

# **Resource Accounts 04/05**

**For the year ended 31 March 2005**



Department of  
**Agriculture and  
Rural Development**

[www.dardni.gov.uk](http://www.dardni.gov.uk)

**Department of Agriculture and Rural Development  
Resource Accounts  
For the year ended 31 March 2005**

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

*15 November 2005*

*Laid before the Northern Ireland Assembly by the Department of Finance  
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# **Annual Report and Accounts for the year ended 31 March 2005**

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# **Annual Report and Accounts for the year ended 31 March 2005**

## **ANNUAL REPORT**

### **SCOPE**

#### **Boundary**

The Department of Agriculture and Rural Development (DARD) presents its accounts for the financial year ended 31 March 2005.

These accounts comprise a consolidation of the income and expenditure, and the assets and liabilities of those entities falling within the departmental resource accounting boundary as follows:

- DARD Core Department
- Rivers Agency
- Forest Service agency

Appendix 1 contains a full list of bodies, for which the Department had lead responsibility during the 2004-05 financial year and identifies a list of all those bodies for which the costs have also been consolidated within the Accounts.

#### **Departmental Reporting Cycle**

The Department's public expenditure proposals are considered as part of the annual NI Budget process, the outcome of which is contained within the 'Priorities and Budget' document published annually by the Department of Finance and Personnel. This document also contains the Public Service Agreement (PSA) targets for the Budget period. The Department of Agriculture and Rural Development's progress against PSA targets is included in the Programme for Government Annual Report published by the Office of the First Minister and Deputy First Minister in July each year.

The Department of Agriculture and Rural Development publishes a Business Strategy each year. This document contains the Department's PSA and Performance Targets. The Business Strategy and progress against the Performance Targets are also available on the Department's Internet website ([www.dardni.gov.uk](http://www.dardni.gov.uk)).

More detailed information in relation to the annual resource and cash requirements is contained within the Main and Supplementary Estimates documents published by the Department of Finance and Personnel.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **OPERATING AND FINANCIAL REVIEW**

### **Key Aims and Objectives**

The overall aim of the Department is to:

*Promote sustainable economic growth and the development of the countryside in Northern Ireland by assisting the competitive development of the agri-food, fishing and forestry sectors of the Northern Ireland economy, being both proactive and responsive to the needs of consumers for safe and wholesome food, the welfare of animals and the conservation and enhancement of the environment.*

The Department's objectives are:

- To promote sustainable development of the agri-food industry and the countryside and stimulate the economic and social revitalisation of disadvantaged rural areas.
- To reduce the risk to life and property from flooding, promote sustainable development of the sea fishing industry and maintain, protect and expand forests in a sustainable way.

The specific aims and objectives of each of the Department's executive agencies (Rivers Agency and Forest Service) are documented in the Annual Report and Accounts published separately for each of these bodies.

### **Principal Activities**

The Department of Agriculture and Rural Development (DARD) is one of the eleven departments of the Northern Ireland Civil Service. The Department's remit is essentially an economic one, concerned with the success of all sectors of the Northern Ireland agri-food industry. However, economic activity must also take full account of the wider interests of the community. There is a need to balance efficient and sustainable agri-food and forestry industries with the conservation and enhancement of the countryside, and to stimulate and react to consumer demands for safe and wholesome food produced in an ethical manner, with proper regard for animal welfare. The Department's role also includes ensuring the well being of rural communities, and the economic, social and physical infrastructure on which they depend.

The Department advises the Minister (in his capacity as one of the four UK Agriculture, Fisheries and Forestry Ministers) on UK policies, including negotiations on the Common Agricultural and Fisheries Policies, with particular reference to the implications for Northern Ireland.

[NOTE: On 14 October 2002 the Secretary of State suspended the Assembly, and Northern Ireland departments, which up to that point had been under the control of Ministers of the Assembly, were then subject to the control and direction of the Secretary of State and his ministerial team.]

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In discharging its functions, the Department acts in two main ways:

- with the Department for Environment, Food and Rural Affairs and the Rural Payments Agency in the field of economic support for the agricultural and fisheries industries and the implementation of EU policies. This includes price support, which is carried on Rural Payments Agency votes, and the payment of production subsidies and capital grants to farmers; and
- as a Northern Ireland department in respect of all other aspects involved in the development of agriculture, including education, research, technology transfer, analytical and diagnostic work and special support measures, as well as rural development, sea fisheries and aquaculture, forestry, land drainage and flood defences. The Department's role includes helping to ensure the economic and social well being of rural communities.

Details of the principal activities undertaken by DARD are provided at Appendix 2.

## **Operating Review**

### **CAP Reform under the Mid Term Review (MTR)**

1. A high level of activity was sustained throughout 2004/5 in developing the policy framework and delivery mechanisms necessary to implement a decoupled support regime from 2005.
2. The major policy issues addressed included consultations and decisions on additional modulation (to fund specific agri-environment measures), the operation of a national reserve (to address anomalies arising from the transition to the new support regime) and cross compliance (setting the conditions which farmers must respect if they are to receive support). There were numerous other policy issues that had to be considered in translating the broad reform agenda to a workable framework within Northern Ireland. This involved considerable discussion and negotiation with other regions of the UK and with the EU Commission.
3. A formal project board was established to manage the development of delivery mechanisms, the passing of the necessary legislation, the design of schemes and scheme literature and the delivery of a comprehensive communication strategy to inform individual producers of their entitlements and obligations. Additional staff resources were deployed to assist with the transition to the new regime. The first major implementation milestones were achieved last Autumn when all farmers in Northern Ireland received their historic assessments and were provided with the opportunity to avail of special hardship provisions where their production was adversely affected during the reference period and in March 2005 when the Single Farm Payment Scheme and National Reserve opened for applications. A Statutory Rule setting down the legislative basis for operation of the cross-compliance provisions was established in January 2005. The project board will continue to operate to oversee completion of the implementation plan during 2005-2006.

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## **Reform and Efficiency**

4. In line with other Departments and Public Bodies, DARD must meet its commitments in relation to the “Fit for Purpose” document. This sets out the new Public Sector reform programme that includes a reduction of 2,300 posts in the Northern Ireland Civil Service (NICS) by March 2008. Within this overall figure DARD has a target of a minimum reduction of 373 posts, including a commitment to reduce by some 150 by 31 March 2006. The creation of a new Non-Departmental Public Body – the Agri-Food and Biosciences Institute – will also contribute to a reduction in the size of the NICS, as current members of the Science Service will transfer to it in April 2006.
5. DARD is also committed in its Efficiency Plan to realise total annual efficiencies of at least £21 million by 2007-08 of which at least £10.5 million will release resources to be reinvested into priority front-line activities.

## **PSA Targets**

6. The remainder of this Operating Review focuses on the Department’s PSA targets and reports on progress under the two Requests for Resources.
7. Under Request for Resources A, the Department is committed to promote sustainable development of the agri-food industry and the countryside, and to stimulate the economic and social revitalisation of disadvantaged rural areas.

The PSA targets are shown in Table 1: -

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**Table 1**

PSA Target	Progress
To create conditions (including by implementing Vision) for the agricultural industry to achieve a 9% improvement in total factor productivity (TFP) between calendar years 2001 and 2007, reaching 6% by 2005 and 7.5% by 2006. This increase would be from a 2001 index figure of 114.64.	Target on track for achievement.
Using the regional discretion available, implement the Luxembourg CAP Reform Agreement in the best interests of the agri-food sector as a whole, taking account of the need to ensure that farming is undertaken in an environmentally sustainable way.	Target on track for achievement.
Create conditions to increase agricultural gross value added per full-time worker equivalent (measured as Annual Work Units) from £14,900 to £18,900 by 2007.	Target on track for achievement.
Create conditions to increase value added per full-time employee equivalent in the NI Food and Drinks processing sector from £22,400 to £31,500 by 2007.	Target on track for achievement.
Reduce the level of serious animal disease by a reduction in Brucellosis outbreaks to less than 75 per year and the level of TB reactors to less than 12,000 per year by 31 March 2008.	Target on track for achievement.
By 31 March 2007, reduce the gap between the levels of Brucellosis and TB in the Divisional Veterinary area with the highest level of these diseases and the NI average: Brucellosis - In the 12 months 1/10/2002 to 30/9/2003 there were 43 seropositive herds in both the Enniskillen and Newry Veterinary Divisions compared with an NI Divisional average of 17.3 for the same period; TB - In the 12 months 1/10/2002 to 30/9/2003 there were 3,400 reactors in the Enniskillen Veterinary Division compared with an NI Divisional average of 1,700 for the same period.	Target on track for achievement.
By 31 March 2008, create a net increase of 1,000 Full Time Equivalent jobs in disadvantaged rural areas under the Rural Development Programme 2001-2006. Milestones: 406 by 31 March 2005, 624 by 31 March 2006, 803 by 31 March 2007.	Target on track for achievement.
Of the 1,000 FTE jobs to be created in disadvantaged rural areas by 31 March 2008, create 300 in the tourism sector.	Target on track for achievement.
By 31 December 2005, reduce nitrate levels in surface and ground water to within the maximum limit of 50mg NO3/L.	Target likely to be achieved but with some delay.

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8. The Department has continued to implement its response to the Vision Report, with a range of measures impacting on quality of produce, marketing, training, etc. Total Factor Productivity has risen, by 16.8%, between 2001 and 2004 although the 2004 figure remains provisional. [Note: TFP is estimated on a calendar year basis. The next up-to-date figure will become available when the 2005 figure is calculated in early February 2006.]
9. The key milestones scheduled for delivery by March 2005 regarding the implementation of the Luxembourg CAP Reform Agreement have been achieved. These include:
  - Notifications of Historic Reference Amounts issued October 2004;
  - Majority of legislation now in place;
  - National Reserve application period opened 1 March; and
  - IACS/Single Farm Payment application period opened on 17 March.

Work is on schedule to deliver the key outputs to be achieved during 2005/06. The Project Board established to oversee the implementation of the Single Farm Payment Scheme in Northern Ireland continues to oversee various strands of work (both policy and implementation) needed to deliver this project. Work also continues, in conjunction with other UK administrations, to address the remaining policy and implementation issues that arise.

10. The provisional agricultural gross value added per full-time employee worker equivalent figure is £16,800 and the full target of £18,900 is expected by 2007. However, the introduction of the Single Farm Payment Scheme will affect calculation of agricultural gross value added.
11. The value added per full-time employee equivalent in the NI Food and Drinks processing sector is £24,000 for 2002 and the full target is on track for achievement by 2007.
12. The levels of serious animal disease have been reducing in Northern Ireland. In the twelve-month period to 31 March 2005, there were 111 new Brucellosis outbreaks, a fall of 21 outbreaks (16%) from 2003/04 and there were 13,219 TB reactors, a 15% reduction (2,376 reactors) over the previous twelve-month period.
13. In the twelve months to 28 February 2005 there were 49 new Brucellosis reactor herds in the Enniskillen Veterinary Division compared with an NI Divisional average of 11.8 for the same period. In Newry Veterinary Division, there were 15 new Brucellosis reactor herds over this time period. In the twelve months to 28 February 2005 there were 2,709 TB reactors in the Enniskillen Veterinary Division compared with the NI Divisional average of 1,377 for the same period.
14. The Rural Development Programme is on schedule to achieve the 2008 target of 1,000 FTE jobs. 388.5 full time equivalent jobs have been created to date, of which 122.5 have been created in the tourism sector.

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15. Surface waters are within the limit specified of 50Mg NO3/L. Nitrate levels in seven designated groundwater nitrate vulnerable zones (covering 0.1% land area and some 120 farms) are elevated and subject to an action programme and ongoing monitoring. A revised action programme, to address nitrate and phosphorous inputs to soil and waterways across Northern Ireland is currently the subject of public consultation with a view to implementation in Autumn 2005.
16. Request for Resources B commits the Department to reduce the risk to life and property from flooding, promote sustainable development of the sea fishing industry and maintain, protect and expand forests in a sustainable way. The PSA targets are shown in Table 2.

**Table 2**

PSA Target	Progress
Increase the number of Housing Equivalents benefiting from a reduced risk of flooding from 17,574 at 31 March 2004 to 18,112 at 31 March 2007 reaching 17,812 at 31 March 2005 and 17,962 at 31 March 2006.	Target on track for achievement.
Increase the value of fish landed (value over tonnage landed) from £1,024 per tonne to £1,189 per tonne by 2007, reaching £1,120 by 2005 and £1,154 by 2006.	Target on track for achievement.
Sustain the annual supply of timber, recreation and environmental services from existing forests at 2002/03 levels and secure a modest increase in combined public and private forest area by 1,500ha by 2007 at a rate of 500ha per year.	Target on track for achievement.

17. A cumulative reduced risk of flooding to 290 Housing Equivalents has been achieved against a target of 238.
18. Northern Ireland's response on sustainable Fisheries is to issue as part of the UK wide document in Summer 2005. NI input has been completed but the UK joint response was delayed due to elections, with the likely publication in Summer 2005. Data on value of fish for 2004 is not yet available.
19. The Forest Service reported 354.7 ha of new plantations were established at 31 March 2005. The uptake of applications under the forestry grant schemes was lower than anticipated, which may be due to the uncertainty caused by the introduction of Single Farm Payments. Although the annual target of 500 ha has not been achieved, it is still considered that the PSA 2004/05 target is still on track for achievement by 2007. CAP Reform and the Short Rotation Coppice Challenge Fund may offer additional incentives for landowners to plant.

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## Financial Review

The net operating cost of the Department in 2004-05 was £239.8million. This represented an increase of £16.1million or 7.2% over 2003-04. Gross expenditure was £482.4million and income was £242.6million. Expenditure and income relative to the Common Agricultural Policy (CAP) both fell by £5.9million. When the figures are adjusted for the CAP amounts, there is an increase in expenditure of £17.1million (or 6.5%) and an increase in income of £1.0million (or 2.4%). The increase in expenditure largely relates to increases in administration costs (£8.5million) and grants (£12.8million) offset by a reduction in other current expenditure (£4.2million). The increase in grants largely relates to expenditure under Food and Farm Policy, the EU Peace and Reconciliation and other EU programmes, offset by reductions in grants to rural development, fisheries and the Northern Ireland Fishery Harbour Authority (NIFHA).

