

# Environment and Heritage Service

## Annual Report and Agency Accounts

### For the year ended 31 March 2006

*Laid before the Houses of Parliament  
by the Department of the Environment  
in accordance with Paragraph 12(2) and (4) of the Schedule to the  
Northern Ireland Act 2000 and Paragraph 36 of the Schedule to the  
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*4 July 2006*

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by the Department of the Environment*

*4 July 2006*

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# ANNUAL REPORT



## CHIEF EXECUTIVE'S INTRODUCTION

I am pleased to introduce the tenth Annual Report of the Environment and Heritage Service (EHS). We now have more than 700 staff, double the number at April 2000. Our Management Board was brought to its full strength of five, with the new appointment, in January, of Graham Seymour as the Director of Natural Heritage.

The Report outlines some of the main activities we undertook during the year. Of our twelve demanding key targets, seven were fully achieved and two were partly achieved and, although the remaining three targets were not achieved, good progress was made. Performance against key targets can not of course fully reflect the volume, extent and quality of the agency's work; this includes statutory regulation, management of properties and raising the awareness of the environment and heritage in the wider community. It also includes the provision of technical and scientific advice, especially to the Department's Environmental Policy Group during the preparation of draft legislation.

The staff of the Agency tackled the demanding programme of work with a high degree of expertise, professionalism and commitment in their efforts to protect, promote and conserve the natural and built environment; I would like to thank them for the tremendous support they have given me as Chief Executive.

I am particularly grateful to the statutory advisory councils - the Council for Nature Conservation and the Countryside, the Historic Buildings Council, the Historic Monuments Council and the Water Council - for the valuable advice, constructive challenge and support we receive from them and from the non-statutory bodies. We value the contribution that they, together with the non-statutory advisory bodies, make to our work; and the great personal commitment of the Chairs and Members.

We published a new Waste Management Strategy, "*Towards Resource Management*", after a period of consultation with stakeholders. The new strategy emphasises the need to move our focus away from simply managing waste to preventing waste and managing resources.

In October, we held the very first environment conference in Belfast. Our main purpose was to bring together people with an interest in the environment and heritage and to discuss how best to look after it.

At the conference we launched our draft Strategy for consultation and, after listening to the views of stakeholders, further developed the agency's longer-term goals and objectives. We have now finalised the strategic plan which will guide our annual business planning and help us to continue to fulfil our part fully in maintaining a sustainable environment that is essential to our future economic prosperity and health.



**R W ROGERS**

Chief Executive

## OPERATING AND FINANCIAL REVIEW

### Introduction

The Environment and Heritage Service (EHS) is an Executive Agency within the Department of the Environment. It is headed by a Chief Executive and a Board of Directors which spans four Directorates – Natural Heritage, Built Heritage, Environmental Protection and Corporate Services.

Our aim is to protect, conserve and promote the natural environment and built heritage and to promote its appreciation for the benefit of present and future generations.

### Objectives.

We aim to achieve this by:

- Protecting and improving the quality of air, land and water;
- Conserving biodiversity and the countryside;
- Protecting, recording and conserving historic monuments and buildings;
- Producing, using and disseminating accurate, high quality environmental information; and
- Working in partnership with others towards shared environmental aims.

### Values.

We seek to ensure high standards in all areas of our work through:

- Fostering an open and participative working environment in order to maintain and enhance high levels of motivation, skills and performance in our staff;
- Maintaining and seeking to build on high professional standards in our Service, and to strive for quality improvement in our working practices and the delivery of services to our customers;
- Complying with government policy on fairness, equality, human rights and targeting social need;
- Complying with our customer and environmental standards;
- Securing best value from our operations; and
- Providing and maintaining appropriate financial and management information systems.

Our primary source of income in terms of Departmental Resources and Capital Expenditure comes from Central Government. In the financial year 06-07 the agency has a net budget of £61,200k (05-06 £66,679k)

The total net assets held by the Agency at 31st March 2006 was £15,906k. Included in Fixed Assets was £3,600K of Land and Building transfers from Invest NI during 05-06. The transfer related to a property at Antrim Road, Lisburn

While EHS's focus is on protecting and conserving the natural environment and the built heritage, the range of activities involved in these areas grows year by year. New European Directives and domestic legislation place new responsibilities on the Agency. We provide scientific and technical advice to Government on the development of legislation and policy and, in turn, we implement these through, for example, regulation, grant-aid schemes and management of countryside and heritage properties.

Our staff are key to our work. We support them in updating their skills through the Agency's formal training and development opportunities. We also encourage staff to keep well-informed on new developments and in networking with, for example, GB Departments and agencies and European bodies.

### Senior Management Team

The Chief Executive is responsible for the day-to-day operation and performance of the Agency. In the year to 31 March 2006 the senior management team comprised of:-

- Mr R W Rogers – Chief Executive
- Dr J S Faulkner – Director of Natural Heritage  
Retired 19 April 2005
- Mr M Coulter – Director of Built Heritage
- Dr R J Ramsay – Director of Environmental Protection
- Mr D Campbell – Director of Corporate Services
- Mr. G. Seymour – Acting Director Of Natural Heritage  
25/04/05 to 17/06/05  
19/12/05 to 22/01/06  
**Appointed to Director Of Natural Heritage**  
30/01/06

Dr. M. Meharg – Acting Director Of Natural Heritage  
15/08/05 to 13/11/05

Mr. R. Bleakley – Acting Director Of Natural Heritage  
20/06/05 to 12/08/05  
14/11/05 to 18/12/05

### Performance Against Targets

The targets achieved by the agency have been validated as reported here, by the Department's Internal Audit.

#### 2005/2006 Business Plan Key Targets

- To complete review and publish a new Waste Management Strategy, issue consultation document by 31 October 2005 and publish new strategy by 31 March 2006.

#### Achieved.

- Review the 3 District Council Waste Management Groups' annual performance reports and make recommendations within 3 months of receipt.

#### Achieved.

- Publish Water Framework Directive monitoring plans for surface and groundwaters by 31 December 2005.

#### Not Achieved.

- Achieve 75% of the 2005-06 actions in the EHS Biodiversity Implementation Plan.

#### Achieved: 39 out of 40 actions (97.5%) of actions have been achieved.

- Complete 68% of the 6-year condition survey of Areas of Special Scientific Interest (ASSIs) started in 2002, by monitoring a further 64 features.

#### Achieved: 64 features were monitored equating to 68% of all features surveyed.

- Investigate all breaches of ASSI legislation and present those judged to merit court proceedings to DPP within 6 months of being reported to EHS.

#### Partially Achieved: 223 potential breaches were reported to EHS, all of which were investigated. Of these, three cases were considered appropriate for referral to the Public Prosecution Service however two of the three were referred outside the target date of six months of reporting.

- Complete the Second Survey of historic buildings in a further 15 wards.

#### Not Achieved: Eleven wards were completed, comprising of ten electoral wards and one thatched ward (consisting of 40 properties).

- Undertake major works of consolidation and the associated recording on 8 monuments in state care.

#### Achieved.

- Prepare a draft EHS Strategy, launch for consultation at a conference in October 2005 and finalise strategy by 31 March 2006.

#### Achieved.

- Identify a suite of appropriate indicators and determine baselines against which to measure environmental awareness.

#### Not Achieved.

- Respond to 90% of written enquiries or requests for information within 15 working days.

#### Achieved: 93% of written enquiries or requests for information were responded to within 15 working days.

- Determine 80% of applications for Water Order consent and 85% of wildlife licences, within the timescales published in our Customer and Environmental Standards.

#### Partially Achieved: 78% of Water Order consents and 98.7% of wildlife licences were processed within the timescales.

### Freedom of Information.

The first year has been completed since the introduction of the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. These give everyone the right to access government information and place a statutory duty on government to make certain information publicly available as a matter of course. A total of 157 'Requests for Information', falling within the terms of this legislation, were received within the period of this report.

