to them and would commend the Senior Management Team for the early adoption of key governance requirements.

## **Business review**

The Company, whilst partially funded through grant-in-aid, operates three Departments, namely 'Manufacturing and Recycling' and 'Employment Services', which are supported by a 'Corporate Services' Department.

### Manufacturing and Recycling Department

The manufacturing department operates from the factory on our Cambrai Street site, producing bedding and industrial sewing products. At 1 April 2020, there were 44 (2018-19: 54) staff in post. Approximately 80% of those employees live with a disability or health related condition.

Products are manufactured from raw material to finished products. All products are produced to a high standard and are compliant with relevant regulations, such as fire retardancy. Products are sold through a wide range of sources, with all surplus generated being reinvested into the organisation.

During 2019-20, Usel reviewed the performance of its manufacturing department. As part of a cost reducing exercise, four roles were identified as redundant due to business improvement measures. Four members of staff exited on 31 March 2020.

Since its opening in September 2016, Usel's factory shop on the Cambrai Street site continues to deliver a sales model directly to its customer. In addition to the "bricks and mortar" option, Usel offers an e-commerce website [www.uselfactoryshop.co.uk](http://www.uselfactoryshop.co.uk). The website allows customers to view Usel's bedding products online, widening the customer base, leading to a purchase in-store.

Within Usel's Circular Economy (recycling) department, mattresses, carpet and carpet tiles are recycled. At 1 April 2020, there were 28 (2019-20: 27) staff in post. Approximately 86% of those employees live with a disability or health related condition. The benefit of the department extends beyond creating employment and delivers a really positive environmental impact also. In 2019-20, 52,000 units, equating to 1,200 tonnes, and 510 tonnes of carpet, were diverted from landfill. One of the most significant developments in 2019-20 has been the diversification into confidential paper shredding, which started in January 2020.

### Employment Services Department

Employment Services department delivers a supported employment model to approximately 1,200 clients across Northern Ireland. Employment Services contracts are gained by tendering in open competition.

As at 1 April 2020, this Department comprised 36 (2019-20: 38) staff who deliver the programme mix subject to the contract area and the client throughput. The Employment Services team



comprises a mixture of client facing personnel known as Employment Services Officers and Employer Engagement Officers supported in a back-office function by administrators, marketing and management functions.

Details of the various employment programmes are outlined below.

One of the most significant developments in 2019-20 has been the growth of Usel's "Ability" cafes. Over the last 12 months, Usel successfully tendered for catering contracts, securing hospitality provision with the Belfast Trust, at the acute mental health hospital; Ecos centre, Ballymena; Belfast Zoo; and The Stables at Lady Dixon park.

The café's have enabled Usel to run training academies for participants on our Stride Programme, who have an interest in working in the hospitality sector. The academies provide accredited and non-accredited training, in areas such as food preparation, customer service, teamwork and food hygiene. These academies have been a great success with over 60% of the participants who undertook training at Ability during the year progressed into supported employment

At 1 April 2020, 21 staff were employed in the cafes. Almost 50% of staff employed at the cafes have a disability or health related condition.

#### Corporate Services Department

In 2019-20, Corporate Services delivered support in a range of functions, namely finance, ICT and compliance and HR. At 1 April 2020, 30 staff were employed in this department. Approximately 25% have a disability or health related condition.

During 2019-20, Usel's health and well-being programme continued with monthly "lunch and learn" sessions, covering issues such as alcohol awareness and financial well-being. Usel received recognition of its health and well-being initiatives, winning Inspires "Workplace Well-Being Award" in June 2019.

One of the most significant developments in 2019-20 has been the development of a new Values Framework. The Values Framework helps us to reach our organisational goals and to nurture and develop our employees. Our Values Framework outlines the skills, knowledge and behaviours that lead to great performance. Four elements were developed that represent the skills, knowledge and behaviours that are at the heart of Usel:

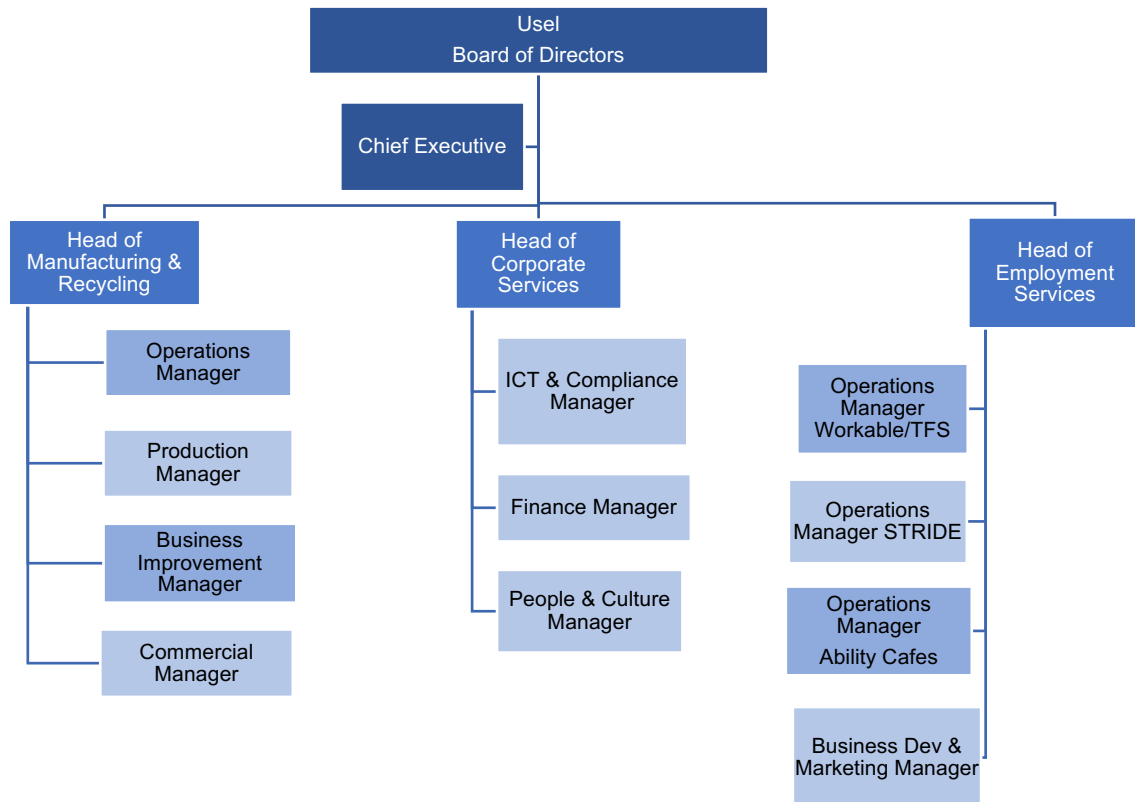
- We Champion Ability
- We Love what we do
- We Grow Together
- We Make a Difference

#### **Purpose**

The Usel core focus remains supporting people who live with disabilities or health related conditions and moving them closer to, into and within employment, training and further education. The Usel logo of "U-Make, U-Work, U-Learn" is provided for through the different sectors of the organisation and this can be seen in the detail outlined in this report.

## Company Structure Overview

The management structure of the Company is set out below:



## COVID-19

In March 2020, Usel, like so many organisations across the world was impacted by COVID-19. The full impact of the pandemic changes on a daily basis, as government advice and guidance changes. Overnight the coffee shops and cafes which Usel operated were closed, impacting March's income. Retail outlets were closed, resulting in a reduction in demand for bed manufacturing. Social distancing measures required staff who could work at home, to work remotely. Those staff unable to work from home, were placed on furlough and will be supported by the Government's job retention scheme.

Fortunately not all of Usel's work streams have been impacted. The Employment Services team continues to offer support to our participants, albeit remotely. Demand for industrial sewing products remains constant, as there is requirement from our emergency service customers. The Circular Economy team continue to collect and process confidential waste.

There is no doubt that 2020-21 will be a challenging year. It will require a change in business model and method of delivery. However, I am confident that we have the appropriate governance arrangements in place to support the Board and the operational teams.

## **UK Withdrawal from EU**

Management at Usel considered Brexit and the UK's departure from the EU and concluded it was unlikely that there will be a significant impact on the organisation. One area of risk was the accessibility of data stored outside of the UK. In preparation, all data was relocated and stored within the UK, in line with data protection legislation.

## **Key Issues and Risks**

Key issues and risks facing Usel have been outlined in the Governance Statement, see page 25.

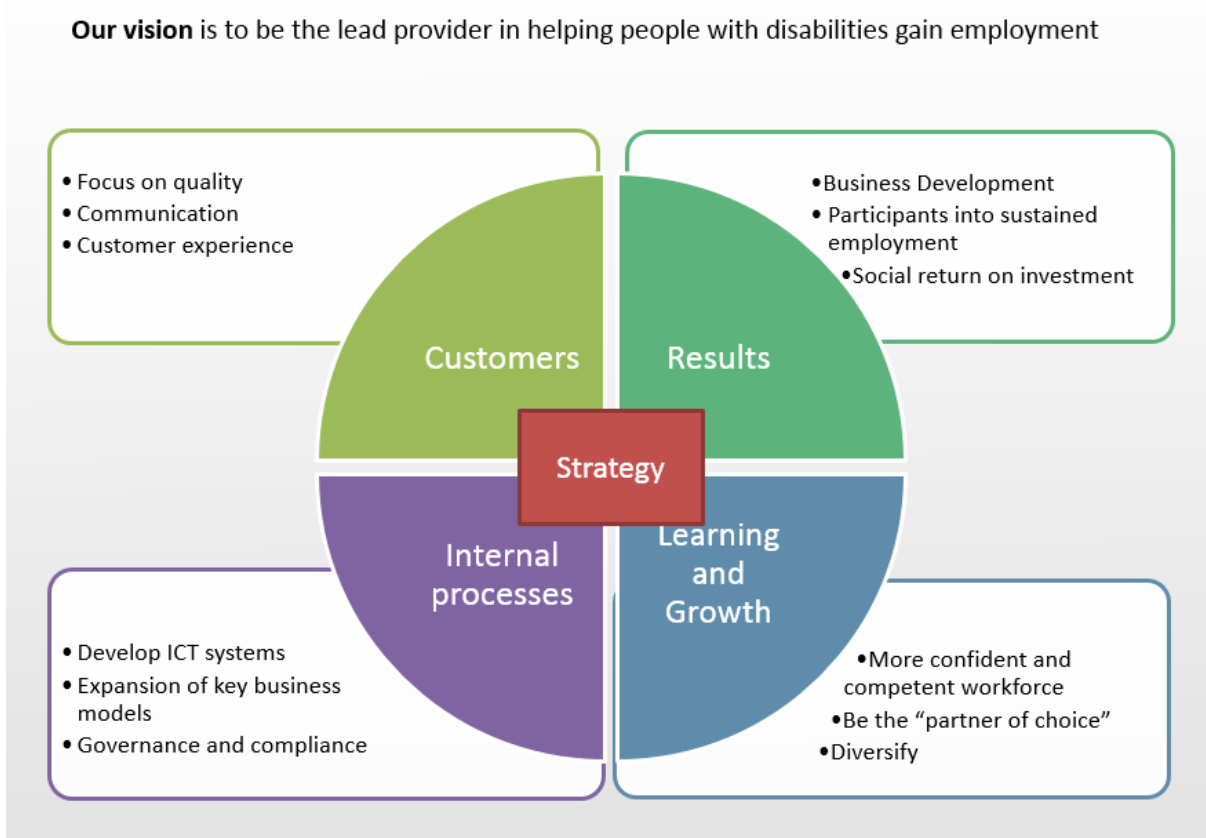
## **Going Concern**

Although the Statement of Financial Position shows the Company to have a net liability position, the Directors do not consider there is a risk of the Company not being a going concern. The net liability position has several contributing factors – the defined benefit pension and the loan from the Department secured on the Cambrai Street site. Confirmation has been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22. The Department has also confirmed that presently there is no intention to call down the outstanding debenture of £799,687 for repayment. This debenture is due to expire on 31 March 2021.

## Performance Analysis

### Performance Measurement

This is the penultimate year of Usel's draft Corporate Plan 2017-2021. Usel continues to embed the core methodology of the balanced score card across the organisation. It cascades the core elements of the metrics system from Customer, Results, Internal Processes and Learning and Development across the organisation.



