

**Department of the Environment Resource Accounts
For the year ended 31 March 2006**

*Laid before the Houses of Parliament by the Department of
Finance and Personnel in accordance with Paragraph 36
of the Schedule to the Northern Ireland Act 2000
(Prescribed Documents) Order 2004*

15 November 2006

*Laid before the Northern Ireland Assembly by the Department of Finance and
Personnel under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

15 November 2006

*Ordered by the House of Commons to be printed
15 November 2006*

**HC 9
NIA 314/03**

LONDON: The Stationery Office

£12.50

DEPARTMENT OF THE ENVIRONMENT

Resource Account for the year ended 31 March 2006

	Page
Contents	
Annual Report	2
Statement of Accounting Officer's Responsibilities	33
Statement on Internal Control	34
The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly	39
Statement of Parliamentary Supply	41
Operating Cost Statement and Statement of Recognised Gains and Losses	42
Balance Sheet	43
Consolidated Cash Flow Statement	44
Consolidated Statement of Operating Costs by Departmental Aim and Objectives	45
Notes to the Financial Statements	46

ANNUAL REPORT

The Department of the Environment presents its Annual Report and Accounts for the financial year ended 31 March 2006.

1. DIRECTOR'S REPORT

- 1.1 The Department of the Environment is one of eleven Northern Ireland Departments created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999.

The Minister

- 1.2 The Minister has overall political responsibility and accountability for all the Department's activities.

Mrs Angela Smith, MP, a Parliamentary Under-Secretary of State at the Northern Ireland Office, had responsibility for the Department's activities until May 2005 when Lord Rooker also a Parliamentary Under-Secretary of State at the Northern Ireland Office took over responsibility for the remainder of the financial year.

The Permanent Secretary

- 1.3 The Permanent Secretary of the Department is the Minister's principal adviser on all aspects of the Department's responsibilities and the Accounting Officer for all Departmental expenditure. The Permanent Secretary was appointed by the Civil Service Commission following public advertisement and competition. The appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules of termination are set out in Chapter 11 of the Senior Civil Service Management Code.

The Departmental Board

- 1.4 The work of the Department is co-ordinated and monitored by the Departmental Board. During the year this comprised the Permanent Secretary, the Deputy Secretary of Local Government and Road Safety Group, the Director of Corporate Services and the Chief Executives of the Planning Service and the Environment and Heritage Service. From January 2006 the 2 directors of the Environmental Policy Group also

sat on the Board. The role of the Departmental Board is to provide corporate leadership within policies determined by Ministers.

The members of the Departmental Board during the year were:

Mr Stephen Peover Permanent Secretary

Mrs Cynthia Smith Deputy Secretary, Local Government and Road Safety Group

Dr Murray Power Director of Corporate Services

Mr Richard Rogers Chief Executive, EHS

Mr David Ferguson Chief Executive, Planning Service

Mrs Judena Goldring (March - December 2005) Director, Sustainable Development Division, Environmental Policy Group

Mr Ian Maye (from December 2005) Director, Environmental Policy Division, Environmental Policy Group

Mr Wesley Shannon (from January 2006) Director, Sustainable Development Division, Environmental Policy Group.

The Senior Management Team

- 1.5 The Senior Management Team, consisting of Departmental Board members, the Chief Executives of DVTA and DVLNI, the core directors, and the other members of the Senior Civil Service in the Planning Service and EHS, also meets regularly to co-ordinate corporate management initiatives throughout the Department.

Non-Executive Advisory Bodies

- 1.6 The Department is advised in the exercise of its functions by four statutory advisory bodies: the Council for Nature Conservation and the Countryside; the Historic Monuments Council; the Historic Buildings Council; and the Northern Ireland Water Council. Additionally, the Waste Management Advisory Board for Northern Ireland was formed in May 2001 as a forum for key stakeholders within Northern Ireland to advise and assist with the promotion and implementation of the Northern Ireland

Waste Management strategy; the tenure of this Board was extended from May 2004 for a period of one year. The board was wound up in June 2005.

Departmental Boundary

1.7 These accounts have been prepared in accordance with the provisions of the Government Financial Reporting Manual (FReM) in line with the Department of Finance and Personnel letter DAO 7/05. They cover all entities within the departmental boundary, as determined in the FReM. The following are considered within the boundary:

- DOE core divisions, which comprise Corporate Services Division, Environmental Policy Division, Sustainable Development Division, Road Safety Division, and Local Government Division.
- The following supply-financed executive agencies:
 - Planning Service – responsible for development planning and control, including the property certificate service.
 - Environment and Heritage Service (EHS) – responsible for protecting and improving the quality of air, water and land; conserving biodiversity and the countryside and protecting species; protecting, recording and conserving historic monuments and buildings; and promoting awareness and appreciation of the environment and heritage.
 - Driver and Vehicle Licensing Northern Ireland (DVLNI) – responsible for the registration and licensing of drivers (including taxi drivers) and road freight and passenger transport operators; and the registration and licensing of vehicles, together with the collection and enforcement of Vehicle Excise Duty.

Entities outside Departmental Boundary

1.8 The Driver and Vehicle Testing Agency (DVTA) is the fourth of the Department's executive agencies. It has been constituted as a Trading Fund and is therefore outside the departmental boundary. However, since DVTA remains an agency of the

Department, reference to its activities and associated data has been included in the Operating and Financial Review section of this Annual Report. DVTA's accounts are published in its own Annual Report and Accounts, which are available from The Stationery Office.

- 1.9 The Department's Balance Sheet at 31 March 2006 includes Public Dividend Capital and Long Term Loan created by the Driver and Vehicle Testing Agency Trading Fund Order (NI) 1996. Further details of the investment in DVTA are given in note 16 to the accounts.
- 1.10 Two executive Non-Departmental Public Bodies sponsored by the Department are also outside the departmental boundary and are not included in the accounts. These are the Local Government Staff Commission and the Northern Ireland Local Government Officers' Superannuation Committee. Their accounts are audited by the Local Government Audit Division of the Northern Ireland Audit Office and are available from the Department's Local Government Division. The Department is empowered to make payments of general grant and other specific grants to district councils. The district councils are also outside the departmental boundary.
- 1.11 The accounts do not incorporate the revenue collected by DVLNI from Vehicle Excise Duty and the sale of marks, or the associated refunds and other payments. These are accounted for separately in the Motor Tax Account, prepared by the Driver and Vehicle Licensing Agency, an agency within the Department for Transport, as DVLNI acts as agent of the Secretary of State for Transport for these activities.

Reporting Cycle

- 1.12 In 2005-06 the Department continued to use an integrated approach to monitor and report on progress in the achievement of the departmental targets contained in *Northern Ireland Priorities and Budget 2005-08* and its Corporate and Business Plan covering the same period through half yearly bilateral meetings which the Permanent Secretary holds with all departmental business areas. Public Service Agreements (PSAs) remain an important element of the process and the Department's PSA contains ten key targets that reflect the need for cross-cutting action with other departments and statutory agencies.

- 1.13 The PSA sets out the Department’s overall aim, its objectives, associated budget allocation and key targets. They seek to link funding to achievement of agreed outputs and outcomes in a way that ensures a strong focus on improving services.
- 1.14 The PSA is supported by the Business Plan targets; these set out in greater detail the actions the Department needs to take to ensure delivery of its PSA targets and associated performance targets. They also include a strong focus on improving customer service and securing value for money.
- 1.15 The Department also produces a Main Estimate each year which sets out its detailed spending plans that underpin the resource and cash provision sought by the Department. A Supplementary Estimate is also produced to seek authority for additional resources and / or cash to that sought in the Main Estimate for that financial year. While the Northern Ireland Assembly remains suspended, the approval of Parliament is required for expenditure on devolved services. The Estimate is structured on an objective and function basis. The DOE Estimate has one Request for Resources (RfR), which equates to the Departmental objective. The Statement of Parliamentary Supply to the Resource Accounts provides a Summary of Resource Outturn for the financial year and compares outturn with Estimate.

Financial Instruments

- 1.16 In accordance with Financial Reporting Standard 13, “Derivatives and Other Financial Instruments”, details of the impact of financial instruments on the Department’s risk profile are disclosed at Note 30 to the Financial Statements.

Pension Liabilities

- 1.17 Details on pension liabilities can be found in the Remuneration Report and on the Civil Service website www.civilservicepensions-ni.gov.uk.

Company Directorships

- 1.18 There are no company directorships or other significant interests held by Departmental Board members which conflict with their management responsibilities.

Auditor

1.19 The Department's Accounts are audited by the Comptroller and Auditor General for Northern Ireland in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Department and he reports his findings to Parliament. The charge for these audit services for the financial year, which is included as a notional cost in the Operating Cost Statement of the accounts, was £96k. There was no remuneration paid to the auditors for non-audit work as there was no such work carried out in the year.

Public Interest and Other

Equal Opportunities

1.20 The Department is an Equal Opportunity employer. The policy of the Northern Ireland Civil Service is that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. The Department is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding. This allows the best use to be made of the wide variety of skills, abilities and attributes available in the Department and promotes a harmonious working environment.

1.21 Under this policy, no person must be treated less favourably, in any aspect of his or her employment, for a reason related to gender, marital status, religious belief, political opinion, disability, colour, race, ethnic or national origin, age, sexual orientation, or whether or not he/she has dependants, which should be irrelevant to the treatment or assessment of that individual.

The Disabled

1.22 The Department's Equal Opportunities policy, and the *Northern Ireland Civil Service Code of Practice on the Employment of People with Disabilities*, provides the

framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995, and that, through the consideration and implementation of reasonable adjustments, disabled staff can make full use of their skills and abilities. The Department also provides employment for severely disabled people through the Employment Support Programme.

Equality

- 1.23 The Department is committed to fulfilling its obligations under Section 75 of, and Schedule 9 to, the Northern Ireland Act 1998. In carrying out the Department's functions, powers and duties relating to Northern Ireland, the Department must have due regard to the need to promote equality of opportunity between certain specified groups, and also have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Staff Training and Development

- 1.24 The Department is currently accredited with Investors in People across all its business areas.

Employee Involvement

- 1.25 The Department places considerable reliance on the involvement of its employees. It makes every effort to ensure that all staff are kept informed of plans and developments. This is effected through meetings, team briefings, circulars and the publication of business and training plans.

Staff have access to welfare services and to trade union membership.

The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion which are attended by both employer and trade union representatives. In this way, staff views are represented and information for employees is promulgated.

Health and Safety

- 1.26 The Department is committed to adhering to all existing legislation on Health and Safety at Work to ensure that staff enjoy the benefits of a safe environment.

Prompt Payment

- 1.27 The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, Late Payment of Commercial Debts Regulations 2002 and British Standard 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. During the year, over 90.1% of bills were paid within this standard, compared to 92.1% in the previous financial year.

2. MANAGEMENT COMMENTARY

Departmental Aim

2.1 The Department's aim is:

To work in partnership to promote sustainable development and to secure a better and safer environment

Objectives

2.2 In support of this aim, the Department has the following four strategic objectives:

- to protect, conserve and enhance the natural environment and built heritage, and to promote the adoption of the principles of sustainable development;
- to plan and manage development in a sustainable way which will contribute to a better environment which is modern and responsive to the community;
- to work with the statutory and voluntary partners to reduce road deaths and serious injuries; and
- to support a system of effective local government which meets the needs of residents and ratepayers.