### Strategic Environmental Assessment.

EHS assumed the role of consultation body after the Strategic Environmental Assessment Directive was transposed into NI legislation in July 2004. The Regulations represent a significant opportunity for environmental considerations to be undertaken at the earliest possible stage of Plan or Programme making. The stated objective of the Directive is to "provide a high level of protection of the environment and to

*contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development*". During the year we were consulted on a substantial number of Plans and Programmes developed by Government Departments and also on the transboundary environmental implications of Plans emanating from the Republic of Ireland.

### **Raising Awareness.**

Increasingly, individuals need to be aware of the impact of their life-styles on the environment. Business and industry need to be aware of environmental standards and obligations. It is important, therefore, that people are fully and properly informed so that they have a sound base from which to make those choices or to carry out their operations.

EHS provides information, advice and guidance through personal contact, publications, websites, exhibitions, media campaigns and events, with a view to raising awareness of environmental issues and to increasing knowledge. Our Corporate Communications team co-ordinates and manages our external communications, marketing and education programmes.

During the year we continued to sponsor or support local, national and international events, including very successful family fun days, the Apple Festival, Balmoral Show and the Garden Show, to name only a few. We held events and campaigns to mark several international 'days' including European Heritage Open Days, World Wetlands Day, World Environment Day and National Archaeology Day.

Our '*Gardening for Wildlife*' exhibition stand at the Balmoral Show received recognition by winning the '*Best Stand Award*' for the second consecutive year.

Some 1.75 million visits were made to the country parks, monuments and nature reserves managed by us; 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 1017 enquiries and more than 46,000 people took part in visiting 215 properties and walks available to the public as part of European Heritage Open Days.

EHS continued to run a number of very successful communications campaigns, promoting specific environmental issues – noise, waste and water pollution.

In October 2005, EHS ran a major conference in Belfast, attracting up to 450 delegates from public, private and non-profit making sectors across Northern Ireland. This event marked the launch of the draft EHS 10-year strategy '*Environment NI – A Vision for the Future*'. In the months running up to the conference, EHS also ran an essay writing competition for schools, a photography competition and an environmental volunteer award. For the conference and consultation for the strategy, EHS created a dedicated website and a highly thought provoking exhibition, which will be on tour for visitors to view at our sites and properties across Northern Ireland throughout the next year.

We continued to work with district councils on our radon awareness campaign through road shows, local liaison meetings and publications. We have sought to make the public aware of the hazard that naturally occurring radon gas poses in some homes and the remedial measures that can be taken to reduce the risk.

### **Protection of Species and Habitats.**

EHS is a major player in the Northern Ireland Biodiversity Strategy. We completed all of the actions attributed to us for 2002-2005 and have identified 56 further actions to be completed by 31st March 2008. One such action was to promote biodiversity at local and community level. In March 2006 we published a communications strategy to raise the profile of biodiversity throughout Northern Ireland.

To date we have financially supported the appointment of ten biodiversity officers by District Councils, Voluntary Organisations and the Private Sector. Three additional offers have been made for biodiversity officers to help implement the priority species and habitat action plans that we published this year. To co-ordinate the delivery of biodiversity actions we have established two groups that bring together government, voluntary sector and private interests. One will focus on peatland and upland habitats and the other on freshwater and wetlands.

In conjunction with our counterparts in the Republic of Ireland we have published the Review of Invasive Species in Ireland.

We successfully 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 our longer term objective of improving the conservation condition of 95% of the features underlying designation.

We gained approval for a further two years of funding *QUERCUS*, the very successful partnership between EHS and Queen's University for biodiversity and conservation biology research. During the year, *QUERCUS* also passed the £1 million mark for external funding, that is, in addition to the EHS core funding.

We also made inroads into the mountain of marine research that will stretch ahead of us for several years. Several interested parties, including the Council for Nature Conservation and the Countryside (CNCC), were highly appreciative of the efforts made during the seabed survey around Rathlin Island. The state-of-the-art underwater video and stills equipment was highly effective in showing the condition of the benthic habitats that are out of the reach of conventional divers.

During the year several members of staff provided their expert input to various national and international committees on such issues as earth heritage, climate change, air pollution, ornithology and plant conservation.

Work continued on the development of a policy and process which will augment the existing Management of Sensitive Sites (MOSS) scheme to encourage the better management of ASSIs. It is envisaged that the new approach will include intervention management by EHS to achieve favourable condition of ASSI features. Co-operation between the Department of Agriculture and Rural Development (DARD) and EHS for the purposes of delivering the conservation objectives of sites is likely to increase as a result.

We have provided the owners and occupiers of 25 more ASSIs with advice on the management of those designated areas. In order to satisfy expectations of the European Commission we also designated one additional site as a candidate Special Area of Conservation (SAC) and declared two others as Special Protection Areas (SPAs). The completion of these declarations means that Northern Ireland has fulfilled its obligation to the UK to achieve adequate geographical coverage of European site designations..

The plan for the restoration of the Horse Mussel communities in Strangford Lough SAC was completed, consulted on and forwarded to the European Commission for consideration. It will be implemented immediately following its ratification.

We also successfully prosecuted our first cases for breaches of the Environment (NI) Order 2002 for damaging actions against protected sites. EHS will continue to investigate and prosecute any person found to be acting in contravention of the Order.

## Countryside.

Through our 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 we spent £2.9 million on such grants and enabled voluntary bodies, district councils and community organisations to secure match funding from many other sources.

Consultations from Planning Service continued to make heavy demands upon our resources. During the year additional staff were recruited to deal with the backlog of planning applications awaiting advice and comment from EHS. A growing interest in renewable energy projects has resulted in a significant number of planning applications for wind farms. These are often located in sensitive areas and require careful assessment of their ecological and visual impacts.

Significant progress was made towards the designation of Northern Ireland's first national park; notably through EHS's assistance and support to the Mourne National Park Working Party. The 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.

In line with the commitment made by EHS in Shared Horizons, the Statement of Policy on Protected Landscapes, we commenced the review of the North Derry AONB. Public consultation on a proposed Benevenagh AONB (encompassing the dramatic landscapes of Benevenagh Mountain, Magilligan and the Bann and Roe Estuaries) commenced in January 2006.

The management plan for the Giant's Causeway World Heritage Site was warmly welcomed by UNESCO at the meeting of its World Heritage Committee in July 2005. EHS has established a management group to implement the plan and an Interpretive Strategy has been finalised in order to inform the development of new visitor facilities at the Causeway.

### **Built Heritage Conservation.**

Our conservation programme on historic monuments in state care included projects at eight major sites. These were at Carrickfergus Castle Keep, Portaferry castle, Castle Lug, Hillsborough Fort, Movilla Abbey, Dunluce Castle, Devenish Priory and Derry's Walls.

Work towards the consolidation of scheduled masonry monuments was conducted at Malachy's Wall, Bangor, and Derrywoone Castle, Co Tyrone. Work continued on Fintona old church by Omagh District Council under EHS guidance.

The condition of 664 scheduled monuments in private ownership was monitored. There were 40 Scheduled Monument Consent applications two of which have been heard by the Planning Appeals Commission.

We licensed 217 archaeological excavations, 165 of which were funded by developers and 47 by EHS. Our contract partner, the Centre for Archaeological Fieldwork in Queen's University undertook 33 excavations to help inform planning decisions. Major developer-funded projects included a Bronze Age complex at Steeple, Antrim and an 18th-century glass-working complex in the Sirocco Works in Belfast. We also continued to address the backlog of excavation reports, with 180 reports received during the year.

Specialist recording was carried out at both scheduled and State Care sites, often in partnership with other heritage bodies during conservation work. Highlights included continuing detailed recording in Newry at the former castle site in association with Newry and Mourne Council and Consarc and a joint project with the National Trust and the Centre for Maritime Archaeology at Blockhouse Island in Carlingford Lough.