As Usel continues to focus efforts on growing, the business' ability to network and partner effectively is a critical skill. The need to identify strategic partners and partners who have a desire to collaborate is now a key business driver. Usel's ability to develop sustainable business relationships with partners across the various geographies including within NI and outside NI on a European stage and across the main sectors in which the Company operates (private, public, voluntary and community sectors), specifically in relation to social enterprise which is now a key element within business activity.

### Objectives and Strategies

As an arm's length body of DfC, Usel is committed to supporting the achievement of the draft Programme for Government (PfG) stated objective of *'improving wellbeing for all - by tackling disadvantage and driving economic growth'*.

Usel's Corporate Plan 2017-2021 and Business Plan for 2020-21 is aligned to the PfG Outcomes Delivery plan and the DfC Operational Strategic Priorities 2020-25.

## Performance Against Programme for Government Outcomes

Progress against the objectives are outlined in the table overleaf:

Strategic Theme	Objective	Progress to Date	RAG status
Social Entrepreneurship	We will identify one new product and one new line of business per year	<p><b>2017-18:</b> 1 new product line in manufacturing; 2 new lines of business in manufacturing and 1 in recycling.</p> <p><b>2018-19:</b> 3 new product lines manufactured and 1 new product line in recycling; 1 new business line in hospitality, Ability coffee shop at Knockbreda H&amp;W Centre.</p> <p><b>2019-20:</b> 3 new product lines manufactured and 3 new product lines in recycling; 4 new hospitality venues, including a café business (serving hot food). New Slumberin retail unit opened.</p> <p>New recycling hub officially opened in Ballymena in 2019-20.</p>	
Business Planning for A Growth Agenda	We will create 50 sustainable jobs for people with disabilities or health related conditions, creating £1m of new business	<p><i>Baseline income budget 2016-17: £3.3m (exc ES)</i></p> <p><b>2017-18:</b> 27 jobs created and income budget of £3.7m (exc ES)</p> <p><b>2018-19:</b> 13 jobs created and income budget of £4.5m (exc ES)</p> <p><b>2019-20:</b> 22 (as at 31 Dec 2019) jobs created and income budget of £5.5m (exc ES)</p>	
Developing as A Learning Organisation	We will have increased staff satisfaction, with staff feeling valued and proud to be part of Usel	<p><b>2016-17,</b> 75% of staff “would speak highly of Usel as an employer” – this increased to 89% in <b>2018-19</b>.</p> <p><b>2016-17,</b> 68% were satisfied to work for Usel. This increased to 86% in <b>2018-19</b>.</p> <p><b>2016-17,</b> 40% staff agreed that morale was good at Usel. This increased to 71% in <b>2018-19</b>.</p> <p><b>2019-20:</b> Usel were unable to implement planned focus groups etc to measure staff satisfaction, due to COVID-19.</p>	

Stakeholder Engagement	We will work to foster trust to be the preferred partner to work with	<b>2017-18:</b> 5 new strategic partners; <b>2018-19:</b> 2 new strategic partner; <b>2019-20:</b> 3 new strategic partners.	
Good Governance	We will ensure the right skills, capacity and resources across the business to ensure we are financially sustainable	Over the last three years, Usel has invested significantly in the learning and development of its staff, for example: <ul style="list-style-type: none"> <li>- The management team completed ILM Level 5;</li> <li>- Aspiring Leaders programme;</li> <li>- Train the Trainer qualification;</li> <li>- IOSH training for supervisors;</li> <li>- Autism Awareness and Equality and Diversity training for all;</li> <li>- GDPR training.</li> </ul> We have delivered unqualified accounts each year. We developed a new Values Framework in 2019-20.	

## Detailed Analysis

### Employment Services Department:

#### A: Employment Support Scheme

The Employment Support Programme (ES) provides long term support for people with disabilities and health related conditions to enable them to sustain employment and overcome any barriers or difficulties in relation to their disability. Usel remains the largest provider of this programme in Northern Ireland with 315 (31 March 2019: 332 clients) remaining active on the programme at the year end. During 2019-20, Usel negotiated 17 percentage increases to employer contributions and moved three clients into open employment.

#### B: Support and Training to Realise Individual Development and Employment (STRIDE)

The European Social Fund (ESF) project STRIDE (Support & Training to Realise Individual Employment & Development) supports people living with a disability, who are unemployed or economically inactive, into employment or further training opportunities. Usel provides a range of support including employability training, qualifications, work placements, wellbeing support, supported employment and subsidised employment opportunities. The project completed its second of four-year delivery during 2019-20.

The project aims to support 200 participants each year and deliver 180 accredited qualifications and 20 non-accredited qualifications. In 2019-20, 211 participants were supported onto the project, 298 accredited qualifications were achieved and 308 non-accredited qualifications. Of the 200 annual participants, there are targets to get 30% into work and 15% into further

education/training. Of the 151 Year 2 participants who left the project to the year end 93 (62%) left to an employment outcome. A further 32 (21%) left the project for further education/training. An additional target is to ensure that 15% of project leavers are in work 6 months after leaving the project. For all leavers who had left 6 months or more (256) up to the year end 39% (100) were in work.

#### C: Workable NI

Usel successfully tendered for this programme in July 2016 and was awarded a five-year contract. To qualify for the programme, individuals with disabilities or health conditions must be in employment. Usel can provide support in a number of ways, including job search, access and delivery of qualifications, one to one support, mentoring and working with families and employers to enable individuals to find and sustain employment.

During 2019-20, Usel was able to support 349 (2018-19: 341) individuals via the Workable NI programme. During the year, 149 (2018-19: 100) clients left the programme for a variety of reasons, including 69% moving into unsupported sustained employment.

The programme has been crucial for a number of our clients on the STRIDE programme, enabling us to support them as they progress into employment.

#### D: Training for Success & Apprenticeships NI (Disability Support)

Usel has been working along with a number of training providers and key partners including colleges to provide specialist support to those people on the Training for Success or Apprenticeship NI programmes who face a range of barriers to their development and training.

During the year 2019-20, the Company delivered support to 340 (2018-19: 280) participants, which added up to 15,919 (2018-19: 7,010) hours on the Training for Success (TFS) programme. The range of supports include one-to-one mentoring, classroom support and job search activities.

#### E: Training for Success

In June 2017, Usel were successful in winning three contract lots (Antrim & Newtownabbey, Belfast City and Lisburn & Castlereagh) for the Training for Success 2017 contract. Delivery commenced in September 2017 with six learners on the programme, all in the vocational area of Retail. In 2019-20, a cohort of six (2018-19: 9) new learners joined, taking the number of learners to 21.

In 2019-20, the retention rate was 94% (2018-19: 94%), against an Education Training Inspectorate (ETI) "good" retention target of 80%. In addition, a rating of "good" was achieved for ETI's inspection of teaching, safeguarding and other educational standards. ETI noted that this was the highest possible rating which could be achieved, due to the short time in which we have delivered the programme.

## Manufacturing and Recycling Department:

The Manufacturing and Recycling Department delivers three key areas:

### 1: Mattress and bed manufacture

Following on from a strong 2018-19, Usel has improved on sales and units produced, finishing in line with budget. The objective for 2019-20 was to continue to increase sales level and market share in line with corporate strategy.

The hard work delivered by the sales and production teams during 2019-20 has secured an order book that has allowed Usel to grow customer base within selected markets with a continued focus on improving quality and effectively managing the cost of raw materials.

### 2: Industrial sewing

Similar to bedding, the industrial sewing department performed well during 2019-20 finishing in line with budget. This is a result of a concentrated sales strategy from the sales team within Usel with emphasis on targeting new customers and markets.

During 2019-20, Usel continued to work closely with customers across the Fire, Police and Ambulance services not only in Northern Ireland but other services across the UK and Ireland (e.g London Fire Brigade, Strathclyde Fire and Rescue) and in conjunction with this have developed several additional customers within this sector.

### 3: Circular Economy

#### Mattress Recycling

In 2019-20, Usel continued to see an appetite for new market opportunities within a circular economy model. The mattress recycling team had a really successful year, increasing the number of mattresses recycled to approximately 52,000 (2018-19: 46,000 mattresses recycled).

Management have been successful in securing contracts with several Councils across Northern Ireland and are in negotiations with several others. They were also successful in securing deals with some large retailers operating in Northern Ireland, recycling the mattresses returned from its customers.

100% of materials extracted during the mattress recycling process are recycled into new non-mattress products.

#### Carpet Recycling

In the latter stages of 2017-18, Usel commenced a carpet recycling pilot with Belfast City Council. The benefits from the pilot were realised in 2018-19, recycling approximately 300 tonnes of carpet. In 2019-20, 520 tonnes of carpet were recycled for a number of councils.

#### Corporate Social Responsibility

The Company takes its responsibility as a corporate citizen seriously and attempts to ensure employees, clients, service users and customers are fairly treated and respected as articulated



in its new Values Statement: “We strive to be a people centred, sustainable organisation that adds value through respect for others and commitment to excellence”.

The Company ensures its impact on the community locally and nationally is positive and environmental footprint is reduced where possible. In 2019-20, Usel conducted a social impact analysis in the form of a retrospective social return on investment (SROI) assessment of the 2018-19 period of activity. The social impact analysis is based on an Outcomes Framework that investigates how investment (inputs) in activities creates outputs and outcomes. A SROI ratio of approximately £1:£18 (2017-18: £1:£15) was calculated, so for every £1 invested in Usel, £18 of social value is generated.

### **Continuous Improvement Accreditations**

The Company holds the quality of products and service delivery close to the core of the business and is accredited with ISO 9001:2015 and 14001, which incorporates environmental standards into the management standards.

There were no instances of major non-conformances during 2019-20. There were three minor non-conformances noted. All recommendations have been implemented.

In addition, Usel obtained accreditation for BSI 15713, secure destruction of confidential material. This has enabled the development of a new commercial business within the circular economy department.

Usel continues to be an active member of the National Bedding Framework. Usel was audited in January 2020 against their revised Code of Practice. Usel passed the audit and was commended on it's implementation of the new mattress traceability system in place in addition to the measures introduced to assure product and customer safety.

### **The Environment**

Over the last year the Company has continued to promote environmental awareness as a key part of its overall strategy. Usel achieved bronze status in the Northern Ireland Environmental Benchmark Survey.

Usel will develop a cross functional Environmental Focus Group to implement environmental initiatives within the business. The Environmental Action Plan 2020-21 has been revised to include new target areas.

Mattress recycling has gone from strength to strength and management is working with additional councils to divert this product from landfill. In 2019-20, Usel recycled approximately 1,200 tonnes (2018-19: 1,000 tonnes) of mattress waste, diverting 100% from landfill.

During 2019-20, a number of other projects commenced, which have had positive environmental impacts:

- Bin store clean and clears for various housing associations;
- Confidential shredding

Within the factory and outlying offices, Usel continues to monitor consumables and as the company refurbishes areas it is introducing more environmentally friendly substitutes, for example LED lighting rather than halogen or florescent units.

## **NIEA Prosperity Agreement**

In 2017-18, Usel and the Northern Ireland Environment Agency (NIEA) agreed a framework based on joint business aspirations towards long term prosperity between Ulster Supported Employment Limited and the NIEA.

The parties agreed to put in place a framework based on the following joint aspirations to move their business further towards long-term prosperity through improved environmental outcomes:

1. Seeking opportunities to explore innovative solutions to implement resource efficiency and sustainability of business in Northern Ireland.
2. Working in collaboration with the supply chain, other stakeholders and the community to influence environmental outcomes and develop the circular economy.
3. Working together to promote better regulation and secure good business practice.

## **Disability Discrimination (Northern Ireland) Order 2006**

Under Section 49A of the Disability Discrimination Act 1995 (DDA 1995) (as amended by Article 5 of the Disability Discrimination (Northern Ireland) Order 2006), Usel is required when carrying out its functions to have due regard to the need to:

- promote positive attitudes towards disabled people; and
- encourage participation by disabled people in public life ('the disability duties').

Under Section 49B of the DDA 1995, Usel is also required to submit to the Equality Commission a disability action plan showing how it proposes to fulfill these duties in relation to its functions. The approved Disability Action Plan spans the duration of the Corporate Plan 2017-2021, and is available on our website [www.usel.co.uk](http://www.usel.co.uk).