The costs incurred against each objective are set out in the Consolidated Statement of Operating Costs by Departmental Aim and Objectives in the accounts.

Departmental Functions

2.3 The Department's main functions and responsibilities are:

- | | |
|-------------------------|---|
| Sustainable Development | - Environment and heritage (policy, legislation and programmes) |
| | - Planning (development planning, operational policies and development control) |
| Road Safety | - Road safety and driver, vehicle and operator policy, education and publicity |
| | - Road transport licensing |
| | - Driver and vehicle testing |
| | - Driver and vehicle licensing |
| Local Government | - Local government (policy, legislation and finance) |

2.4 Sustainable development provides the context for most of the Department's functions and activities, most notably the protection of the environment. The Department seeks not only to limit environmental threats such as climate change, to protect human health and safety from hazards such as poor air and water quality, and to protect things that people need or value, such as wildlife, landscapes and our built heritage, but also to comply with its extensive legal obligations in the environmental field.

Review of Expenditure against Budget

2.5 Full details of the departmental spending plans for 2005-2006 can be found in the Departmental Estimates, which can be obtained from The Stationery Office. Overall the Department's Resource Outturn was some £9.6 million below the total Resource Estimate. This was in the main due to delays in the receipt of statutory consents for waste management grants and the slippage of recruitment within Environment and

Heritage Service. There were also additional receipts from planning application fees and those associated with pollution incidents (Environment and Heritage Service). The underspends on capital and EPF funding will be returned to the Department for 2006-07 under the End Year Flexibility Scheme. Full details of actual expenditure against the Department's estimate for 2005-06 can be found in Note 2 of the resource accounts.

Departmental Trends

2.6 Key workload and output data for the Department's agencies over the four years to 2005-06 are shown in the table below.

Activity	2002-03	2003-04	% Inc.	2004-05	% Inc.	2005-06	% Inc.
Planning applications	26,634	31,790	19.4%	34,924	9.8%	33,969	-2.7%
Planning decisions	22,616	23,751	5%	26,681	12.3%	29,654	11.1%
Vehicle tests carried out	483,776	516,100	6.7%	473,771	-8.9%	584,658	23.4%
Driving tests carried out *	48,359	51,867	7.25%	46,079	11.6%	62,582	35.81%
Vehicle licences issued	944,791	1,043,884	10.49%	1,027,486	-1.59%	1,096,763	6.74%
Tax discs issued	1,070,466	1,171,012	9.4%	1,153,513	-1.5%	1,190,821	3.23%
Driving licences issued	158,806	173,227	9.1%	171,159	-1.2%	286,988	67.67%

* Practical driving tests only

Impact on the Community

2.7 The Department interacts with a large proportion of the population of Northern Ireland and is seeking to improve the services that it provides. For example, contact was made during the year with approximately:

- 111,882 people who took their practical and theory driving tests;
- 584,652 people who had their vehicles tested;
- 286,988 people who got new or renewed driving licences;
- 1,096,763 people renewing their car tax either at DVLNI offices or via designated Post Offices;
- 135,711 people who registered new or used vehicles for the first time;
- 27,569 individuals or organisations who got new or renewed taxi and road transport vehicle and operator licences;
- 181,000 children in nursery, primary, special and hospital schools to deliver road safety education training, including child pedestrian safety training and cycle proficiency training;
- 152,000 students in post-primary schools to deliver road safety education through talks, presentations, theatre education or advice on course work;
- 34,000 applicants for planning approval, as well as their neighbours, agents and a wide range of others involved; and
- Almost 5,900 people who submitted representations in response to draft Area Plans.

2.8 In addition, some 1.75 million visits were made to the country parks, monuments and nature reserves managed by EHS and almost 40,000 of these visits were made by school children undertaking environmental education programmes or studying the local heritage. The EHS Monuments and Buildings Record handled 1,017 enquiries and

more than 46,000 people took part in visiting some 215 properties and walks available to the public as part of the European Heritage Open Days.

Review of Main Activities during the Year

Environment and Heritage

- 2.9 Improvement in air and water quality and waste management remained key priorities for the Department. EHS continued to support the implementation of the air quality strategy locally through funding and advice to the 26 district councils. Work continued in improving water quality to ensure compliance with national targets and EU legislation. Some 2,180 reports of water pollution were investigated during the year and evidence of pollution was found during 53.7% of these investigations. Where appropriate, clean up and enforcement measures were taken. To date, 65 cases relating to pollution incidents that occurred during 2005 are being prepared for submission to the Public Prosecution Service with a recommendation for prosecution.
- 2.10 EHS contributed to Water Reform through support in developing the Department's policy and input to the necessary legislative changes. Assessment criteria have been developed for small wastewater treatment works and approximately 800 have been inspected to determine if the level of treatment is appropriate, as part of the consenting process. A policy has been developed for consenting intermittent discharges from sewerage systems and ensuring that planned improvements meet the needs of the environment.
- 2.11 In conjunction with the Environmental Policy Group of the Core department, EHS developed the new NI Waste Management Strategy, which was launched on 30 March 2006, following a period of consultation. The strategy, "Towards Resource Management", sets out plans to modernise waste management policies and practices to take account of new EU directives and recent advances in waste management technologies. It has a greater focus on treating waste as a resource and on putting in place robust infrastructure and mechanisms for ensuring the delivery of its targets. The Strategy highlights the need to increase waste recycling and recovery through a mixture of approaches, including the introduction of recycling and recovery targets, focused awareness campaigns and the possible introduction of incentive schemes.

- 2.12 In addition to numerous ongoing investigations of illegal dumping and licence contraventions, EHS teams have seen a number of notable successes. Over 120 cases were submitted to the Public Prosecution Service, 48 of which have seen successful convictions in the courts for waste offences. A growing number of individuals are being sent for trial at the Crown Court, which imposes increasingly heavy fines.
- 2.13 Through the Natural Heritage Grant Programme EHS supports many projects and initiatives that are designed to promote the conservation of biodiversity and special landscapes or to promote the enjoyment of the countryside. During the year EHS spent £2.9 million on such grants and enabled voluntary bodies, district councils and community organisations to secure match funding from many other sources. Significant progress was made towards the designation of Northern Ireland's first national park. The Mourne National Working Party marked the end of its first year of work by the completion of a research project to determine boundaries for the proposed national park. This work will form the basis of public consultation by the Working Party in 2006.
- 2.14 EHS is a major player in the Northern Ireland Biodiversity Strategy. The agency completed all of the actions attributed to it for 2002-2005 and has identified 56 further actions to be completed by 31 March 2008. One such action was to promote biodiversity at local and community level. In March 2006 the agency published a communications strategy to raise the profile of biodiversity throughout Northern Ireland. The agency also completed another full year of monitoring of Areas of Special Scientific Interest (ASSIs), as part of the six-year cycle to assess the condition of all key site features. This will contribute significantly towards the agency's longer-term objective of improving by 2013 the conservation condition of 95% of the features underlying designation.
- 2.15 The Second Survey of historic buildings was completed in a further 11 wards and EHS continued to work on its programme of conservation on state care monuments by undertaking major works of consolidation at 8 monuments and extending statutory protection to an additional 14 monuments.

Environmental Policy

- 2.16 The Department's Environmental Policy Group continued to progress the transposition of European Union Environmental Directives into domestic law, the promotion of the principles of sustainable development and maintenance of an up-to-date environmental policy and regulatory framework. In the process, the Division introduced 15 sets of Regulations and issued 13 consultation papers.
- 2.17 In 2005 Northern Ireland was chosen as the host venue for the European Union (EU) Environment Attaches informal meeting during the UK Presidency. The Attaches are the permanent representatives for their Member States to the EU and are based in Brussels. Staff in Environmental Policy Group organised and ran a highly successful programme of events and functions providing opportunities for Attaches to see some of Northern Ireland's environment, landscape and urban development.
- 2.18 Following significant media interest and interest from the Organised Crime Task Force, a forum coordinated by the Office of the First Minister and Deputy First Minister (OFMDFM) and chaired by the Head of the Civil Service, a consultation paper was issued setting out the Department's proposals to strengthen its regulatory powers to deal with the illegal dumping of waste, including cross-border waste trafficking. The proposals included a number of measures aimed at increasing the Department's powers to stop, search and seize vehicles believed to be involved in illegal waste activities and, significant increases in the levels of fines and penalties that can be imposed by the courts on conviction of an offence. They also include proposals about the registration of carriers of particular kinds of waste and provision to deal with waste generated at construction sites.
- 2.19 The new Waste Management Strategy for Northern Ireland, "Towards Resource Management" was launched in March 2006. The event received wide media coverage, and was attended by key stakeholders including elected members, council officials, representatives from other government departments, environmental NGOs and waste practitioners. The Strategy is an important document as it reflects the need to move towards more sustainable and less environmentally harmful waste management practices and changes the focus from simply managing waste to waste prevention and

managing resources. It places a strong commitment on Government to play a lead role in driving forward specific actions and monitoring targets, and has a strong focus on delivery mechanisms and structures.

- 2.20 Further advances have been made at improving and protecting Northern Ireland's water environment throughout the year, including progress on the establishment of an action programme under the Nitrates Directive. A related consultation exercise generated comprehensive responses from both agricultural and environmental interests. The action programme aims to provide protection to Northern Ireland's waters while maintaining the viability of the agricultural industry.
- 2.21 In relation to the Water Framework Directive (WFD), a workshop on Stakeholder Participation was held during the year, bringing together over 70 representatives from government, industry, agriculture, fisheries, recreation and environmental groups. The overall aim of the workshop was the establishment of a national 'Stakeholder Forum' for the Water Framework Directive.
- 2.22 During the year work continued on the development of a Sustainable Development Strategy for Northern Ireland with significant engagement with all of the other central Government departments and a wide range of external stakeholders. Significant progress was made in tackling this in a joined up manner through the establishment of a Ministerial led group chaired by the Minister, Lord Rooker and comprising senior civil servant "champions" from each Department. Their role was to provide high level support to progress the strategy within their respective departments including input to how their existing policies, strategies and objectives align with sustainable development principles and priorities and how their future ones will. The Department's Stakeholder Group of over 40 external interests including Local Government, NGOs, business, education, academia and voluntary and community sectors was heavily involved in providing input to the priority areas for action to be addressed by the Strategy. The Strategy should be published in 2006.