We enhanced facilities available through the Monuments and Buildings Record, integrating over 500 site descriptions dating from the 1970s and continued to develop digital databases such as the Sites and Monuments Record.

We provided advice aimed at protecting historic buildings and archaeological sites and their settings by responding to 5164 development control consultations from Planning Service. We contributed information & Policy to six Area Plans in preparation and provided professional opinion and advice at Planning Appeals. We also worked closely with colleagues in Planning Service on several enforcement cases and together were successful in securing a prosecution for the unauthorised demolition of a listed building in Portstewart. We responded to 600

consultations from DARD on the management of historic monuments in agri-environment schemes and forestry and had many consultations and enquiries from other agencies and Departments.

A further 11 wards were processed in the Second Survey of historic buildings. 849 new records have been processed, as part of the survey, which compares favourably with the workload of previous years. This equates to 71 new listings, 99 delistings, and 445 buildings remaining on the list - with the balance taken up by buildings which were recorded but not listed. This last category forms part of an expanding database on the historic built environment which is accessible to the public. It was not possible to achieve the anticipated target of 15 wards this year. Some of the wards processed proved unusually large, other records from the thematic surveys related to areas previously covered, or to the completion of previous years surveys, and could not be attributed towards the target. A total of 103 electoral wards and one 'ward equivalent' have now been processed and transferred to the Northern Ireland Buildings database. Details of these can be accessed via our web-site and the Monuments and Buildings Record. The information from this survey and the conclusions reached place the Department in a better position to secure the future preservation and conservation of the circa 8500 listed buildings throughout Northern Ireland. Nearly £1.31m was paid in historic buildings grant-aid, contributing to the active protection of 96 listed buildings.

### **Waste Management and Contaminated Land.**

In conjunction with Environmental Policy Group (EPG) we 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.

The past year has been an active one for our staff. In addition to numerous ongoing investigations of illegal dumping and licence contraventions, the teams have seen a number of notable successes.

Over 120 cases were submitted to the Public Prosecution Service, 48 of which have, to date, seen successful convictions in the courts for waste offences. A growing number of individuals are being sent for trial at the Crown Court, which both reflects the severity of the offence and imposes increasingly heavy fines, such as the £50,000 fine awarded against a Cookstown man in September 2005.

There has been ongoing co-operation with other statutory enforcement bodies from both Northern Ireland and the Republic of Ireland to counteract the smuggling of waste into Northern Ireland for illegal disposal. In addition, the team has directed the thrust of its enforcement activity towards unauthorised disposal of industrial waste and the illegal transport of waste.

Around 250 visits to licensed waste facilities were made and in addition to registering 246 waste carriers and renewing 543 existing carriers, EHS staff processed 144 applications for exemptions and issued 98 approvals and 24 exemption renewals.

We developed a business case, in collaboration with EPG colleagues, to implement a Contaminated Land Regime (Part III of the Waste and Contaminated Land (NI) Order 1997) in Northern Ireland. An assessment of the resources necessary to implement and enforce this regime has been completed.

We continued to extend our regulatory responsibilities with the implementation of the new Hazardous Waste Regulations in July. This has resulted in the processing of some 16,000 consignment notes and notifications during the year.

Further work was done during the year with the review and development of systems for monitoring the Packaging Waste Regulations (which will be further consolidated during 2006) and new systems for the implementation of End-of-Life Vehicles and Waste Electrical and Electronic Equipment (WEEE). We continued to make businesses that will be subject to new and amended legislation aware of their responsibilities and increased the number of registrants who will be brought within the compliance regime, to assist in ensuring that the UK packaging recovery targets are met.

In preparation for meeting new targets on end-of-life vehicles, EHS has licensed a number of Authorized Treatment Facilities for the treatment and recovery of vehicles. We have also continued to work with the Department's Environmental Policy Division to ensure that the forthcoming UK-wide WEEE Regulations can be effectively regulated in Northern Ireland.

During this year we have provided a significant level of advice and support to Planning Service for the risk management of land affected by contamination during the redevelopment of previous industrial sites. In addition, significant technical support was provided to extensive site investigations of the former Courtaulds site at Carrickfergus. A risk assessment programme was also delivered in support of the Council's statutory role.

We continued to provide grant aid to District Councils - £10 million to District Councils to help implement their Waste Management Plans (the bulk of spend shifted to revenue during the year), in addition to funding for recycling fridges and end-of-life vehicles.

The Community Waste Innovation Fund was launched and funding awarded to 15 applicants. The scheme will run for three years and make up to £3 million available to assist the community and voluntary sector participate in the implementation of the NI Waste Management Strategy.

Ongoing support was provided to a range of non government bodies, including WRAP, NETREGS and Tidy NI to undertake waste management activities.

### **Air and Environmental Quality.**

In July 2005 we published our annual report '*Noise Complaint Statistics for Northern Ireland*'. The report revealed that noise complaints had increased by 20% on the previous year. A Noise Awareness Campaign using TV messages and press adverts to raise awareness of noise issues was carried out in early 2005. As a measure of its effectiveness the campaign received a media award as well as a leading UK noise award. A follow up to the campaign was carried out in early 2006. One of the main causes of noise complaint is barking dogs and to assist in dealing with the problem EHS prepared and distributed a new guidance leaflet entitled '*Is your dog barking too much?*'.

Work continued on the implementation of a statutory regime to ensure that ambient air quality standards and objectives are met in Northern Ireland. In 2005/06 district councils were again supported in their air quality management responsibilities by a grant scheme provided by EHS. Eleven councils have now identified areas where UK Air Quality Strategy objectives may not be met, of which nine have now declared Air Quality Management Areas. During the year we also published our annual '*Air Quality Monitoring Report*', providing details of air monitoring results and trends for Northern Ireland.

On climate change we commissioned a study on climate impacts and adaptation in Northern Ireland. This study aims to provide policy makers with the latest information on the likely impacts of climate change and provide adaptation options.

All the reports and guidance documents produced are available on our website.

### **Industrial Pollution**

During the review period we permitted 25 installations under the Pollution Prevention and Control Regulations (Northern Ireland) 2003 including intensive livestock, glass manufacture, non-ferrous metal casting, slaughtering, rendering and ceramics installations. One application was refused. We continued to hold seminars as appropriate for new applicants.

We continued to monitor the impact of radioactive discharges from Sellafield on our coastline through sampling of local sediments, fish, shellfish and seaweed. The results indicate that levels of contamination are negligible in terms of radiological impacts upon the Northern Ireland population.

The first year of the EU Emissions Trading Scheme was completed in which EHS staff in the Industrial Pollution Inspectorate were responsible for issuing permits and assessing compliance with them under the scheme in Northern Ireland. This scheme results a real cost being associated with emissions for the first time. This means that reducing fuel use has a double financial benefit – reduced energy costs and reduced emission costs. This also provides an incentive to switch to renewable fuels as biomass fuels are ‘zero rated’ for emissions.

### **Water Quality.**

We continued to work towards 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.

Our proactive work to prevent pollution occurring included making site visits to agricultural and industrial premises and we have established six liaison groups with a range of industrial sectors including the quarrying, aquaculture and peat industries to provide a forum in which to discuss regulatory issues.

Our staff also attended a number of regional agriculture shows throughout the year to provide information to farmers on EHS’s role and existing or proposed environmental regulations which affect the agricultural industry.

Water Management Unit contributed to Water Reform through support for EPG 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.

We can report that during the 2005 bathing water season 93.8%, or 15 out of 16 of our bathing waters have met the Mandatory standards of the European Bathing Water Directive. This is an overall increase in percentage compliance in 2005 compared to 2004 when there was 87.5% compliance, that is, 14 out of 16 bathing waters compliant. Compliance with the stricter guideline standards also increased with 68.8% compliance (11 out of 16 bathing waters compliant) in 2005 compared to 56.3% compliance (9 out of 16 bathing waters compliant) in 2004. It is disappointing that Newcastle has failed to meet the mandatory standard during the 2005 season.