We have appropriate internal arrangements in place to ensure that the disability duties are complied with and this disability action plan is effectively implemented, through tracking of our Action Measures, employee feedback and training. We ensure the effective communication of the plan to employees, provide all necessary training and guidance on the disability duties and the implementation of the plan.

## **Section 75 Duties**

As an NDPB, Usel has a requirement to comply with the Northern Ireland Act 1998, Section 75 Statutory Duties and produce an Equality Scheme outlining the processes the Company will follow to ensure its obligations are met. The Company maintains a firm commitment to meeting its Section 75 obligations. The ICT and Compliance Manager has responsibility for compliance and adherence with the full support of the Board and Senior Management Team.

## **Respect for Human Rights**


Through mechanisms such as Section 75 and Section 49B outlined above, Usel demonstrates its support in respecting individuals' human rights.

**Anti-Corruption and Anti-Bribery Matters**

Usel have policies in place to protect the organisation and its staff from corruption and bribery. There were no instances of corruption or bribery in 2019-20 (2018-19: nil).

**Auditor's Remuneration**

The Auditor's Remuneration is stated in Note 9 to the Financial Statements.

A handwritten signature in blue ink, appearing to be 'B Atkinson', written over a faint circular stamp.

**B Atkinson**  
**Chief Executive and Accounting Officer**  
**1 September 2020**

## **Accountability Report**

## **Corporate Governance Report**

## **Directors' Report**

**Year ended 31 March 2020**

## **Background Information**

The Directors and Advisers are listed on page 3.

## **Employee involvement**

The Company continued to pass information to all employees via a cascade process for employee involvement in this past year. This means that the Chief Executive briefs the entire organisation on a regular basis.

The Company continued to run the Employee Forum at which employee representatives are informed of the status of the business and are given the opportunity to engage in questions and answers.

Employee and union representatives have been nominated by their peers and attend a structured meeting with the CEO, Head of Corporate Services and other managers as appropriate. At this meeting employees are encouraged to raise issues they or their peer group deem appropriate. A Health and Safety Committee was established to ensure all health and safety issues are managed appropriately. Each employee within the organisation has team meetings on a regular basis which provide a forum for the employees to be kept abreast of developments and feed back their perspective on changes.

The designated competent person is the Chief Executive who works with external support to ensure the system of Health and Safety across the organisation is in place.

Details of the Company's policies and procedures regarding training and employment of individuals with disabilities are available on Usel's website [www.usel.co.uk](http://www.usel.co.uk).

## **Accounting policies**

The financial statements have been prepared on a going concern basis in accordance with the 2019-20 Government Financial Reporting Manual (FReM), in a form directed by the Department for Communities, with the approval of the Department of Finance.

## **Payments to suppliers**

Usel is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers 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. On average 89% (2018-19: 96%) of supplier invoices were settled within this timeframe.

In addition, in line with Government Best Practice Usel endeavour to pay within 10 working days. On average, 59% (2018-19: 64%) of supplier invoices were settled within this timeframe.

## **Fees and Charges**

Usel does not have any material fees and charges.

## **Subsequent events**

No significant events have occurred since the reporting date which affect the Company or which materially affect the financial statements of the Company.

## **Personal Data Related Incidents**

There are no personal data related incidents to report (2018-19: no incidents).

## **Political Donations**

Usel did not make any political donations or incur any political expenditure in 2019-20 (2018-19: £nil).

## **Reporting of Complaints**

Usel aim to have an effective complaints system to resolve issues, as far as possible, on the spot without the need for a full formal procedure.

If a complaint is logged, a written response will be drafted. These responses are monitored to ensure that it deals with all points raised. An apology will be given when a mistake has been made. Where appropriate, Usel will demonstrate what action will be taken to minimise future complaints of a similar nature.

In 2019-20, two complaints were logged. Following an investigation into both circumstances, the complaints were not upheld.

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) has been complied with.

## **Register of Interests**

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed.

Several members of the Board of Usel are also involved with other charitable organisations in Northern Ireland, either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions regarding those organisations with which they have a declared interest.

Details of related party transactions are detailed in Note 22.

## Directors

Details of the composition of the Board during 2019-20 are disclosed below:

### **Jim Perry – Chairman (Resigned 31 July 2019)**

James Perry MSc FCA is a Chartered Accountant and was the chair of the Northern Ireland Social Care Council until 31 March 2018. He is a Non-Executive director for the Pharmaceutical Council NI and is also currently vice chair of Ballymena Business Centre. He is a trustee of the Gallaher Trust, which has been established to help support business development in the Ballymena area. Mr Perry previously held post as Chair of the Board of Governors of Ballymena Academy, is a past Associate with the Centre for Competitiveness, and was previously employed as Corporate Services Director with the Northern Ireland Tourist Board. Mr Perry worked for nearly 20 years as a Senior Manager with Northern Ireland Electricity (NIE).

### **Aidan Bennett – Finance Director & Audit and Risk Assurance Committee Chair (Resigned 31 July 2019)**

Aidan Bennett was appointed as a Director of the Company in April 2012. Aidan is a qualified Company Director with an extensive background in delivering major transformation programmes across both the Public and Private Sectors. Aidan was appointed the Company's Finance Director and Audit Chair in December 2012. He also holds a position as Trustee Director in RelateNI.

### **Gavin Adams – Director (Resigned 31 July 2019)**

Gavin Adams was appointed as a Director of the Company in April 2012. He is currently Director of Business Development with the Extern Group, where he is responsible for fundraising, finance, ICT, communications and marketing for the organisation. He was previously Senior Manager for Business Development with the Royal National Institute for Blind People and Head of Programmes with the Big Lottery Fund.

### **Trevor Hinds – Director (Resigned 30 April 2019)**

Mr Hinds is the Principal at Trevor Hinds Consultancy. He has previously been a Director in Pricewaterhouse Coopers (PwC) and was a General Manager and Company Secretary for International Factors (NI) Ltd, a wholly owned subsidiary of Bank of Ireland. Mr Hinds is currently a Board Member and Trustee of Mindwise Limited. He retired as a Board Member of Bryson Future Skills Ltd in 2018.

### **Donald MacKay – Director (Resigned 30 April 2019)**

Mr Donald Mackay is a former senior manager in the Northern Ireland Fire and Rescue Service (NIFRS). He has previously held a position as local councillor on Craigavon Borough Council. Mr Mackay is a Board member of the NI Community Relations Council; NI Lay Advisory Group member of the Royal College of Emergency Medicine; and a member of the Victims & Survivors Forum.

### **Carol Magill – Director (Audit and Risk Assurance Committee Chair – 1 August 2019)**

Ms Carol Magill is the key Assessor for the Communication Management Standard (CMS) for the Public Relations and Communications Association (PRCA.) Carol is also joint owner of a heritage building, the only Coastguard Boat House on Belfast Lough, which has been recognised as a leading international tourist attraction. In addition, Carol was formerly Head of Communications in the Department of Culture, Arts and Leisure and was a Head of Policy in the Department of Employment and Learning.

**Raymond Donnelly – Director (Appointed 1 May 2019)**

Mr Donnelly's background is within Human Resource Management and Business Improvement. He has been a member of the Corporate Management Team in a number of organisations including Newry & Mourne Health and Social Care Trust and Craigavon Borough Council and now is an independent HR/OD Consultant. He has experience across the HR spectrum, in particular the strategic issues relating to change management and improvement, including implementing training programmes. He does not hold any other public appointments.

**Dermot O'Hara – Director (Appointed 1 May 2019, Finance Director from 1 August 2019)**

Mr O'Hara is a former Director of People Strategies with the Local Government Staff Commission for NI. He currently provides Human Resource and Organisation Development support, on a consultancy basis to a range of organisations. He is a former Non-Executive Director of the South Eastern Health and Social Care Trust Board, where he chaired its Finance Committee, and brings strategic planning skills to the Board. He does not hold any other public appointments, but is a voluntary Board member of the Railway Preservation Society of Ireland.

**William Leathem – Chairman (Appointed 1 August 2019)**

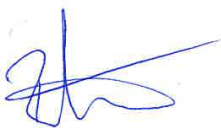
Mr Leathem is a former elected member of Lisburn and Castlereagh City Council, where he served as Chair of both the Governance & Audit Committee and the Development Committee. He was a former member of the District Policing Partnership and a former Board Member of the Ulster Scots Agency and Libraries NI. Mr Leathem has varied audit and governance experience, project management experience and financial management skills, which he will bring to this role. Mr Leathem does not hold any other public appointments. He has had political activity for the DUP within the last 5 years.

**Joan Cowan – Director (Appointed 1 August 2019)**

Mrs Cowan has over 20 years experience in Human Resource Management in both the private and public sectors, working closely with Directors and Heads of Service in a wide range of employee resourcing, employee relations, reward, learning and development initiatives. She has also been involved in developing corporate strategies and has led programmes of restructuring and downsizing. She is a former Director of the Home-Start Charity with responsibility for governance. She does not hold any other public appointments.

**Ray Havlin – Director (Appointed 1 August 2019)**

Mr Havlin runs a family owned business, successfully working with a wide range of suppliers, customers and strategic partner organisations, whilst overseeing the business' activities. He is on the Board of Governors of a local primary school and is a Group Scout Leader. Mr Havlin has experience of strategy development, financial planning and risk management, skills which he will bring to the USEL Board. He does not hold any other public appointments.



**B Atkinson**  
**Chief Executive and Accounting Officer**  
**1 September 2020**

## Statement of Accounting Officer's Responsibility

The Department for Communities has directed Usel to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Usel and of its income and expenditure, statement of financial position and cash flows for the financial year.

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

- observe the accounts direction issued by the Department for Communities including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- prepare the accounts on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department for Communities has appointed the Chief Executive as Accounting Officer of Usel. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Usel's assets, are set out in *Managing Public Money Northern Ireland* published by HM Treasury via the Department of Finance.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Usel's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



## **Governance Statement**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for ensuring and maintaining a sound system of internal control that supports the achievement of Usel policies, aims and objectives, whilst safeguarding the public funds and Company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. In this context, Usel's Financial Memorandum and Management Statement sets out the accountability arrangements.

### **Purpose**

The Governance Statement is designed as a synopsis document covering the governance frameworks, their delegated requirements and the effectiveness of our system of control and governance.

We continue to view risk within the systems of internal control as being managed at a reasonable level rather than to eliminate all risk, as this would lead to failure to achieve policies, aims and objectives. Usel, whilst an NDPB, operates as a commercial entity delivering a social enterprise business model in pursuit of the core aims and objectives of the Company.

My governance statement is issued on the basis of an on-going process, rather than a snapshot in time. It is given within the parameters of a system designed to identify and prioritise the risks to the achievement of departmental 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 governance has been in place in Usel for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts and accords with DoF guidance.

### **Capacity to Handle Risk**

The Audit and Risk Assurance Committee met four times in the year and the risk register was formally presented following update. On that basis, as Accounting Officer, I receive a high degree of comfort that from Board through to managers, each individual with delegated authority is operating from a frame of reference which permits the risk management of the organisation to be handled appropriately.

The Company's values are based in the provision of paid, supported employment for people with disabilities or health conditions in Northern Ireland. The Company operates on strict commercial business lines with each manager held fully responsible for achieving his/her budget and targets. A key performance indicator system is utilised to ensure budgetary control and targets are delivered. Key performance indicators include number of mattresses collected and number of participants on programmes etc which are tracked against targets, agreed at the start of the financial year.

The Director with responsibility for Usel within the Department for Communities, liaises with the Usel Chairman. The Sponsoring Branch hold monthly, formal meetings with the Chief Executive and the Head of Corporate Services.

The Senior Management Team communicate with the branch on a regular basis from operational matters to corporate matters, usually by e-mail or telephone contact. Other ad-hoc meetings are arranged as and when required.

## **The Governance Framework**

### **Accounting Officer:**

As Accounting Officer I discharge my responsibility through a system that is commensurate with the size and nature of the Company. I meet the Accounting Officer of our sponsoring department annually to discuss the key business issues. At that meeting, I meet the Director of the Department for Communities and the Head of the Sponsoring Branch. This is further augmented on a monthly basis with the business meeting between the sponsoring branch, the Chief Executive and Head of Corporate Services.