Planning Service

- 2.23 The Planning Service has continued to sustain a heavy workload in terms of planning applications and public interest in draft area plans. After several years of significant increases, the number of applications received and made valid steadied to just under 34,000 during 2005-06. This marked a decrease of 2.7% on the previous year but still reflected an increase of over 27% on 2002-03. The Planning Service has continued to make significant strides, through a series of process improvements, to make the planning applications system more efficient. Some 29,650 applications were decided in 2005-06, an increase of 11.1% on the previous year and over 31% on 2002-03.
- 2.24 Work continued on the Area Plan programme, with the publication of the draft Northern Area Plan in May 2005, the draft Craigavon Town Centre Boundaries and Retail Designations Plan 2010 in December 2005 and the draft Belfast Metropolitan Area Plan 2015 Amendment No1 in February 2006. The public inquiry into the draft Ards and Down Area Plan opened in May 2005 and initially considered non-housing issues pending correspondence with the Planning Appeals Commission on housing figures. On the policy side, the addendum to Planning Policy Statement (PPS) 6 - Areas of Townscape Character was published in August 2005 and PPS 17 - Control of Outdoor Advertisements was published in March 2006.
- 2.25 Year 3 of the planning reform and modernisation programme saw progress on a number of key projects. These included the implementation of revised arrangements for consulting local councils and the introduction of new procedures for the return of invalid applications. Work has also continued on the e-planning programme, with enhancements to the Planning Service website and further design work in respect of the electronic Planning for Citizens (ePIC) system.
- 2.26 During the year a number of new legislative provisions were brought into operation, including extended permitted development rights for agricultural buildings and operations to facilitate compliance with the Nitrates Directive. In addition the draft Planning Reform (Northern Ireland) Order 2006 was laid before Parliament on 8 March 2006. The draft Order contains wide-ranging changes to reform the development control and appeal processes, strengthen control in protecting and

enhancing the built and natural environments, improve enforcement and assist the preparation of development plans.

2.27 The outcome of the Review of Public Administration was announced by the Secretary of State in November 2005. The transfer of much of the planning function to new local authorities will mean not only the redistribution of functions but the creation of a new planning system for Northern Ireland, and it will involve new roles and responsibilities for all those involved in the planning process. A considerable amount of work has already taken place within the Agency to prepare for implementing the new planning regime.

DVLNI

2.28 During the year the agency:

- issued, 1,096,763 tax discs and collected £135 million in vehicle excise duty;
- licensed 135,711 vehicles for the first time in Northern Ireland and re-licensed 3,599 vehicles by telephone and extended the re-licensing of vehicles to 150 post offices;
- transferred/assigned 30,572 cherished numbers;
- prosecuted or accepted out of court settlements from 10,840 people for vehicle excise duty evasion, with £1,394,704 collected in penalties, fines, back duty and court costs; and
- issued 286,988 driving licences and 27,569 road transport licences.

DVTA

2.29 During the year 584,658 vehicle tests and 109,732 driving tests (practical and theory) were carried out. In terms of enforcement activity, the Agency carried out nearly 16,600 vehicle checks and examined around 27,350 tachograph charts. The Agency also successfully introduced a new joint NI/GB theory test contract (including internet booking), an MOT reminder service for customers, and a new headlamp beam test. Major changes were also made to the Approved Driving Instructors scheme. A major

programme of works to comply with the Disability Discrimination Act was completed, as well as three Equality Impact Assessments. Other highlights included attaining ISO accreditation for the driving test process, targeting enforcement strategy, and the launch of an improved web site.

Road Safety

- 2.30 The Northern Ireland Road Safety Strategy 2002-2012 was launched on 6 November 2002. It includes a target to reduce road deaths and serious injuries by 33% and, within that, a further target of a 50% reduction in the numbers of children killed or seriously injured. Progress towards achieving the objectives and casualty reduction targets in the strategy is monitored by the Road Safety Review Group, chaired by the Department, which includes representatives from the Department for Regional Development's Roads Service and the Police Service of Northern Ireland. An annual progress report is made to the Road Safety Steering Group, which comprises senior representatives from the three organisations.
- 2.31 Road Safety Education Officers have continued to target additional support at schools with a significant number of pupils from socially disadvantaged households in an effort to reduce road casualties. A Practical Child Pedestrian Scheme is successfully running in 60 schools with 'on road' training carried out in each school. Resources provided to all schools in 2005/06 included three new road safety teaching aid calendars distributed to every classroom in nursery and primary schools across Northern Ireland. A review of the Road Safety Education Service is continuing.
- 2.32 On 23 November 2005, the Department launched an anti-drink driving campaign, spearheaded by a new television advertisement entitled 'Just One'. The campaign, jointly commissioned by the Department and the National Safety Council (NSC) in the Republic of Ireland, introduced a new message – just one drink impairs driving.
- 2.33 The first phase of a new Road Safety Website went live in March 2006, including policy, legislation and advertising and publicity sub-sites. This initial phase included campaign sites addressing anti-drink driving, anti-drugs driving, young drivers and seat belts.

Research was carried out during March 2006 to determine if the current seat belt advertisement continued to be effective or, if a replacement might be commissioned during 2006/07.

A new cross border weekend campaign was jointly commissioned and produced by the Department and the NSC during March 2006. The campaign highlights that weekends are the most dangerous time for road users and will be aired on key weekend dates throughout 2006/07.

- 2.34 The Department made legislation in May 2005 implementing the European Road Transport Directive (2002/15/EC). It applies to mobile workers (mainly drivers, crew and travelling staff) in the road transport industry and introduces limits on weekly working time and the amount of work that can be done at night. It also specifies the amount of continuous work that can be done before taking a break and introduces daily and weekly rest requirements for crew and travelling staff.
- 2.35 A new licensing category for bus operators, Demand Responsive Bus Services, was introduced by the Department in March 2006. Unlike traditional bus services, which run at predefined times and to a predefined route, as specified in a timetable, Demand Responsive Bus Services are wholly demand led. They must be pre-booked and the route followed is determined by the collective requirements of the passengers who are charged an individual fare.
- 2.36 An assessment of the four key recommendations of the Northern Ireland Assembly's Environment Committee inquiry into home to school transport is now complete and Government is currently considering how this issue may be taken forward. Work on a report detailing progress on all 28 inquiry recommendations is also now substantially complete.

Local Government

- 2.37 The Local Government (General Grant) Regulations (Northern Ireland) 2003 provide the formula for distribution of the resources element of General Grant, payable to district councils. The formula measures the wealth and needs of each council and also addresses relevant socio-economic disadvantage and takes account of particular circumstances that

impact on the cost of providing certain services at local level. In 2005/2006, 17 of the 26 district councils qualified for this element of the grant.

- 2.38 The Department of Finance and Personnel's review of rating policy has resulted in the phasing out of the industrial derating element of General Grant payable to district councils. In 2005/2006 industrial derating was reduced to 85%, and together with the collection of rates income on vacant non-commercial property has had significant effect on the valuation base of district councils.

Performance against Targets

- 2.39 Northern Ireland Priorities and Budget 2005-08 set out the priorities and plans for government in Northern Ireland for 2005-06 and beyond. The Department's main activities support the delivery of commitments contained in this document.
- 2.40 Priorities and Budget also identified a small number of priority outcomes and targets from departmental Public Service Agreements (PSA) of sufficient importance to merit regular monitoring and review by Ministers. Five Departmental items, relating to road safety and environmental objectives, are included in these priority outcomes and targets.
- 2.41 The Department has ten PSA targets that it intends to achieve during the years 2005 to 2008, linked to the actions and targets contained in the departmental Corporate and Business plan for the 2005-08 period. These actions and targets are monitored in line with those in Priorities and Budget and reports provided to senior management and the Minister. The majority of the PSA targets are on track for achievement or have been achieved with the exception of the following two targets. Reducing the target time taken to process planning applications is unlikely to be achieved due to the unprecedented increase in the number of valid planning applications. Data on the progress of the target to reduce industrial waste is not yet available.
- 2.42 DFP will publish an annual report on the achievement of 2005-08 targets from Priorities and Budget for all of the Northern Ireland Departments. This can be viewed on the DFP website at www.dfpni.gov.uk or hard copies can be obtained from the Economic Policy Unit, DFP, Rathgael House, Baloo Road, Bangor BT19 7NA.

Post-Financial-Year Events

2.43 No important events affecting the entities within the boundary have occurred since the end of the financial year.

Investment in the Future

2.44 The Planning Service exchanged contracts with its strategic partners (Hewlett Packard) in October 2004, and the new electronic Planning Information for Citizens system was introduced during 2005. This replaced the existing development control system, making the planning application process a more open, effective and transparent service to the citizen. The Department is also working in partnership with district councils, through grant aid, to encourage them to take positive actions to implement their Waste Management Plans – vital to the future management of waste in Northern Ireland. This will involve a substantial programme of investment in new treatment infrastructure.



Accounting Officer

13 October 2006

3. REMUNERATION REPORT

3.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

3.2 In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits and
- the Government's inflation target.

3.3 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

3.4 The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

3.5 Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

- 3.6 Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
- 3.7 Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.
- 3.8 Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and pension entitlements

- 3.9 The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

Ministers Salaries

- 3.10 During 2005-06 the Department of the Environment was under the direction and control of Mrs. Angela Smith, MP, until May 2005 when Lord Rooker took over responsibility for the remainder of the financial year. Their salaries and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Mrs. Angela Smith, MP, and Lord Rooker salary and allowances will be provided in the 2005-06 Northern Ireland Office Resource Accounts.

Ministerial pension

- 3.11 Pension benefits for Westminster Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

- 3.12 Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution).
- 3.13 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

	2005-06		2004-05	
Officials	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
S. Peover Permanent Secretary	100 - 105	Nil	90 - 95	Nil
F. Dillon Deputy Secretary (retired on 31 March 2005)	N/A	N/A	Consent to disclosure withheld	
C. Smith Deputy Secretary, Local Government and Road Safety Group	70 - 75 (full time equivalent 85 - 90)	Nil	60 - 65 (full time equivalent 75 - 80)	Nil
Dr. M. Power Director of Corporate Services	70 - 75	Nil	65 - 70	Nil
R. Rogers Chief Executive, Environment and Heritage Service	85 - 90 *	Nil	70 - 75	Nil
D. Ferguson Chief Executive, Planning Service	Consent to disclosure withheld		Consent to disclosure withheld	
I. Maye Director of Environmental Policy Division (appointed to board 5 December 2005)	15 - 20 (full year equivalent 60 - 65)	Nil	N/A	N/A
W. Shannon Director of Sustainable Development Division (appointed to board 9 January 2006)	10 - 15 (full year equivalent 55 - 60)	Nil	N/A	N/A

* In addition to 05-06 salary payments, payments in respect of additional responsibilities were made, covering the period February 2004 to March 2005 amounting to £8.3k

Salary

3.14 'Salary' includes gross salary, performance pay or bonuses and any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

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

Civil Service Pensions

Officials	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
S. Peover Permanent Secretary	35 - 40 pension plus 105 - 110 lump sum	0 - 2.5 pension plus 2.5 - 5 lump sum	618	559	40	Nil
F. Dillon Deputy Secretary (retired on 31 March 2005)	N/A	N/A	N/A	Consent to disclosure withheld	N/A	N/A
C. Smith Deputy Secretary	20 - 25 pension plus 70 - 75 lump sum	0 - 2.5 pension plus 2.5 - 5 lump sum	358	311	20	Nil
Dr. M. Power Director of Corporate Services	30 - 35 pension plus 90 - 95 lump sum	0 - 2.5 pension plus 2.5 - 5 lump sum	485	448	20	Nil
R. Rogers Chief Executive, Environment and Heritage Service	40 - 45 pension plus 120 - 125 lump sum	10 - 12.5 pension plus 30 - 32.5 lump sum	748	485	199	Nil
D. Ferguson Chief Executive, Planning Service	Consent to disclosure withheld					
I. Maye Director of Environmental Policy Division, Environmental Policy Group (appointed to board 5 December 2005)	10 - 15 pension plus 40 - 45 lump sum	0 - 2.5 pension plus 0 - 2.5 lump sum	182	179 Note a	2	Nil