The results highlight the need for improved sewerage infrastructure and sewage treatment facilities around our coastline. The Water Service already has embarked on a very significant capital investment programme to the value of £735 million to upgrade water and wastewater infrastructure over the three year period to April 2008, which includes planned improvements at a number of coastal locations

The main factors affecting bathing water quality are considered to be inadequate sewerage infrastructure and sewage treatment and increased agricultural runoff during periods of heavy rainfall. Wet weather during the summer months does therefore play a key part in the decline of bathing water quality.

### **Drinking Water.**

We continued to regulate public and private drinking water supplies. During the year the 2004 Drinking Water Inspectorate Annual Report was published. The report, while ninth in the series on drinking water quality for both public and private supplies in Northern Ireland, covers the first year of assessing public drinking water quality under new Regulations which came into operation in Northern Ireland and

across the United Kingdom in December 2003. The Regulations introduced a more comprehensive reporting regime on drinking water quality, resulting in a detailed and transparent report. The report also introduced a new compliance measure, “*Mean Zonal Compliance*”, which establishes new baselines across the UK against which drinking water quality will be assessed in forthcoming years.

The report, while showing that overall drinking water quality is good, also indicates that improvement measures are necessary to bring drinking water quality up to the standard that exists in England and Wales. A substantial investment programme for capital works in water treatment and distribution systems is being implemented by Water Service and progress with the programme is outlined in the report.

### **Future Developments**

In February 2006, the Minister for the Environment launched an independent and wide-ranging Review of Environmental Governance. This is a response to the extensive debate within the region during the past two years concerning the effectiveness of the existing governance arrangements. The nature, structures and culture of environmental governance in Northern Ireland have evolved over many years in response to a wide variety of factors. By the spring of 2007, the independent Review Panel is to present and publish a final report with recommendations for future action and a proposed timetable for implementation. This will help shape the future landscape of environmental governance so as to support Northern Ireland’s transition towards sustainable development.

Over the next year, EHS will contribute to the Department of the Environment’s business objectives and its commitments in *‘Priorities and Budgets 2006 – 2008’*, and the *‘Public Service Agreement’*. Details of our long-term objectives and targets are published in our 10-year strategy *‘Environment NI: A Vision for the Future’* and our Corporate Plan 2006-2009. Further information about our activities is available on our website [www.ehsni.gov.uk](http://www.ehsni.gov.uk) and also includes information on the wide range of publications, explaining or reporting on our work in greater detail. Copies may be obtained from our Corporate Communications Unit, Commonwealth House, Castle Street Belfast BT1 1GU, Telephone 028 9054 6677.

### **Basis of Accounts**

These accounts have been prepared in accordance with an Accounts Direction given by the Department of Finance and Personnel in accordance with Section

11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

### **Financial Summary**

The Income and Expenditure Account is set out on page 30 and shows the net cost of operations as £54.96 million.

### **Supplier Payment Policy**

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is made within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. During the year 97% of bills were paid within this standard (2004-2005 85.5%).

### **Charitable Donation**

The Agency made no charitable donations within the financial year.

### **Fixed Assets**

The Agency does not believe that there is any material difference between the market and book value of its fixed assets. Movements on fixed assets are set out in Note 7 to the Accounts.

### **Disabled Employees**

It is the Agency’s policy to give equality of opportunity when considering applications from disabled persons.

The Agency complies with all existing legislation in regard to its disabled employees.

### **Equality of Opportunity**

The Agency follows the NI Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualification and aptitude for the work.

### **Employee Involvement**

The maintenance of a highly skilled workforce is key to the future of the business. EHS is committed to and complies with the Department of the Environment policies of equal opportunity and responsibility for employment and career development of disabled staff.

The Agency recognises the benefits of keeping employees informed of the progress of the business

and of involving them in the agency's performance. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of EHS and on other matters of concern to them, as employees, through meetings and notices.

The Agency's Whitley Council provides for regular consultation with employees' representatives.

### **Health and Safety**

The Agency is committed to adhering to all existing legislation on health and safety at work to ensure that staff and customers enjoy the benefits of a safe environment.

### **Auditors**

The financial statements are audited by the Comptroller & Auditor General for Northern Ireland (C&AG) 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 Agency and the Department. He reports his findings to Parliament.

The audit of the financial statements for 2005-2006 resulted in a notional audit fee of £25,956 which is included in the administration costs in the income and expenditure account.

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



**R W ROGERS**

20 June 2006

## AGENCY REMUNERATION REPORT

### Remuneration Policy

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.

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;
- the Government's inflation target.

### Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Agency.

	2005-06	2005-06	2004-05	2004-05
<i>Official</i>	<i>Salary £'000</i>	<i>Benefits in kind</i>	<i>Salary £'000</i>	<i>Benefits in kind</i>
Mr. R W Rogers Chief Executive	85-90*	Nil	70-75	Nil
Dr. J Faulkner Director Of Natural Heritage	0-5	Nil	60-65	Nil
Retired from post 19th April 2005				
Mr. M Coulter Director Of Built Heritage	Consent for disclosure withheld			

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

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.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### Service Contracts

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.

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.

Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org](http://www.nicscommissioners.org).

Dr. R. Ramsay Director Of Environmental Protection	65-70	Nil	60-65	Nil
Mr. D. Campbell Director of Corporate Services	45-50	Nil	45-50	Nil
Mr. G. Seymour Director Of Natural Heritage	45-50	Nil	40-45	Nil

\* In addition to 05-06 Salary payments, payments in respect of additional responsibilities were made, covering the period Feb 2004 to March 2005, amounting to £8.3K

### Salary

'Salary' includes gross salary; performance pay or bonuses 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

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

(iii) The salary and pension entitlements of the senior management team of the Agency for the year ended 31 March 2006 were as follows:

	Real increase in pension and related lump sum at age 60  <b>£'000</b>	Total accrued pension at age 60 at 31/3/05 and related lump sum  <b>£'000</b>	CETV at 31/3/05  <b>£'000</b>	CETV at 31/3/06  <b>£'000</b>	Real increase in CETV after adjustment for inflation  <b>£'000</b>
Mr R W Rogers Chief Executive	10-12.5 Plus lumpsum 30-32.5	40-45 Plus lump sum 120-125	485	748	199
Dr J Faulkner Director of Natural Heritage Retired from post 19th April 2005	0-2.5 Plus lump sum 0-2.5	0-35 Plus lump sum 100-105	N/A	N/A	N/A
Mr M Coulter Director of Built Heritage	Consent For Disclosure Withheld				
Dr R Ramsay Director of Environmental Protection	0-2.5 Plus lump sum 5 – 7.5	25-30 Plus lump sum 80 –85	434	496	46

Mr D Campbell Director of Corporate Services	0-2.5 Plus lump sum 0-2.5	15-20 Plus lump sum 55-60	246	269	13
Mr. G Seymour Director Of Natural Heritage	0-2.5 Plus lump sum 2.5-5	15-20 Plus lump sum 50-55	271	308	24
Mr R. Bleakley Acting Director Of Natural Heritage	0-2.5 Plus lump sum 2.5-5	15-20 Plus lump sum 45-50	263	298	26
Dr. M Meharg Acting Director Of Natural Heritage	Consent For Disclosure Withheld				

### Pension

Pension benefits are provided through the Civil Service Pensions (CSP) 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 Price Index. New entrants after 1 October 2002 may choose between membership of **premium** or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (**partnership pension account**).

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

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

Further details about the CSP arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk).

The table above shows the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. The table also 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.

### Cash Equivalent Transfer Values

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 the 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 CSP arrangements and for which the Civil Service Vote has received a transfer payment

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

#### **Real increase in CETV**

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.