Schedule 1 to the Accounts summarises the resource outturn for 2004-05. The net total resources required were £265.1million compared to an estimated net total of £305.4million. Note 12 to the Accounts provides an analysis of resource outturn and estimate by function and a reconciliation to the Operating Cost Statement. For 2004-05 net resource outturn differs from net operating cost in that the former excludes income payable to the Consolidated Fund. Table 3 below sets out a comparison of net resource estimate and outturn for each Request for Resources.

<u>Table 3</u>	Estimate £million	Outturn £million	Variance £million
Request for Resources A	244.3	211.3	33.0
Request for Resources B	61.1	53.8	7.3

In respect of Request for Resources A, the significant areas of underspending are the Food and Farm Policy (£25.5million), the EU Programme for Peace and Reconciliation (£3.3million) and the Executive Programme Fund (£7.5million) functions. For Request for Resources B, the largest individual underspending at function level is in relation to Flood Protection (£5.0million). More detailed explanations of variances are provided in Schedule 1 to the Accounts.

Outturn against the Administration Cost Limit is shown at Note 9 to the Accounts. Gross administration costs amounted to £125.5million, while outturn against the Administration Cost Limit was £117.6million, which was within the agreed limit of £119.2million. Adjusting, for comparability purposes, the 2003-04 outturn against the Administration Cost Limit to reflect the revised treatment, from 2004-05, of certain non-cash administrative costs indicates that there was an increase of circa £7.7million or 7.0% in that outturn between the two years. This arises largely from costs relating to 2004 pay awards, an increase in average staffing levels (in terms of full time equivalents) from 3909 to 4112 (see note 4 to the Accounts) and an increase of circa £1million in non-staff administration

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costs.

Capital Employed by objective is shown at Note 25 to the Accounts. Total employed has increased from £624.1million at 31 March 2004 to £654.3million at 31 March 2005. This increase is largely attributable to:

- An increase in the value of fixed assets - £35.7million
- An increase in debtors - £10.5million
- An increase in creditors – (£16.2million)

The increases in debtors and creditors are largely due to payments to be made to farmers under the Common Agricultural Policy and the subsequent recovery of these amounts from the Rural Payments Agency. Notes 13 to 22 provide further details on fixed and current net assets.

Capital expenditure at £24.8million was £7.6million lower than anticipated. This arose largely due to slippage in capital projects including the refurbishment of the recently purchased marine vessel and the postponement of capital works at the College of Agriculture Food and Rural Enterprise (CAFRE) pending the outcome of a College Review. In addition, some £2.3million of expenditure, which was previously anticipated as being capital in nature, was reclassified as current.

Capital income was £3.1 million lower than anticipated. This was largely due to the delay in the disposal of a portion of land at Loughry College.

The Net Cash Requirement at £242.3million was £62.0million less than the Estimate. This variance is largely attributable to the reduction in resources required (£40.3million), the lower than anticipated capital expenditure (£7.6million), a decrease in working capital of £5.7million rather than an estimated increase of £2.0million and an increase of £9.0million in the level of resource costs which were non-cash, rather than cash.

## **Post Balance Sheet Events**

There have been no post balance sheet events requiring disclosure in the accounts.

## **MANAGEMENT**

### **Minister**

During the financial year 2004-05 the Department was subject to the control and direction of Mr Ian Pearson MP, a member of the Northern Ireland Office (NIO) ministerial team.

### **Departmental Board**

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The Department is headed by its Permanent Secretary, and in 2004-05 was supported by a Departmental Board (DB) of 5 senior officials and a non-executive director.

The composition of the Board was as follows:

Mr Pat Toal	Permanent Secretary
Mr R J McClenaghan	Service Delivery Group (responsibilities including the College of Agriculture, Food and Rural Enterprise (“CAFRE”), Rural Payments and Inspection and Rural Development Divisions.)
Dr SG McIlroy	Chief Scientific Officer (responsible for Science Service)
Mr RM Houston	Chief Veterinary Officer (responsible for Veterinary Service)
Mr G Lavery	Senior Finance Director (responsibilities including Personnel, Facilities Management, Finance, Corporate Policy and Change Divisions)
Mr AE McCusker	Central Policy Group (responsibilities including Policy and Economics, Food, Farming and Environmental Policy, Animal Health and Welfare Policy and Fisheries Divisions)
Mrs J Bliss (from 1 June 2004)	Non-Executive Director

The Chief Executives of the Rivers Agency and Forest Service are Agency Accounting Officers and directly responsible to the Minister for their respective Agency’s performance and operations, with Mr Lavery acting as Frazer Figure.

Arising from his involvement with the creation of the new Agri-Food and Biosciences Institute (AFBI) and his appointment as Chief Executive Designate, Dr McIlroy has stood down from the Departmental Board with effect from 1 April 2005.

The Permanent Secretary, as Principal Accounting Officer, is responsible for the overall operation and performance of the Department.

## **Appointment of Senior Officials**

DB members have been appointed through the standard process described in the Civil Service Management Code.

## **Remuneration of Minister and Senior Officials**

Remuneration of Assembly Members is provided for in a determination by the Secretary of State entitled the Assembly Member’s Pensions’ Determination (Northern Ireland) 2000. The determination was made under Section 48 of the Northern Ireland Act 1998 (9c.47) by virtue of paragraph 9 of the Schedule to the Northern Ireland Act 2000 (c.1).

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From 15 October 2002 the Department of Agriculture and Rural Development was under the direction and control of Mr Ian Pearson MP. His salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. Details of Mr Ian Pearson MP's salary and allowances will be provided in the 2004-05 NIO resource accounts.

The Permanent Secretary's pay is determined by the NICS Permanent Secretaries Remuneration Committee, taking account of the recommendations of the annual Senior Salaries Review Body report.

## **Pay of Other Members of the Departmental Board**

The pay for other members of the Departmental Board is determined by the NICSSCS Pay Committee, taking account of the recommendations of the annual Senior Salaries Review Body report.

The remuneration of the non-executive director was negotiated by the appointment panel, within the range advertised, taking into account the skills and experience of the successful applicant.

Details of remuneration paid for the year ended 31 March 2005 are summarised at note 4 to the accounts.

## **PUBLIC INTEREST AND OTHER**

### **Equal Opportunities**

It is the Department's policy to ensure that all eligible persons shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for work. This policy has been communicated to all departmental staff through a comprehensive programme of equal opportunities training, and through the provision of information and guidance on a wide range of equal opportunities issues. The Department's Equal Opportunities Section is responsible for ensuring that all staff are aware of this policy and fully understand their responsibilities and the workplace behaviours expected of them.

### **Employment of People with Disabilities**

As part of its overall Equal Opportunities policy, the Department is fully committed to ensuring that all of its policies and working practices meet or exceed the requirements of the Disability Discrimination Act 1995.

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A Disability Forum has now been established within the Department, and this is providing an ideal opportunity for staff with disabilities / long-term health conditions to engage with key decision makers across the Department; to participate in raising awareness of disability issues, and to help bring about many changes and improvements for the benefit of all staff.

The Department has also introduced a simple ‘reasonable adjustment’ process to help those staff that have a disability to request the workplace adjustments they need, and for these requests to be assessed quickly to ensure that individuals remain effective in their workplace.

## **Payment of Suppliers**

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry’s Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year 95.47% of bills were paid within this standard (2003-04 93.70%).

The Late Payment of Commercial Debts (Interest) Act 1998 which came into effect from 1 November 1998, enables suppliers to charge interest on overdue debts. The Department made no payments during the year in respect of such claims.

## **Departmental Auditor**

The financial statements are audited by the Comptroller and Auditor General (C&AG), JM Dowdall CB, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office. He and his staff are wholly independent of the Department, and he reports his findings to the Northern Ireland Assembly, or Parliament during periods when devolution is suspended.

The audit of the financial statements for 2004-05 resulted in a notional audit fee of £140,900. This is included in non-staff administration costs in the Operating Cost Statement. The C&AG did not provide any non-audit services during the year.

The C&AG may also undertake other statutory activities that are not related to the audit of the Department’s financial statements. These include the preparation of Value for Money (VFM) studies, which report to the Assembly (or Parliament) on the economy, efficiency and effectiveness with which the Department’s financial resources have been used.

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On 8 June 2004 the C&AG issued a report entitled “Recouptment of Drainage Infrastructure Costs” (HC 614), which examined the Department’s actions in recovering the costs of drainage infrastructure schemes from developers since 1990. Copies of this report are available from The Stationery Office or from the Northern Ireland Audit Office’s website ([www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk)).

## **Provision of information to and consultation with employees**

The Department makes every effort to ensure that all staff are kept informed of plans and developments through meetings, team briefings, circulars and the publication of business and training plans.

Staff have access to welfare services and trade union membership. The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and they are attended by employer and employee (trade union) representatives. Thus staff views are represented and information for circularisation to employees is decided upon.

## **Interests of Board Members**

None of the Departmental Board Members have any significant interests which conflict with their management responsibilities. Full details of interests are given in Note 33 to the Accounts.



**PAT TOAL**  
**Accounting Officer, Department of Agriculture & Rural Development**  
**31 October 2005**

# **Annual Report and Accounts for the year ended 31 March 2005**

## **Appendix 1**

### **BODIES FOR WHICH DARD HAS A DEGREE OF RESPONSIBILITY**

The following are the bodies for which DARD had some degree of responsibility during the year:

#### **On-Vote Executive Agencies**

- Rivers Agency\*
- Forest Service agency\*

#### **Executive Non-Departmental Public Bodies (NDPB)**

- Agricultural Research Institute for Northern Ireland (ARINI) \*#
- Livestock and Meat Commission (LMC) for Northern Ireland \*
- Northern Ireland Fishery Harbour Authority (NIFHA) \* #
- Pig Production Development Committee (PPDC) \*
- Agricultural Wages Board (AWB) for Northern Ireland

#### **Advisory NDPBs**

- Drainage Council for Northern Ireland

#### **Cross Border Bodies**

- The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission\* #

#### **Other Bodies**

The Department has some degree of responsibility for a number of rural development groups, including the Rural Development Council.

#### **Notes:**

1. \*Separate Reports and Accounts are produced for these entities.
2. # These entities have been consolidated, only to the extent of the inclusion of grants paid in the Operating Cost Statement.
3. There is no grant funding provided to the Livestock and Meat Commission and the Pig Production Development Committee.
4. Expenditure on the Agricultural Wages Board relates to general expenses e.g. travel expenses of members and has been consolidated within the Departmental accounts.
5. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission is funded jointly by DARD and the Department of Communications, Marine and Natural Resources.

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## **Appendix 2**

### **DARD – PRINCIPAL ACTIVITIES**

The principal activities undertaken by the entities within the boundary in pursuance of their aims and objectives are outlined below:

#### **Core Department**

- Develop and administer policies to maintain or improve the sustainable economic performance of the agri-food industry;
- Represent the interests of Northern Ireland agri-food, agri-environment and rural development sectors at national and European level;
- Conduct on-farm inspections;
- Approve grant and subsidy applications and process claims in line with scheme regulations;
- Apply and enforce public health, animal health and welfare legislation through the prevention/control/eradication of epizootic/enzootic/zoonotic diseases by conducting animal inspections/tests;
- Carry out meat inspection in compliance with national and international standards;
- Implement a programme of inspection, sampling, enforcement, licensing and guidance in relation to food safety;
- Implement animal registration, identification and movement controls;
- Promote and maintain acceptable welfare standards through inspection;
- Process animal disease compensation payments to eligible applicants;
- Develop and administer policies to conserve and enhance biodiversity and the rural environment;
- Implement a programme of audits, management plan development, inspections and guidance in relation to agri-environment schemes;
- Implement Government policy through inspection, enforcement, licensing, certification and guidance relating to agriculture, horticulture and food;
- Provide a programme of Higher and Further Education courses;
- Deliver a programme of Lifelong Learning through short courses, to enhance competitiveness throughout the agri-food industry and to develop environmentally responsible farming and rural enterprise;
- Establish necessary legislation to implement new schemes under the EU Structural Funds and Peace Package and promote the schemes;
- Conduct analytical and diagnostic testing;
- Undertake scientific research and development;
- Implement the relevant recommendations arising from the review of the long established link between DARD and the School of Agriculture and Food Science at the Queen's University of Belfast (QUB);
- Provide teaching and support for the School of Agriculture and Food Science, of the QUB;
- Promote comprehensive and integrated action towards the sustainable and equitable development of disadvantaged rural areas;
- Equality and Rural Proofing.

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- Participate at European level in efforts to ensure the recovery of Irish Sea cod;
- Conserve and protect sea fisheries;
- Promote sustainable development of aquaculture through regulation and enforcement;
- Meet EU fish health requirements and enhance Northern Ireland's fish health status;
- Implement the EU Common Fisheries Policy and UK fisheries policies;
- Assist in the development of an efficient commercial fisheries sector;
- Work with the Irish Authorities to support the operation of the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission;
- Manage the implementation of Peace II Programme Measures;
- Conduct fish health inspections and check fish farm compliance with licence conditions;

## **Rivers Agency**

- Identify and assess flooding risks;
- Implement a programme of prioritised works to minimise flooding risks;
- Carry out maintenance works on both urban and rural open watercourses (the majority being rural therefore impacting upon agricultural land);

## **Forest Service**

- Encourage the extension of the area of woodland by the private sector and by public sector planting;
- Continue the sustainable management of woodlands including replanting;
- Supply wood to the timber industry;
- Promote access to and use of forests for recreational purposes.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

1. Under the Government Resources and Accounts Act (NI) 2001, the Department is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. DFP has appointed the Permanent Head of the Department as Accounting Officer of the Department, with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Accounting Officer is required to comply with the *Northern Ireland Resource Accounting Manual (NIRAM)* prepared by DFP, in particular to:
  - a observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b make judgements and estimates on a reasonable basis;
  - c state whether applicable accounting standards, as set out in the NIRAM, have been followed, and disclose and explain any material departures in the accounts;
  - d prepare the accounts on a going-concern basis.
5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in *Government Accounting Northern Ireland*.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope of responsibility**

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

Accountability arrangements within this Department encompass stewardship, performance and compliance. Monthly Departmental Board meetings and the quarterly Corporate Governance and Audit Committee meetings support the role of Accounting Officer.

This Department regards its Executive Agencies and Non-Departmental Public Bodies as partners, adopting a collegiate approach to achieving PSA targets. Performance is reviewed as part of the annual planning and reporting cycle.