W. Shannon Director Sustainable Development Division, Environmental Policy Group (appointed to board 9 January 2006)	20 - 25 pension plus 65 - 70 lump sum	0 - 2.5 pension plus 0 - 2.5 lump sum	340	337 Note b	2	Nil
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Note a – CETV at 5 December 2005

Note b – CETV at 9 January 2006

- 3.16 Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality ‘money purchase’ stakeholder arrangement with a significant employer contribution (partnership pension account).
- 3.17 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.
- 3.18 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of

pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website

www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

3.19 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

3.20 This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Accounting Officer

13 October 2006

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001 the Department is required to prepare resource accounts for each financial year, in conformity with a direction from the Department of Finance and Personnel (DFP), detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The Resource Accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

DFP has appointed the Permanent Secretary of the Department as Accounting Officer of the Department, with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

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

- a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b. make judgements and estimates on a reasonable basis;
- c. 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 accounts;
- d. prepare the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in *Government Accounting Northern Ireland*.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of the Environment's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.
2. Acting under the direction of the Minister, it is my responsibility to ensure that the Minister is fully aware of, and involved as necessary in, the development of new policies and changes to existing policies and legislation, and the consequent decisions and actions of the Department, its executive agencies and non-departmental public bodies.
3. To ensure that this process operates effectively, the Departmental Board on occasions meets the Minister to discuss all issues of sufficient importance to warrant ministerial input or advice. The Minister also approves the Department's Corporate and Business Plans and Public Service Agreement targets.
4. The work of the Department is overseen by the Departmental Board, which I chair, the other members being the Deputy Secretary of Local Government and Road Safety Group, the Director of Corporate Services, the Chief Executives of the Planning Service and the Environment and Heritage Service and, for the final quarter of the 2005-06 year, the two directors of the Environmental Policy Group.

The purpose of the system of internal control

5. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a continuous process 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 internal control has been in place in the Department for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

6. A Departmental Risk Management Policy Statement, which has been endorsed by the Departmental Board and disseminated to all the Department's business areas, describes, *inter alia*, the role and responsibilities of the Board, the Departmental Audit Committee and Internal Audit. The review of risk has also been included in the terms of reference for the Board. The Board, which meets monthly, also acts as the Departmental Risk Management Committee.
7. Discussions that take place at meetings of the Board and the Departmental Audit Committee provide opportunity for the exchange of information and sharing of best practice on risk management.

The risk and control framework

8. A process is in place that ensures that all business areas identify the key risks to the achievement of the Department's objectives. This includes the evaluation of the risks in terms of impact, likelihood of occurrence, and the existing controls in place to mitigate the risk to an acceptable level. As a result of this process, risk ownership is allocated to managers at appropriate levels. Consideration is also being given to the development of business area risk registers below divisional level, where these are not already in place.
9. The business area risk registers feed into the Departmental Summary Risk Register and potentially the Departmental Corporate Risk Register. At a corporate level, business area risk registers are reviewed quarterly to coincide with reporting on the achievement of departmental objectives and targets. The Board decides whether any

revisions need to be made to the Departmental Corporate Risk Register in light of changes at core divisional and agency level.

Review of effectiveness

10. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In doing so, I am informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
11. The Department's corporate governance framework includes the:
 - Departmental Board;
 - Senior Management Team;
 - Departmental Audit Committee;
 - Audit Committees of each of the Department's four executive agencies; and
 - Departmental Internal Audit Service.
12. The main aims of the Departmental Board are, *inter alia*, to provide corporate leadership to the Department, to determine priorities for inclusion in the Department's Business Plans, to agree the Department's legislative programme, to agree the allocation of human and financial resources, and to agree and periodically review the Department's Corporate Risk Register. The Senior Management Team, which has a wider representation from the Department's core divisions and agencies, assists the Board with its corporate governance responsibilities.
13. I also chair the Departmental Audit Committee, which assists me by drawing my attention to matters of governance, risk, control and assurance. Audit Committees are also in place in each agency.

14. The Department uses the services of the Department for Regional Development's Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. As principal Accounting Officer, I receive Assurance Reports from the Internal Audit Unit that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's systems of internal control, together with recommendations for improvement. Complementary to this, I receive Assurance Statements from the Department's Deputy Secretary for Local Government and Road Safety Group, agency Chief Executives (Planning and EHS), Director of Corporate Services and the Director of Environmental Policy Group. I also benefit from comments made by the external auditors in their management letters and reports.

Significant internal control problems

15. For 2005-06, the Internal Audit Assurance Reports indicated reasonable assurance, in overall terms, for the core department, for the Planning Service, and for Driver and Vehicle Licensing Northern Ireland (DVLNI). I am particularly reassured by the fact that the individual audits of corporate governance/risk management processes in the core department and each of the agencies also received reasonable assurance ratings.
16. In respect of EHS and the Driver and Vehicle Testing Agency (DVTA), Internal Audit concluded that an overall rating of limited assurance was appropriate for both agencies, primarily due to the adequacy and effectiveness of risk management, control and governance processes in EHS and the significance of the control issues highlighted in the audit of Driver and Vehicle Testing in DVTA.
17. For EHS, I take comfort that of the seven audit reports completed, five received a reasonable assurance rating. I am also reassured that the timely implementation of the recommendations in these reports will be monitored by the agency's Compliance Audit Groups.
18. In respect of DVTA, the Northern Ireland Audit Office published a report in March 2006 which identified a number of concerns in relation to the PFI contract for the provision and maintenance of new vehicle testing equipment. The agency is taking

steps to address the relevant issues. I am also pleased that Internal Audit has acknowledged that significant efforts are being made within DVTa to remedy the deficiencies in internal control and to ensure continuous improvement of the system. I also note that a number of potential improvements to internal controls have been identified primarily in relation to the agency's core business activities of booking and testing vehicles and drivers, and plans are in place to address the issues identified.

19. Finally, I draw further comfort from the fact that all four agencies' 2005-06 Accounts received unqualified opinions from the Comptroller and Auditor General.

A handwritten signature in black ink, appearing to read 'Olson', with a large, stylized initial 'O'.

Accounting Officer

13 October 2006

DEPARTMENT OF THE ENVIRONMENT

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

I certify that I have audited the financial statements of the Department of the Environment for the year ended March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 34 to 38 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Management Commentary, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General

19 October 2006

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

								2005-06	2004-05
								£000	£000
Estimate					Outturn			Net Total outturn compared with Estimate: saving/(excess)	Outturn
Request for Resources	Note	Gross Expenditure	AR	Net Total	Gross Expenditure	AR	Net Total		Net Total
A	2	196,885	(42,085)	154,800	187,257	(42,085)	145,172	9,628	144,480
Total resources	3	196,885	(42,085)	154,800	187,257	(42,085)	145,172	9,628	144,480
Non-operating cost AR	24(c)			607			251	(356)	1,667

Net cash requirement 2005-06

					2005-06	2004-05
					£000	£000
					Net Total outturn compared with Estimate: saving/(excess)	Outturn
Note	Estimate	Outturn				
Net cash requirement	4	142,886	131,380	11,506	132,721	

Summary of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

			Forecast 2005-06	Outturn 2005-06	
			£000	£000	
Note	Income	Receipts	Income	Receipts	
Total	5	4,608	<i>646</i>	5,968	<i>2,028</i>

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 46 to 84 form part of the financial statements.

Operating Cost Statement

for the year ended 31 March 2006

	2005-06 £000						2004-05 £000	
	Core Department			Consolidated			Core Department	Consolidated
Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration costs:								
Staff costs	9	8,192		61,998			7,307	55,512
Other administration costs	10		5,103		34,706		4,660	31,116
Operating income	12		(808)			(40,415)	(672)	(34,749)
Programme costs:								
Request for Resources A								
Programme costs	11		51,035		90,553		56,502	93,999
Income	12		(191)			(7,638)	(228)	(4,042)
Total		8,192	56,138	(999)	61,998	125,259	(48,053)	67,569
Net operating cost	3, 13		63,331			139,204	67,569	141,836

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2006

	2005-06 £000			2004-05 £000	
Note	Core Department	Consolidated	Core Department	Consolidated	
Net gain/(loss) on revaluation of tangible fixed assets	14	-	1,495	1	1,442
Net gain/(loss) on revaluation of intangible fixed assets	15	-	5	-	2
Fixed assets received from other NICS Departments	14 & 22	-	3,838	-	6
Recognised gains and losses for the financial year		-	5,338	1	1,450

The notes on pages 46 to 84 form part of the financial statements.

Balance Sheet

as at 31 March 2006

			2006 £000		2005 £000
Note	Core Department	Consolidated		Core Department	Consolidated
Fixed assets:					
Tangible assets	14	100	38,672	131	33,213
Intangible assets	15	-	385	-	479
Investments	16	3,531	3,531	3,531	3,531
Current assets:					
Stocks	17	-	254	-	260
Debtors	18	4,449	12,733	4,909	9,453
Cash at bank and in hand	19	-	2,407	-	1,476
		4,449	15,394	4,909	11,189
Creditors (amounts falling due within one year)	20	(3,612)	(34,050)	(3,033)	(31,279)
Net current assets		837	(18,656)	1,876	(20,090)
Total assets less current liabilities		4,468	23,932	5,538	17,133
Creditors (amounts falling due after more than one year)	20	-	(4,114)	-	(6,523)
Provisions for liabilities and charges	21	(192)	(2,601)	(102)	(1,692)
		4,276	17,217	5,436	8,918
Taxpayers' equity:					
General fund	22	4,277	8,115	5,437	1,249
Revaluation reserve	23(a)	(1)	9,078	(1)	7,580
Grants reserve	23(b)	-	24	-	89
		4,276	17,217	5,436	8,918



Accounting Officer

13 October 2006

The notes on pages 46 to 84 form part of the financial statements.

Consolidated Cash Flow Statement

for year ended 31 March 2006

		2005-06	2004-05
		£000	£000
	Note		
Net cash outflow from operating activities	24(a)	(123,496)	(125,768)
Capital expenditure and financial investment	24(b)	(5,684)	(5,043)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(1,789)	(1,940)
Financing	24(d)	131,900	131,500
Increase/(decrease) in cash in the period	24(e)	931	(1,251)

The notes on pages 46 to 84 form part of the financial statements.