#### **Related party transactions**

During the year, neither the Chief Executive, members of the Management Board nor other related parties have undertaken any material transactions with EHS.

**ENVIRONMENT AND HERITAGE  
SERVICE  
FINANCIAL STATEMENTS**

**For the year ended 31 March 2006**



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## STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITY

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel have directed the Environment and Heritage Service to prepare a statement of accounts for the 2005-2006 financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Chief Executive is required to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The Accounting Officer for the Department of the Environment for Northern Ireland has appointed the Chief Executive of EHS as the Accounting Officer for the agency. The Chief Executive's responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, published in 'Government Accounting in Northern Ireland' issued by the Department of Finance and Personnel.



**R W Rogers**

Chief Executive

20 June 2006

## STATEMENT ON INTERNAL CONTROL

### *Scope of Responsibility*

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

### *The purpose of the system of internal control*

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The current system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

A great deal of effort has been devoted towards the further development and standardisation of risk registers across the Agency at Corporate, Directorate and Business Unit level during the 2005/06 year. This has contributed towards ensuring alignment and integration with the business planning process and existing EHS monitoring arrangements; and has been instrumental in increasing the audit assurance rating in this area.

However, I believe there is room for further improvement in this area which will be achieved through monitoring and continuous training of key staff to learn more about best practice principles in risk management.

### *The risk and control framework*

We have identified the significant risks that might impact upon the agency's objectives and we continue to apply controls for each of these. The Board will receive regular reports concerning internal control

and will focus on the work of the EHS Compliance Audit Groups which address risk management, control and governance issues. At operational level, steps are being taken to manage risks in significant areas of responsibility and monitor progress reports on key projects. In addition, the Agency will continue to review and update risk registers, at all levels, on a regular basis.

### *Review of effectiveness*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the executive managers within the agency who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee

Environment and Heritage Service is audited by internal auditors from the Department for Regional Development who operate to standards defined in the Government Internal Audit Manual. They submit regular reports that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement.

During 2005-06, 7 internal audit assignments were carried out in the following areas:–

<i><b>Audited</b></i>	<i><b>Assurance Rating received</b></i>
• Management of Country Parks/Nature Reserves	Reasonable
• Industrial Pollution and Radiochemical Inspectorate	Reasonable
• Corporate Governance/ Risk Management	Reasonable
• Administration of EU Structural Funds (Interreg IIIA)	Reasonable
• Natural Heritage	Reasonable
• Administration of EU Structural Funds (BSP)	Limited
• Unipay	Limited

Overall Internal Audit concluded that their work provided me with limited assurance regarding the adequacy and effectiveness of internal controls across the agency. I note that the assurance rating in some 70% of the 05-06 audit reviews is 'Reasonable', which reflects good progress from the 60% position in 2004-05.

I will continue to seek for the timely implementation of the recommendations in these reports and reports from previous periods through the operation of the EHS Compliance Audit Groups. In addition, these groups monitor the implementation of recommendations made by the Northern Ireland Audit Office as part of their annual audit of the agency's accounts. To build upon the progress already made, I have also requested timely implementation of particular internal audit recommendations including (i) further development of guidance to address potential conflicts of interest; (ii) instigation of a program of training to enhance delivery of a risk management and (iii) further development of existing procedures relating to business cases and contract management.

I am pleased with the good progress made across the agency in the implementation of agreed audit recommendations and the embedding of the approach to risk management, resulting in the enhancement of the control environment within the agency.



**R W Rogers**

Chief Executive

20 June 2006

## 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 Environment and Heritage Service for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Service, the Chief Executive and auditor

The Agency and Chief Executive are 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's 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 Service 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 25 to 26 reflects the Service'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 covers all risks and controls, or to form an opinion on the effectiveness of the Service'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 Chief Executive's Introduction, the Operating and Financial Review 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 Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements 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 Service's affairs as at 31 March 2006 and of the net cost of operations, 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.



**J M Dowdall**  
**Comptroller and Auditor General**

**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast BT7 1EU**

*29 June 2006*

## Income and Expenditure Account for the Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Income</b>			
Administration	2	2,607	2,333
Programme	2	6,486	3,507
		<u>9,093</u>	<u>5,840</u>
<b>Expenditure</b>			
<b>Administration</b>			
Staff Costs	3	22,405	20,367
Other Operating Costs	4	8,438	7,744
Depreciation	7	470	550
		<u>31,313</u>	<u>28,661</u>
<b>Programme</b>			
Directorate Costs	5	11,317	10,341
Grants	6	19,665	20,285
Depreciation	7	1,252	1,037
		<u>32,234</u>	<u>31,663</u>
<b>Total Expenditure</b>		<b>63,547</b>	<b>60,324</b>
<b>Cost of Operations Before Interest</b>		<b>54,454</b>	<b>54,484</b>
<b>Interest on Capital Employed</b>			
Administration	8	23	23
Programme	8	483	276
		<u>506</u>	<u>299</u>
<b>Net Cost of Operations</b>		<b>54,960</b>	<b>54,783</b>

The net cost of operations arises wholly from continuing operations.

## Statement of Recognised Gains and Losses for the Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Unrealised surplus on revaluation of fixed assets net of backlog depreciation	15	1,317	1,227
Transfer of Fixed Assets from Invest NI	15	3,838	–

The notes on pages 32 to 49 form part of these accounts.

## Balance Sheet as at 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible Assets	7(i)	28,139	22,652
Intangible Assets	7(ii)	118	103
		<u>28,257</u>	<u>22,755</u>
<b>Current Assets</b>			
Stock	10	254	260
Debtors and Prepayments	11	7,182	3,100
		<u>7,436</u>	<u>3,360</u>
<b>Creditors:</b>			
Amounts falling due within 1 year	12	18,280	18,606
<b>Net Current Liabilities</b>		<u>(10,844)</u>	<u>(15,246)</u>
<b>Total Assets less Current Liabilities</b>		<u>17,413</u>	<u>7,509</u>
Provisions for Liabilities and charges	13	1,507	1,126
<b>Total Net Assets</b>		<u>15,906</u>	<u>6,383</u>
Financed by:			
<b>CAPITAL AND RESERVES</b>			
Government grant reserve	14	24	89
General fund	15	7,393	(878)
Revaluation Reserve	15	8,489	7,172
		<u>15,906</u>	<u>6,383</u>



**R W Rogers**  
Chief Executive  
20 June 2006

The notes on pages 32 to 49 form part of these accounts.

## Cash Flow Statement for the Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Net Cash Outflow from Operating Activities</b>	16(i)	(59,335)	(49,874)
<b>Capital Expenditure</b>			
Proceeds on sale of Fixed Assets	16(iii)	5	63
Payments for Fixed Assets	16(ii)	(12,131)	(1,758)
<b>Receipts due to the Consolidated Fund which are outside the scope of the Agency</b>			
ERDF Income		982	
<b>Payments of amounts due to the Consolidated Fund</b>			
ERDF Income		(982)	
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(2,126)</b>	<b>(1,695)</b>
<b>Net Cash Outflow before Financing</b>		<b>(61,461)</b>	<b>(51,569)</b>
Financing			
<b>Net funding</b>	16	<b>61,461</b>	<b>51,569</b>

The notes on pages 32 to 49 form part of these accounts.

## Notes to the Accounts for the Year ended 31 March 2006

### 1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounts Direction which requires the Agency to comply with Government Financial Reporting Manual (FReM).

The accounting policies adopted by the Agency are described below. These have been applied consistently in dealing with items considered material in relation to the financial statements.

#### (a) Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of tangible fixed assets.

Without limiting the information given, the accounts meet:

- the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986;
- the accounting standards issued or adopted by the Accounting Standards Board; and
- the accounting and disclosure requirements issued by the Department of Finance and Personnel;

#### (b) Value Added Tax

Income and expenditure is shown net of Value Added Tax where it is recoverable.