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

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

### **3. Capacity to handle risk**

The Departmental Board monitors and verifies the Department's Corporate Risk Register which is revised to reflect diminishing and emergent risks on a quarterly basis. The Corporate Risk Register and the corresponding Risk Management Plans for each business area have been reviewed and amended to reflect the 2005/06 business plans. They are linked to business performance targets. In this way risk management has a key function in managing business performance. During 2004-05 risk priorities included programme management, personnel and reform.

Further training on corporate governance, risk management and fraud has been provided across the Department to further embed risk management, counter-fraud awareness and the use of Risk Management Plans as routine management practice. The responsibility for risk management is cascaded through the organisation with risk management plans used to inform the agendas of management meetings at all levels. As a result, ownership of risk is allocated to the appropriate staff.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **4. The risk and control framework**

The Department's Counter-Fraud Forum, which meets on a quarterly basis, oversees and promotes Departmental activities associated with countering fraud. The Central Investigation Unit investigates and pursues prosecutions where fraud is uncovered. The Department has continued to enhance counter fraud measures and controls over the period. Fraud has been included as a key risk area in the Department's Corporate Risk Register and relevant business areas must now complete a fraud risk assessment for all new schemes and programmes. The Central Investigation Service has, or is in the process of, developing service agreements with key business areas and has been assigned responsibility to quality assure fraud risk management plans for key business areas. Promoting a culture of anti fraud consciousness remains a key objective within DARD to influence the attitude of staff and the general public towards countering fraud. The Department's Central Investigation Service continues to deliver fraud awareness training to all staff across the Department. The Department is also represented on the new NICS Fraud Forum, which has been established to co-ordinate the work being done in Departments on tackling fraud and also to provide a forum for the exchange of information/sharing of experience for mutual benefit.

In the incoming year, the Department plans to:

- review and develop the Corporate Governance and Audit Committee and its sub-committees;
- further develop the Corporate Risk Register;
- introduce a risk management assessment framework to evaluate the Department's risk management capability;
- complete the review and revision of the Counter-Fraud Strategy.

I also obtain additional assurance through a formal stewardship reporting process which is embedded within each business area of the Department. This process is monitored by the Corporate Governance and Audit Sub-Committee (CGAC). During 2004-05 the CGAC was re-constituted to ensure adherence to the guidelines contained within Treasury's Audit Committee handbook. The committee is now chaired by a non-executive director and the frequency of these meetings has been increased from 2 to 4 times per year. A Departmental Risk Committee has been established to review the Corporate Risk Register and operational reports from business areas on a regular basis. It has also been decided that this will be an executive committee reporting directly to the Departmental Board but will also provide relevant information to CGAC. The Department's corporate risk register has also recently been updated. Risk Management training has been rolled out across the Department and is being embedded within operational activities.

The Department has an Internal Audit Unit, which operates to defined Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.

# **Annual Report and Accounts for the year ended 31 March 2005**

Where internal audit reviews or the work of the Department's Central Investigation Service have identified control weaknesses, management responses have been obtained setting out action that will be taken to strengthen the relevant controls. The Corporate Governance and Audit Sub-Committee monitors implementation to ensure that appropriate action has been taken to address internal and external findings raised throughout the year. Satisfactory progress has been made on rectifying control weaknesses identified during 2004-05

## **5. 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 my internal auditors and my executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Corporate Governance and Audit Committee, and the Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system of internal control is in place.

The outcome of my review has identified the need for further improvement in relation to minor internal control weaknesses within the Department. The NIAO identified a control weakness in relation to the administration of Processing and Marketing Grants as part of their audit of the 2004/05 Resource Accounts. The NIAO noted that insufficient documentation had been retained by the Department to prove adherence to laid down procurement procedures by grant beneficiaries. Action has been taken to remedy the control weakness identified. I am unaware of any other significant internal control weaknesses that need to be addressed. A plan to address the identified minor weaknesses and ensure continuous improvement of the system is in place.

The Department's system of internal control, as outlined above, will continue to operate and we will seek to strengthen these controls where appropriate. In particular, in the incoming year, the Department plans to:

- further develop the Corporate Risk Register;
- hold a seminar for NDPB and sponsor division representatives to promote corporate governance;
- continue to embed counter fraud awareness across the Department.



**PAT TOAL**  
Accounting Officer  
31 October 2005

# **Annual Report and Accounts for the year ended 31 March 2005**

## **DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT**

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

I certify that I have audited the financial statements on pages 23 to 73 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 31 to 39.

#### **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 17, the Accounting Officer is responsible for the preparation of 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. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 18 to 20 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **Basis of audit opinion**

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

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

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department of Agriculture and Rural Development at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel; 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.

See also my report in pages 74 to 76.



**J M Dowdall CB**  
**Comptroller and Auditor General**  
**31 October 2005**

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

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 1

Summary of Resource Outturn 2004-05	2004-05			2004-05			2003-04	
	Estimate			Outturn				
	Gross Expenditure 1 £000	Accruing resources 2 £000	NET TOTAL 3 £000	Gross Expenditure 4 £000	Accruing resources 5 £000	NET TOTAL 6 £000	Net Total Outturn Compared With Estimate: Saving/(Excess) 7 £000	Prior Year Outturn 8 £000
Request for Resources A (Note 12)	255,751	(11,474)	244,277	222,781	(11,474)	211,307	32,970	190,082
Request for Resources B (Note 12)	67,130	(6,022)	61,108	59,789	(6,022)	53,767	7,341	57,167
Total Resources	<b>322,881</b>	<b>(17,496)</b>	<b>305,385</b>	<b>282,570</b>	<b>(17,496)</b>	<b>265,074</b>	<b>40,311</b>	<b>247,249</b>
Non – operating Accruing resources (Notes 8 & 13)			<b>5,912</b>			<b>2,812</b>	<b>3,100</b>	<b>196</b>
Net Cash Requirement			<b>304,341</b>			<b>242,312</b>	<b>62,029</b>	<b>224,259</b>
Summary of income payable to the Consolidated Fund	In addition to accruing resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).							
Total	Note <b>7</b>		<b>Forecast 2004-05</b>		<b>Outturn 2004-05</b>			
	<b>Income</b> <b>£000</b>		<b>Receipts</b> <b>£000</b>		<b>Income</b> <b>£000</b>		<b>Receipts</b> <b>£000</b>	
	<b>22,271</b>		<b>26,664</b>		<b>25,285</b>		<b>29,025</b>	

Notes 1 to 37 form part of these accounts

# **Annual Report and Accounts for the year ended 31 March 2005**

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

In Request for Resources A (net savings of £33.0million) the main reasons for the underspend were as follows:

- (a) £25.5 million underspend in Food and Farm Policy. This underspend was largely due to a combination of lower expenditure on animal disease compensation due to lower instances of disease, coupled with some delay in the start-up of Agri-Environment Programmes.
- (b) £3.3 million underspend in relation to the European Programme for Peace and Reconciliation due to slower than anticipated progress on both project start-up and implementation of schemes eligible for grant under various measures of the Programme.
- (c) £7.5 million underspend in Executive Programme Funds caused by delays in the programme primarily due to outstanding State Aids approval and consideration of a response to the Nitrates Directive.

These underspends are partially offset by overspends in the Agri-Food Development Service, Science Service, and Veterinary Service in respect of Capital Charges and Current Expenditure.

In Request for Resources B (net savings of £7.3 million), the underspend arises mainly from a £5.0 million underspend on capital charges on flood protection due to a lower than anticipated capital base including the impact of the new Asset Management Plan for infrastructure assets (see Note 1.5b).

## **Explanation of the variation between Estimate net cash requirement and outturn net cash requirement:**

The Net Cash Requirement at £242.3million was £62.0million less than the Estimate. This variance is largely attributable to the reduction in resources required (£40.3million), the lower than anticipated capital expenditure (£7.6million)[see Financial Review], a decrease in working capital of £5.7million rather than an estimated increase of £2.0million, and an increase of £9.0million in the level of non-cash resource costs.

**Notes 1 to 37 form part of these accounts**

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 1 (continued)

Reconciliation of resources to cash requirements				Net Total Outturn Compared With Estimate: Saving/ (Excess)
	Note	Estimate £000	Outturn £000	£000
Net total resources		<b>305,385</b>	<b>265,074</b>	<b>40,311</b>
Capital:				
Acquisition of fixed assets:	13	32,338	24,769	7,569
Investments		-	-	-
Non-operating Accruing resources:				
• Government grants received	13	(297)	(297)	-
• Proceeds of fixed asset disposals	13	(5,615)	(2,515)	(3,100)
Accruals adjustments:				
• Non-cash items	5a	(30,470)	(39,449)	8,979
• Changes in working capital other than cash	17	2000	(5,675)	7,675
• Changes in creditors falling due after more than one year		-	-	-
• Use of provisions	22	1,000	405	595
Net Cash Requirement (Schedule 4)		<b>304,341</b>	<b>242,312</b>	<b>62,029</b>

Notes 1 to 37 form part of these accounts

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 2

Operating Cost Statement for the year ended 31 March 2005	Note	2004-05		2003-04	
		£'000	£'000	£'000	£'000
<b>Administration costs:</b>					
Staff costs	4.1	95,667		88,672	
Non-staff administration costs	5	29,847		28,351	
<b>Gross administration costs</b>		<u>125,514</u>		<u>117,023</u>	
Operating income	8	(3,733)		(3,252)	
<b>Net administration costs</b>			<b>121,781</b>		<b>113,771</b>
<b>Programme costs</b>					
<b>Request for Resources A:</b>					
Staff Costs	4.1	11,405		10,416	
Expenditure	6	<u>307,858</u>		<u>302,701</u>	
<i>Less: EU Income</i>	6 & 8	(218,273)		(221,424)	
Other Income	6 & 8	<u>(10,369)</u>		<u>(11,367)</u>	
			<u>(228,642)</u>		<u>(232,791)</u>
			<b>90,621</b>		<b>80,326</b>
<b>Request for Resources B:</b>					
Staff Costs	6	-		-	
Expenditure	6	<u>37,651</u>		<u>41,093</u>	
<i>Less: EU Income</i>	6 & 8	(4,539)		(5,632)	
Other Income	6 & 8	<u>(5,725)</u>		<u>(5,894)</u>	
			<u>(10,264)</u>		<u>(11,526)</u>
			<b>27,387</b>		<b>29,567</b>
<b>Net programme costs</b>	6		<b><u>118,008</u></b>		<b><u>109,893</u></b>
<b>Net operating cost</b>	10 & 11		<b><u>239,789</u></b>		<b><u>223,664</u></b>
<b>Net resource outturn</b>	10 & 12		<b><u>265,074</u></b>		<b><u>247,249</u></b>

All income and expenditure are derived from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2005	2004-05		2003-04	
	£'000		£'000	
Net (gain) on revaluation of tangible fixed assets		(23,760)		(18,615)
Net loss/(gain) on revaluation of intangible fixed assets			26	
(419)				
Net gain/(loss) on revaluation of investments		-		-
Receipt of donated assets		-		-
Donated asset amounts recognised in the Operating Cost Statement		6		6
Receipt of government grants		(297)		-
Government grant amounts recognised in the Operating Cost Statement		<u>14</u>		-

Notes 1 to 37 form part of these accounts

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 3

Balance Sheet as at 31 March 2005	Note	31 March 2005		31 March 2004	
		£'000	£'000	£'000	£'000
Fixed assets:					
Tangible assets	14	674,495		639,338	
Intangible assets	15	1,744		1,262	
Investments	16	19		-	
			<b>676,258</b>		<b>640,600</b>
<b>Debtors falling due after more than one year</b>	19		<b>360</b>		<b>380</b>
<b>Current assets:</b>					
Stocks	18	2,428		2,604	
Debtors	19	112,344		101,732	
Cash at bank and in hand	20	158		112	
		<u>114,930</u>		<u>104,448</u>	
<b>Creditors (amounts falling due within one year)</b>	21	(132,878)		(116,722)	
<b>Net current assets (liabilities)</b>			<b>(17,948)</b>		<b>(12,274)</b>
<b>Total assets less current liabilities</b>			<b>658,670</b>		<b>628,706</b>
<b>Creditors (amounts falling due after more than one year)</b>	21	-		-	
<b>Provisions for liabilities and charges</b>	22	(4,381)	(4,381)	(4,632)	(4,632)
			<b>654,289</b>		<b>624,074</b>
<b>Taxpayers' Equity</b>					
General fund	23		417,005		410,817
Revaluation reserve	24		236,866		213,124
Donated asset reserve	24		130		133
Government grant reserve	24		288		-
			<b>654,289</b>		<b>624,074</b>

*PAT TOAL*

**PAT TOAL**  
Accounting Officer  
31 October 2005

Notes 1 to 37 form part of these accounts

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 4

	2004-05	2003-04
	£'000	£'000
<b>Cash Flow Statement for year ended 31 March 2005</b>		
<b>Net cash outflow from operating activities {Note a}</b>	<b>(191,533)</b>	<b>(200,752)</b>
<b>Capital expenditure and financial investment {Note b}</b>	<b>(21,705)</b>	<b>(17,814)</b>
<b>Receipts due to the Consolidated Fund which are outside the scope of the Department's activities</b>	<b>-</b>	<b>-</b>
<b>Payments of amounts due to the Consolidated Fund</b>	<b>(29,279)</b>	<b>(13,723)</b>
<b>Financing {Note c}</b>	<b>250,460</b>	<b>219,078</b>
<b>Repayment in respect of additional funding from the Strategic Investment Programme {Note d}</b>	<b>-</b>	<b>(22)</b>
<b>Increase/(decrease) in cash in the period</b>	<b>7,943</b>	<b>(13,233)</b>

Notes:

- a See the table below giving a reconciliation of operating cost to operating cash flows.
- b See the table below giving an analysis of capital expenditure and financial investment.
- c See the table below giving an analysis of financing and reconciliation to the net cash requirement.
- d An amount of £22,258 was repaid to the NI Consolidated Fund in respect of additional funding which had been made available through the Strategic Investment Programme

	2004-05	2003-04
	£'000	£'000
<b>Reconciliation of operating cost to operating cash flows</b>		
<b>Net operating cost</b>	<b>(239,789)</b>	<b>(223,664)</b>
Adjustments for non-cash transactions (see note 5a)	39,498	39,329
Adjustments for movements in working capital other than cash (see note 17)	9,163	(15,079)
Use of provisions (see note 22)	(405)	(1,338)
<b>Net cash outflow from operating activities</b>	<b>(191,533)</b>	<b>(200,752)</b>