### **Board:**

The Company applies the best principles of good governance with a corporate governance structure of a Board of Non-Executive directors appointed by the Minister for the Department for Communities, following a public appointment process. Usel comprises a Board of six directors, who are appointed following a public appointments process. The Directors appoint one member to act as Finance Director. The Committee ensures that the Senior Management Team is supported and challenged in equal measure.

Directors are provided with adequate training in respect of compliance with Codes of Practice, such as HM Treasury Code of Good Practice 2005, this is encapsulated in the terms of reference and code of conduct for Board members provided to each Director upon commencement. Directors receive a copy of Managing Public Money NI.

The Board meets 11 times per year for formal Board meetings and at other times throughout the year as required. The Chief Executive provides the Board with a full management commentary. Senior managers contribute a written commentary from their business area within the Board pack. We meet as a Board and whole management team annually for a full day to review progress, hear from line managers and review Corporate Plan alignment.

The Company's Head of Corporate Services provides the Board with performance against budget, with detailed disclosure of all financial matters relevant to the Company at Board level. The monthly Board pack provides the Board with full disclosure on all matters within the organisation. The Board pack contains key finance, operational and governance information on which the Directors remain fully briefed.

The Board noted in its annual review that the data provided to them is comprehensive, sufficiently detailed, accurate and timely. Changes to reporting, enhancing the quality of information to the Board, are implemented promptly.

Annually the Board reviews the performance of the CEO through the delivery of the Corporate and Annual Business Plan. The Board reviews monthly performance of the Company and the senior team attend all Board meetings to provide a direct account for their business area.

On a monthly basis, the Board receives detailed information in respect of the individual business areas. This process ensures full accountability and transparency in their oversight of the Company as it also provides the Board with a breadth and depth of data which is only possible due to the relative scale of the Company.

### Board Meetings:

To ensure effective use of Board time, an Agenda and supporting papers are circulated one week in advance of meetings, outlining key topics for discussion. This allows the Board sufficient time to discharge its duties effectively. The Board remains focussed on prime issues regarding the Company and providing opportunity to explore key issues monthly. During the year the Board set aside other days to engage with the whole management team and to deal with specific topic areas outside the normal transaction business of the Board.

Attendance of Directors and Senior Managers at Board meetings:

<b>Name of Attendee</b>	<b>Record of Attendance</b>
Jim Perry (Chair) – resigned 31 July 2019	3/3
Trevor Hinds – resigned 30 April 2019	1/1
Donald Mackay – resigned 30 April 2019	1/1
Aidan Bennett – resigned 31 July 2019	3/3
Gavin Adams – resigned 31 July 2019	3/3
Carol Magill	9/11
Dermot O'Hara – appointed 1 May 2019	10/10
Raymond Donnelly – appointed 1 May 2019	10/10
William Leathem (Chair) – appointed 1 August 2019	8/8
Joan Cowan – appointed 1 August 2019	7/8
Ray Havlin – appointed 1 August 2019	8/8
Bill Atkinson	11/11
Sarah-Jane Mowbray	11/11
David Cowan	9/10
Scott Jackson	9/10

## Tailored Review

Government departments should complete regular reviews of their arms-length body (ALB) to make sure they are aligned to strategic objectives, well governed and providing value for money. The Review focuses on three key areas:

- **Continuing need:** to provide a robust challenge and assurance on the continuing need for individual organisations – both their functions and form. This includes alternative delivery models.
- **Effectiveness and efficiency:** capacity for delivering more effectively and efficiently, including identifying the potential for efficiency savings and where appropriate, ability to contribute to economic growth. It should include an assessment of the performance of the organisation or assurance that processes are in place for making such assessments.
- **Control and governance:** control and governance arrangements in place to ensure that the organisation and its sponsor are complying with recognised principles of good corporate governance. These principles will vary according to the public body under review and departments should consult the relevant guidance

Following the Governance Review in 2017-18, the Department engaged with the Department of Finances' Business Consultancy Service (BCS) to provide a robust, independent challenge and assurance on the continuing need for Usel – both its function and form. The *Tailored Reviews: Guidance on Reviews of Public Bodies* provided the framework for the BCS review. The review focused on two key stages a) assessment of continued need for Usel's current functions and b) an assessment of alternative delivery models. The draft report was issued in August 2019.

The Review Team considered Usel to have two core functions:

1. Social enterprise – providing **direct employment** for people with a disability or health related condition. The direct employment is via product manufacturing and sales; and service provision (recycling and cafes).
2. Supported employment programmes - Providing **employability services** for people with a disability or health related condition. This is currently via programmes commissioned by DfC and DfE. Services currently focus on 'Get In, Stay In, Get on' disability employment principles.

The Review Team assessed the continued need for the two core functions across five areas:

- Legislation;
- Ministerial;
- DfC;
- Usel; and
- Other Stakeholders.

The Review Team assessed there was a continued need for Usel's two core functions.

In line with the *Tailored Review* guidance the report considered the various delivery options that Departments are recommended to consider when conducting this form of review. These are summarised below and each is considered in detail in the report:

1. Abolition;
2. Moving Out of Central Government;
3. Commercial Model;
4. Bring In-House;

5. Merger with Another Body;
6. Less Formal Structure;
7. Delivery by a New Executive Agency; and
8. Continued Delivery by a NDPB (Non-Departmental Public Body) / ALB.

The shortlisting process identified the following options as most appropriate delivery models:

- Option 3: Commercial model; and
- Option 8: Continued delivery as an ALB.

Following consultation and an independent assessment, the Review Team recommended Option 3: Commercial Model. The rationale for this assessment was primarily that current strategic fit for both DfC and Usel results in a number of risks and issues under a 'do nothing' option. A commercial model equally presents risks and issues for both DfC and Usel but in the long term it can provide greater benefits (for both DfC and Usel) by giving Usel greater scope to exploit commercial opportunities and ultimately provide the disability employment outcomes which are needed.

The Board gave full consideration to the Tailored Review and its recommendations during a Board meeting on 25 September 2019.

Whilst the Board accepted the recommendation, a number of critical issues were highlighted to DfC for resolution before the recommendation could be viable, including Usel's pension liability and the development of an agreed detailed deployment plan.

#### **Clarity of roles- review of committee structure:**

The Board recognise that the Company is a small entity and therefore the Board and Committee structure should be commensurate with the needs of the entity. Three sub-groups are currently in operation:

- Audit and Risk Assurance Committee – see below;
- Health and Safety Committee - membership includes the CEO and members of appropriately qualified staff;
- Employee Forum – membership includes staff from each area of the business.

#### **Board Effectiveness:**

The Board conducted a formal and rigorous evaluation of its 2019-20 performance. Board members acknowledged that almost all members were relatively new to the Board and therefore lacked sound understanding of the business. Developing the Strategic Plan 2021-2025 will strengthen this understanding. The Board was generally content with its performance, in areas such as oversight of management, understanding the Company and its business and conduct of Board meetings. One area for improvement is the composition of the Board, with regard to specific skills.

The Chair of the Board completed a performance review for each Board member. The performance of the Chair was reviewed by a Senior Civil Servant in the Department for Communities.

The Company Secretary, a qualified accountant, provides secretariat support to the Board. It is the responsibility of the Company Secretary to ensure an appropriate Agenda and supporting papers are circulated to the Board in a timely manner; that Board decisions are recorded accurately and action points are followed up; to challenge the quality of, and information in, the Board papers etc.

At the start of each Board meeting, the Chair requires all Board members to declare all conflicts, perceived or actual. This is a standard item on the Agenda of the meeting. Throughout the course of the year, a perceived conflict was declared by the SMT in relation to the pension benefit re-design. It was recorded in the minutes.

#### **Audit and Risk Assurance Committee:**

The Audit and Risk Assurance Committee meeting is attended by the Chief Executive and Head of Corporate Services along with External Audit representation from the NIAO and its subcontractor, KPMG, the sponsoring branch representative and the Internal Audit service provider representative. In addition, the Directors of Usel, with the exception of the Chair of the Board, are members of the Audit and Risk Assurance Committee.

Audit and Risk Assurance Committee members receive appointment letters and terms of reference aligned to HM Treasury guidelines. The committee meets four times per annum as per best practice guidelines.

In 2019-20, the attendance of members at Audit and Risk Assurance Committee meetings was as follows:

<b>Name of Attendee</b>	<b>Record of Attendance</b>
Aidan Bennett (Chair) – resigned 31 July 2019	1/1
Gavin Adams – resigned 31 July 2019	1/1
Carol Magill (Chair from 1 August 2019)	3/4
Dermot O’Hara	4/4
Raymond Donnelly	4/4
Joan Cowan – appointed 1 August 2019	2/3
Ray Havlin – appointed 1 August 2019	2/3
Bill Atkinson	4/4
Sarah-Jane Mowbray	4/4

#### **Pension Trustees:**

The Company operates a dual pension provision.

1: Defined Benefit Scheme: The Trustee Board comprises five members, two elected from Scheme members and two appointed by the Company. From 1 August 2019, an independent

Trustee was appointed as the Chair of the Pension Trustee Board. The Trustees meet on at least three occasions per annum with other ad-hoc meetings as required to monitor the Scheme's funding, administration and investments, keep up to date with pension legislation and make decisions that affect the future of the Scheme and its members.

2: Defined Contribution Scheme: The Company selected NOW Pensions as the provider of choice for this new auto-enrolment vehicle. It is governed externally and because it is proprietary in nature it does not require an internal pension trustee group to be established.

### **Risk Management:**

The systems utilised by Ulster Supported Employment Limited have a proven track record to identify, quantify, action and report on risk identified. The Company operates a system where a person has ultimate responsibility and accountability for managing the individual risk.

While the risk register is formally reviewed prior to the Audit and Risk Assurance Committee meetings, with any revisions made following discussions at that meeting, the register is kept updated throughout the year. The Management Team identify risks at each monthly meeting, where appropriate these risks are either subsumed into the main risk register or established as a separate line entry on the register for deeper discussion and management action.

Through this process the Board and Audit and Risk Assurance Committee have agreed a low to medium risk appetite overall for the organisation. That said, due to the commercial nature of the Company there are times when the risk appetite for a specific element is higher as commercial risk is a day to day feature of this entity. The Board are content that such risks are mitigated as fully as possible and well managed on a day to day and longer term basis.

There are a number of key risks which an organisation operating commercially will face. During 2019-20, a number of new risks were identified and managed, including:

- the recruitment of new Board members – during 2019-20, five of the six Board members were new to the organisation. This presented a risk of a loss of corporate knowledge which could have impacted delivery of the Corporate Plan objectives and other key strategies within Usel. This risk was mitigated with a comprehensive induction, including a handover meeting with outgoing Board members, induction meeting with induction pack and other ad hoc meetings to discuss significant issues ongoing in Usel;
- risks associated to the defined-benefit pension scheme, such as the ability to fund contributions for past service and future service, particularly as employer contributions increased from 22.4% to 24.6% on 6 April 2020;
- risks associated with new areas of business, such as confidential paper shredding. The risks associated were failure to deliver the service, both operationally and securely. The risks were mitigated with the relevant BSI accreditation, appropriately skilled staff and some adjustments to the building to ensure information security could be maintained.

The most significant risk for Usel which emerged in March 2020 was COVID-19. Overnight the coffee shops and cafes which Usel operated were closed, impacting March's café income. Retail outlets were closed, resulting in a reduction in demand for bed manufacturing. It is unlikely that the retail outlets will re-open in the foreseeable future. Social distancing measures required staff who could work at home, to work remotely. Those staff unable to work from home, were placed on furlough and will be supported by the Government's job retention scheme.

Fortunately not all of Usel's work streams have been impacted. The Employment Services team continues to offer support through employment programmes to participants, albeit remotely. The funding in relation to these programmes has not been affected by COVID. The contracts in place for the employment programme are secured for at least one year.

Demand for industrial sewing products remains constant, as there is requirement from emergency service customers. The Circular Economy team continue to collect and process confidential waste.

We consider there are sufficient mitigating controls in place to reduce the risks identified. Each risk has a management plan and to date these plans have successfully navigated the Company through the economic landscape in which we operate.