Consolidated Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2006

	2005-06			2004-05		
	Gross	Income	Net	Gross	Income	Net
			£000			£000
Aim:						
To work in partnership to promote sustainable development and to serve a better and safer environment.						
Objective A:						
To protect, conserve and enhance the natural environment and built heritage, and to promote the adoption of the principles of sustainable development.	69,023	(9,085)	59,938	66,116	(5,719)	60,397
Objective B:						
To plan and manage development in a sustainable way which will contribute to a better environment and which is modern and responsive to the community.	41,078	(19,987)	21,091	35,637	(15,762)	19,875
Objective C:						
To work with statutory and voluntary partners to reduce road deaths and serious injuries.	28,154	(18,981)	9,173	24,557	(17,310)	7,247
Objective D:						
To support a system of effective local government which meets the needs of residents and ratepayers.	49,002	-	49,002	54,317	-	54,317
Net operating costs	187,257	(48,053)	139,204	180,627	(38,791)	141,836

The notes on pages 46 to 84 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 *Accounting convention*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

1.2 *Basis of consolidation*

These accounts comprise a consolidation of the Core Department and its three supply financed agencies: the Environment and Heritage Service, the Planning Service and Driver and Vehicle Licensing (NI). Transactions between entities within the departmental resource accounting boundary included in the consolidation are eliminated.

A list of all those entities within the departmental boundary is given at Note 35.

1.3 *Tangible fixed assets*

Fixed assets comprise the land and buildings (excluding dwellings), furniture and fittings, plant and machinery, transport equipment and information technology equipment held by the Department.

Freehold land and buildings are revalued on a five-year rolling basis by the Valuation and Lands Agency in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by using appropriate indices, and following revaluation the remaining life may be restated. All land and buildings are held by the Environment and Heritage Service.

Operational properties, which are not specialised and are generally traded on the open market, are valued on the basis of existing use value.

Non-operational properties including surplus property and property held for development are valued on the open market value basis.

Operational properties that are specialised, e.g. visitor centres and museums, are valued on depreciated replacement cost basis.

Non-operational heritage assets are not included in the programme of valuations as it is neither practical nor appropriate to do so given the special characteristics of these assets. A sample of the non-operational heritage assets which have not been valued or capitalised in the accounts is included in Note 14.

The accounting policy regarding recently purchased non-operational heritage assets was clarified in the 2001-02 financial year, with such assets now being recognised in the Balance Sheet at purchase price. It is considered that additions to non-operational heritage assets, which are underpinned by an arms-length transaction, should be capitalised at that value in the year of acquisition as the transaction provides a reliable and practical basis of valuation (see Note 14).

Other tangible fixed assets are valued at current replacement cost. Their values are revised annually through the use of suitable indices, with the exception of computers and IT equipment. Due to technological advances an accelerated depreciation method is applied to write off the cost of computers and IT equipment to a nil residual book value over their assumed useful economic life.

Assets are re-valued at net replacement cost using appropriate indices compiled by the Office for National Statistics.

Surpluses and deficits arising on revaluation are taken to the revaluation reserve. Where appropriate, permanent reductions in the value of fixed assets are charged to the Operating Cost Statement.

Assets paid for on behalf of the Department by other NICS departments have also been capitalised and depreciated in line with current policy, and have been credited to the general fund with appropriate disclosure in the Statement of Recognised Gains and Losses.

The capitalisation threshold for a tangible fixed asset is £500 for IT equipment and £1,000 for all other assets. Computer systems (bespoke software) which have been developed internally, have been capitalised at the full cost incurred. Where material, assets have been pooled/grouped so as to reflect asset holdings more accurately.

1.4 Depreciation

Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Land and Buildings Excluding Dwellings	50 to 60 years
Furniture and Fittings	3 to 10 years
Plant and Machinery	3 to 30 years
Transport Equipment	5 to 15 years

IT equipment and computers are depreciated using the accelerated depreciation method to write off assets over 3-10 years.

Assets in the course of construction are not depreciated until they have been brought into use.

1.5 Heritage assets

All heritage assets are deemed to be held by the Department in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational heritage assets are those which are held solely for this purpose and have no other use. Operational heritage

assets are those which, in addition to being held for their characteristics as part of the heritage, are also used by the entity for other activities or to provide other services for which it is responsible.

The Department owns certain non-operational heritage assets which have not been valued because it would be impossible to establish sufficiently reliable values and are therefore not included in these accounts. These comprise one hundred and eighty three Monuments in State Care.

1.6 Intangible fixed assets

Intangible assets comprise the value of the capitalised licences to operate the vehicle systems in DVLNI. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge will be capitalised as part of the value of intangible assets. Purchased computer software licences are capitalised as an intangible fixed asset where expenditure of £1,000 or more is incurred. Software licences are amortised over 3-10 years.

1.7 Investments

Financial interests in bodies which are outside the Departmental Resource Accounting boundary are treated as fixed asset investments since they are held for the long term. These comprise Public Dividend Capital (PDC) and Long Term Loan issued to DVTA. DVTA, as a trading fund, is operated and managed independently of the Department, and its accounts are not consolidated with those of the Department. Loans and PDC are included at historic cost.

1.8 Stocks and work in progress

Stocks and work in progress are valued as follows:

- a. Finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they cannot or will not be used;
- b. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.9 Research and development

Expenditure on research and development is written off in the year of expenditure through the Operating Cost Statement.

1.10 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, but it also includes other income such as that from investments. It includes both income appropriated-in-aid of the Estimate and income payable to the Consolidated Fund. Operating income is stated net of VAT.

1.11 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the most recent guidance on Estimates issued by DFP.

1.12 *Capital charge*

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by the Department of Finance and Personnel – currently 3.5% – on the average carrying amount of all assets less increases in value due to indexation less liabilities, except for:

- (a) tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost
 - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
 - depreciation of tangible and amortisation of intangible fixed assets;
- (b) donated assets;
- (c) amounts due from, or due to be surrendered to the Consolidated Fund;
- (d) cash balances within the centralised Northern Ireland Civil Service pool of accounts currently held at the Northern Bank; and
- (e) fixed assets which are investments in a public sector body outside the departmental boundary. In the case of PDC the amount of the charge will be the return required from the body less any interest paid to the department. In the case of a loan the amount of the charge will equate to the interest rate due from the body. These amounts are added to the cost of capital charge on other assets.

1.13 *Foreign exchange*

Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Translation differences are dealt with in the Operating Cost Statement for the year.

1.14 *Pensions*

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI) which is a defined benefit scheme and is unfunded and non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

1.15 *Early departure costs*

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by

establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 2.2% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

1.16 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised) How to account for PFI Transactions as required by the FReM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Department, it is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.17 Leases

Operating lease rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.18 Grants payable

The Department recognises such expenditure in the period in which the recipient carries out the activity which creates an entitlement to the grant support, in so far as is practicable to do so. Where the Department cannot estimate with any reliable accuracy the amount of such grant entitlement outstanding at the balance sheet date, such liabilities are disclosed as contingent liabilities.

1.19 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance and Personnel (currently 2.2%).

1.20 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard No 12 Provisions, Contingent Liabilities and Contingent Assets (FRS12), the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with Government Accounting Northern Ireland. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement; and

- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS12 are stated at the amounts reported to Parliament.

1.21 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The recoupment of VAT on behalf of the Department (with the exception of DVLNI) is administered by and reflected in the accounts of the Department for Regional Development.

1.22 EU income

All income from the EU is separately identified and is released to the Operating Cost Statement in the period in which the underlying activity takes place.

1.23 Funding from Parliamentary/Assembly Supply

Supply funding is not treated as income on the face of the Operating Cost Statement, but is credited to the general fund.

1.24 Notional costs

Since Resource Accounts are required to show the full economic cost of delivery of public services, the Operating Cost Statement includes certain notional items of expenditure.

1.25 Deferred creditors

Deferred creditors represent the original cost of fixed assets, financed by DVLA, for use by Vehicles Division of DVLNI and are depreciated on a historical cost basis.

1.26 Management agreements

The Environment and Heritage Service enters into management agreements with landowners in order to “preserve” lands/buildings identified as being Areas of Special Scientific Interest (ASSIs) or of architectural/historical interest. These agreements either involve one-off payments with the agreements being in perpetuity or annual payments covering a set period. The vast majority of these management agreements are in perpetuity and cover designated ASSIs and Nature Reserve lands. Management agreements covering Nature Reserves and ASSIs involve compensation payments to the landowners. The management agreements do not confer title of ownership to the Environment and Heritage Service. The full costs of these agreements are expensed in the year in which they are issued.

2. Analysis of net resource outturn by section

							2005-06 £000	
						Outturn	Estimate	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	NET TOTAL	Net Total	Net total outturn compared with Estimate
Request for Resources A:								
Departmental Expenditure in DEL								
1: Environmental and Heritage Service	28,343	12,974	8,709	50,026	(3,283)	46,743	49,555	2,812
2: Environmental Policy Group	4,289	200	-	4,489	-	4,489	4,664	175
3: Planning Services	25,167	5,243	646	31,056	(19,926)	11,130	13,632	2,502
4: Local Government Services	1,118	33	47,372	48,523	-	48,523	48,532	9
5: Road Safety Services	3,180	2,987	110	6,277	(302)	5,975	5,979	4
6: Driver and Vehicle Licensing Northern Ireland	16,482	918	-	17,400	(17,921)	(521)	437	958
7: Driver and Vehicle Testing Agency	1,849	158	175	2,182	(653)	1,529	2,955	1,426
8: ERDF – Grants to District Councils and the Private Sector	-	-	5,197	5,197	-	5,197	4,395	(802)
9: Community Initiatives	-	-	1,679	1,679	-	1,679	1,820	141
10: Executive Programme Funds	397	-	19	416	-	416	1,044	628
11: Capital Grants to District Councils	-	-	4,060	4,060	-	4,060	7,018	2,958
Non-Budget								
12: Other Expenditure (Notional Charges)	15,879	73	-	15,952	-	15,952	14,769	(1,183)
Resource Outturn	96,704	22,586	67,967	187,257	(42,085)	145,172	154,800	9,628

						Outturn	Estimate	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	NET TOTAL	Net Total	Net total outturn compared with Estimate
Request for Resources A:								
Departmental Expenditure in DEL								
1: Environmental and Heritage Service	25,933	11,365	11,048	48,346	(3,136)	45,210	46,579	1,369
2: Environmental Policy Group	4,269	194	-	4,463	-	4,463	4,794	331
3: Planning Services	20,819	4,211	803	25,833	(15,760)	10,073	9,926	(147)
4: Local Government Services	876	31	53,180	54,087	-	54,087	54,027	(60)
5: Road Safety Services	2,256	2,573	154	4,983	(223)	4,760	4,881	121
6: Driver and Vehicle Licensing Northern Ireland	15,545	699	-	16,244	(16,367)	(123)	780	903
7: Driver and Vehicle Testing Agency	1,520	173	122	1,815	(661)	1,154	1,366	212
8: ERDF – Grants to District Councils and the Private Sector	-	-	558	558	-	558	475	(83)
9: Community Initiatives	-	-	2,869	2,869	-	2,869	2,462	(407)
10: Executive Programme Funds	1,050	242	-	1,292	-	1,292	1,951	659
11: Capital Grants to District Councils	-	-	5,810	5,810	-	5,810	8,666	2,856
Non-Budget								
12: Other Expenditure	14,360	(33)	-	14,327	-	14,327	14,550	223
Resource Outturn	86,628	19,455	74,544	180,627	(36,147)	144,480	150,457	5,977

Explanation of the variation between Estimate and outturn (net total resources):

Line RfR A	Variance Under/(over) £000	Explanation
1	2,812	The Environment and Heritage Service variance of some £2.8m was in the main due to slippage in recruitment, small underspends across all directorates of the Agency and some additional receipts not anticipated from fees associated with pollution incidents.
3	2,502	The Planning Service variance of some £2.5m was in the main due to additional receipts over forecasts, less uptake than anticipated on Conservation Area Grants and a number of smaller underspends across the Agency. Additional receipts reflect increases in planning fees from May 2005. A new fee structure, which introduced an area based rather than fixed fee charging basis for certain types of application further contributed to the increase in income generated.
6	958	The Driver and Vehicle Licensing Northern Ireland variance of some £0.9m was in the main due to underspends in administration costs and an increase in volumes due to peak renewals. (Original 3 year licenses were replaced in 1985, 1986 & 1987 by a ten year license. Renewals have therefore peaked every ten years since).
7	1,426	The Driver and Vehicle Testing Agency variance of some £1.4m was in the main due to slippage in certain projects and an underspend in administration costs.
8	(802)	Take up of the ERDF grant was greater than anticipated.
10	628	The variance of some £0.6m in Executive Programme Funds was in the main due to supplier slippages in the Planning Service implementation of the ePIC project. This had a knock on effect in that the Data Scanning project also slipped.
11	2,958	There was an underspend in the Waste Management Grants to District Councils (£2m) due to delays in the receipt of statutory consents.
12	(1,183)	The variance of some £1.1m in other expenditure was due in the main to increased notional accommodation costs. A review of NICS accommodation created higher notional accommodation costs for the Department.