	2004-05	2003-04
	£'000	£'000
<b>Analysis of capital expenditure and financial investment</b>		
Tangible Fixed Asset additions (notes 13 & 14)	(24,011)	(18,442)
Increase in working capital related to the acquisition of tangible fixed assets (note 17)	252	771
Cash paid in respect of tangible Fixed Assets additions	(23,759)	(17,671)
Government grants received in respect of tangible fixed assets (notes 13 & 24)	297	-
Intangible Fixed Asset additions (notes 13 & 15)	(758)	(339)
Proceeds of disposal of fixed assets (note 13)	2,515	196
<b>Net cash outflow from investing activities</b>	<b>(21,705)</b>	<b>(17,814)</b>

Notes 1 to 37 form part of these accounts

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDEULE 4 (continued)

	2004-05	2003-04
Analysis of financing and reconciliation to the net cash requirement	£'000	£'000
From the Consolidated Fund (Supply) – current year (Note 1)	<b>220,300</b>	<b>194,100</b>
From the Consolidated Fund (Supply) – prior year (Note 2)	<b>30,160</b>	<b>24,978</b>
From the Consolidated Fund (non-Supply) Capital element of payments in respect of finance leases and on-balance-sheet PFI contracts	-	-
<b>Net financing</b>	<b>250,460</b>	<b>219,078</b>
<b>(Increase)/decrease in cash</b>	<b>(7,943)</b>	<b>13,233</b>
<b>Net cash flows other than financing</b>	<b>242,517</b>	<b>232,311</b>
 <b>Adjustment for payments and receipts not related to Supply:</b>		
Amounts due to the Consolidated Fund – received in a prior year and paid over	(2,674)	(10,727)
Amounts due to the Consolidated Fund – received and not paid over	2,420	2,674
Interest on RRI loans paid by the Consolidated Fund on behalf of the Department (Note 1)	49	-
<b>Adjustment for short supply in previous years</b>	<b>242,312</b>	<b>224,258</b>
<b>Net cash requirement (Schedule 1)</b>	<b>242,312</b>	<b>224,259</b>

Note: 1. Amount of grant actually issued to support the net cash requirement = £220,300,000.00. In addition, a further amount of £49,407.79 of grant due to the Department has not actually been issued to the Department. Instead this amount has been used by the NI Consolidated Fund to pay for interest on loans made under the Reinvestment and Reform Initiative. These loans were used to increase the supply monies available to the Department in this year and in prior years.

2. Amount of grant actually issued to support the net cash requirement of prior years = £30,159,832.17.

**Notes 1 to 37 form part of these accounts**

# Annual Report and Accounts for the year ended 31 March 2005

## ACCOUNTS – SCHEDULE 5

Resources by Departmental Aim and Objectives <i>for the year ended 31 March 2005</i>	2004-05			2003-04		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
Aim:						
Objective 1	421,599	(231,379)	190,220	407,308	(235,076)	172,232
Objective 2	60,829	(11,260)	49,569	63,925	(12,493)	51,432
<b>Net operating costs</b>	<b>482,428</b>	<b>(242,639)</b>	<b>239,789</b>	<b>471,233</b>	<b>(247,569)</b>	<b>223,664</b>

**The Department's aim and objectives were as follows: -**

- Aim:** To promote sustainable economic growth and the development of the countryside in Northern Ireland by assisting the competitive development of the agri-food, fishing and forestry sectors of the Northern Ireland economy, being both proactive and responsive to the needs of consumers for safe and wholesome food, the welfare of animals and the conservation and enhancement of the environment.
- Objective 1**  
**(RfR A)** To promote sustainable development of the agri-food industry and the countryside, and stimulate the economic and social revitalisation of disadvantaged rural areas.
- Objective 2**  
**(RfR B)** To reduce the risk to life and property from flooding, promote sustainable development of the sea fishing industry, and maintain, protect and expand forests in a sustainable way.

See Note 25.

**Notes 1 to 37 form part of these accounts**

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS**

### **1 Statement Of Accounting Policies**

The financial statements have been prepared in accordance with the 2004-05 Northern Ireland Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel. The accounting policies contained in NIRAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where NIRAM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and livestock, at their value to the business by reference to their current costs. Other stocks, where held, have not been revalued to current cost, as their value is not deemed to be material.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Orders 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, UK GAAP and accounting and disclosure requirements issued by DFP as far as those requirements are appropriate.

#### **1.2 Basis of consolidation**

These accounts comprise a consolidation of the core Department and its on-vote Executive Agencies. The Executive Agencies of the Department are the Rivers Agency and the Forest Service agency. Each Executive Agency produces its own Annual Report and Accounts. Transactions between entities included in the consolidation are eliminated.

#### **1.3 Tangible fixed assets**

Tangible fixed assets comprise Land and Buildings, Plant, Machinery and Equipment, Infrastructure Assets (Flood Defences and Culverts), Heritage Assets, Assets Under Construction and Growing Timber.

In addition to the above, DARD also occupies a number of properties within the Northern Ireland Government Office Estate, which is managed by the Department of Finance and Personnel (DFP). The costs of occupancy of such properties are included within the Operating Cost Statement by way of a notional charge.

# **Annual Report and Accounts for the year ended 31 March 2005**

Fixed Assets are valued at cost of acquisition or valuation. All Fixed Assets, with the exception of Land and Buildings, Heritage Assets and Assets Under Construction, are revalued annually by reference to indices compiled by the Office for National Statistics (ONS), using the MM17 – Price Index Numbers for Current Cost Accounting.

Land and Buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Revaluations of Land and Buildings are undertaken every 5 years. They are revalued annually, between valuations, using indices provided by the Valuation and Lands Agency (VLA), specific to the Northern Ireland property sector. Properties are valued on the basis of open market value for existing use, unless they are specialised, in which case they are valued on a depreciated replacement cost basis.

Land and Buildings were valued as at 1st April 2000 for both the Core Department and Rivers Agency. Land in the Forest Service agency was valued as at 1st April 2003 and buildings as at 1st April 2004. All these valuations were on the basis of existing use value by an independent surveyor, the Valuation and Lands Agency. A valuation of buildings in the Core department and Rivers Agency is scheduled for 2005-06. Other tangible assets were revalued on the basis of the latest available indices.

The Department's Heritage Assets comprise the Peace Maze at Castlewellan Forest Park and Glenariff Walkway. These are included under "Land and Buildings" in note 14. They are revalued each year using the Retail Prices Index (RPI).

Assets under Construction are carried at cost.

The value of trees grown for commercial purposes is included in fixed assets on a replacement cost basis. This reflects the value in use of the asset, which is regarded as higher than net realisable value. The timber is valued at the balance sheet date using the most recent costs. Any change in valuation is taken to the revaluation reserve.

The threshold for capitalisation of single fixed assets is £5,000. Within the Department the grouping of computer equipment, in respect of items falling below this threshold, has also been undertaken.

Subsequent expenditure on an asset, that meets the criteria of an enhancement or improvement, in compliance with FRS 15, is capitalised, otherwise it is written off to revenue.

Revaluations, as a result of upward and downward movement of indices are debited or credited to the revaluation reserve or operating cost statement in accordance with the guidance in FRS 11 and FRS 15.

In compliance with NIRAM disclosure of fixed assets at historical cost is not provided.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

### **1.4 Depreciation**

Land at Baronscourt (£821,584) is being handed back to its owner over the next nineteen years. Depreciation is charged over that period. There is no depreciation charge on the remainder of the Department's land.

Heritage Assets will be maintained in perpetuity and consequently have not been depreciated.

Assets under Construction are not depreciated until they are commissioned.

For all other categories of assets, depreciation is charged on a straight line basis, to write off the cost or valuation, less estimated residual value, where relevant, of each asset over its estimated useful life. The useful lives, which are reviewed regularly, are:

Land and Buildings	10-50 years
Culvert Infrastructure Assets	120 years
Plant, Machinery, Equipment and Computers	3-20 years

### **1.5 Valuation and Depreciation of Infrastructure Assets**

#### **a. Flood Defences**

Expenditure on all Flood Defence assets is capitalised and depreciated over the useful economic life of the asset. For most assets this will be a period of 50 years. Flood Defence assets have been defined as the product of capital expenditure on the creation, provision, purchase, replacement or improvement of discrete physical watercourse based structures that enable Rivers Agency to achieve its strategic aim of providing flood protection.

#### **b. Culverts**

Rivers Agency manages a culvert network of 255 kilometres, in which there are over 5,000 culvert reaches i.e. lengths of culverts between manholes. The depths at which culverts are laid vary between 1 metre and 12 metres. The Agency has developed an in-house model to calculate a modern day replacement cost of the culvert network. The model uses physical quantification data from a database dedicated to culverts. This database also records the condition grading of each culvert, based on detailed surveys carried out by the Agency over the past 10 years. The unit cost information that is used in the valuation model derives from an analysis of various schemes undertaken by the Agency. However, since internal costing information is limited to culverts built since 1988 and also due to the wide variation in the available costing data, the Agency has used supplementary information from the Water Industry. The valuation model has also been validated by WS Atkins.

# Annual Report and Accounts for the year ended 31 March 2005

Each year the valuation is revalued using indices contained within Current Cost Accounting MM17, a publication of the Office for National Statistics (ONS). It also takes account of any additions and condition surveys that have taken place in the year. The information gathered in relation to costs and quantification is reviewed and a decision made as to whether amendments should be made to the existing model. Any such exercise is also subject to independent, external verification.

The accounting policy adopted in relation to culverts is renewal accounting. This policy requires the formulation of a detailed Asset Management Plan that determines the amount to be spent to maintain the asset in a steady state condition and also the charge to the Rivers Agency Income and Expenditure Account. An Asset Management Plan has been in place from 1st April 2004. Actual refurbishment costs are charged to the Operating Cost Statement, with any variation between this figure and that suggested by the Asset Management Plan adjusted in the accounts.

## **c. Soft Defences**

Soft Defences mainly consist of levees and soft earth banks of varying heights. Those on designated watercourses are maintained to their existing standard and do not contain a hard core as in the case of urban Flood Defences. Rivers Agency has decided that it will not attempt to value these defences because:

- for the most part, they provide protection to agricultural land to a lesser degree than that afforded to the urban environment;
- they are subjected to a six-year rolling programme of scheduled inspection and are maintained on the basis of need, rather than by a reference to a detailed maintenance plan. Any expenditure incurred is merely reactive in nature.

The accounting policy adopted by Rivers Agency in respect of Soft Flood Defences is to expense all expenditure to the Income and Expenditure Account each year.

## **d. Capitalisation of engineer's time**

From 1st April 2004 engineer's salary costs have been included in Flood Defence and culvert network valuations. An estimate is not included for any time incurred prior to this date.

### **1.6 Donated assets**

The Department has a number of donated assets. These include a number of buildings on agricultural college sites within the Core Department. These assets are depreciated and revalued, consistent with other assets, but are charged to the Donated Asset Reserve. The Forest Service has a number of donated assets that are all valued at below £5,000. As this is below the threshold adopted by the Department for the capitalisation of assets they have not been capitalised.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

### **1.7 Assets funded by government grants**

The Department has received grants from the Department of the Environment to fund the purchase of certain assets. These grants are credited to a government grant reserve. These assets are depreciated and revalued, consistent with other assets, but are charged to the Government Grant Reserve.

### **1.8 Intangible fixed assets**

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. In addition similar licences falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licences is restated at current value at the balance sheet date in accordance with the movement in the Retail Prices Index (RPI). The licences are amortised over their expected useful life, which can be from 1 to 15 years depending on the licence.

Other intangibles relate to Forest Service land rights (shooting and turbary rights). The forest land rights, being land based, are as a consequence revalued every 5 years by the VLA.

### **1.9 Investments**

Financial interests, in bodies that are outside the departmental boundary, are treated as fixed-asset investments as they are held for the long term. These comprise ordinary £1 shares in United Dairy Farmers Limited. United is a dairy farmer cooperative registered in Northern Ireland.

Short-term debtors and creditors are not deemed to be financial instruments within the context of FRS 13 and are not disclosed separately in relation to this standard.

### **1.10 Stocks and work in progress**

Livestock are valued at market value. Other stocks are valued at the lower of cost and net realisable value.

### **1.11 Research and development**

Research and development expenditure is charged directly to the Operating Cost Statement as incurred.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **1.12 Operating income**

Operating income is income that relates directly to operating activities of the Department. It comprises fees and charges, to be recovered for services provided to external customers, sale of timber, and public repayment work. It also includes accruing resources in aid of the Estimate and income payable to the Consolidated Fund, which in accordance with NIRAM, is treated as operating income. It excludes Accruing Resources and Consolidated Fund Extra Receipts treated as capital. Income under the Common Agricultural Policy, from the European Union programme for Peace and Reconciliation and other EU initiatives is also treated as operating income.

Operating income is stated net of VAT and analysed under the following headings on the Operating Cost Statement:

- Administration Income
- Programme Income

## **1.13 Administration and programme expenditure**

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department as defined under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

## **1.14 Capital charge**

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury of 3.5 per cent on the average carrying amount of all assets less liabilities except for:

- a tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
  - depreciation of tangible and amortisation of intangible fixed assets

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

- b donated assets, and cash balances with the Consolidated Fund (including balances in Departmental bank accounts within the centralised NICS pool of accounts currently held at the Northern Bank), where the charge is nil.
- c liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate.

### **1.15 Foreign Exchange**

Transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling on the date of each transaction.

### **1.16 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS[NI]), which are described in note 4. The defined benefit schemes are multi-employer unfunded schemes, which produce their own resource accounts, but the Department of Agriculture and Rural Development is unable to identify its share of the underlying assets and liabilities. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS[NI] of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS[NI]. The defined benefit schemes are non-contributory except in respect of dependents benefits. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

### **1.17 Leases**

The Department leases a number of properties and also office equipment. The rentals of both these categories of operating leases are charged to the income and expenditure account as incurred.

The Department does not hold any finance leases.

### **1.18 Private Finance Initiative (PFI) transactions**

The Department has no PFI transactions.

### **1.19 Grants payable**

In accordance with the Northern Ireland Resource Accounting Manual, matters such as the period covered by the claims, the timing of the submission of the claims, the end of the relevant retention period and the timing of the payments were taken into consideration when establishing the entitlement to grant and the basis for the creditor and debtor calculations.