#### (c) Grants payable

Grants payable to individuals and bodies by the agency in accordance with its statutory powers and duties are accounted for in the period in which it is known or estimated that the recipient has carried out the activity which creates the entitlement.

#### (d) Tangible fixed assets

All non-heritage properties are subject to a 5-year programme of valuations by District Valuers (DVs) of the Valuation and Lands Agency (VLA) acting in the capacity of External Valuers. Valuations have been prepared by the DVs as at 1 April 2001 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by the Environment and Heritage Service using appropriate indices, and following valuation the remaining life may be restated.

**Operational properties, which are not specialised** and are generally traded on the open market are valued on the basis of Existing Use Value (EUV). This assumes that the property will continue to be used by the Environment and Heritage Service for its existing use.

**Non Operational Property**, including surplus property and property held for development, is valued on the basis of Open Market Value (OMV).

**Operational Properties which are specialised**, such as visitor centres and museums which, because of their specialised nature, are rarely sold on the open market are assessed by means of Depreciated Replacement Cost (DRC).

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Certificate, which is not published in the Annual Accounts.

**Non-Operational Heritage Assets** are not included in the programme of valuations as, due to the special characteristics of these assets, it is neither practical nor appropriate to do so. A sample list of the non-operational heritage assets which have not been valued or capitalised in the accounts is included in note 7.

Non-Operational Heritage Assets which are acquired are recognised in the Agency's 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 7 iii).

**Other tangible fixed assets** are valued at net current replacement cost. Their values are revised annually through the use of suitable indices.

#### (e) Depreciation

The threshold for capitalisation as a fixed asset is £1,000 for all non computer equipment and £500 for computer hardware and software. Depreciation is provided on tangible assets, excluding heritage assets and archives, on a straight-line basis at rates sufficient to write down their cost to their estimated residual value over their estimated useful lives. The depreciation periods for the principal categories of assets are:

Land	Not depreciated
Buildings	On an individual basis not exceeding 60 years
Computer Software /hardware	3 -5 years
Plant and Equipment (including Laboratory Equipment)	5-30 years
Transport Equipment (including Railway Stock and Boats)	5-15 years
Furniture & Fittings (including Exhibitions)	5-10 years

Asset lives are reviewed regularly and where necessary, revised. The estimated useful life of each asset of significant individual value is separately assessed and, if appropriate, revised.

**(f) Stock**

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 either cannot or will not be used.

**(g) Pension costs**

Employees of the Environment and Heritage Service are covered by the Principal Civil Service Pension Scheme, which is a non-contributory scheme. The rate for the employers' contribution is set by the Government Actuary. For this financial year the rates were between 16.5% and 23.5%. All contributions are charged to the income and expenditure account as incurred.

**(h) Management Agreements**

The Environment and Heritage Service enters management agreements with landowners in order to 'preserve' lands/buildings identified as being 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. Management Agreements covering Nature Reserve 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 cost of these agreements is expensed in the year in which they are issued.

**(i) Notional Costs**

Some of the costs directly related to the running of the Agency are borne by other Departments and are outside the agency's vote. These costs

have been included on the basis of the estimated cost incurred by the providing Department.

**(j) Administration & Programme Expenditure**

Administration expenditure reflects the resources consumed in running the Agency. Programme expenditure shows the resources consumed and grants issued by the Natural Heritage, Built Heritage and Environmental Protection directorates.

**(k) Interest on Capital**

A non-cash capital charge, reflecting the cost of capital utilised by EHS, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on assets less liabilities, except for liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate

## 2. INCOME

### 2(i) Income comprises:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>ERDF Income</b>	6,119	2,570
Less ERDF Income*	(388)	–
<b>Operating Income</b>		
Operating Income from –		
Country Parks	85	151
Historic Monuments	234	246
Environmental Protection		
Pollution costs recovered –	2,967	2,724
Other Income	70	13
Deferred Capital Grant Release	65	88
(Loss)/Profit on Sale of Fixed Assets	(59)	33
Grant Repayment	–	15
<b>TOTAL</b>	<b>9,093</b>	<b>5,840</b>
	<b>Summarised as:</b>	
Administration	2,607	2,333
Programme	6,486	3,507
<b>TOTAL</b>	<b>9,093</b>	<b>5,840</b>

\* Downward adjustments to ERDF income in respect of the closure of the 1994-1999 ERDF EU Programmes relating to intervention grant rates payable.

### 2(ii) Trading Income

Operating income includes trading income generated from 2 broad areas of activity within the agency, i.e. environmental protection legislation and admissions and events at historic monuments. The target cost recovery for Environmental Protection Legislation was 100% and the outturn represents cost recovery of 91.0%. No target cost recovery has been set for Historic Monuments Events and Admissions.

#### Environmental Protection Legislation

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fees and Charges</b>	<b>2,732</b>	<b>2,555</b>
Operating Costs		
Staff Costs	1,980	1,912
Administration and Accommodation	643	462
Notional Charges	379	232
<b>Total Costs</b>	<b>3,002</b>	<b>2,606</b>
<b>Operating Deficit</b>	<b>(270)</b>	<b>(51)</b>

### Admissions and Events at Historic Monuments

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Admission Income	135	133
Retail Sales	99	113
	<b>234</b>	<b>246</b>
<b>Operating Costs</b>		
Staff Costs	416	402
Goods for Resale	73	72
Administration and Accommodation	90	88
Presentation and Marketing	47	45
Notional Charges	7	7
<b>Total Costs</b>	<b>633</b>	<b>614</b>
<b>Operating Deficit</b>	<b>(399)</b>	<b>(368)</b>

This information is to meet DFP requirements on fees and charges and not for the purpose of SSAP 25.

### 3. STAFF NUMBERS AND COSTS

#### (i) Staff Costs

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	15,229	13,884
Employer's National Insurance	1,115	1,061
Superannuation	2,507	1,685
<b>Sub Total</b>	<b>18,851</b>	<b>16,630</b>
Agency and Advisory Staff	3,554	3,737
<b>Total employment costs</b>	<b>22,405</b>	<b>20,367</b>
<b>Summarised as:</b>		
Administration	22,405	20,367
<b>Total</b>	<b>22,405</b>	<b>20,367</b>

**(ii) Number of employees and pension provisions**

The average number of persons employed in the year (full time equivalent) by occupational group:

	<b>2006 Number of Employees</b>	<b>2005 Number of Employees</b>
Directorate	9	9
Administrative	256	236
Professional, Technical and Scientific	337	303
Craftsmen and Industrials (Permanent)	88	93
Craftsmen and Industrials (Temporary)	2	14
Agency and Advisory	98	96
<b>TOTAL</b>	<b>790</b>	<b>751</b>

The PCSPS(NI) is an unfunded defined benefit pension scheme which produces its own resource accounts, but Environment & Heritage Service 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, employer's contributions of £2,507,267 were payable to the PCSPS(NI) (2004/05 £1,685,368) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 12% and 18%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder

pension with an employer contribution. Employer's contributions are age-related and range from 3 to 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer contributions representing 0.8 percent 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.

During the period only one member of staff opted to open a stakeholder pension account. Information on employee's and employer's contributions payable to the stakeholder pension providers are not currently available.

Note 3 (i) and 3 (ii) includes the cost and numbers of agency and advisory staff (full time equivalents) utilised by the Agency.