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	2	154,800	145,172	9,628
Capital				
Acquisition of fixed assets	24(c)	10,688	5,746	4,942
Non-operating Accruing Resources				
Proceeds of fixed asset disposals	24(c)	(6)	(6)	-
Additions to deferred creditor	24(c)	(601)	(245)	(356)
Accruals adjustments				
Non-cash items	10 & 11	(19,054)	(21,034)	1,980
Changes in working capital other than cash	24(f)	(3,041)	1,434	(4,475)
Changes in creditors falling due after more than one year		-	-	-
Use of provision	21	100	313	(213)
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-
Net cash requirement		142,886	131,380	11,506

5. Analysis of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Forecast 2005-06 £000		Outturn 2005-06 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources		-	-	54	<i>54</i>
Other operating income and receipts not classified as Accruing Resources		4,608	<i>646</i>	6,302	<i>1,974</i>
Reduction in the 1994-1999 EU debtors balance	18(a)	-	-	(388)	-
Subtotal	22	4,608	<i>646</i>	5,968	<i>2,028</i>
Non-operating income and receipts – excess Accruing Resources	7	-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
EU capital grants income and receipts	22	-	-	-	-
TENS funding	22	-	-	-	-
Total income payable to the Consolidated Fund		4,608	<i>646</i>	5,968	<i>2,028</i>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Operating income	12	48,053	38,791
Adjustments for transactions between RfRs		-	-
Accruing Resources netted off operating expenditure		-	-
Gross income		48,053	38,791
Income authorised to be used as Accruing Resources		(42,085)	(36,147)
Operating income payable to the Consolidated Fund	5	5,968	2,644

7. Non-operating income – excess Accruing Resources

	2005-06	2004-05
	£000	£000
Proceeds on disposal of fixed assets	-	-
Additions to Deferred Creditor	-	-
Non-operating income – excess Accruing Resources	-	-

8. Non-operating income not classified as Accruing Resources

	2005-06	
	Income	Receipts
	£000	£000
	-	-
	-	-

9. Staff numbers and related costs

Staff costs comprise:

						2005-06	2004-05
						£000	£000
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total	
Wages and salaries	50,967	45,475	5,492	-	-	47,238	
Social security costs	3,356	3,270	86	-	-	3,140	
Other pension costs	7,675	7,656	19	-	-	5,134	
Sub Total	61,998	56,401	5,597	-	-	55,512	
Less recoveries in respect of outward secondments	-	-	-	-	-	-	
Total net costs	61,998	56,401	5,597	-	-	55,512	
Of which:							
Core department	8,192					7,307	
Analysed as:							
Administration costs	61,998					55,512	
Minister's costs (notional)	-					-	
Per Operating Cost Statement	61,998					55,512	
Programme costs (Note 11)	-					-	
Capitalised	-					-	
	61,998					55,512	

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department of the Environment is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005-06, employers' contributions of £7,675,000 were payable to the PCSPS(NI) (2004-05 £5,134,000) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions of £6,597 (2004-05 £6,445) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% (2004-05 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2004-05 3%) of pensionable pay. In addition employer contributions of £648, 0.8% (2004-05 £608, 0.8%) of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these

employees. Contributions due to the partnership pension providers at the balance sheet date were nil (2004-05 £nil). Contributions prepaid at that date were nil (2004-05 nil).

11 people (2004-05 8 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £14,947 (2004-05 £10,774).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account:

Objective	2005-06					2004-05
	Total	Permanent staff	Others	Ministers	Special advisers	Number
A	930	823	107	-	-	879
B	816	756	60	-	-	753
C	600	516	84	-	-	590
D	32	31	1	-	-	22
Total	2,378	2,126	252	-	-	2,244
Of which:						
Core department	251	240	11	-	-	243

10. Other administration costs

		2005-06		2004-05	
		£000		£000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Other operating leases		7	17	7	18
Rent of land and buildings		-	50	-	31
Interest charges:					
Interest on government loans		-	-	-	-
Non-cash items					
<i>Notional charges:</i>					
Accommodation		1,025	5,531	881	4,581
Central services provided by the Department for Regional Development		845	3,987	828	4,025
Roads Service		-	4,622	-	3,887
Water Service		-	544	-	580
NIAO auditors' remuneration		47	96	43	114
Other		258	1,099	343	1,172
<i>Depreciation and amortisation of fixed assets:</i>					
Tangible fixed assets		87	1,622	95	1,231
Intangible fixed assets		-	125	-	111
Loss on disposal of fixed assets		-	1	-	2
Cost of capital charge		574	537	459	311
<i>Provisions:</i>					
Provided in year	21	151	195	89	245
Other expenditure		2,109	16,280	1,915	14,808
Total		5,103	34,706	4,660	31,116

11. Programme costs

		2005-06		2004-05	
		£000		£000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Current and capital grants		47,657	61,088	53,456	71,118
Other current expenditure		3,378	19,281	3,046	17,043
EU Grants		-	6,879	-	3,427
PFI service charges		-	630	-	736
Non-cash expenditure:					
Depreciation and amortisation of fixed assets		-	3,906	-	2,942
Profit on sale of fixed assets		-	-	-	(33)
Loss on sale of fixed assets		-	59	-	-
Release of deferred creditor	20(a)	-	(2,654)	-	(1,905)
Release from government grant reserve	23(b)	-	(65)	-	(88)
Provision for bad debts		-	-	-	-
Provisions – provided in year	21	-	1,027	-	527
Cost of capital charge		-	402	-	232
Total programme costs		51,035	90,553	56,502	93,999

12. Income

RfR A	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Administration income:				
Licensing Fees	-	7,458	-	4,963
Licensing Subsidy	-	-	-	863
Operating Income	348	12,480	273	12,755
Planning Fees	-	18,490	-	14,477
Property Certificate Fees	-	1,467	-	1,249
Other	-	60	-	43
Interest from Trading Fund	134	134	134	134
Dividends Receivable – Public	326	326	265	265
Dividend Capital				
Total administration income	808	40,415	672	34,749
Programme income:				
Licensing Fees	-	1,605	-	1,132
Operating Income	147	147	213	213
EU Grant Income	-	6,119	-	2,570
Reduction in the 1994 -1999 EU debtors balance	-	(388)	-	-
Rental Income	-	12	-	47
Other	44	143	15	80
Total programme income	191	7,638	228	4,042
Total income	999	48,053	900	38,791

Analyses of income from services provided to external and public sector customers by the Department and a comparison with the full cost of providing these services by the Department are provided in Note 37.

13. Analysis of net operating cost by spending body

		2005-06	2004-05
		£000	£000
	Estimate	Outturn	Outturn
Spending body:			
Local Government	48,647	49,002	54,242
EHS	61,485	54,927	54,309
Planning Service	24,701	21,091	19,425
Other Core	14,484	13,646	13,327
DVLNI	875	538	533
	150,192	139,204	141,836

14. Tangible fixed assets

	Land & Buildings excluding Dwellings	Furniture & Fittings	Plant and Machinery	Transport Equipment	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2005	22,424	3,132	4,074	2,025	16,940	2,736	51,331
Additions	632	115	734	86	1,963	2,104	5,634
Disposals	-	(431)	(8)	(73)	(740)	-	(1,252)
Transfers	3,600	-	238	-	1,131	(1,131)	3,838
Revaluations	1,423	28	14	1	267	-	1,733
At 31 March 2006	28,079	2,844	5,052	2,039	19,561	3,709	61,284
Depreciation							
At 1 April 2005	2,975	2,733	2,395	1,157	8,858	-	18,118
Charged in year	411	187	503	222	4,119	-	5,442
Disposals	-	(398)	(8)	(72)	(708)	-	(1,186)
Transfers	-	-	-	-	-	-	-
Revaluations	116	24	10	2	86	-	238
At 31 March 2006	3,502	2,546	2,900	1,309	12,355	-	22,612
Net book value at 31 March 2006	24,577	298	2,152	730	7,206	3,709	38,672
Net book value at 31 March 2005	19,449	399	1,679	868	8,082	2,736	33,213
Asset financing:							
Owned	24,577	298	2,152	730	7,206	3,709	38,672
Capitalised leasehold	-	-	-	-	-	-	-
Net book value at 31 March 2006	24,577	298	2,152	730	7,206	3,709	38,672
Analysis of tangible fixed assets							
The net book value of tangible fixed assets comprises:							
Core department at 31 March 2006	-	-	9	25	66	-	100
Agencies at 31 March 2006	24,577	298	2,143	705	7,140	3,709	38,572
Core department at 31 March 2005	-	-	13	23	95	-	131
Agencies at 31 March 2005	19,449	399	1,666	845	7,987	2,736	33,082

Notes:

The value of freehold land at 31 March 2006 was £24.577 million.

Pure Heritage Assets can be categorised into two broad categories – State Care Monuments & Heritage Lands. These assets are not valued, as it is neither practicable nor appropriate to do so. The following is a sample of State Care Monuments owned by the Department as at 31 March 2006:

Jordans Castle – 15th century tower-house;
 Ballycopeland Windmill – late 18th century windmill;
 Navan Fort – Iron Age earthwork;

Dunluce Castle – 14/17th century manor house and castle;
Carrickfergus Castle – 12th century and later castle;
Greypoint Fort – World War I/II coastal defence installation;
Nendrum Monastic Site – Early Christian Monastic enclosure;
Scrabo Tower – 1857 Memorial Tower;
Tully Castle – early 17th century plantation castle;
Enniskillen Castle – 16th century and later castle and barracks; and
Grey Abbey – late 12th century Cistercian Abbey.