I use other areas of input to allow me to provide the Audit and Risk Assurance Committee, the Board, the Department and the Accounting Officer of our sponsoring department with assurances. These include but are not limited to:

- ISO 9001-2015 Quality Management system six-monthly external audit;
- ISO 14001 Environmental Management system six-monthly external audit;
- Internal Audit findings and recommendations;
- Dear Accounting Officer / Dear Finance Officer letters and guidance passed to me by the Department;
- Public Sector training for areas of change;
- External auditor reports for programmes delivered on behalf of the Department for Communities;
- External auditor reports for European Social Fund funded programmes;
- Audits from ESF match funders;
- External reviews of the Company's Health and Safety and Fire risk;
- External reviews and assessments of our insurance risks by insurance assessors;
- Participation in the National Fraud Initiative;
- EFQM assessment;
- ALB review process, including the Triennial Governance review and ongoing Tailored Review;
- Education and Training Inspectorate report.

These audits and reviews have all provided positive assurance of the control mechanisms within the Company for the year 2019-20. No material issues were noted, nor were any significant risks or fraud identified.

Following an internal audit review in 2019-20, we received an overall satisfactory assurance on all levels tested, details of which are included in the Assembly Accountability and Audit Report. On the foregoing basis I have a system of control which permits me to annually meet the Permanent Secretary in his capacity as Accounting Officer, and provide a six monthly assurance statement that the organisation is managed and run appropriately and is fully compliant.

On the issue of Information Assurance I can confirm that Usel continues to enforce policies set out to protect data. These include:

- \* Updating servers and firewalls to meet latest security protocols
- \* Back up procedures to ensure data is protected and stored electronically



- \* Management of data in manual format to protect it and safeguard the data
- \* Updating the Data Protection Policy procedure for all staff due to implementation of General Data Protection Regulation in May 2018
- \* Enforcing Company policies on ICT equipment
- \* Business Continuity Plan

Throughout the year 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020 I can confirm that there were no data breaches.

### **Charitable Status**

Usel worked with the Department for Communities to resolve one long-standing issue, which is preventing the Company being formally registered with the Charity Commission for Northern Ireland (CCNI). The issue is in relation to the loan from the Department, secured on the Cambrai Street site. Appropriate paperwork has been submitted to the CCNI. However, due to pressures within CCNI the submission has not yet been reviewed. Usel remain on the CCNI “deemed list”, pending resolution of this issue. Whilst there is no deadline for a conclusion, financially, the successful application and acceptance of the Company as a registered charity is a key area of focus.

### **Review of Effectiveness**

As Accounting Officer, my review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Department’s Senior Management Team 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. The Board and the Audit and Risk Assurance Committee address weaknesses and ensure continuous improvement of the system in place and advise me on the implications of the results of reviews of the effectiveness of the system of internal control.

The full engagement of the Audit and Risk Assurance Committee and Directors in all matters through the open and transparent nature of information passage to the Board and the sponsoring branch allows me to denote the effectiveness of our governance arrangements.

Compliance with our published codes of practice and guides on the Board and Audit and Risk Assurance Committee was achieved, which permits me the opportunity to present and endorse this governance statement, with no issues to note.

Although the Statement of Financial Position shows the Company to have a net liability position, the Directors do not consider there is a risk of the Company not being a going concern. The net liability position has several contributing factors – the defined benefit pension and the loan from the Department secured on the Cambrai Street site. Confirmation has been received from the Department that it is reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided to at least 2021-22. The Department has also confirmed that presently there is no intention to call down the outstanding loan balance of £799,687 for repayment. On this basis, the Directors consider the Company’s financial position at the year-end to be satisfactory.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the directors report and the accounts in accordance with applicable law and regulations.

Company law and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993 require the Chief Executive and Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the income or expenditure of the Company for that period.

The Department for Communities has directed Usel to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Usel and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Chief Executive and Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In addition, in appointing the Chief Executive of Usel as Accounting Officer for the Company, the Department for Communities has placed on the Chief Executive responsibilities including the regularity and propriety of the public finances and for the keeping of proper records, which are set out in the "Accounting Officers Memorandum" issued by the Department of Finance.

**Statement of disclosure of information to auditor**

So far as each of the Directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Under the Companies (Public Sector Audit) Order (Northern Ireland) 2013 Ulster Supported Employment Limited is subject to a public sector audit by the Comptroller and Auditor General (C&AG). Although the Northern Ireland Audit Office (NIAO) have contracted the work to KPMG, the audit opinion is issued by the Comptroller and Auditor General.

## Remuneration and Staff Report

### Remuneration Policy

The Non-Executive Directors hold appointments which last for three years and the Minister for the Department for Communities has the option of re-appointing for a further three years after consideration of a performance assessment. The Chief Executive is appointed by the Board of Directors and holds an open ended contract. The remuneration of the Directors is directed by the Department for Communities. The remuneration of the Chief Executive is agreed by the Chairman of the Board, in consultation with the Department of Finance. All other remunerations are decided by the Chief Executive. The overall annual pay remit is approved by the Department for Communities and the Department of Finance.

### Remuneration of Board Members (Audited Information)

	2019-20				2018-19			
	Salary £'000	Benefit in kind £'00	Pension Benefit £'000	Total £'000	Salary £'000	Benefit in kind £'00	Pension Benefit £'000	Total £'000
J Perry	0-5	-	-	0-5	10-15	-	-	10-15
A Bennett	0-5	-	-	0-5	0-5	-	-	0-5
G Adams	0-5	-	-	0-5	0-5	-	-	0-5
T Hinds	0-5	-	-	0-5	0-5	-	-	0-5
D Mackay	0-5	-	-	0-5	0-5	-	-	0-5
C Magill	0-5	-	-	0-5	0-5	-	-	0-5
D O'Hara	0-5	-	-	0-5	-	-	-	-
R Donnelly	0-5	-	-	0-5	-	-	-	-
W Leathem	5-10	-	-	5-10	-	-	-	-
J Cowan	0-5	-	-	0-5	-	-	-	-
R Havlin	0-5	-	-	0-5	-	-	-	-
W Atkinson	70-75	-	-	70-75	65-70	-	-	65-70

Board member remuneration is dependent on the number of hours attending, or preparing for, meetings.

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

The median remuneration of the staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

“Salary” includes gross salary; there were no bonuses paid. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Total remuneration is calculated on an annualised basis to remove any fluctuations caused by employee turnover, which do not reflect changes in pay policy.

The FTE measurement of staff is specified to ensure a level of comparability that would otherwise be distorted, if a member of staff represented a whole unit, irrespective of the hours worked.

The ratio is calculated as follows:

$$\frac{\text{Midpoint in highest paid director's pay band}}{\text{Median remuneration of Usel's staff}}$$

Highest paid official £71,033 (2018-19: £68,508)

Total remuneration ratio 4.9 (2018-19: 4.8)

The median salary during the year was £14,655 (2018-19: £14,254).

The Company operates two pension schemes. The first is a Defined Benefit scheme which is now closed to new entrants. The Scheme provides benefits on a “final salary” basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60<sup>th</sup> of pensionable salary for each year of service up to 30 June 2013 and at the rate of 1/80<sup>th</sup> thereafter. The contributions to the scheme are determined by a qualified actuary based on triennial valuations. There was no change in the members' contributions at the 5 April 2018 actuarial valuation. Members continue to pay 8% p.a of Pensionable Salary (80ths accrual) and 15% p.a of Pensionable Salary (60ths accrual). Following the 5 April 2018 actuarial valuation, up to 5 April 2020, Usel's contribution reduced to 22.0% p.a. of Pensionable Salaries. From 6 April 2020, Usel's contribution rate increased to 24.8% p.a of Pensionable Salaries.

Pensions increase annually in line with the Retail Prices Index up to a maximum of 5%. On death, pensions are payable to a surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and a spouse's pension equal to one half the member's prospective pension.

The second scheme which was established to allow the Company to comply with the auto enrollment legislation as of February 2014, is a Defined Contribution Scheme operated externally by the NOW Pensions Scheme. This was approved by the sponsoring department following consultation with the Department of Finance in 2014. There are two levels of contribution, the minimum as determined by current legislation and an enhanced level of 4% employee and 8% employer.

**Staff Report (Audited Information)**

	<b>2019-20</b>	<b>2018-19</b>
<b>Staff costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	5,772,876	5,504,290
Redundancy payments	23,409	194,423
Social security costs	325,739	316,516
Other pension costs	401,862	780,708
	<b>6,523,886</b>	<b>6,795,937</b>

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

	<b>2019-20</b>	<b>2018-19</b>
<b>Average number of full time equivalent persons employed:</b>	<b>Number</b>	<b>Number</b>
Male staff	275	274
Female staff	139	134
	<b>414</b>	<b>408</b>

	<b>2019-20</b>	<b>2018-19</b>
<b>Average number of full-time equivalent persons employed:</b>	<b>Number</b>	<b>Number</b>
Management and administration	60	59
Production distribution and sales	88	73
Employment support	266	276
	<b>414</b>	<b>408</b>

**Further analysis of full-time equivalent employees is as follows:**

	<b>Male</b>	<b>Female</b>
Senior civil servants	1	-
Senior managers	2	1
Employees	272	138

### Reporting of Civil Service and other compensation schemes – exit packages (Audited Information)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	5 (0)	5 (0)
£10,000-£25,000	-	0 (3)	0 (3)
£25,000-£50,000	-	0 (2)	0 (2)
£50,000-£100,000	-	0 (1)	0 (1)
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
<b>Total number of exit packages</b>	-	<b>5 (6)</b>	<b>5 (6)</b>
<b>Total resource cost/£</b>	-	<b>£23,409 (2018-19: £189,960)</b>	<b>£23,409 (2018-19: £189,960)</b>

There were four departures of Usel core staff in 2019-20, following voluntary redundancy process. In 2019-20, one Employment Support participant departed, following a redundancy process. The figures contained within the brackets relate to 2018-19.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure.

### Number of Senior Staff with Annual Salaries Over £60,000

Annual Salary Band	2019-20	2018-19
£60,001 - £65,000	-	-
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	-	-

### Staff Policies

#### Employee Policy

The Company is committed to providing equality of opportunity. It is our policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. Everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere in which all staff are encouraged to apply their diverse talents and in which no worker feels under threat or intimidated. This right is protected in many instances by legislation.

### **Off Payroll Disclosures**

Usel did not have any off-payroll disclosures in 2019-20 (2018-19: £nil).

#### **Payments to past Directors (Audited Information)**

Usel did not make any payments to past Directors in 2019-20 (2018-19: £nil).

### **Consultancy Costs**

Usel did not make any consultancy-related payments in 2019-20 (2018-19: £4,000).

### **Sickness Absence**

The short-term sickness absence rate for the year was 2% (2018-19: 2%). COVID-19 did not impact the sickness absence rate for the year.



## **Assembly Accountability and Audit Report**

### **Audit and Risk Assurance Committee Membership:**

The Usel Audit and Risk Assurance Committee comprises all the Company's Board members, with the exception of the Chair of the Board. The Board members are all independently appointed which ensures a high degree of segregation between the organisation and the Committee governance and challenge function. The members are supported by the Chief Executive and the Company's Head of Corporate Services who attend each meeting.

While the Committee has the utmost confidence in the CEO and Head of Corporate Services, as part of our process it is now our standing protocol that the committee and auditor will meet once per year in the absence of the Chief Executive and Head of Corporate Services. This is to facilitate any direct feedback from the auditor, the NIAO, our internal auditors, and the sponsoring branch departmental representative on any matters which may be compromised due to the attendance of the Senior Management Team.

### **Terms of Reference:**

The Audit and Risk Assurance Committee advise the Accounting Officer and Board on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the External Auditors;
- the planned activity and results of both Internal and External Audit;
- adequacy of management response to issues identified by audit activity, including External Audit's management letter;
- assurances relating to the management of risk and corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

**Committee Meetings:**

The Audit and Risk Assurance Committee generally meets on the same day, and just prior to, the main Board meeting. The Committee met on four occasions in the year to carry out the functions as described under the Terms of Reference. Attendance at these meetings is disclosed on page 30.

**Internal Audit Report:**

I would like to thank RSM McClure Watters who have continued to carry out our internal audit function into the final year of the contract with due diligence, probity and objectivity.