# Annual Report and Accounts for the year ended 31 March 2005

Grant schemes administered by the Department were assessed individually and creditor and debtor balances compiled for material schemes.

Some schemes require animals to be retained for a specific time period (defined in the rules of the scheme and known as the retention period), before payment may be made to applicants. Accruals for these schemes have been calculated where the retention period expired on or before the 31 March.

In respect of all other schemes, the Department recognises grant expenditure in the period in which the recipient carries out the activity that creates an entitlement to the grant support, in so far as it is practicable to do so. Claims received at the time of preparation of the financial statements, which remain unpaid at that date, are included within trade creditors (note 21). Accruals are made in respect of the Department's best estimate of expenditure incurred by grant recipients up to 31 March, which have not yet been included on a claim.

## **1.20 Provisions**

The Department provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

Legal claims under £300,000 are assessed together and a provision of 50% of the likely maximum claim value is made. This percentage is reviewed on an ongoing basis to ensure it continues to represent a reasonable estimate of the expenditure of the Department on such claims. Claims greater than or equal to £300,000 are assessed on a case by case basis, and provided for or disclosed as a contingent liability as applicable.

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting these payments in respect of early retirement programmes at the time that a liability is created.

## **1.21 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with FRS12, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

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

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

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

Where the time value of money is material, contingent liabilities that are required to be disclosed under FRS 12 are stated at discounted amounts and the amounts reported to Parliament are also disclosed. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### **1.22 Value Added Tax**

VAT is recovered on a cash basis. The Operating Cost Statement is stated net of VAT. Where trade debtors and trade creditors are stated gross of VAT the VAT account balance is adjusted accordingly.

No taxation is chargeable on the financial results of entities within the departmental boundary.

### **1.23 Third party assets**

The Department holds a number of bank accounts on behalf of third parties. These third parties include student trust funds, college club and society accounts, other trust funds and statutory accounts. The closing balances in these accounts as at 31 March 2005 have been disclosed at note 35. In addition, a number of these trusts hold Treasury stock and shares in the Northern Ireland Central Investment Fund for Charities. The numbers and market value of these shares is also shown at note 35.

### **1.24 E.U. income**

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

### **1.25 Parliamentary Funding**

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

## **2 Change to estimation technique**

There have been no changes in estimation techniques in the year that require disclosure.

## **3 Transfer of Function**

There were no significant transfers of function either into or out of the Department during the year.

# Annual Report and Accounts for the year ended 31 March 2005

## 4 Staff numbers and related costs

### 4.1 Staff Costs

Staff costs consist of:

	2004-05					2003-04
	£'000 Total	£'000 Permanently -employed staff	£'000 Others	£'000 Ministers	£'000 Special Advisers	£'000 Total
Wages and Salaries	91,033	91,021	12	-	-	84,446
Social Security Costs	6,730	6,730	-	-	-	6,198
Other Pension Costs**	11,011	11,011	-	-	-	10,118
<b>Total Staff Costs</b>	<b>108,774</b>	<b>108,762</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>100,762</b>
Less recoveries in respect of outward secondments	(160)	(160)	-	-	-	(132)
<b>Total Net Costs*</b>	<b>108,614</b>	<b>108,602</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>100,630</b>

\* Of the total, £1,702,366 has been charged to capital

\*\* The employer's contributions to PCSPS[NI] given below have been adjusted to remove the impact of the release of early departure provisions (£41 thousand) and the notional minister's salary.

	2004-05	2003-04
	£'000	£'000
<b>Staff Costs Analysis:</b>		
Payroll costs	108,808	100,930
Agency staff	12	-
Provisions (Note 22)	(46)	(168)
Notional (Minister)	-	-
<b>Total Staff Costs (as above)</b>	<b>108,774</b>	<b>100,762</b>

	2004-05	2003-04
	£'000	£'000
<b>Distribution:</b>		
Schedule 2 Administration Costs	95,667	88,672
Schedule 2 Programme Costs	11,405	10,416
Capitalised	1,702	1,674
<b>Total Staff Costs (as above)</b>	<b>108,774</b>	<b>100,762</b>

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

### **4 Staff numbers and related costs (continued)**

The Principal Civil Service Pension Scheme of Northern Ireland (PCSPS)[NI] is an unfunded defined benefit scheme that produces its own resource accounts, but the Department of Agriculture and Rural Development 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 2004-05, employer's contributions of £11,052,540\*\* were payable to the PCSPS[NI] (2003-04 £10,225,097) at one of four rates in the range 12 to 18 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 16.5% and 23.5%. 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. Employers' contributions of £31,756 (2003-04: £2,776) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2003-04: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,446.68 (2003-04: £503), 0.8 per cent of pensionable pay, were payable to the PCSPS[NI] to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £2,039. There were no contributions prepaid at that date.

Twenty-six persons (2003-04: twenty-one persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £22,335 (2003-04: £17,441).

# Annual Report and Accounts for the year ended 31 March 2005

## 4.2 Average number of persons employed

The average number of whole-time equivalent persons employed by the Department during the year is as shown in the table below. These figures include those working in agencies included within the consolidated Departmental resource account.

Objective	Total	Permanently employed	2004-05			Number Total
			Others	Ministers	Special Advisers	
A	3,184	3,183	1	-	-	2,983.5
B	928	928	-	-	-	925.5
<b>TOTAL</b>	<b>4,112</b>	<b>4,111</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>3,909.0</b>

## 4.3 Salary and pension entitlements

### Ministers

The Secretary of State for Northern Ireland signed an Order on 14 October 2002 effectively suspending devolved government in Northern Ireland from midnight that night. Under suspension:

- the Assembly and its committees ceased to meet or conduct business;
- the First Minister, Deputy First Minister, Departmental Ministers, Junior Ministers, Chairmen and Deputy Chairmen of Statutory Committees all ceased to hold office;
- direct rule was reinstated; the Northern Ireland Departments discharged their functions subject to the direction and control of the Secretary of State; the functions of the First Minister and Deputy First Minister were discharged by the Secretary of State;
- legislation on devolved matters is made by Order in Council at Westminster.

The provisions allowing members of the Executive Committee to participate in the North/South Ministerial Council and the British/Irish Council were also suspended. The Secretary of State could at any time make an Order, subject to Parliamentary approval, to restore devolved government.

During 2004-05, the Department of Agriculture and Rural Development was under the direction and control of Mr Ian Pearson MP. His salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Costs Schedule in the same way as Devolved Minister's salaries. Details of Mr Ian Pearson MP's salary and allowances will be provided in the 2004-05 NIO resource accounts.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### Salary and pension entitlements (continued)

#### Senior Management

##### (a) Remuneration

Officials	2004-05		2003-04	
	Salary bands £'000	Benefits in kind (to nearest £100)	Salary bands £'000	Benefits in kind (to nearest £100)
<b>Mr P Toal</b> <i>Permanent Secretary 2A</i>	105 – 110	N/A	110 - 115	N/A
<b>Mr M Beatty</b> <i>Temp. Deputy Secretary 3 (Note 1)</i>	N/A	N/A	10 -15	N/A
<b>Mr RM Houston</b> <i>Deputy Secretary 3</i>	75 – 80	N/A	70 – 75	N/A
<b>Mr G Lavery</b> <i>Deputy Secretary 3 (Note 1)</i>	75 – 80	N/A	50 – 55	N/A
<b>Mr RJ McClenaghan</b> <i>Deputy Secretary 3</i>	90 – 95	N/A	85 – 90	N/A
<b>Mr T McCusker</b> <i>Deputy Secretary 3</i>	95 – 100	N/A	95 – 100	N/A
<b>DR SG McIlroy</b> <i>Deputy Secretary 3</i>	80 – 85	N/A	70 – 75	N/A
<b>Mrs J Bliss</b> <i>Non-executive Director (Note 2)</i>	5 – 10	N/A	N/A	N/A

N/A = Not applicable

#### Salary

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

#### 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.

# Annual Report and Accounts for the year ended 31 March 2005

## Salary and pension entitlements (continued)

### (b) Pension Benefits

	Real increase In pension and Related lump Sum at age 60	Total accrued Pension at age 60 At 31/03/05 and Related lump sum	CETV at 31/03/05 or at date of leaving	CETV at 31/03/04 or at date of leaving	Real increase in CETV*	Employer Contribution To partnership pension account including risk benefit cover
2004-05	£'000	£'000	£'000	£'000	£'000	£'000
<b>Mr P Toal</b> <i>Permanent Secretary 2A</i>	0-2.5 0-2.5 lump sum	45 – 50 145-150 lump sum	N/A**	N/A**	N/A**	N/A
<b>Mr M Beatty</b> <i>Temp. Deputy Secretary 3 (Note 1)</i>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Mr RM Houston</b> <i>Deputy Secretary 3</i>	0-2.5 2.5-5 lump sum	20 – 25 60 – 65 lump sum	324	290	17	N/A
<b>Mr G Lavery</b> <i>Deputy Secretary 3 (Note 1)</i>	0-2.5 2.5-5 lump sum	25 – 30 85-90 lump sum	462	420	19	N/A
<b>Mr RJ McClenaghan</b> <i>Deputy Secretary 3</i>	0-2.5 2.5-5 lump sum	35 – 40 105 – 110 lump sum	645	589	33	N/A
<b>Mr T McCusker</b> <i>Deputy Secretary 3</i>	0-2.5 5-7.5 lump sum	45 – 50 135 – 140 lump sum	748	722	39	N/A
<b>DR SG McIlroy</b> <i>Deputy Secretary 3</i>	0-2.5 2.5-5 lump sum	0-5 10 – 15 lump sum	63	45	14	N/A

\*After adjustment for inflation and changes in market investment factors.

\*\*Member is over 60. No CETV can be calculated.

**Note:** Equivalent information relating to the Department's on-Vote agencies (consolidated into these Departmental resource accounts) is given in the separate accounts of Forest Service agency and Rivers Agency.

#### Notes to the above tables of senior management remuneration and pension benefits: -

**Note 1:** A Deputy Secretary 3 post was vacant from 1 April 2003 until the temporary appointment of Mr M Beatty for the period 12/05/03 to 20/07/03. Mr G Lavery took up his appointment to the post on 21 July 2003.

**Note 2:** Mrs J Bliss took up appointment on 1 June 2004 as a non-executive director and her role is not as an employee of the Department. Her remuneration is non-pensionable.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

### **Civil Service Pensions**

Pension benefits are provided through the Civil Service Pension (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 Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (Partnership Pension Account).

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

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

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

### **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 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 CS Vote has received a transfer payment commensurate to the additional pension liabilities assumed. They also include

# Annual Report and Accounts for the year ended 31 March 2005

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.

## 5 Non-staff administration costs

	2004-05		2003-04	
	£'000	£'000	£'000	£'000
<b>Rentals under operating leases:</b>				
Hire of plant and machines		-		-
Other operating leases		217		210
<b>Other expenditure:</b>				
Travel and subsistence	4,605		4,530	
Office equipment	1,543		1,461	
Rates	976		1,335	
Utilities	1,007		1,580	
Repairs & maintenance	4,093		3,902	
Postage, stationery & printing	2,237		1,838	
Telephones	1,593		1,410	
Contract services	1,155		1,189	
OSNI hard charges	1,193		1,001	
Other administration costs	3,175		1,653	
		21,577		19,899
<b>Non-cash items (Note a):</b>				
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	1,772		1,282	
Intangible fixed assets	212		308	
Permanent diminution in value of fixed assets	283		362	
Profit on disposal of fixed assets	-		(5)	
Loss on disposal of fixed assets	4		5	
Cost of capital charge	(322)		651	
Provisions – provided in year (Note 22)	62		234	
Notional Charges:				
Accommodation	4,309		3,921	
Auditor's remuneration and expenses*	141		150	
Others	1,592		1,334	
	8,053		8,242	
	<b>29,847</b>		<b>28,351</b>	

\* There has been no remuneration paid to the auditor for non-audit work.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 5 Non-staff administration costs (continued)

The reduction in cost of capital in 2004-05 from 2003-04 has been as a result of the reclassification of the cost of capital on certain debtors and creditors from administration to programme expenditure. The details and effects of these reclassifications are given in Note 12.

Note a: the total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in Schedule 1 and in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	2004-05	2003-04
	£'000	£'000
Staff costs (see note 4)	(46)	(168)
Other administration costs (see note 5)	8,053	8,242
Programme costs RfR A (see note 6)	9,109	10,501
Programme costs RfR B (see note 6)	<u>22,382</u>	<u>20,754</u>
<b>Non-cash transactions (Schedule 4)</b>	<b>39,498</b>	<b>39,329</b>
Less interest paid to NI Consolidated Fund for RRI loans	(49)	-
<b>Non-cash transactions (Schedule 1)</b>	<b>39,449</b>	<b>39,329</b>

# Annual Report and Accounts for the year ended 31 March 2005

## 6 Net programme costs

RfR A	2004-05		2003-04	
	£'000	£'000	£'000	£'000
Staff costs (note 4.1)		11,405		10,416
Other current expenditure and grants		298,749		292,200
Non-cash items:				
Depreciation of fixed assets	3,808		3,500	
Permanent diminution in value of fixed assets	19		139	
Release from Government Grant Reserve	(3)		-	
Released from Donated Assets Reserve	(6)		(6)	
Profit on sale of fixed assets	(7)		(22)	
Loss on sale of fixed assets	26		45	
Cost of capital	5,210		3,880	
Provisions provided in year (note 22)	62	9,109	2,965	10,501
		319,263		313,117
<i>Less:</i> programme income (note 8)				
EU income	(218,273)		(221,424)	
Other income	(10,369)	(228,642)	(11,367)	(232,791)
<b>Total</b>		<b>90,621</b>		<b>80,326</b>

RfR B	2004-05		2003-04	
	£'000	£'000	£'000	£'000
Staff costs		-		-
Other current expenditure and grants		15,269		20,339
Non-cash items:				
Depreciation of fixed assets	2,961		2,852	
Permanent diminution in value of fixed assets	1,117		127	
Release from Government Grant Reserve	(11)		-	
Profit on sale of fixed assets	(57)		(80)	
Loss on sale of fixed assets	81		62	
Cost of capital	18,141		17,549	
Interest on RRI Loan	74		-	
Provisions provided in year (note 22)	76	22,382	244	20,754
		37,651		41,093
<i>Less:</i> programme income (note 8)				
EU income	(4,539)		(5,632)	
Other income	(5,725)	(10,264)	(5,894)	(11,526)
<b>Total</b>		<b>27,387</b>		<b>29,567</b>
<b>Total RfR A &amp; RfR B</b>		<b>118,008</b>		<b>109,893</b>

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 7 Analysis of income payable to the Consolidated Fund

#### **Analysis of income payable to the Consolidated Fund**

In addition to accruing resources the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Forecast 2004-05		Outturn 2004-05	
		Income £'000	Receipts £'000	Income £'000	Receipts £'000
Operating income and receipts – excess Accruing resources	8	-	-	2,215	<i>2,215</i>
Non-operating income and receipts – excess Accruing resources	8	-	-	-	-
<b>Subtotal</b>		-	-	<b>2,215</b>	<b><i>2,215</i></b>
Other operating income and receipts not classified as Accruing Resources	8	22,271	<i>26,664</i>	23,070	<i>26,810</i>
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash receipts surrenderable to the Northern Ireland Consolidated Fund		-	-	-	-
<b>Total</b>		<b>22,271</b>	<b><i>26,664</i></b>	<b>25,285</b>	<b><i>29,025</i></b>

The actual amount received in cash was £29,025,415.28

# Annual Report and Accounts for the year ended 31 March 2005

## 8 Income and accruing resources

### Operating Income

Operating income not classified as accruing resources (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see note 7). In 2004-05, all operating income not classified as accruing resources was within public expenditure.