#### 4. ADMINISTRATION – OTHER OPERATING COSTS

##### (i) Other Operating Costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation and Administration	5,211	4,586
Notional Charges	3,227	3,158
<b>TOTAL</b>	<b>8,438</b>	<b>7,744</b>

##### (ii) Accommodation and Administration costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation Running Costs	1,352	811
Travel & Subsistence Costs	714	644
Supplies and Services	2,635	2,388
Computer Expenses	245	502
Training Costs	265	241
<b>TOTAL</b>	<b>5,211</b>	<b>4,586</b>

##### (iii) Hospitality Costs:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Supplies and Services includes Hospitality costs;	33	43

**(iv) Notional Charges:**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Services provided by parent department</b>		
Finance	249	418
Planning	34	24
	<b>283</b>	<b>442</b>
<b>Services provided by other departments</b>		
<b>(i) Department for Regional Development</b>		
Personnel and Management	608	469
Finance	220	231
Economics Branch	56	54
Graphic Design Unit	4	3
Information Systems Unit	173	172
Internal Audit	122	112
Central Claims Unit	5	3
	<b>1,188</b>	<b>1,044</b>
<b>(ii) Accommodation</b>	<b>1,472</b>	<b>1,273</b>
<b>(iii) Other departments</b>	<b>258</b>	<b>348</b>
<b>(iv) NIAO Audit Fee</b>	<b>26</b>	<b>51</b>
<b>TOTAL</b>	<b>3,227</b>	<b>3,158</b>

## 5. PROGRAMME – DIRECTORATE COSTS

### (i) Directorate costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Natural Heritage	5,117	4,941
Built Heritage	1,484	1,846
Environmental Protection	3,434	2,538
Shared Costs	1,282	1,016
<b>TOTAL</b>	<b>11,317</b>	<b>10,341</b>

### (ii) Natural Heritage operating costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Maintenance and monitoring of country parks	4,411	4,127
Management Agreements	706	814
Land Acquisition/New Construction	–	–
<b>TOTAL</b>	<b>5,117</b>	<b>4,941</b>

### (iii) Built Heritage operating costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Maintenance of Monuments including publicity and marketing	994	1,171
Management Agreements	5	52
Archaeology	485	623
<b>TOTAL</b>	<b>1,484</b>	<b>1,846</b>

### (iv) Environmental Protection operating costs comprise:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Pollution Control	3,434	2,538
<b>TOTAL</b>	<b>3,434</b>	<b>2,538</b>

### (v) Shared Costs include

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Professional & Technical Advisory	535	249
Other	747	767
<b>TOTAL</b>	<b>1,282</b>	<b>1,016</b>

**6.(i) GRANTS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Natural Heritage	3,268	2,981
Built Heritage	1,748	1,389
Environmental Protection	14,649	15,915
<b>TOTAL</b>	<b>19,665</b>	<b>20,285</b>

**(ii) Natural Heritage Grants comprise:**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Conservation Grant	2,075	1,541
District Council – Grants	678	359
National Trust	391	913
ERDF Grants	105	–
Grant to Environmental Information Centre	19	168
<b>TOTAL</b>	<b>3,268</b>	<b>2,981</b>

**(iii) Built Heritage Grants comprise:**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
ERDF Grants	35	–
Private Grants	1,014	969
National Trust	149	–
Church Grants	344	306
District Council Grants	206	114
<b>TOTAL</b>	<b>1,748</b>	<b>1,389</b>

**(iv) Environmental Protection Grants comprise:**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Clean Air Grant	16	30
ERDF – EP	6,736	3,427
Tidy Northern Ireland Grant	146	172
District Council Grants – Waste Management	7,006	10,579
District Council Grants – Air Pollution	–	49
Landfill Tax Credit Reform Grant	(54)	969
Waste Resources Action Programme Grant	799	400
Industry Fund Grant	–	289
<b>TOTAL</b>	<b>14,649</b>	<b>15,915</b>

7(i). TANGIBLE FIXED ASSETS

	Land & Building (excluding dwellings)	Plant & Equipment	Furniture & Fittings	Transport Equipment	Information Technology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valuation</b>						
At 1 April 2005	22,425	3,609	3,132	1,992	2,302	33,460
Transfers	3,600	238	–	–	–	3,838
Additions	632	710	115	76	541	2,074
Revaluation	1,423	20	28	1	–	1,472
Disposals	–	8	431	73	253	765
<b>At 31 March 2006</b>	<b>28,080</b>	<b>4,569</b>	<b>2,844</b>	<b>1,996</b>	<b>2,590</b>	<b>40,079</b>
<b>Depreciation</b>						
At 1 April 2005	2,975	2,167	2,733	1,147	1,786	10,808
Transfers	–	–	–	–	–	–
Charge	411	440	187	214	423	1,675
Revaluation	116	15	24	2	–	157
Disposals	–	8	398	72	222	700
<b>At 31 March 2006</b>	<b>3,502</b>	<b>2,614</b>	<b>2,546</b>	<b>1,291</b>	<b>1,987</b>	<b>11,940</b>
<b>Net Book Value</b>						
<b>At 31 March 2006</b>	<b>25,578</b>	<b>1,955</b>	<b>298</b>	<b>705</b>	<b>603</b>	<b>28,139</b>
<b>At 31 March 2005</b>	<b>19,450</b>	<b>1,442</b>	<b>399</b>	<b>845</b>	<b>516</b>	<b>22,652</b>

All land and Buildings are freehold.

**7(ii).INTANGIBLE FIXED ASSETS**

	<b>Purchased Software Licences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Valuation</b>		
At 1 April 2005	472	472
Transfers	–	–
Additions	57	57
Revaluation	4	4
Disposals	–	–
<b>At 31 March 2006</b>	<b>533</b>	<b>533</b>
<b>Depreciation</b>		
At 1 April 2005	369	369
Transfers	–	–
Charge	47	47
Revaluation	1	1
Disposals	2	2
<b>At 31 March 2006</b>	<b>415</b>	<b>415</b>
<b>Net Book Value</b>		
<b>At 31 March 2006</b>	<b>118</b>	<b>118</b>
<b>At 1 April 2005</b>	<b>103</b>	<b>103</b>

**(iii) Depreciation charge**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation charge for the year	<b>1,722</b>	<b>1,587</b>

Land is not depreciated. The value of land at 31 March 2006 was £24,578k. (2005: £8,425k). The computer equipment is deemed to be Administration Fixed Assets. The depreciation charge comprises administrative and programme depreciation of £470k and £1,252k respectively.

**(iv) Heritage Assets**

**Pure Heritage Assets**

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 EHS 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
- Grey Abbey – late 12th century Cistercian Abbey

183 various State Care monuments throughout Northern Ireland are also the property of the EHS. These monuments have been acquired by the EHS 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 EHS under the Historic Monument and Archaeological Objects (NI) Order 1995.

The EHS 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 agency.

Non-operational heritage assets which have not been purchased have no valuation placed on them. We receive adequate information on the condition and maintenance of the properties to enable us to fulfil our stewardship role. It is not the intention of the EHS to dispose of these assets in the foreseeable future, given their importance to the Natural Heritage of Northern Ireland. In accordance with DFP guidelines we consider that 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.

**Purchased Heritage Assets**

As detailed in Note 1(d) Heritage Assets, which are underpinned by an arm's length transaction, are capitalised in the year of acquisition with reference to the purchase price. The existence of the transaction provides a reliable and practical basis of valuation.

## 8. INTEREST ON CAPITAL

The Income and Expenditure Account bears a non-cash charge for interest relating to the use of administration and programme capital by the agency. The administration capital is the Computer Equipment. The basis of the charge is 3.5% of the average capital employed, defined as total assets less current liabilities excluding CFERS.

## 9. MANAGEMENT AGREEMENTS

- (i) Included under Natural Heritage & Built Heritage operating costs is in year expenditure on Management Agreements. For the period 2005/06, 15 ASSI Management Agreements (2004/05: 25), 1 SPA Management Agreements (2004/05: 6) and 12 Built Heritage Management Agreement (2004/05: 12) were entered into. Expenditure on Management Agreements during the financial year was:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
ASSI Management Agreements	698	717
SPA Management Agreements	8	97
Built Heritage Management Agreements	–	52
<b>TOTAL</b>	<b>706</b>	<b>866</b>

### (ii) Unresolved Irregularity Issue

The European Commission has questioned the regularity of management agreement payments as hitherto they have not been notified to the Commission for approval as State Aid. The issues involved are common to such payments made by all the UK's statutory conservation agencies.