One hundred and eighty three State Care monuments throughout Northern Ireland are also the property of the Department. These monuments have been acquired by the Department by a variety of means, including being inherited under the National Monuments Order 1880, properties previously vested in the county councils which were transferred to the Department by virtue of the Historic Monuments (Transfer) Order (NI) 1973, and others are held in guardianship by the Department. The monuments are protected by the Department under the Historic Monument and Archaeological Objects (NI) Order 1995.

The Department holds various nature reserves throughout Northern Ireland which have been classified as non-operational heritage assets. These are either declared as National Nature Reserves, Nature Reserves or Areas of Special Scientific Interest. These properties are either owned directly or leased by the Department.

Non-operational heritage assets which have not been purchased have no valuation placed on them. The Department receives adequate information on the condition and maintenance of the properties to enable its stewardship role. It is not the intention of the Department to dispose of these assets in the foreseeable future, given their importance to the Natural Heritage of Northern Ireland. In accordance with DFP guidelines obtaining a valuation of these assets is not warranted in terms of benefits which the valuation would deliver. This policy will be kept under review for future years.

15. Intangible fixed assets

The Department's intangible fixed assets comprise purchased software licences.

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Cost or valuation				
At 1 April	-	1,204	-	504
Additions	-	112	-	259
Revaluation	-	8	-	3
Reclassification	-	-	-	438
At 31 March	-	1,324	-	1,204
Amortisation				
At 1 April	-	725	-	236
Charged in year	-	211	-	155
Revaluation	-	3	-	1
Reclassification	-	-	-	333
At 31 March	-	939	-	725
Net book value at end of year	-	385	-	479
Net book value at start of year	-	479	-	268

16. Investments

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
At 1 April	3,531	3,531	3,531	3,531
Additions	-	-	-	-
Revaluation	-	-	-	-
Reclassification	-	-	-	-
At 31 March	3,531	3,531	3,531	3,531

Investments comprise Public Dividend Capital (PDC) £2.1m and Long-Term Loan £1.431m created by the DVTA Trading Fund Order (NI) 1996. The loan is unsecured and is repayable in full on 1 April 2012. The interest rate of 9.375% is fixed. The dividend receivable on the Public Dividend Capital is the balance of the 3.5% per annum return required on the net assets employed by DVTA less the interest paid on the loan. All of the investments are held by the Core Department.

The amounts received and receivable from DVTA during the period were as follows:

	2005-06	2004-05
	£000	£000
Loan interest	134	134
Dividend receivable on Public Dividend Capital	326	265
	460	399

17. Stocks and work in progress

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	-	254	-	260
Work in progress	-	-	-	-
At 31 March	-	254	-	260

18. Debtors

18(a) Analysis by type

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	499	623	388	558
Other debtors *	34	1,419	254	2,150
Prepayments and accrued income	3,628	4,241	3,979	4,564
EU Debtor *	-	5,835	-	1,893
VAT	-	327	-	-
	4,161	12,445	4,621	9,165
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund	288	288	288	288
Balance at 31 March	4,449	12,733	4,909	9,453

* The EU grants receivable of £5.835 million (2004-05 £1.893 million) and £12,620 (2004-05 £15,208) of the Other debtors are to be surrendered to the Consolidated Fund when received.

EU grant income is recognised by the Department in the Operating Cost Statement but as it is CFER income, it is not reflected in the Statement of Parliamentary Supply with EU receipts remitted to the Consolidated Fund. The Department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to 2006. This has resulted in a reduction in debtors of £388,000, which is reflected in the 2005/06 debtor balance.

18(b) Intra-Government Balances

	2005-06 £000	2004-05 £000	2005-06 £000	2004-05 £000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	1,255	1,464	-	-
Balances with local authorities	3,602	3,993	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	259	412	-	-
Intra-government balances	5,116	5,869	-	-
Balances with bodies external to government	7,617	3,584	-	-
Total debtors at 31 March	12,733	9,453	-	-

19. Cash at bank and in hand

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	-	1,476	1	2,727
Net change in cash balances	-	931	(1)	(1,251)
Balance at 31 March	-	2,407	-	1,476

	2005-06 £000	2004-05 £000
The balance at 31 March comprises:		
Cash held on behalf of other government departments;		
Inter-Departmental debtor – Department for Regional Development	(31)	(202)
Cash due to be paid to the Consolidated Fund;		
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	56	(184)
Amounts issued by the Consolidated Fund for supply but not spent at the year end	2,382	1,862
	2,407	1,476

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

The Department for Regional Development was established on 2 December 1999 in response to devolution. A number of functions of the former Department of the Environment transferred to the Department for Regional Development, the Department of Finance and Personnel and the Department for Social Development. To facilitate the successful establishment of the new Departments, the Department for Regional Development assumed some elements of the former structures, including bank arrangements.

During 2005-06, receipts (including Parliamentary Supply) and expenditure in respect of the Department for Regional Development and the Department of the Environment were processed through a shared bank account.

The balance on this bank account is disclosed in the Department for Regional Development's Resource Accounts. A corresponding inter-departmental balance in the Resource Accounts of the Department of the Environment reflects the amount outstanding at the year end as a result of this arrangement. At 31 March 2006 the Department of the Environment had an inter-departmental debtor due from the Department for Regional Development. The above cash at bank and in hand balance relates to DVLNI.

The Core of the Department is responsible for administering the distribution of funds and therefore the supply balance at the year end should be reflected in the core balance sheet.

20. Creditors

20(a) Analysis by type

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade creditors	491	4,113	227	4,180
Accruals and deferred income	82	18,011	179	19,826
Other taxation and social security	-	30	-	38
Other creditors	455	3,323	693	3,361
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund				
– Received	202	344	61	104
– Receivable	-	12	11	15
Consolidated Fund Extra Receipts received and receivable in respect of ERDF income				
– Received	-	-	-	-
– Receivable	-	5,835	-	1,893
Amounts issued from the Consolidated Fund for Supply but not spent at year end	2,382	2,382	1,862	1,862
Balance at 31 March	3,612	34,050	3,033	31,279

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Deferred Creditor				
Amounts falling due after more than one year:				
Opening balance	-	6,523	-	6,824
Additions (<i>Note a</i>)	-	245	-	1,604
Historical depreciation	-	(2,654)	-	(1,905)
Closing balance	-	4,114	-	6,523

<i>Note a</i>	£000	£000
Additions to deferred creditor	245	1,604
Excess Accruing Resources	-	-
Net funding	245	1,604

The deferred creditor represents the original cost of fixed assets, financed by DVLA, for use by Vehicles Division within DVLNI.

Under the Audit and Accountability (Northern Ireland) Order 2003, the staff of Local Government Audit transferred from the Department of the Environment to the Northern Ireland Audit Office on 1 April 2003. The Order provides that the Department collects fees for the audit of local authorities, and pays them over to the Northern Ireland Audit Office, which accounts for them as accruing resources. Other creditors include the amount received from local authorities but not yet paid over to the Northern Ireland Audit Office at 31 March 2006. A Commencement Order, instructing that these payments be paid directly from Councils to the Northern Ireland Audit Office, was issued in 2005 and will be effective in financial year 2006/07.

20(b) Intra-Government Balances

	2005-06 £000	2004-05 £000	2005-06 £000	2004-05 £000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	12,137	7,363	4,114	6,523
Balances with local authorities	5,250	10,197	-	-
Balances with NHS Trusts	2	-	-	-
Balances with public corporations and trading funds	86	309	-	-
Intra-government balances	17,475	17,869	4,114	6,523
Balances with bodies external to government	16,575	13,410	-	-
Total creditors at 31 March	34,050	31,279	4,114	6,523

21. Provisions for liabilities and charges

	Core Department					
(a) Public/ Employer Liability £000	(b) Planning Comp £000	(c) Management Agreement £000	(d) Early Departure Costs £000	(e) Legal Costs £000	Total £000	
Balance at 1 April 2005	-	-	-	102	-	102
Provided in the year	-	-	-	147	-	147
Provisions not required written back	-	-	-	-	-	-
Provisions utilised in the year	-	-	-	(61)	-	(61)
Unwinding of discount	-	-	-	4	-	4
Balance at 31 March 2006	-	-	-	192	-	192

All Core provisions are charged to the Operating Cost Statement as administration costs.

	Public/ Employer Liability £000	Planning Comp £000	Management Agreement £000	Early Departure Costs £000	Legal Costs £000	Consolidated Total £000
Balance at 1 April 2005	245	249	911	120	167	1,692
Provided in the year	114	4	495	147	638	1,398
Provisions not required written back	(69)	-	-	(1)	(110)	(180)
Provisions utilised in the year	-	(33)	(145)	(78)	(57)	(313)
Unwinding of discount	-	-	-	4	-	4
Balance at 31 March 2006	290	220	1,261	192	638	2,601

The amounts charged to the Operating Cost Statement are split as follows:

	Administration £000	Programme £000	Total £000
Provided in the year	261	1,137	1,398
Provisions not required written back	(70)	(110)	(180)
Unwinding of discount	4	-	4
Total	195	1,027	1,222

- (a) Public/Employer's Liability – Provision has been made for public liability cases outstanding. See Note 31.
- (b) Planning Compensation – the provision relates to expected claims for compensation under the Planning (NI) Order 1972 for discontinuance orders and under the Land Development Values (Compensation) Act (NI) 1965.
- (c) Management Agreements – the provision relates to expected charges arising in respect of disputed management agreements. Refer to Accounting Policy Note 1.26.
- (d) Early Departure Costs – the Department is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 2.2% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The remaining balance is treated as a prepayment.
- (e) Legal Costs – the provision relates to legal costs which may become payable in respect of ongoing judicial reviews and unsettled employer liability cases.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

		2005-06		2004-05	
		£000		£000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		5,437	1,249	641	(1,912)
Net Parliamentary funding					
Drawn down	24(d)	60,041	131,900	68,606	131,500
Deemed supply		1,862	1,862	3,081	3,081
Year end adjustment					
Consolidated Fund creditor for cash unspent	20(a)	(2,382)	(2,382)	(1,862)	(1,862)
Net transfer from operating activities					
Net Operating Cost	13	(63,331)	(139,204)	(67,569)	(141,836)
CFERs repayable to the Consolidated Fund	5	(99)	(5,968)	(15)	(2,644)
Non-cash charges					
Notional costs	10	2,175	15,879	2,095	14,359
Cost of capital charges	10 & 11	574	940	459	543
Transferred to general fund in respect of realised element of revaluation reserve	23(a)	-	1	-	14
Transfer of fixed assets	14	-	3,838	1	6
Balance at 31 March		4,277	8,115	5,437	1,249

23. Reserves

23(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(1)	7,580	(1)	6,152
Arising on revaluation during the year (net)	-	1,499	-	1,442
Transferred to general fund in respect of realised element of revaluation reserve	-	(1)	-	(14)
Balance at 31 March	(1)	9,078	(1)	7,580

23(b) Grant Reserve

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	-	89	-	177
Release to the operating cost statement	-	(65)	-	(88)
Balance at 31 March	-	24	-	89