	2004-05				
	Resource Outturn	Reconciliation to Operating Cost Statement			Operating Cost Statement
		Accruing Resources	Netted off Gross Expenditure	Payable to Consolidated Fund	
	£'000	£'000	£'000	£'000	£'000
<b>Administrative income:</b>					
Allowable within admin. Cost limit:					
Fees and charges to external customers	-	-	-	-	-
Fees and charges to other Departments	867	-	1,025	-	1,892
Not allowable within Cost Limit:					
Fees and charges to external customers	1,841	-	-	-	1,841
Fees and charges to other Departments	-	-	-	-	-
Other	-	-	-	-	-
<b>Sub-Total</b>	<b>2,708</b>	-	<b>1,025</b>	-	<b>3,733</b>
<b>Programme Income:</b>					
RfR A – EU income	-	198,818	19,455	-	218,273
Other income	9,762	-	607	-	10,369
RfR B – EU income	-	1,040	3,499	-	4,539
Other income	5,026	-	699	-	5,725
<b>Sub-Total</b>	<b>14,788</b>	<b>199,858</b>	<b>24,260</b>	-	<b>238,906</b>
<b>Total 2004-05</b>	<b>17,496</b>	<b>199,858</b>	<b>25,285</b>	-	<b>242,639</b>
Total 2003-04	18,182	205,802	23,585	-	247,569

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 8 Income and accruing resources (continued)

An analysis of income from services provided to external customers is as follows:

	2004-05			2003-04		
	Income £'000	Full cost £'000	Surplus/(deficit) £'000	Income £'000	Full cost £'000	Surplus/(deficit) £'000
RfR A	1,084	1,997	(913)	853	1,737	(884)
RfR B	757	1,543	(786)	640	1,602	(962)
<b>Total</b>	<b>1,841</b>	<b>3,540</b>	<b>(1,699)</b>	<b>1,493</b>	<b>3,339</b>	<b>(1,846)</b>

The deficit in RfR A is largely due to the Large Animal Diagnostic Testing scheme (formerly the Veterinary Diagnostic Testing scheme). Approval from DFP was sought for a forecast deficit equivalent to a recovery rate of 20.6% (2003-04 – 18.8%). The actual recovery rate was 20.7% (2003-04 - 17.4%).

In RfR B the deficit relates largely to non-commercial Forest Recreation services. DFP approved a forecast deficit equivalent to 29.1% recovery (2003-04 – 28.0%). The actual recovery rate was 30.4% (2003-04 – 23.7%).

### Non-operating income not classified as Accruing Resources

The Department had no Excess Non-operating accruing resources in the financial year 2004-05 (2003-04: Nil)

### Non-operating Accruing Resources

	2004-05	2003-04
	£'000	£'000
Non-operating Accruing Resources	2,812	196

# Annual Report and Accounts for the year ended 31 March 2005

## 9 Administration cost limits

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	2004-05		2003-04	
	Outturn £'000	Limits £'000	Outturn £'000	Limits £'000
Request for Resources A (Gross limit)	95,443	96,623	85,699	88,033
Request for Resources B (Gross limit)	22,108	22,599	21,491	22,627
Total within Administration cost control	117,551	119,222	107,190	110,660
Administration Expenditure excluded from Administration Cost Limit	6,071		8,074	
Administration Income				
Allowable within the Administration Cost Limit*	1,892		1,759	
Total administration outturn	125,514		117,023	

\*Includes excess accruing resources of £1,025,120.19 (see note 8)

In the financial year 2004-05 non-cash costs such as depreciation and cost of capital were brought into the Administration Cost Limit. Had these rules applied to the 2003-04 financial year, the Administration Expenditure excluded from the Administration Cost Limit would have totalled £5.4 million, with a corresponding increase in outturn from £107.2 million to £109.9m.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 10 Reconciliation of net operating cost and net resource outturn

	2004-05	2003-04
	£'000	£'000
Net operating cost (Note a)	239,789	223,664
Remove non-supply expenditure and income including income scored as Consolidated Fund extra receipts (CFERs)	-	-
Operating income not classified as Accruing Resources	25,285	23,585
Consolidated Fund standing services	-	-
Adjust for the effects of prior-period adjustments in the current and prior years	-	-
<b>Net resource outturn (Note a)</b>	<b>265,074</b>	<b>247,249</b>

Note a:

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1).

### 11 Analysis of net operating cost by spending body

	2004-05		2003-04
	Budget £'000	Outturn £'000	Outturn £'000
Spending body:			
Core Department	226,094	192,405	174,997
Rivers Agency	32,852	28,626	28,136
Forest Service Agency	19,260	15,253	14,278
ARINI	3,556	3,051	3,072
NIFHA	1,352	454	3,181
<b>Total</b>	<b>283,114</b>	<b>239,789</b>	<b>223,664</b>

The budget figures reflect the Estimate position adjusted for estimated Consolidated Fund Extra Receipts, to provide comparison on a consistent basis with outturn as contained within the Operating Cost Statement (Schedule 2).

# Annual Report and Accounts for the year ended 31 March 2005

## 12 Analysis of net resource outturn by Estimate subhead and reconciliation to Operating Cost Statement

	2004-05								2003-04	
				Gross resource expenditure				Net total	Estimate	Net total outturn compared with estimate
	Admin.	Other current	Grants	Accruing Resources						Prior-year outturn
RfR A:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>DEL:</b>										
1 Agri-Food Development Service	15,278	20,459	1,246	36,983	(2,515)	34,468	33,001	(1,467)	33,587	
2 Science Service	25,871	12,931	-	38,802	(787)	38,015	35,891	(2,124)	36,152	
3 Veterinary Service	32,928	788	-	33,716	(251)	33,465	31,714	(1,751)	31,530	
4 Food and Farm Policy	16,168	31,573	26,510	74,251	(7,842)	66,409	91,876	25,467	61,914	
5 Rural Development	4,473	40	5,042	9,555	(79)	9,476	9,471	(5)	10,848	
6 EU Peace Programme	-	-	11,889	11,889	-	11,889	15,148	3,259	4,664	
7 Executive Programme Funds	2,378	1,040	1,094	4,512	-	4,512	11,978	7,466	2,712	
8 EU Community Initiatives	-	-	3,871	3,871	-	3,871	5,570	1,699	828	
<b>AME:</b>										
9 CAP Expenditure	-	(1,014)	198,818	197,804	-	197,804	235,684	37,880	204,966	
<b>Non-Budget:</b>										
10 Science Service – ARINI	-	-	3,051	3,051	-	3,051	3,556	505	3,072	
11 CAP Expenditure	-	1,014	(198,818)	(197,804)	-	(197,804)	(235,684)	(37,880)	(204,966)	
12 Payments to ALF	-	-	9	9	-	9	20	11	8	
13 Notional Charges	5,240	902	-	6,142	-	6,142	6,052	(90)	4,767	
<b>Total</b>	<b>102,336</b>	<b>67,733</b>	<b>52,712</b>	<b>222,781</b>	<b>(11,474)</b>	<b>211,307</b>	<b>244,277</b>	<b>32,970</b>	<b>190,082</b>	

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 12 Analysis of net resource outturn by Estimate subhead and reconciliation to Operating Cost Statement (continued)

	2004-05							2003-04	
	Admin.	Other current	Grants	Gross resource expenditure	Accruing Resource	Net total	Estimate	Net total outturn compared with estimate	Prior-year outturn
RfR B:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>DEL:</b>									
1 Rivers	12,420	3,646	-	16,066	(456)	15,610	14,539	(1,071)	16,783
2 Fisheries	2,001	640	4,157	6,798	(6)	6,792	5,340	(1,452)	8,216
3 FCILC	-	-	1,013	1,013	-	1,013	1,666	653	675
4 Forest Service	7,926	12,454	632	21,012	(5,560)	15,452	19,013	3,561	15,528
5 Peace Programme	-	-	313	313	-	313	100	(213)	202
6 Repayment of Loan interest	-	74	-	74	-	74	60	(14)	-
<b>AME:</b>									
7 CAP expenditure	-	-	1,040	1,040	-	1,040	889	(151)	836
8 Flood Protection	29	13,004	-	13,033	-	13,033	18,000	4,967	11,941
<b>Non-Budget:</b>									
9 NIFHA	-	-	454	454	-	454	1,352	898	3,181
10 CAP Expenditure	-	-	(1,040)	(1,040)	-	(1,040)	(889)	151	(836)
11 Payments to Sanitary Authorities	-	-	-	-	-	-	5	5	3
12 Notional Charges	802	224	-	1,026	-	1,026	1,033	7	638
<b>Total</b>	<b>23,178</b>	<b>30,042</b>	<b>6,569</b>	<b>59,789</b>	<b>(6,022)</b>	<b>53,767</b>	<b>61,108</b>	<b>7,341</b>	<b>57,167</b>
<b>Resource Outturn</b>	<b>125,514</b>	<b>97,775</b>	<b>59,281</b>	<b>282,570</b>	<b>(17,496)</b>	<b>265,074</b>	<b>305,385</b>	<b>40,311</b>	<b>247,249</b>
<i>Reconciliation to Operating Cost Statement</i>									
Income payable to Consolidated Fund (note 8)				-	(25,285)	(25,285)	(22,271)	3,014	(23,585)
Income netted off in gross sub head (note 8)				199,858	(199,858)	-	-	-	-
<b>Gross operating expenditure</b>				<b>482,428</b>					<b>471,233</b>
<b>Operating income</b>					<b>(242,639)</b>				<b>(247,569)</b>
<b>Net operating cost</b>						<b>239,789</b>	<b>283,114</b>	<b>43,325</b>	<b>223,664</b>

# Annual Report and Accounts for the year ended 31 March 2005

## **12 Analysis of net resource outturn by Estimate subhead and reconciliation to Operating Cost Statement (continued)**

In 2004-05, the cost of capital on income receivable from the EU in respect of both the Common Agriculture Policy (“CAP”) and other schemes was reclassified from DEL to Non-Budget. The cost of capital credit on amounts accruing to farmers under the Common Agricultural Policy has been reclassified from DEL to AME. The relevant figures for 2004-05 and 2003-04 are given in the table below:

	2004-05	2003-04
	£'000	£'000
<b>AME:</b>		
RfR A – Cost of Capital credit – CAP	(1,014)	(570)
<b>Non-Budget:</b>		
RfR A – Cost of Capital – CAP	1,014	570
RfR A – Cost of Capital – Other EU	902	873
RfR B – Cost of Capital – Other EU	224	28

The figures shown in the grants column for functions A9 and B7 represent expenditure in relation to CAP. The figures shown in the grants column for functions A11 and B10 represent the recovery of these expenditure amounts from the Rural Payments Agency (RPA). Underspending on CAP will therefore lead automatically to a similar reduction in the amount to be recovered from RPA.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 13 Analysis of capital expenditure, financial investment and associated Accruing Resources

	Capital expenditure	Loans etc.	Accruing Resources	Net total
	£'000	£'000	£'000	£'000
Request for Resources A	15,177	-	(87)	15,090
Excess non-operating accruing resources RfR A	-	-	-	-
Request for Resources B	9,592	-	(2,725)	6,867
Excess non-operating accruing resources RfR B	-	-	-	-
<b>Total 2004-05</b>	<b>24,769</b>	-	<b>(2,812)</b>	<b>21,957</b>
Total 2003-04	18,781	-	(196)	18,585
<b>Fixed Assets additions</b>	<b>£'000</b>			
Tangibles (Note 14)	24,011			
Intangibles (Note 15)	758			
<b>Total</b>	<b>24,769</b>			

Non-Operating Accruing Resources	Outturn	Estimate
	£'000	£'000
RfA	87	2,773
RfB	2,725	3,139
<b>Total</b>	<b>2,812</b>	<b>5,912</b>

Reconciliation of Non-Operating Accruing Resources	£'000
Net Book Value of fixed assets disposals (Notes 14 & 15)	2,562
Net loss on sale of fixed assets (Notes 5 & 6)	(47)
Sale proceeds (Schedule 4)	2,515
Government grants received (Note 24)	297
Excess Non-Operating accruing resources (Note 8)	-
Non-Operating accruing resources (Note 8)	<b>2,812</b>