The Chief Executive and Head of Corporate Services met the internal auditor at the start of the reporting year and agreed a schedule of works for the forthcoming year. This was ratified by the Audit and Risk Assurance Committee and the schedule was approved at the January 2020 Audit and Risk Assurance Committee meeting.

The internal audit programme for this year included:

Area Reviewed	Low	Medium	High	Total Recommendations
Procurement and contract management	2	-	-	2
Payroll and expenses	-	1	-	1
Training and development	1	-	-	1
Coffee shops	-	-	1	1
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>5</b>

Internal audit reviewed the daily cash reconciliations held at head office and noted that daily cashing up sheets were not correctly labelled to indicate which café location they relate to, not filed in date order, or with the till reports attached. We noted numerous examples of the daily reconciliations not having been completed correctly with information missing such as no float balance, date of reconciliation etc and no sign off by any or two members of staff to evidence appropriate segregation of duties.

Documentation for the voided sales is also not retained in a way which allowed appropriate review and evidencing of legitimacy.

Additional training and guidance will be delivered to staff responsible for the daily coffee shops cash reconciliations and voiding sales to ensure that they are accurately completed including café location and date of reconciliation, filed in date order and by location, with the appropriate evidence such as till reports attached to demonstrate compliance with policy and facilitate appropriately evidenced review.

The overall audit opinion was Satisfactory Assurance over the system of internal control within Usel.

**Risk Management & Fraud Awareness:**

The Senior Management Team is tasked with reporting any frauds or suspected frauds to the Board and Audit and Risk Assurance Committee and I can confirm that no such reports were applicable during the 2019-20 financial year.

The risk register is continuously updated and the Audit and Risk Assurance Committee reviewed and referenced the register prior to and during each meeting, specifically setting aside time to carry out a full end-to-end review at least once during the year. The Board receives a monthly update on the core risks which face the Company.

**COVID-19**

Following the COVID pandemic, there is no doubt that 2020-21 will be a challenging year. It will require a change in business model and method of delivery. However, I am confident that we have the appropriate governance arrangements in place to support the Board and the operational teams.

**Losses and Special Payments (Audited Information):**

There were no losses in 2019-20 (2018-19: £nil).

Special Payments

	<b>2019-20</b>	<b>2018-19</b>
Total number of special payments	-	-
Total value of special payments	£nil	£nil

**Conflicts of interest:**

At each meeting the members are invited to declare any known information which could pose a conflict of interest. No such interests were declared during 2019-20. With the ongoing publication of our Directors' interests, and any potential conflicts of interest, the wider risk of any challenge to integrity is mitigated.

I would like to conclude by once again acknowledging the input from the Chief Executive and the Head of Corporate Services, for maintaining a high standard of information flow to the Committee and the proactive approach shown in ensuring the organisation maintains the high standard of governance we have achieved.



**Bill Atkinson**  
**Chief Executive and Accounting Officer**  
**1 September 2020**

## **Ulster Supported Employment Limited**

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

#### **Opinion on financial statements**

I certify that I have audited the financial statements of the Ulster Supported Employment Limited for the year ended 31 March 2020 under the Companies (Public Sector Audit) Order (Northern Ireland) 2013. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayer's Equity; and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Ulster Supported Employment Limited's affairs as at 31 March 2020 and its net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

#### **Emphasis of Matter**

I draw attention to note 10 of the financial statements, which describes the material valuation uncertainties for Buildings due to the consequences of the COVID 19 pandemic. My opinion is not modified in respect of this matter.

#### **Opinion on regularity**

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

#### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Ulster Supported Employment Limited in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- the Ulster Supported Employment Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Ulster Supported Employment Limited has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Ulster Supported Employment Limited's ability to continue to adopt the going concern basis.

### Other Information

The directors and Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Responsibilities of the directors and Accounting Officer for the financial statements

As explained more fully in the Statement of Directors and Accounting Officer Responsibilities, the trustees/directors and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Companies (Public Sector Audit) Order (Northern Ireland) 2013.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.



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

*15th September 2020*

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2020**

	Note	2019-20 £	2018-19 £
Income from sale of goods and services	3	8,269,275	7,385,561
Other operating income		60,878	5,250
<b>Total operating income</b>		<b>8,330,153</b>	<b>7,390,811</b>
Staff Costs	4	(6,523,886)	(6,795,937)
Depreciation and amortisation	10	(81,714)	(63,515)
Other operating expenditure	5	(2,265,401)	(1,747,850)
<b>Total operating expenditure</b>		<b>(8,871,001)</b>	<b>(8,607,302)</b>
<b>Net Operating Expenditure</b>		<b>(540,848)</b>	<b>(1,216,491)</b>
Pension finance costs	7	(137,000)	(169,000)
Pension administrative expenses	20	(90,000)	(90,000)
Finance income	6	845	1,118
<b>Net Expenditure for the year</b>		<b>(767,003)</b>	<b>(1,474,373)</b>
<b>Other Comprehensive Net Expenditure</b>			
Items that will not be reclassified to net operating costs:			
Actuarial (loss) / gain on pension scheme	20	(1,059,000)	1,260,000
Net gain / (loss) on revaluation of Property Plant and Equipment	10	182,000	90,300
<b>Comprehensive Net Expenditure for the year</b>		<b>(1,644,003)</b>	<b>(124,073)</b>



The notes on pages 51 to 72 form part of these financial statements.

## Statement of Financial Position as at 31 March 2020

	Note	2019-20 £	2018-19 £
<b>Non-Current Assets:</b>			
Property, plant and equipment	10	2,143,899	1,959,849
Intangible assets	11	1,145	1,799
<b>Total non-current assets</b>		<b>2,145,044</b>	<b>1,961,648</b>
<b>Current assets</b>			
Inventories	12	215,514	203,691
Trade receivables, financial and other assets	13	1,033,179	1,010,349
Cash and cash equivalents	14	1,651,075	636,670
<b>Total current assets</b>		<b>2,899,768</b>	<b>1,850,710</b>
<b>Total assets</b>		<b>5,044,812</b>	<b>3,812,358</b>
<b>Current liabilities</b>			
Trade payables, financial and other liabilities	15	(2,038,137)	(1,193,653)
Loan from the Department	15.1	(799,687)	(799,687)
<b>Total assets less current liabilities</b>		<b>2,206,988</b>	<b>1,819,018</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	(11,500)	(13,000)
Pension liabilities	20	(6,470,000)	(5,247,000)
<b>Total non-current liabilities</b>		<b>(6,481,500)</b>	<b>(5,260,000)</b>
<b>Total assets less total liabilities</b>		<b>(4,274,512)</b>	<b>(3,440,982)</b>
<b>Taxpayers' equity and other reserves</b>			
General reserve		(5,015,612)	(4,000,082)
Revaluation reserve		741,100	559,100
<b>Total equity</b>		<b>(4,274,512)</b>	<b>(3,440,982)</b>

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

The financial statements on pages 47 to 72 were approved by the Board on 26 August 2020 and were signed on its behalf by:

	01/09/2020		01/09/2020
<b>W Leatham</b>	<b>Date</b>	<b>B Atkinson</b>	<b>Date</b>
<b>Chairman</b>		<b>Accounting Officer</b>	

Registration No. NI 005192

The notes on pages 51 to 72 form part of these financial statements.



**Statement of Cash Flows**  
for the year ended 31 March 2020

	Note	2019-20 £	2018-19 £
<b>Cash flows from operating activities</b>			
Net Expenditure for the year		(767,003)	(1,474,373)
<i>Adjustments for non cash transactions</i>			
Depreciation and amortisation	10	81,714	63,515
Pension interest and administration expenses		227,000	259,000
Loss on disposal of property, plant and equipment		2,200	-
Difference between pension charge and cash contributions		(63,000)	315,000
(Increase) / decrease in Inventories	12	(11,823)	78,207
(Increase) / decrease in trade and other receivables	13	(22,830)	(77,991)
Increase / (decrease) in trade and other payables	15	842,984	236,221
<b>Net cash inflow/(outflow) from operating activities</b>		<b>289,242</b>	<b>(600,421)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(88,110)	(147,768)
Proceeds of disposal of property, plant and equipment		2,800	-
<b>Net cash outflows from investing activities</b>		<b>(85,310)</b>	<b>(147,768)</b>
<b>Cash flows from financing activities</b>			
Grant from sponsoring department		810,473	1,049,457
<b>Net financing</b>		<b>810,473</b>	<b>1,049,457</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	14	<b>1,014,405</b>	<b>301,268</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>636,670</b>	<b>335,402</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>1,651,075</b>	<b>636,670</b>

The notes on pages 51 to 72 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2020**

	<b>General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total Taxpayer's Equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2018</b>	(6,373,166)	468,800	<b>(5,904,366)</b>
IAS 19 actuarial gain	1,260,000	-	<b>1,260,000</b>
Grant from sponsoring department	1,049,457	-	<b>1,049,457</b>
DfC loan write-off	1,538,000	-	<b>1,538,000</b>
Revaluation of property	-	90,300	<b>90,300</b>
External audit fee	(16,300)	-	<b>(16,300)</b>
Comprehensive Net Expenditure for the year	(1,458,073)	-	<b>(1,458,073)</b>
<b>Balance at 31 March 2019</b>	<b>(4,000,082)</b>	<b>559,100</b>	<b>(3,440,982)</b>
	<b>General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total Taxpayer's Equity</b>
		<b>£</b>	<b>£</b>
<b>Balance at 1 April 2019</b>	(4,000,082)	559,100	<b>(3,440,982)</b>
IAS 19 actuarial loss	(1,059,000)	-	<b>(1,059,000)</b>
Grant from sponsoring department	810,473	-	<b>810,473</b>
Revaluation of property	-	182,000	<b>182,000</b>
External audit fee	(22,756)	-	<b>(22,756)</b>
Comprehensive Net Expenditure for the year	(744,247)	-	<b>(744,247)</b>
<b>Balance at 31 March 2020</b>	<b>(5,015,612)</b>	<b>741,100</b>	<b>(4,274,512)</b>

The notes on pages 51 to 72 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2020

### 1. Statement of accounting policies

Usel (“the Company”) is a company limited by guarantee, domiciled and registered in Northern Ireland. The registered number is NI005192 and the registered address is 182-188 Cambrai Street, Belfast, BT13 3JH.

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Department of Finance NI. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Usel for the purpose of giving a true and fair view has been selected. The particular policies adopted by Usel are described below. They have been applied consistently in dealing with items that are considered material to the financial statements. The financial statements are prepared in accordance with the accounting and disclosure requirements of the Companies Act 2006.

Financial figures reported in these financial statements are in pounds sterling except for note 20 which are in thousand pounds sterling.

#### 1.1 Newly adopted standards

USEL has reviewed the standards, interpretations and amendments to published standards that became effective during 2019-2020 and which are relevant to its operations. These have not had a significant impact on the Company’s financial position or results.

#### 1.2 Measurement convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and donated assets.

#### 1.3 Going concern

Despite the deficit in the Statement of Financial Position arising from the IAS 19 defined benefit pension liability and DfC loan, these financial statements have been prepared on the going concern basis because the benefit re-design review which is currently with the Department for approval, is expected when implemented, to see a reduction in the net pension liability and cash contributions going forward. The Department considers it reasonable for Usel to assume that Grant-in-Aid funding will continue to be provided, as necessary, to allow Usel to discharge its liabilities as they fall due in the normal course of business. The Department presently has no intention to call the outstanding loan balance of £799,687 due from Usel for repayment. Management have prepared cashflow forecasts, incorporating the above assumptions and reflecting their best estimate of trading activity post COVID, which support USEL’s ability to continue as a going concern. Management do not consider these matters to cast significant doubt upon the entity’s ability to continue as a going concern.

#### 1.4 Property, plant and equipment

Property, plant and equipment are stated at net current replacement cost less accumulated depreciation and accumulated impairment losses, with the exception of land and buildings which are stated at fair value.

## 1. Statement of accounting policies (continued)

### 1.4 Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the Statement of Comprehensive Net Expenditure (SoCNE) on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	-	50 years
Plant and office equipment-		10 years
Motor vehicles	-	4 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Non-Current Assets are capitalised if they are capable of being used for a period which exceeds one year, and they individually cost at least £1,000. USEL do not capitalise the criteria of a grouped asset i.e. collectively have a cost of at least £1,000 and are functionally interdependent.