In December 1999, the Commission was notified that new management agreements after 1 January 2000 would be compliant with agri-environment measures in the Rural Development Regulation and with the Community Guidelines for State Aid in the Agricultural Sector. Measures to ensure this compliance are in place.

The Commission sought further information on our notification in March and May 2000 and agreement has now been reached on the Commission's approval with regard to Agreements entered into post January 1, 2000. Although the issue of non-notification with regard to Agreements entered into pre January 1, 2000 has not yet been settled, it is thought unlikely that any financial penalties will be levied, and as such no financial provision has been made in these accounts.

## 10. STOCKS

The main categories of stocks are retail and operational which are held in Headquarter buildings, Countryside Centres, Country Parks, Monument shops and depots.

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Retail	98	142
Operational	156	118
<b>TOTAL</b>	<b>254</b>	<b>260</b>

## 11. DEBTORS

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments	102	73
Accrued Income	–	–
Other debtors	1,245	1,134
ERDF Debtor *	5,835	1,893
<b>TOTAL</b>	<b>7,182</b>	<b>3,100</b>

## 12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Trade Creditors	2,402	2,782
Accruals and deferred income	9,930	13,880
PAYE and NIC	30	38
Sundry Creditors	–	–
Due to Consolidated Fund ERDF*	5,835	1,893
Due to Consolidated Fund (Other)	83	13
<b>TOTAL</b>	<b>18,280</b>	<b>18,606</b>

\* EU Grant income is recognised by the Agency in the Operating Cost Statement with EU receipts being remitted to the Consolidated Fund through the Department. The Agency has reviewed the level of the debtors in respect of EU grant income received in the period 1994 to 2006. This has resulted in a reduction in debtors of £388,000, which is reflected in the 2005/06 debtors balance.

## 13. PROVISION FOR LIABILITIES AND CHARGES

Provision for liabilities and charges relates to management agreements, public and employer's liability claims, and travel remuneration arrears.

### (a) Management Agreement

	<b>2006</b>
	<b>£'000</b>
At 1 April 2005	911
Paid in Year	(145)
Additions	495
<b>At 31 March 2006</b>	<b>1,261</b>

<b>(b) Public and Employers Liability Claims</b>	<b>2006</b>
	<b>£'000</b>
At 1 April 2005	215
Paid in Year	–
Additions	31
<b>At 31 March 2006</b>	<b>246</b>
<b>Total provision at 31 March 2006</b>	<b>1,507</b>

#### 14. GOVERNMENT GRANT RESERVE

ERDF grant funding received for purchase of capital assets are capitalised in the year of receipt and released to the Income and Expenditure Account over the estimated useful life of the associated assets.

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>ERDF Grant</b>		
Opening balance at 1 April 2005	89	177
Release to Income and Expenditure Account in year	(65)	(88)
<b>Closing balance at 31 March 2006</b>	<b>24</b>	<b>89</b>

## 15. RECONCILIATION OF GOVERNMENT FUNDS AND MOVEMENT ON CAPITAL AND RESERVE

	<b>General Fund £'000</b>	<b>Revaluation Reserve £'000</b>	<b>2006 TOTAL £'000</b>	<b>2005 TOTAL £'000</b>
At 1 April 2005	(878)	7,172	6,294	7,405
ERDF	388		388	
Transfer from Invest NI	3,838		3,838	
Notional Charges	3,227		3,227	3,158
Cost of Capital	506		506	299
Net Expenditure	(54,960)		( 54,960)	(54,783)
Net Funding from DOE	61,463		61,463	51,569
Consolidated Fund	(6,191)		(6,191)	(2,581)
Net surplus on Revaluation of Fixed assets		1,317	1,317	1,227
<b>At 31 March 2006</b>	<b>7,393</b>	<b>8,489</b>	<b>15,882</b>	<b>6,294</b>

## 16. NOTES TO CASH FLOW STATEMENT

### 16(i) RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>2006 £'000</b>	<b>2005 £'000</b>
Net cost of operations before interest	(54,454)	(54,484)
Depreciation Charge	1,722	1,587
(Profit)/Loss on disposal of fixed asset	59	(33)
ERDF Income	388	
Notional charges	3,227	3,158
Release of deferred government grant	(65)	(88)
Decrease/(Increase) in Stock	6	49
Increase in Provisions	381	515
Increase in creditors	(326)	3,096
(Increase)/Decrease in debtors	(4,082)	(1,093)
Consolidated Fund	(6,191)	(2,581)
<b>Net Cash Outflow from Operating Activities</b>	<b>(59,335)</b>	<b>(49,874)</b>

### 16(ii) RECONCILIATION OF CAPITAL ADDITIONS TO NET CASH OUTFLOW FROM INVESTING ACTIVITIES

	<b>2006 £'000</b>	<b>2005 £'000</b>
Tangible Fixed Assets Acquired	(2,131)	(1,758)
<b>Net Cash Outflow from Investing Activities</b>	<b>(2,131)</b>	<b>(1,758)</b>

### 16(iii) FINANCING

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Gross Funding from DOE	68,045	56,584
Accruing Resources	(6,584)	(5,015)
<b>Net Funding from DOE</b>	<b>61,461</b>	<b>51,569</b>

The grant was used to finance:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Net Cash Outflow from Operating Activities	59,723	49,874
ERDF Income Removed	(388)	–
Purchase of fixed assets	2,131	1,758
Sale of fixed asset	(5)	(63)
	<b>61,461</b>	<b>51,569</b>

### 17. CONTINGENT LIABILITIES

	<b>Public Liability (Number of cases)</b>	<b>Employer's Liability (Number of cases)</b>
Built Heritage	3	8
Natural Heritage	7	4
<b>TOTAL</b>	<b>10</b>	<b>12</b>

Public liability claims relate to claims against the agency by members of the public in respect of alleged injuries sustained at the agency's visitor sites. Employers' liability claims relate to claims against the agency by employees allegedly injured at work. Twelve such cases existed at the balance sheet date.

### 18. COMMITMENTS

Commitments at the end of the financial year for which no provision has been made.

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Grant Commitments – Historic Buildings	1,255	1,818
Grant Commitments – Environmental Protection	5,885	3,312
Grant Commitments – Natural Heritage	3,822	3,338
<b>TOTAL COMMITMENTS</b>	<b>10,962</b>	<b>8,468</b>

### 19. PENSIONS

The staff of the agency are Civil Servants and the pension benefits accrue under the Principal Civil Service Pension Scheme. Contributions were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For this financial year the rates were between 12% and 18% for both industrial and non-industrial staff.

## 20. FINANCIAL TARGETS

The Department of the Environment does not consider it appropriate to set financial targets for the agency.

## 21. RELATED PARTY TRANSACTIONS

The Department of the Environment is regarded as a related party. During the year EHS has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department, viz:

Planning Service

In addition, EHS has had various material transactions with other Government Departments and other central government bodies. Most of these transactions have been with:

Department of Agriculture and Rural Development

Department of Education

Department for Regional Development

Department of Finance and Personnel

Valuation & Lands Agency

During the year, neither the Chief Executive, members of the Management Board nor other related parties have undertaken any material transactions with EHS.

## 22. INTRA-GOVERNMENT BALANCES

Debtors: Amounts falling due within one year	2006	2005
	£'000	£'000
Balances with other central government bodies	493	196
Balances with local authorities	–	–
Balances with bodies external to government	6,689	2,904
	<b>7,182</b>	<b>3,100</b>
Creditors: Amounts falling due within one year	2006	2005
	£'000	£'000
Balances with other central government bodies	6,244	2,408
Balances with local authorities	5,250	10,126
Balances with bodies external to government	6,786	6,072
	<b>18,280</b>	<b>18,606</b>





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