# Annual Report and Accounts for the year ended 31 March 2005

## 14 Tangible fixed assets

	Land & buildings	Plant, machinery	Transport, equipment	IT	Infrastructure assets	Cultivated assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2004	233,295	20,603	7,214	8,425	308,086	132,358	5,626	715,607
Opening Bal. Adj.	(3,152)	-	-	-	-	-	-	(3,152)
Additions	790	4,118	1,700	2,790	1,873	2,694	10,046	24,011
Donations (Note a)	-	-	-	-	-	-	-	-
Disposals	(124)	(699)	(483)	(1)	-	(2,268)	-	(3,575)
Reclassifications/Transfers	690	-	-	227	643	-	(1,696)	(136)
Revaluations (Note b)	22,288	364	35	393	10,486	(5,168)	145	28,543
Impairments	(79)	(255)	(3)	(597)	-	-	-	(934)
<b>At 31 March 2005</b>	<b>253,708</b>	<b>24,131</b>	<b>8,463</b>	<b>11,237</b>	<b>321,088</b>	<b>127,616</b>	<b>14,121</b>	<b>760,364</b>
<b>Depreciation</b>								
At 1 April 2004	10,160	10,491	3,798	1,945	49,875	-	-	76,269
Opening Bal. Adj.	69	-	-	-	-	-	-	69
Charged in year	2,696	1,982	829	1,761	1,273	-	-	8,541
Disposals	-	(576)	(440)	-	-	-	-	(1,016)
Reclassifications/Transfers	(6)	-	-	-	-	-	-	(6)
Revaluations	(351)	173	21	28	1,691	-	-	1,562
Impairments	(20)	(194)	(2)	(314)	980	-	-	450
<b>At 31 March 2005</b>	<b>12,548</b>	<b>11,876</b>	<b>4,206</b>	<b>3,420</b>	<b>53,819</b>	<b>-</b>	<b>-</b>	<b>85,869</b>
<b>Net book value</b>								
<b>At 31 March 2005</b>	<b>241,160</b>	<b>12,255</b>	<b>4,257</b>	<b>7,817</b>	<b>267,269</b>	<b>127,616</b>	<b>14,121</b>	<b>674,495</b>
<b>Net book value</b>								
<b>At 31 March 2004</b>	<b>223,135</b>	<b>10,112</b>	<b>3,416</b>	<b>6,480</b>	<b>258,211</b>	<b>132,358</b>	<b>5,626</b>	<b>639,338</b>
<b>Asset financing, assets in use:</b>								
Owned Land at Baronscourt (see note 1.4)	240,338	12,255	4,257	7,817	267,269	127,616	14,121	673,673
Finance leased	822	-	-	-	-	-	-	822
PFI contracts	-	-	-	-	-	-	-	-
Net book value								
<b>At 31 March 2005</b>	<b>241,160</b>	<b>12,255</b>	<b>4,257</b>	<b>7,817</b>	<b>267,269</b>	<b>127,616</b>	<b>14,121</b>	<b>674,495</b>

Note a – There were three donated assets additions during the 2004-05 financial year. The assets were revalued to £1,000. This is included in IT revaluations.

Note b – Land and Buildings were valued on 1st April 2000 for both the Core Department and Rivers Agency. Land in the Forest Service agency was valued as at 1st April 2003 and buildings as at 1st April 2004. All these valuations were on the basis of existing use value by an independent surveyor, the Valuation and Lands Agency. A valuation of buildings in the Core Department and Rivers Agency is scheduled for 2005-06. Other tangible assets were revalued on the basis of the latest available indices.

Note c – Land and Buildings includes Heritage Assets.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 15 Intangible fixed assets

The Department's intangible fixed assets comprise forest land rights (shooting and turbary rights), and software licences.

	Forest Land Rights	Software Licences	Totals
Cost or valuation	£'000	£'000	£'000
At 1 April 2004	325	1,699	2,024
Additions	-	758	758
Donations	-	-	-
Disposals	-	(107)	(107)
Revaluations	(139)	98	(41)
Indexation	(35)	-	(35)
<b>At 31 March 2005</b>	<b>151</b>	<b>2,448</b>	<b>2,599</b>
<b>Amortisation</b>			
At 1 April 2004	-	762	762
Charged in year	-	212	212
Disposals	-	(104)	(104)
Revaluations	-	(15)	(15)
<b>At 31 March 2005</b>	<b>-</b>	<b>855</b>	<b>855</b>
<b>Net book value at 31 March 2005</b>	<b>151</b>	<b>1,593</b>	<b>1,744</b>
<b>Net book value at 31 March 2004</b>	<b>325</b>	<b>937</b>	<b>1,262</b>

The full amortisation periods for software licences held by the Department vary from 1 year to 15 years depending on the licence.

### 16 Investments

Ordinary £1 shares of United Dairy Farmers Limited	
	Nominal Value £'000
Balance at 1 April 2004	-
Additions	19
Disposals	-
Balance at 31 March 2005	19

These shares are held by CAFRE who supply milk to United Dairy Farmers Ltd from the campuses at Greenmount and Enniskillen. If CAFRE ceases to supply milk to United in the future, then United will redeem the shares at par. Alternatively shareholders who cease to supply milk to United can opt to convert their ordinary shares to preference shares with no voting rights (preference share dividend calculated on base rate minus 1%).

# Annual Report and Accounts for the year ended 31 March 2005

## 17 Movements in working capital other than cash

The movements in working capital used in the Reconciliation of resources to cash requirement comprise:

	2004-05	2003-04
	£'000	£'000
(Increase)/decrease in stocks/work in progress	176	(165)
Adjust for cost of growing timber sold	-	2,163
Adjust for Investments	(19)	-
(Increase) in debtors	(18,789)	(29,160)
Increase in creditors falling due within one year	28,047	12,854
(Increase) in working capital related to the acquisition of tangible fixed assets	(252)	(771)
<b>Net (increase) in working capital other than cash (Schedule 4)</b>	<b>9,163</b>	<b>(15,079)</b>
Movement in non-supply debtors (see note 19)	(3,754)	17,915
Movement in trade debtors	14	-
Adjust for movement in working capital related to the acquisition of tangible fixed assets	252	771
<b>Changes in working capital other than cash (Schedule 1)</b>	<b>5,675</b>	<b>3,607</b>

## 18 Stocks and work in progress

	2004-05	2003-04
	£'000	£'000
Stocks	2,428	2,604
Work in progress	-	-
<b>Totals</b>	<b>2,428</b>	<b>2,604</b>

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 19 Debtors

	2004-05	2003-04
<b>Amounts falling due within one year:</b>	£'000	£'000
VAT	2,804	4,317
Trade debtors	4,729	3,602
Other debtors	10,922	7,963
Prepayments & accrued income	1,753	1,779
Amounts Due from RPA in relation to the Common Agricultural Policy	39,235	19,219
EU grants receivable (excluding the Common Agricultural Policy)	<u>30,938</u>	<u>34,692</u>
	<b>90,381</b>	<b>71,572</b>
Amounts due from the Consolidated Fund in respect of supply (see note 20)	<u>21,963</u>	<u>30,160</u>
Total due within one year	<u><u>112,344</u></u>	<u><u>101,732</u></u>
 <b>Amounts falling due after more than one year:</b>		
Prepayments	360	380
Total due after more than one year	<u>360</u>	<u>380</u>

\* Note – In both 2004-05 and 2003-04 all of the EU grants receivable are to be surrendered to the Consolidated Fund once the debts have been collected. In addition, £14,441.19 of trade debtors (2003-04 £nil) require surrender on receipt. No other debt requires surrender.

# Annual Report and Accounts for the year ended 31 March 2005

## 20 Cash at bank and in hand

	2004-05			2003-04		
	Cash & bank balances	Bank overdraft	Net	Cash & bank balances	Bank overdraft	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	112	(27,598)	(27,486)	112	(14,365)	(14,253)
Net change in cash balances	46	7,897	7,943	-	(13,233)	(13,233)
Balance at 31 March	158	(19,701)	(19,543)	112	(27,598)	(27,486)
The above balances consist of balances at commercial banks or cash in hand.						
The balance at 31 March comprises:						
Cash due from the Consolidated Fund, not received but spent at year end			(21,963)			(30,160)
Cash due to be paid to the Consolidated Fund, extra receipts received and not yet paid			2,420			2,674
Totals			(19,543)			(27,486)

## 21 Creditors

	2004-05		2003-04	
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Bank overdraft* (see note 20)	<b>19,701</b>		<b>27,598</b>	
Taxation and Social Security	270		290	
Trade creditors	4,316		4,378	
Other creditors	19,022		13,879	
Accruals and Deferred income	8,542		9,274	
EU Grant Creditors - Common Agriculture Policy	39,235		19,219	
EU Grant Creditors - Other	8,420		4,718	
	<b>79,805</b>		<b>51,758</b>	
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
EU – Received	123		453	
EU – Receivable	30,938		34,692	
Other – Received	2,297		2,221	
Other – Receivable	14		-	
	<b>33,372</b>		<b>37,366</b>	
Totals	<b>132,878</b>		<b>116,722</b>	
<b>Amounts falling due after more than one year</b>				

\*The figure stated is net of uncashed payable orders at 31 March.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 22 Provisions for liabilities and charges

	Early departure costs	Legal costs	Bonuses	Totals
	£'000	£'000	£'000	£'000
Balance at 1 April 2004	296	4,319	17	4,632
Provided in the year	-	1,017	-	1,017
Provisions not required written back	(41)	(817)	(5)	(863)
Provisions utilised in the year	(70)	(323)	(12)	(405)
Unwinding of discount	-	-	-	-
<b>Balance at 31 March 2005</b>	<b>185</b>	<b>4,196</b>	<b>-</b>	<b>4,381</b>
Provisions charges in year to Operating Cost Statement comprise:				
Staff costs provisions written back	(41)	-	(5)	(46)
Administration provisions charges	-	62	-	62
Programme provisions charges	-	62	-	62
RfR A	-	76	-	76
Programme provisions charges	-	200	(5)	154
RfR B	(41)			

**Early departure costs** – The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments.

**Legal costs** – Legal claims under £300,000 are assessed together and a provision of 50% of the likely maximum claim value is made. This percentage is reviewed on an ongoing basis to ensure it continues to represent a reasonable estimate of the expenditure of the Department on such claims. Claims greater than or equal to £300,000 are assessed on a case-by-case basis, and provided for or disclosed as a contingent liability as applicable.

**Bonuses** – In previous years a provision was made for special bonuses for staff. This year bonuses approved on or before the 31 March and unpaid at the 31 March have been included in accruals rather than provisions.

# Annual Report and Accounts for the year ended 31 March 2005

## 23 Reconciliation of net operating cost to changes in general fund

	2004-05		2003-04	
	£'000	£'000	£'000	£'000
Net operating cost for the year (Schedule 2)	239,789		223,664	
Operating income not classified as accruing resources payable to the Consolidated Fund	<u>25,285</u>	265,074	<u>23,585</u>	247,249
Parliamentary funding				
Drawn Down*	(220,300)		(194,100)	
Deemed Supply	<u>-</u>	(220,300)	<u>-</u>	(194,100)
Repayment of supply in respect of additional funding from the Strategic Investment Programme**		-		22
Transferred to General Fund of realised element of revaluation reserve (Note 24)	(403)		(937)	
Consolidated Fund debtor for cash undrawn	(21,963)		(30,159)	
Transfer of Assets to Waterways Ireland	130		11	
Non-cash charges:				
Notional Costs	(6,042)		(5,405)	
Cost of capital***	(23,029)		(22,080)	
RRI Loan Interest*	(74)		-	
Transfer of Heritage Asset elements to Revaluation Reserve	<u>419</u>		<u>-</u>	
<b>Net increase in general fund</b>		(50,962)		(58,570)
General fund at 1 April	<u>(6,188)</u>		<u>(5,399)</u>	
<b>General fund at 31 March</b>	<u>(410,817)</u>		<u>(405,418)</u>	
<b>(Schedule 3)</b>	<b>(417,005)</b>		<b>(410,817)</b>	

\* Under the Reinvestment and Reform Initiative (RRI), loans were made available to the Northern Ireland Block. These loans were paid to Departments as increased supply via the NI Consolidated Fund. In order to make interest repayments on these loans the NI Consolidated Fund must annually retain an amount of supply that would otherwise be issued to Departments. For 2004-05 a further cash amount of £49,407.79 (2003-04: nil) was due to the Department but was not actually issued in order to pay for the interest on loans made applicable to this Department. This interest charge has been included in the net cash requirement of the Department. The amount of £74,302.67 included in the operating cost statement and net resource outturn is the amount of interest applicable to the 2004-05 financial year calculated on an accruals basis.

\*\* In 2003-04 an amount of £22,258 was repaid to the NI Consolidated Fund in respect of additional funding which had been made available through the Strategic Investment Programme.

\*\*\* This includes cost of capital included in Note 12 under column 2 in the "notional charges" functions in both RfR A and RfR B

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 24 Reserves

	2004-05	2003-04
	Revaluation reserve £'000	Revaluation reserve £'000
Balance at 1 April	(213,124)	(194,525)
Opening balance adjustment	3,221	(506)
Arising on revaluation during the year (Notes 14 & 15)	(26,955)	(19,034)
Transferred to General Fund in respect of realised element of revaluation reserve	403	937
Transferred to donated asset reserve	3	4
Transfer to Government Grant Reserve	5	-
Transfer of Heritage Asset elements	(419)	-
<b>Balance at 31 March</b>	<b>(236,866)</b>	<b>(213,124)</b>

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

	2004-05	2003-04
	Donated Asset reserve £'000	Donated Asset reserve £'000
Balance at 1 April	(133)	(135)
Additions during the year	-	-
Release to the Operating Cost Statement	6	6
Transferred from revaluation reserve	(3)	(4)
<b>Balance at 31 March</b>	<b>(130)</b>	<b>(133)</b>

The donated asset reserve reflects the net book value of assets donated to the Department.

	2004-05	2003-04
	Government grant reserve £'000	Government grant reserve £'000
Balance at 1 April	-	-
Additions during the year	(297)	-
Release to the Operating Cost Statement (Note 6)	14	-
Transferred from revaluation reserve	(5)	-
<b>Balance at 31 March</b>	<b>(288)</b>	<b>-</b>

The government grant reserve reflects the net book value of assets purchased with government grants.

# Annual Report and Accounts for the year ended 31 March 2005

## 25 Notes to Schedule 5

### a Distribution of costs in Schedule 5

Whenever possible income and expenditure have been allocated directly against objectives. Central administration costs have been attributed to objectives in accordance with the Department's normal management accounting practices.

### b Capital Employed

Wherever possible, capital employed has been allocated to the specific objective to which it relates. Capital employed in delivering central services has been distributed in accordance with the Department's normal management accounting practices. The central bank account and similar balances have been distributed in proportion to estimated expenditure as shown in note 12.

	2004-05	2003-04
Capital employed by Departmental Aim and Objectives	Capital employed	Capital employed
	£'000	£'000
At 31 March		
Objective 1	121,287	110,816
Objective 2	533,002	513,258
Total capital employed	<b>654,289</b>	<b>624,074</b>

## 26 Capital Commitments

	2004-05	2003-04
	£'000	£'000
Contracted capital commitments at 31 March 2005 for which no provision has been made.	<b>2,681</b>	<b>8,139</b>

## 27 Commitments under leases

### Operating leases

Annual amounts payable under non-cancellable operating leases are given in the table below, analysed according to the period in which the lease expires.