Buildings are stated at open market value and other non-current assets are stated at net current replacement cost.

Land and buildings are revalued by qualified valuers on a regular basis using open market value (which reflects a highest and best use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the Company's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13.

Surpluses on revaluation are recognised in the SoCNE and accumulated in equity in the revaluation reserve, except to the extent that they reverse impairment losses previously charged to profit or loss, in which case the reversal is recorded in profit or loss. Decreases in value are charged against SoCNE and the revaluation reserve to the extent that a previous gain has been recorded there, and thereafter are charged through profit or loss.

### 1.5 Donated assets

Donated fixed assets are capitalised at their fair value on receipt and this value is credited to the SoCNE.

Donated fixed assets are valued and depreciated in line with property, plant and equipment. Gains and losses on revaluations are also taken to the SoCNE and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset charged to the SoCNE. Any impairment on donated assets is charged to the SoCNE.

### 1.6 Intangible assets

Intangible assets comprise software licenses which are stated at net current replacement cost. Intangible assets are amortised on a straight-line basis over 5 years.

## 1. Statement of accounting policies (continued)

### 1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost comprises direct materials, direct labour and, if appropriate, direct overheads.

### 1.8 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the SoCNE. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.9 Financial Instruments

Usel does not hold any complex financial instruments.

#### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## 1. Statement of accounting policies (continued)

### 1.9 Financial Instruments (continued)

#### (ii) Classification and subsequent measurement

##### Financial assets

##### *(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – equity investment or debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

##### *(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

## 1. Statement of accounting policies (continued)

### 1.9 Financial Instruments (continued)

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### (iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

### 1.10 Employee benefits

#### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### *Defined benefit plans*

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

## **1. Statement of accounting policies (continued)**

### **1.10 Employee benefits (continued)**

The calculation of defined benefit obligations is performed annually by a qualified actuary. When calculations result in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in the Statement of Comprehensive Net Expenditure.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised in profit or loss. The Company recognises gains or losses on the settlement of a defined benefit plan when the settlement occurs.

### **1.11 Lease**

The Company has operating leases and no finance leases. Lease rentals payable are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

### **1.12 Recognition of income**

#### *Income from activities*

Income from activities relates to the operating activities of Usel, the sale of goods, provision of services and other funding income received from formally tendered contractual arrangements. All income is recognised in the period in which goods are sold or services provided.

Income and expenditure excludes VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

### **1.13 Reserves**

The General Fund represents the accumulated financial position of Usel.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to PPE and intangible assets.

#### *Grant in Aid*

All grant-in-aid, whether for revenue or capital purposes, is treated as contributions from controlling parties giving rise to financial interest in the residual interest of Usel and is credited to the General Reserve. Grant-in-aid is recognised in the financial period in which the funding is received.

### **1.14 Taxation status**

The Company has been granted exemption from Corporation Tax on the basis that it is a not-for-profit organisation.



## 1. Statement of accounting policies (continued)

### 1.15 Critical accounting estimates

The Company prepares its financial statements in accordance with FReM, the application of which often requires judgements to be made by management when formulating the Company's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimate and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation. Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit and Risk Assurance Committee.

**Pension liability:** The Company has a commitment to pay pension benefits to approximately 450 people. The cost of these benefits and the present value of pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates provided by independent experts for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and judgement regarding future expectations.

The value of the net pension obligation at 31 March 2020 and the key financial assumptions used to measure the obligation are disclosed in note 20.

There is some uncertainty around the impact that Covid-19 will have on future revenues of the company. Management have considered this and believe it has no significant impact on the assets or liabilities reported as at 31 March 2020.

### 1.16 Standards issued but not yet applied

The following standards or interpretations have been issued by the International Accounting Standards Board but have not yet been adopted:

IFRS 16 Leases replaces IAS 17 Leases and is effective for periods beginning on or after 1 January 2019. However, for bodies applying the Government Financial Reporting Manual (FReM), HM Treasury have agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021. The Company will be impacted by this implementation in relation to the Woodside Road property lease. Management have not yet completed the calculations to assess what the impact will be in the accounts for the year ended 31 March 2022.

Management is in the process of finalising their calculation as to the amount of right of use assets and related discounted liability to be recognised on transition.

## 2.Statement of Operating Costs by Operating Segment

The factory operation manufactures bedding products, industrial sewing products and contracts out some employees to carry out close circuit television monitoring on behalf of third parties. The Company does not rely on any major customer in this segment.

Employment Services operate employment programmes on behalf of the Department for Communities (DfC) and Department for Economy; these programmes are awarded through commercial tenders. In this segment the Company relies on DfC, being a major customer. The Chief Operating Decision Maker is the Chief Executive, reporting to the non-executive Board of Directors.

				<b>2019-20</b>
	<b>Manufacturing and Recycling</b>	<b>Employment Services</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income	1,304,133	6,965,142	60,878	8,330,153
Gross Expenditure	(3,616,007)	(5,481,149)	-	(9,097,156)
<b>Net Expenditure</b>	<b>(2,311,874)</b>	<b>1,483,993</b>	<b>60,878</b>	<b>(767,003)</b>

				<b>2018-19</b>
	<b>Manufacturing and Recycling</b>	<b>Employment Services</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income	1,176,217	6,209,344	5,250	7,390,811
Gross Expenditure	(3,391,277)	(5,455,525)	(18,382)	(8,865,184)
<b>Net Expenditure</b>	<b>(2,215,060)</b>	<b>753,819</b>	<b>(13,132)</b>	<b>(1,474,373)</b>

The net assets at segment level are not separately reported to the Chief Operating Decision Maker and therefore have not been disclosed above.

## 3.Income

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Trading income	1,451,892	1,197,278
Contract services	30,434	33,627
Employment support	861,897	874,195
Contract income	5,917,552	5,280,461
Training income	7,500	-
	<b>8,269,275</b>	<b>7,385,561</b>

All sales are within the United Kingdom and Republic of Ireland.

**4. Staff costs**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,772,876	5,504,290
Redundancy payments	23,409	194,423
Social security costs	325,739	316,516
Other pension costs	401,862	780,708
	<u><b>6,523,886</b></u>	<u><b>6,795,937</b></u>

The above balance includes £2,213,837 (2018-19: £3,203,395) of staff costs relating to 315 (2018-19: 276) participants on the Employment Support programme as at 31 March 2020.

There were £15,855 agency costs included within Wages and salaries (2018-19 £nil).

**5. Other operating expenditure**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Materials	481,101	426,056
TFS Disability Support	363,905	175,200
Repairs	121,168	91,262
Ability Cafe	126,652	36,788
Insurance	108,600	119,424
Travel	107,679	111,773
Waste Disposal	101,008	72,203
Rent and rates	91,421	38,829
Legal and professional fees	89,410	82,707
TFS Programme	83,310	50,700
Motor expenses	83,565	44,643
Light, heat and power	55,624	55,522
Delivery costs	53,235	-
Computer expenses	50,374	60,363
Tutors	44,565	27,791
Training	41,312	21,516
Advertising	35,541	49,005
Tools	36,325	11,456
Cleaning	28,281	-
General expenses	27,737	117,320
Telephone	26,043	21,730
Health & Safety Costs	23,700	-
Audit - external audit	22,756	16,300
Printing and stationery	13,195	12,529
Participant costs	13,276	20,071
Security	10,087	-
Payments to hosts and sub-contractors	6,925	64,440
Canteen	6,005	10,899
Audit - internal audit	4,744	4,744
Postage	4,039	1,367
Bank charges	986	1,093
Discount allowed	86	1,591
Packing	-	8
<b>Subtotal</b>	<b>2,262,655</b>	<b>1,747,330</b>
<b>Non Cash costs</b>		
Bad debts written off	(23)	1,295
Loss/(Profit) on Disposal	2,200	(600)
Stock Provision	569	(175)
<b>Subtotal</b>	<b>2,746</b>	<b>520</b>
<b>Total</b>	<b>2,265,401</b>	<b>1,747,850</b>

**6. Finance income**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	845	1,118
	<u><b>845</b></u>	<u><b>1,118</b></u>

**7. Pension Finance Costs**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Expected return on pension scheme assets	531,000	554,000
Interest on pension scheme liabilities	(668,000)	(723,000)
	<u><b>(137,000)</b></u>	<u><b>(169,000)</b></u>

**8. Financial Instruments**

As some of the cash requirements of USEL are met through Grant-in-aid provided by DfC, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with USEL's expected purchase and usage requirements and USEL is therefore exposed to little credit, liquidity or market risk.

Details of pension liabilities are included within note 20 below.

**9. Auditor remuneration**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Internal Audit	4,744	4,744
External Audit	22,756	16,300

To note, there was a £21,000 charge for external audit services, Usel also paid £1,756 to NIAO in relation to the National Fraud Initiative.

## 10 Property, plant and equipment

	Long Leasehold Buildings	Plant and Office Equipment	Motor Vehicles	Donated Assets	Total
	£	£	£	£	£
<b>Cost or Valuation</b>					
At 1 April 2019	1,600,000	829,885	186,718	20,000	2,636,603
Additions	-	88,110	-	-	88,110
Disposals	-	(572,968)	-	-	(572,968)
Revaluations	150,000	-	-	-	150,000
<b>At 31 March 2020</b>	<b>1,750,000</b>	<b>345,027</b>	<b>186,718</b>	<b>20,000</b>	<b>2,301,745</b>
<b>Depreciation</b>					
At 1 April 2019	-	660,210	13,224	3,320	676,754
Charged in the year	32,000	34,612	12,448	2,000	81,060
Disposals	-	(567,968)	-	-	(567,968)
Revaluations	(32,000)	-	-	-	(32,000)
<b>At 31 March 2020</b>	<b>-</b>	<b>126,854</b>	<b>25,672</b>	<b>5,320</b>	<b>157,846</b>
<b>Net book value</b>					
<b>At 31 March 2020</b>	<b>1,750,000</b>	<b>218,173</b>	<b>161,046</b>	<b>14,680</b>	<b>2,143,899</b>
At 31 March 2019	1,600,000	169,675	173,494	16,680	1,959,849

The Company's long leasehold buildings were revalued at 31 March 2020 on the basis of open market value for existing use by Land & Property Services, Belfast. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards, Global and UK (8th Edition). Plant and office equipment are revalued using indices published by the Office of National Statistics, but no revaluation has been included as the amounts are immaterial.

As a result of the Novel Coronavirus (COVID-19) pandemic, and its subsequent impact on market activity, LPS has reported valuations undertaken as at 31 March 2020 on the basis of a "material valuation uncertainty" as it considers less weight can be attached to previous market evidence for comparison purposes and to inform valuations, as typically would be the case. Consequently, less certainty and a higher degree of caution should be attached to valuations than typically would be the case.

The Directors have considered the LPS property valuation in light of this unprecedented material uncertainty clause and have concluded that there is sufficient evidence to place assurance on this valuation for financial statement purposes as at 31 March 2020.