24. Notes to the Consolidated Cash Flow Statement

24(a) Reconciliation of operating cost to operating cash flows

		2005-06 £000	2004-05 £000
	Note		
Net operating cost	13	(139,204)	(141,836)
Adjustments for non-cash transactions	10, 11	21,034	17,934
(Increase)/decrease in Stock	17	6	49
(Increase)/decrease in Debtors	18(a)	(3,280)	(4,939)
Less movements in Debtors relating to items not passing through the Operating Cost Statement		-	-
Increase/(decrease) in Creditors	24(f)	(1,928)	3,785
Less movements in Creditors relating to items not passing through the Operating Cost Statement (fixed asset accruals)		189	(285)
Use of provisions	21	(313)	(476)
Net cash (outflow) from operating activities		(123,496)	(125,768)

24(b) Analysis of capital expenditure and financial investment

		2005-06 £000	2004-05 £000
	Note		
Tangible fixed asset additions		(5,863)	(6,451)
Intangible fixed asset additions		(72)	(259)
Proceeds of disposals of fixed assets	24(c)	6	63
Deferred Creditor – DVLA Additions	24(c)	245	1,604
Deferred Creditor – paid in year		-	-
Net cash (outflow) from investing activities		(5,684)	(5,043)

24(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans, etc. £000	Accruing Resources £000	Net total £000
Request for Resources A	5,935	(245)	(6)	5,684
Net movement in debtors/creditors	(189)	-	-	(189)
Total 2005-06	5,746	(245)	(6)	5,495
Total 2004-05	6,995	(1,604)	(63)	5,328

24(d) Analysis of financing

		2005-06 £000	2004-05 £000
	Note		
From the Consolidated Fund (Supply) – current year	22	131,900	131,500
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		131,900	131,500

24(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

		2005-06 £000	2004-05 £000
	Note		
Net cash requirement	4	(131,380)	(132,721)
From the Consolidated Fund (Supply) – current year	24(d)	131,900	131,500
From the Consolidated Fund (Supply) – prior year	24(d)	-	-
Amounts due to the Consolidated Fund – received in a prior year and paid over		-	-
Amounts due to the Consolidated Fund – received and not paid over		240	60
Amounts received and paid on behalf of other government departments		171	(90)
Increase/(decrease) in cash		931	(1,251)

24(f) Movements in Working Capital Other than Cash

		2005-06 £000	2004-05 £000
	Note		
(Increase)/decrease in Stock	17	6	49
(Increase)/decrease in Debtors	18(a)	(3,280)	(4,939)
Adjustments to movements in debtors			
Movement in CFER related debtors		3,939	643
Movement in Inter-company balances		(171)	91
Increase/ (decrease) in Creditors less than 1 year	20(a)	2,771	3,268
Adjustments to movements in creditors less than 1 year			
(Increase)/ decrease in amounts due to the Consolidated Fund relating to Supply	20(a)	(520)	1,219
(Increase)/ decrease in amounts due to the Consolidated Fund		(4,179)	(702)
Net (increase)/ decrease in working capital other than cash recognised in Statement of Parliamentary Supply		(1,434)	(371)

25. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditure have been allocated as follows:

	2005-06 £000	2004-05 £000
Objective A	32,912	32,023
Objective B	5,889	5,014
Objective C	4,347	3,752
Objective D	47,405	53,210
	90,553	93,999

The Department's capital is directly attributable to its objectives.

Capital Employed by Departmental Aim and Objectives

	2005-06 £000	2004-05 £000
Objective A	17,130	8,014
Objective B	(5,084)	(4,878)
Objective C	1,725	1,285
Objective D	3,446	4,497
	17,217	8,918

26. Capital commitments

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	-	2,905	-	3,297
At 31 March	-	2,905	-	3,297

27. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Land and Buildings				
Expiry within 1 year	-	-	-	-
Expiry after 1 year but not more than 5 years	-	19	-	19
Expiry thereafter	-	31	-	51
At 31 March	-	50	-	70
Other				
Expiry within 1 year	1	5	-	-
Expiry after 1 year but not more than 5 years	6	25	7	37
Expiry thereafter	-	-	-	-
At 31 March	7	30	7	37
Total obligations under operating leases	7	80	7	107

28. Commitments under PFI contracts

The Department has entered into the following PFI contracts.

28(a) Off Balance Sheet

In December 1997, a PFI contract was signed for the provision of a computerised development control system. The contract was initially for a five year period (with the option of two one year extensions) and commenced in October 1999 when the last planning office went live. The estimated capital value of the contract is £2.1m. The contract was extended in September 2004 and again in November 2005 and will end on 31 December 2006.

28(b) Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-Balance Sheet PFI transactions is £0.630m (2004-05, £0.736m). Payments to which the Department is committed during 2006-07, analysed by the period during which the commitment expires, are as follows:

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within 1 year	-	359	-	-
Expiry within 2 to 5 years	-	-	-	675
Expiry thereafter	-	-	-	-
Balance at 31 March	-	359	-	675

29. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for the maintenance of IT systems. It also has commitments to pay grants in respect of historic buildings, environmental protection and natural heritage. The payments to which the Department is committed during 2006-07, analysed by the period during which the commitment expires, are as follows:

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within 1 year	-	11,103	-	8,468
Expiry within 2 to 5 years	-	-	-	141
Expiry thereafter	-	-	-	-
Balance at 31 March	-	11,103	-	8,609

30. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department, in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

30(a) Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament/the Assembly, as largely is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

30(b) Interest Rate Risk

100% of the Department's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

30(c) Interest Rate Profile

The following table shows the interest rate and currency profiles of the Departmental group's financial liabilities.

Financial liabilities

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Weighted average interest rate	Fixed rate financial liabilities	Non-interest bearing financial liabilities
						Weighted average period for which rate is fixed	Weighted average period until maturity
Sterling	£000	£000	£000	£000	%	Years	Years
At 31 March 2006	6,715	-	-	6,715	-	-	Note a
At 31 March 2005	8,215	-	-	8,215	-	-	Note a

Note a

The Department's non-interest bearing financial liabilities at 31 March 2006 comprises the deferred creditor of £4.114 million (2004-05, £6.523 million), and provisions of £2.601 million (2004-05, £1.692 million).

Financial assets

Currency	Total	Fixed rate financial assets	Non-interest bearing financial assets	Weighted average interest rate	Fixed rate financial liabilities	Non-interest bearing financial liabilities
					Weighted average period for which rate is fixed	Weighted average period until maturity
Sterling	£000	£000	£000	%	Years	Years
At 31 March 2006	5,938	1,431	4,507	9.375	6	Note a
At 31 March 2005	5,007	1,431	3,576	9.375	7	Note a

Note a: the Department's fixed rate financial assets at 31 March 2006 comprise the Long Term Loan of £1.431 million (2004-05, £1.431 million). Non-interest bearing financial assets comprise cash at bank and in hand of £2.407 million (2004-05, £1.476 million) and the public dividend capital of DVTA of £2.100 million (2004-05, £2.100 million).

Cash at bank and in hand is available on demand. The public dividend capital is of unlimited term.

30(d) Foreign Currency Risk

The Department's exposure to foreign currency risk is not significant.

Fair Values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2006.

	Book Value £000	Fair value £000	Basis of fair valuations
Primary financial instruments			
Financial liabilities:			
Deferred Creditor	4,114	4,114	Note a
Provisions	2,601	2,601	Note b
Financial assets:			
Cash at bank	2,407	2,407	
DVTA Public Dividend Capital	2,100	11,808	Note c
DVTA Loan	1,431	1,431	

Note a: the book value has been used as it is not practicable to estimate fair value with sufficient reliability.

Note b: the fair value is not significantly different to book value as, in the calculation of book value, the expected cash flows have been discounted by the real rate set by HM Treasury (currently 2.2%).

Note c: the fair value amounts to net assets less the amount of any loan in the balance sheet.

31. Contingent liabilities disclosed under FRS 12

Writs of Summons have been served on the Department by certain district councils. These are in relation to amounts totalling £697,000 recovered from some councils during 2001-02 for overpayments of the resources element of General Grant relating to the 1997-98 year. The Department is currently challenging these claims.

EHS has 10 outstanding public liability claims against it by members of the public in respect of alleged injuries sustained at the agency's visitor sites, and 12 outstanding claims against it by employees in respect of alleged injuries at work.

32. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

Such contingent liabilities, whether quantifiable or unquantifiable, arise through specific guarantees, indemnities or by the giving of letters of comfort. None of these are contingent liabilities within the meaning of FRS12 since the likelihood of transfer of economic benefits in settlement is too remote.

The Department has no such contingent liabilities.

33. Losses and special payments

33(a) Losses Statement

2005-06		2004-05	
Number of cases	£000	Number of cases	£000
21	407	10	25

33(b) Special Payments

2005-06		2004-05	
Number of cases	£000	Number of cases	£000
1,422	155	1,171	53

DVTA losses and special payments are included above due to the fact that DVTA is acting on behalf of the Department, even though it is not part of the Consolidated Resource Accounts.

Details of cases over £250,000

No such cases this year.

34. Related-party transactions

The Department is the parent of the following Agencies:

- The Environment and Heritage Service (EHS);
- The Planning Service;
- Driver and Vehicle Licensing Northern Ireland (DVLNI); and
- The Driver and Vehicle Testing Agency (DVTA).

These Agencies are regarded as related parties with which the Department has had various material transactions during the year. DVTA has been constituted as a Trading Fund and is therefore outside the Departmental boundary for Resource Accounting purposes.

In addition, the Department has had a number of transactions with other government departments and central government bodies. Most of these transactions have been with the Department for Regional Development, which provides the Department with accounting, personnel, information technology and other services.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

35. Entities within the departmental boundary

The entities within the boundary during 2005-06 were as follows:

Supply-financed agencies: The Environment and Heritage Service (EHS)

The Planning Service

Driver and Vehicle Licensing Northern Ireland (DVLNI)

Non-executive NDPB: None

Other entities: The Driver and Vehicle Testing Agency is also an Executive Agency of the Department. Since it is constituted as a trading fund, it is outside the departmental boundary for Resource Accounting purposes.

The annual reports and accounts of EHS, DVLNI and the Planning Service are published separately.

36. Post Balance Sheet Events

There were no post Balance Sheet events.

37. Business Activity Attracting Fees and Charges

2005-06 £000				
	Income	Cost	Annual Surplus/ (Deficit)	Objective
Driver Licensing Fees	4,736	(4,703)	33	Full cost recovery
Vehicle Licensing Division	11,826	(12,029)	(203)	
Taxi Licensing Fees	938	(1,120)	(182)	Full cost recovery
Environmental Protection Legislation	2,732	(3,002)	(270)	Full cost recovery
Planning Applications	18,512	(18,121)	391	Full cost recovery
	<u>38,744</u>	<u>(38,975)</u>	<u>(231)</u>	

2004-05 £000				
	Income	Cost	Annual (Deficit)	
Driver Licensing Fees	3,430	(3,540)	(110)	
Vehicle Licensing Division	12,132	(12,199)	(67)	
Taxi Licensing Fees	390	(847)	(457)	
Environmental Protection Legislation	2,555	(2,606)	(51)	
Planning Applications	14,477	(15,360)	(883)	
	<u>32,984</u>	<u>(34,552)</u>	<u>(1,568)</u>	

The above figures represent services where the full cost of the service is in excess of £1 million.