## 10.1 Property, plant and equipment

	Long Leasehold Buildings	Plant and Office Equipment	Motor Vehicles	Donated Assets	Total
	£	£	£	£	£
<b>Cost or Valuation</b>					
At 1 April 2018	1,440,000	781,587	130,987	20,000	2,372,574
Additions	-	48,298	99,470	-	147,768
Disposals	-	-	(43,739)	-	(43,739)
Transfer from investment property	100,000	-	-	-	100,000
Revaluations	60,000	-	-	-	60,000
<b>At 31 March 2019</b>	<b>1,600,000</b>	<b>829,885</b>	<b>186,718</b>	<b>20,000</b>	<b>2,636,603</b>
<b>Depreciation</b>					
At 1 April 2018	-	636,571	50,041	1,320	687,932
Charged in the year	30,300	23,639	6,922	2,000	62,861
Disposals	-	-	(43,739)	-	(43,739)
Revaluations	(30,300)	-	-	-	(30,300)
<b>At 31 March 2019</b>	<b>-</b>	<b>660,210</b>	<b>13,224</b>	<b>3,320</b>	<b>676,754</b>
<b>Carrying value</b>					
<b>At 31 March 2019</b>	<b>1,600,000</b>	<b>169,675</b>	<b>173,494</b>	<b>16,680</b>	<b>1,959,849</b>
At 31 March 2018	1,440,000	145,016	80,946	18,680	1,684,641

**11. Intangible assets**

	<b>Software Licences £</b>
<b>Cost or Valuation</b>	
At 1 April 2019	55,247
Disposals	<u>(51,977)</u>
<b>At 31 March 2020</b>	<u><b>3,270</b></u>
<b>Amortisation</b>	
At 1 April 2019	53,448
Charged in the year	654
Disposals	<u>(51,977)</u>
<b>At 31 March 2020</b>	<u><b>2,125</b></u>
<b>Carrying value</b>	
<b>At 31 March 2020</b>	<u><b>1,145</b></u>
At 31 March 2019	<u>1,799</u>

**11.1 Intangible assets**

	<b>Software Licences £</b>
<b>Cost or Valuation</b>	
At 1 April 2018	55,247
Additions	<u>-</u>
<b>At 31 March 2019</b>	<u><b>55,247</b></u>
<b>Amortisation</b>	
At 1 April 2018	52,794
Charged in the year	<u>654</u>
<b>At 31 March 2019</b>	<u><b>53,448</b></u>
<b>Carrying value</b>	
<b>At 31 March 2019</b>	<u><b>1,799</b></u>
At 31 March 2018	<u>2,453</u>



**12. Inventories**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Raw materials	162,488	152,249
Work in progress	18,496	6,456
Finished goods	34,530	44,986
	<b>215,514</b>	<b>203,691</b>

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £481,101 (2018-19: £426,056).

**13. Trade receivables, financial and other assets**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Receivables - trade	446,540	364,173
Other receivables	174,003	177,690
Prepayments	21,726	16,132
Accrued income	390,910	452,354
	<b>1,033,179</b>	<b>1,010,349</b>

**14. Cash and cash equivalents**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Balance at 1 April	636,670	335,402
Net change in cash and cash equivalents	1,014,405	301,268
<b>Balance at 31 March</b>	<b>1,651,075</b>	<b>636,670</b>

**The following balances at 31 March were held at:**

Commercial banks and cash in hand	1,651,075	636,670
Bank overdraft	-	-
<b>Balance at 31 March</b>	<b>1,651,075</b>	<b>636,670</b>

**15. Trade payables, financial and other liabilities**

	<b>2019-20</b>	<b>2018-19</b>
<b>Amounts falling due within one year:</b>	<b>£</b>	<b>£</b>
Trade payables	365,542	219,356
Value Added Tax	227,752	95,139
Other taxation and social security	67,399	68,894
Other payables	245,544	250,026
Accruals	413,051	552,637
Deferred income	718,849	7,601
	<b><u>2,038,137</u></b>	<b><u>1,193,653</u></b>

<b>Amounts falling due after more than one year:</b>	<b>£</b>	<b>£</b>
Other payables	11,500	13,000
	<b><u>11,500</u></b>	<b><u>13,000</u></b>

**15.1 Loan from the Department**

	<b>2019-20</b>	<b>2018-19</b>
<b>Amounts falling due within one year:</b>	<b>£</b>	<b>£</b>
Loan from DfC	799,687	799,687
	<b><u>799,687</u></b>	<b><u>799,687</u></b>

The 'loan' advanced by the Department for Communities is secured by a charge on the Company's undertakings and all its property both present and future under a debenture dated 2 May 2001. There is no repayment date and no interest accrues on this loan.

**16. Members' liability**

Each member of the Company is liable to contribute, in the case of a winding up, a sum not exceeding £1. There were 6 members at the Statement of Financial Position date.

**17. Capital commitments**

The Company had no contracted capital commitments at 31 March 2019 or 31 March 2020, not otherwise included in these financial statements.

## 18. Commitments under leases

At 31 March 2020 the Company had annual commitments under non-cancellable operating leases. Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2019-20	2018-19
	£	£
<b>Buildings</b>		
Not later than one year	67,150	67,150
Later than one year and not later than five years	175,500	234,000
Later than five years	219,375	277,875
	<u>462,025</u>	<u>579,025</u>
 <b>Other</b>		
Not later than one year	3,699	15,192
Later than one year and not later than five years	3,036	28,764
Later than five years	-	-
	<u>6,735</u>	<u>43,956</u>

£88,608 (2019: £43,067) was included as an operating lease expense in the statement of comprehensive net expenditure.

## 19. Financial performance targets

The Department for Communities does not consider it appropriate to set financial targets for Usel.

## 20. Pension liability

The Company operates a defined benefit pension for its employees. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost of the pension over employees' working lives with the Company at rates determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. The latest full actuarial valuation was carried out as at 5 April 2018.

An independent Trustee was appointed to Chair the Board of Trustees on 1 August 2019. Prior to this, Mr Jim Perry chaired the Board of Trustees. The Trust Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme. Mercer manage the investment of funds on behalf of the Trustees. Mercer Limited has been appointed by the Trustees to act as their Administrators and Advisors on the operation of the Scheme.

**20. Pension liability (continued)**

<b>Change in benefit obligation</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Benefit obligation at beginning of year	26,520	26,569
Current service cost	296	426
Past service cost	-	300
Interest cost	668	723
Plan participants' contributions	132	151
Benefit payments from plan	(397)	(682)
Insurance premiums for risk benefits	(34)	(32)
Actuarial (gains)/losses	(538)	(935)
Benefit obligation at end of year	<b>26,647</b>	<b>26,520</b>

<b>Change in plan assets</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at beginning of year	21,273	20,636
Expected return on plan assets	531	554
Employer contribution	359	411
Member contributions	132	151
Benefits paid	(397)	(682)
Administrative expenses paid	(90)	(90)
Insurance premiums for risk benefits	(34)	(32)
Return on plan assets (excluding interest income)	(1,597)	325
Fair value of plan assets at end of year	<b>20,177</b>	<b>21,273</b>

**Amounts recognised in the statement of financial position**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(26,647)	(26,520)
Fair value of plan assets	20,177	21,273
Net liability	<b>(6,470)</b>	<b>(5,247)</b>

## 20. Pension liability (continued)

## Components of pension cost

	2019-20	2018-19
	£'000	£'000
Current service cost	296	426
Past service cost	-	300
<b>Total service cost</b>	<b>296</b>	<b>726</b>
Interest cost	668	723
Interest income on plan assets	(531)	(554)
<b>Net interest cost</b>	<b>137</b>	<b>169</b>
<b>Administrative expenses</b>	<b>90</b>	<b>90</b>
Defined benefit cost included in the Statement of Net Comprehensive Expenditure	523	985
Total re-measurements included in other comprehensive income	1,059	(1,260)
<b>Total defined benefit cost recognised in the Statement of comprehensive net expenditure</b>	<b>1,582</b>	<b>(275)</b>
	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net defined benefit liability reconciliation</b>		
Net defined benefit liability	5,247	5,933
Defined benefit cost included in the Statement of Comprehensive Net Expenditure	523	985
Total re-measurements included in other comprehensive income	1,059	(1,260)
Employer contributions	(359)	(411)
<b>Net defined benefit liability as of end of year</b>	<b>6,470</b>	<b>5,247</b>

Defined benefit obligation  
by participant status

	2019-20	2018-19
	£'000	£'000
Actives	12,212	12,172
Vested deferred	9,950	9,998
Retirees	4,485	4,350
<b>Total</b>	<b>26,647</b>	<b>26,520</b>

**20. Pension liability (continued)**

<b>Fair value of plan assets</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	69	74
Equity instruments	4,526	5,065
Debt instruments	10,848	10,830
Investment funds	4,734	5,304
	<b>20,177</b>	<b>21,273</b>

**Significant actuarial assumptions****Weighted average assumptions to determine benefit obligations**

	<b>2019-20</b>	<b>2018-19</b>
	<b>%</b>	<b>%</b>
Discount rate	2.3	2.5
Rate of increase in salaries	2.0	2.1
Rate of pension increases	2.4	3.0
Inflation assumption - RPI	2.4	3.1
Inflation assumption - CPI	2.0	2.1

**Assumed life expectancy on retirement at age 65**

	<b>2019-20</b>	<b>2018-19</b>
	<b>Years</b>	<b>Years</b>
Retiring today (member age 65)	19.9	19.7
Retiring in 20 years (member age 45 today)	21.3	21.0

**Weighted average assumptions to determine defined benefit cost**

	<b>2019-20</b>	<b>2018-19</b>
	<b>%</b>	<b>%</b>
Discount rate	2.5	2.7
Rate of increase in salaries	2.1	3.0
Rate of pension increases	3.0	2.9
Inflation assumption - RPI	3.1	3.0
Inflation assumption - CPI	2.1	2.0

**20. Pension liability (continued)**

<b>Sensitivity Analysis</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
<i>Present value of defined benefit obligation</i>		
Discount rate - 25 basis points	28,334	28,026
Discount rate + 25 basis points	25,489	25,120
Price inflation - 25 basis points	25,617	25,247
Price inflation + 25 basis points	28,189	27,880
Mortality assumption - 1 year	27,760	27,432
 <i>Weighted average duration of defined benefit obligation (in years)</i>		
Discount rate - 25 basis points	21.3	22.1
Discount rate + 25 basis points	21.0	21.7

**Other required disclosure amounts**

The contributions expected to be paid to the plan during the next financial year amount to £359,000 (2018-19: £411,000).

**21. Contingent liabilities**

The Company did not have any contingent liabilities at 31 March 2020.

**22. Related party transactions**

Usel is a Non-Departmental Public Body (NDPB) sponsored by the Department for Communities, which is regarded as a related party. During the year, USEL has had various transactions with the Department and with other entities for which the Department is regarded as the sponsoring department.

None of the Board members, members of the management staff or other related parties have undertaken any material transactions with USEL during the year. A copy of related parties information is available on request at [www.usel.co.uk](http://www.usel.co.uk)

The following balances included in USEL's accounts relate to transactions with the Department for Communities:

**22. Related party transactions (continued)**

Department for Communities	Balance due to/(from) DfC (ES)	Retention Monies due	Loan	DfC loan write-off	Grants received
	£	£	£	£	£
31-Mar-20	163,272	-	799,687	-	810,473
31-Mar-19	180,789	-	799,687	1,538,000	1,049,457

During 2018-19, £180,000 was secured from the Gallaher Trust, of which the former Chairman of the Board of Usel is also a Trustee. The funding was secured by way of a formal application process and is being used to fund the first three years' rental expense for the new premises in Ballymena.

**Key management personnel compensation**

Compensation totalling £256,545 was paid to key management personnel in 2019-20 (2018-19: £237,328). Compensation of key management personnel includes salaries, non-cash benefits and contributions to defined benefit / defined contribution pension plans. This includes amounts paid to the Chief Executive. Amounts paid to all other board members are disclosed in the remuneration and staff report.

**23. Events after the reporting date**

There were no events after the reporting date which would require adjustment to the financial statements.

The Accounting Officer authorised these financial statements for issue on 15 September 2020.



## Appendix 1

### Schedule 1

#### Application of the Accounting and Disclosure Requirements of the Companies Act 2006 and Accounting Standards

##### Companies Act 2006

- 1 The disclosure exemptions permitted by the Companies Act 2006 shall not apply to Ulster Supported Employment Limited unless specifically approved by Department of Finance (DoF);
- 2 The Companies Act 2006 requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Ulster Supported Employment Limited shall be contained in the Foreword;
- 3 When preparing its income and expenditure account, Ulster Supported Employment Limited shall have regard to the profit and loss account format prescribed in the Companies Act 2006;
- 4 When preparing its Statement of Financial Position, Ulster Supported Employment Limited shall have regard to Statement of Financial Position format prescribed in the Companies Act 2006. The Statement of Financial Position totals shall be struck at "Total assets less current liabilities";
- 5 The Foreword and Statement of Financial Position shall be signed by the Accounting Officer and dated.

### Schedule 2

#### Additional disclosure requirements

- 1 The foreword shall, inter alia:
  - (a) state that the financial statements have been prepared in a form directed by the Department for Communities with the consent of DoF; and
  - (b) include a brief history of Ulster Supported Employment Limited and its statutory background.
- 2 The notes to the financial statements shall include details of the key corporate financial targets set by the Department together with the performance achieved.

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