Obligations under operating leases at 31 March comprise:	2004-05	2003-04
	£'000	£'000
Land & buildings		
Expiry within one year	39	36
Expiry after one year but not more than five years	62	43
Expiry thereafter	21	27
	<b>122</b>	<b>106</b>
Other		
Expiry within one year	35	111
Expiry after one year but not more than five years	53	28
Expiry thereafter	-	-
	<b>88</b>	<b>139</b>

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 28 Commitments under PFI contracts

The Department has no PFI contracts and therefore no commitments.

### 29 Other financial commitments

A number of grants/schemes are operated by the Department whereby the Department undertakes through a letter of offer or similar binding document to give financial assistance to farmers and others who meet appropriate criteria. A commitment is deemed to arise for the balance of the total possible payment unpaid, unclaimed and not yet due to be claimed by 31 March 2005.

Other financial commitments at 31 March 2005:	
	£'000
<b>EU Grants/Schemes*</b>	
Environmentally Sensitive Areas (ESA's)	5,233
New Environmentally Sensitive Areas (NESAs)	10,611
Countryside Management Scheme (CMS)	62,419
Building Sustainable Prosperity (BSP) - Rural Development Council	10,029
Building Sustainable Prosperity (BSP) - Fisheries	6,218
Building Sustainable Prosperity (BSP) - Other	4,963
Leader+	14,000
PEACE II - Natural Resource Rural Tourism Initiative (NRRTI)	1,298
PEACE II - Other	15,513
Interreg IIIA - Rural Development	1,004
Interreg IIIA - Fisheries	1,763
Habitat Improvement Scheme	19
Forestry	11,000
<b>Total EU Grants/Schemes</b>	<b>144,070</b>
<b>National Grants/Schemes</b>	<b>1,395</b>
<b>Other financial commitments</b>	<b>560</b>
<b>Student Awards</b>	<b>942</b>
<b>GRAND TOTAL</b>	<b>146,967</b>

\*The EU Grants/Schemes commitment includes both the EU and the Departmental share. The EU and Departmental shares vary from scheme to scheme. The split of the total commitment of £144m is EU £105.6m (73%) and DARD £38.5m (27%).

# Annual Report and Accounts for the year ended 31 March 2005

## **30 Contingent liabilities disclosed under FRS 12**

### **Legal Cases**

At 31 March 2005 there were two legal cases against the Department for which the Department has denied liability. If these two cases were to be successfully pursued by the claimants in a Court it is estimated that the cost to the Department would be circa £20k. Provisions have been made for all other legal claims and are shown in note 22.

It is possible that a claim may be brought against the Department in respect of legislation implemented by the Department. If such a claim was successfully pursued by the claimant, it is estimated that the cost to the Department would be circa £315k.

In addition the Department may have to refund fees received in respect of a scheme amounting to circa £37k.

## **31 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability**

There were no contingent liabilities reported to Parliament which are not covered by provisions (note 22) or note 30 above.

## **32 Losses and special payments**

Losses statement	
	£'000
Total of 269 cases	206

These cases include abandoned claims, constructive losses, other losses, malicious damage, theft, cash losses, accidental damage, fruitless payments, forest fires, and unvouched or incompletely vouched expenditure. No individual case exceeded £100,000.

Special payments	
	£'000
Total of 178 cases	226

These cases include Ex Gratia payments, compensation payments, and Extra Statutory payments. No individual case exceeded £100,000.

# **Annual Report and Accounts for the year ended 31 March 2005**

## **NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)**

### **33 Related-party transactions**

The Department of Agriculture and Rural Development is the parent Department of the Forest Service agency and the Rivers Agency and sponsors the Agricultural Research Institute for NI (ARINI), Agricultural Wages Board (AWB) for NI, Livestock and Meat Commission (LMC) for NI, NI Fishery Harbour Authority (NIFHA), Loughs Agency of the Foyle, Carlingford and Irish Lights Commission and Pig Production Development Committee (PPDC). These bodies are regarded as related parties with which the Department has had various transactions during the year.

The Department receives EU funding through the Department for Environment Food and Rural Affairs (DEFRA) and the Rural Payments Agency, an agency of DEFRA, both of which are UK government bodies.

In addition, the Department has had a number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments and their executive agencies.

In terms of related party interests of the Department's officials, in the interests of transparency and in common with 2003-04 the Department has widened the interpretation of declarable related party interest to include:

- Any interests in DARD other than through the normal relationship of employee/employer, for example receipt of grants/subsidies for family farms;
- Any interest in any body with which DARD has dealings including membership of Boards of those bodies even when such membership is part of the officer's job;
- Any such interest held by a close family member.

The members of staff asked to declare any such interest include top managerial officials as well as the Departmental Board. The following interests were declared:

Some officers by virtue of their employment are members of one or more of the following bodies:

- Agricultural Research Institute of Northern Ireland (ARINI)
- Board of Farm Quality Assurance
- Gangmaster Licencing Authority
- Livestock and Meat Commission (LMC)
- NI-CO (trading name of Northern Ireland Public Sector Enterprises Limited)
- North of Ireland Veterinary Association
- Royal Agricultural Society (RUAS)
- Rural Payments Agency (RPA)

Four officers have an interest in small parcels of agricultural land that may be eligible for grant aid from DARD.

The son of one official works for one of DARD's ICT suppliers. He is not involved with DARD related business.

# **Annual Report and Accounts for the year ended 31 March 2005**

The brother of one official is a member of the Board of Coillte Teoranta, with which body the Forest Service agency has very occasional dealings. The official will be excluded from involvement in any such dealings.

The wife of one official is a partner in a firm of solicitors who occasionally act on behalf of farmers who have dealings with the Department. The official has no knowledge of these cases.

All the above interests are regarded as immaterial.

## **34 Financial Instruments**

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

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

### **Liquidity risk**

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

### **Interest rate risk**

100 percent of the Department's financial assets and 99 percent of its financial liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

### **Foreign Currency Risk**

The Department's exposure to foreign currency risk is negligible.

### **Fair values**

The book values and fair values of the Department's financial assets and liabilities at March 2005 are not considered materially different.

# Annual Report and Accounts for the year ended 31 March 2005

## NOTES TO THE DEPARTMENTAL ACCOUNTS (continued)

### 35 Third party assets

The Department held third-party assets at 31 March including bank accounts, Consolidated Fund investments, shares in the Northern Ireland Central Investment Fund for Charities, and Government Stocks. Balances are invested in the Consolidated Fund on a temporary basis to earn interest. The balances at 31 March are shown in the following tables: -

Northern Ireland Central Investment Fund for Charities		Market Value at 31/03/05	Market Value at 31/03/04
Description	No. of Shares	£	£
DARD Moore Memorial Fund	96	838.56	756.99
DARD Thompson Memorial Account	990	8,647.65	7,806.45
DARD Thompson Bequest Account	11,763	102,749.81	92,754.78
Vaughan Charity	181,395	1,584,485.33	1,422,699.12
Vaughan Charity – Fermanagh Pig Project	1,099	9,599.77	8,619.57
DARD Drainage Trusts	3,008	26,274.88	23,718.98
Totals	198,351	1,732,596.00	1,556,355.89

Government Stocks			
Description	Nominal Value £	Market Value at 31/03/05	Market Value at 31/03/04
<b>DARD Drainage Trusts:</b>			
2.5% Treasury Stock	119	63	63
8.5% Treasury Stock	1,160	1,256	1,298
Totals	1,279	1,319	1,361

# Annual Report and Accounts for the year ended 31 March 2005

## 35 Third party assets (continued)

Third-party account balances At 31 March	Bank Accounts		Consolidated Fund	
	2005	2004	2005	2004
	£	£	£	£
DARD Pig Production Development	26,712.44	34,741.47		
DARD Horse Racing Fund Account	4,526.76	1,185.58	256,242.00	246,842.00
Enniskillen College of Agriculture (ECA)				
Sport and Tuck Shop	899.77	935.10		
ECA Racing Club	0.00	3,051.47		
ECA Equine and Business	1,880.00	1,980.00		
ECA Show Jumping Club	3,467.07	4,851.70		
ECA Travel Fund	8,318.15	16,826.76		
ECA Machinery Account	0.00	0.00		
ECA – Flo Milling Award	3,753.08	3,650.79		
ECA Vaughan Charity – current account	7,846.86	11,866.43		
ECA Vaughan Charity – deposit account	45,075.12	28,297.01		
Greenmount College Floristry Club (from 24/07/03)	1,662.66	866.25		
Greenmount College Sports Fund	5,664.98	4,180.65		
Greenmount College Sports and Recreation Club	6,360.26	6,628.36		
GCR Enterprise Management*	690.49	1,156.45		
Greenmount Travel – Current*	16,689.14	11,307.39		
Greenmount Travel – Business Reserve*	3,234.11	8,181.03		
Greenmount Travel – One Month Business*	18,632.89	46,133.79		
Greenmount – Projects*	4,282.53	0.00		
Greenmount – Projects – Reserve*	0.00	4,248.97		
Greenmount – Cream Advisory *	21,830.19	21,212.30		
Loughry Coffee Bar account*	1,516.27	1,206.19		
Loughry Student Development Account	5,614.02	4,848.37		
Loughry Student Affiliation Account	4,823.27	5,138.50		
Drainage Trust Investment Accounts	51,415.14	48,706.31		
DARD Agricultural Loans Fund	7.14	26.32	6,650.00	4,775.00
DARD Land Purchase Annuities	897.91	879.35		
DARD Moore Memorial Fund	70.58	193.51	1,100.00	900.00
DARD Thompson Memorial Account	87.16	755.15	7,070.00	5,770.00
DARD Thompson Bequest Account	83.20	3,060.87	9,800.00	9,200.00
<b>Totals</b>	<b>246,041.19</b>	<b>276,116.07</b>	<b>280,862.00</b>	<b>267,487.00</b>

\*These accounts, which had a total of £93,446.12 at 31 March 2004, were omitted in error from the 2003-04 resource accounts.

In addition, the Department grant aided a company that went into liquidation. As a result the Department is effectively in control of the assets of the company. It is anticipated that the assets will be sold in the near future.

# Annual Report and Accounts for the year ended 31 March 2005

## 36 Entities within the departmental boundary

The entities within the boundary during 2004-05 were On-Vote agencies as follows:

- Forest Service agency
- Rivers Agency

The annual reports and accounts of Forest Service agency and Rivers Agency are published separately.

## 37 Intra-Government Balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	65,863	-	35,191	-
Balances with local authorities	6	360	119	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	46,475	-	97,568	-
<b>At 31 March 2005</b>	<b>112,344</b>	<b>360</b>	<b>132,878</b>	-
Balances with other central government bodies	53,999	-	39,023	-
Balances with local authorities	4	380	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	47,729	-	77,699	-
<b>At 31 March 2004</b>	<b>101,732</b>	<b>380</b>	<b>116,722</b>	-

# **Annual Report and Accounts for the year ended 31 March 2005**

## **Report of the Comptroller and Auditor General**

### **Department of Agriculture and Rural Development Resource Accounts 2004-05**

#### **Failure of Processing and Marketing grant applicants to follow procurement rules**

##### **Purpose of the Report**

1. The Department of Agriculture and Rural Development (the Department) administers Processing and Marketing grants which are partially funded by the European Union (EU). One of the conditions for the award of these grants is that procurement procedures such as obtaining quotations or tendering are carried out by applicants for all eligible expenditure. I noted that in a substantial number of cases there was insufficient evidence available to prove that the required procurement procedures had been adhered to in relation to these grants. I estimate that up to £3.3million of grant funding was given in which there was insufficient evidence of compliance with the required procurement procedures. The Department has re-examined these grants and is generally content that adequate procurement procedures were followed although they would concede that these procedures were not properly documented.

##### **Background**

2. Processing and Marketing grants aim to improve the economic performance and international competitiveness of the food processing sector through the application of appropriate technology together with sound manufacturing and environment management practice. The Department's 2004-05 resource accounts include a charge of £4.7 million for such grants.

##### **Examples of non-compliance**

3. My testing of the grants made under the Processing and Marketing scheme identified numerous instances in which there was insufficient evidence of proper procurement procedures having been carried out. By way of illustration I outline two examples of apparent poor procurement practice below:
  - I noted that a grant claim was submitted to the Department for a generator costing £10,000 and a forklift costing £14,500. In each of these cases, at the time of my audit, the Department held no evidence that quotations had been obtained despite the fact that the terms of the letter of offer required that 4 written quotations should be obtained. Grants totalling £3,500 for the generator and £5,075 for the forklift were paid.

# **Annual Report and Accounts for the year ended 31 March 2005**

- In another case internal wiring costing £23,058 was claimed for and £7,423 in grants paid, and again, at the time of my audit, there was no evidence that the required procurement procedures had been followed. In this case no quotations were available for my review nor had the work been tendered for, despite the fact that the terms of the letter of offer stated that open tendering by public advertisement should have been carried out given the value of the work.
4. In a number of other cases, grant applicants justified the fact that they had not carried out procurement procedures on the basis that the work being done was of a 'specialist' nature and could only be carried out by one supplier. However in each of the cases I looked at there was no evidence available to me to prove that this was in fact the case. Furthermore, my audit indicated that for many of the 'specialist' items being claimed for, such as the provision of chill room facilities, storage bins and building works, there would appear to be several suppliers available who could have been approached for quotes/tenders. The letters of offer under which the grants were made do not make any provision for the possibility of not obtaining quotes/tendering where work is of a specialist nature.
5. As a result of my findings, the Department re-examined the circumstances of the grant payments and is generally content that adequate procurement procedures were followed although they would concede that these procedures were not properly documented. Also in a number of these cases the Department would point out that where quotes/tenders were not obtained there were good commercial reasons why this was the case although again these were not documented at the time the grant was approved.

## **Lessons to be learned**

6. Procurement procedures such as quotations and tendering are an important control in the prevention of fraud and ensuring value for money and are a clearly stated condition for the payment of grant. There is a lack of evidence available to prove that the procurement procedures set out by the Department in their letter of offer to grant applicants have been followed in a significant number of cases.
7. Key lessons arising from my examination of these grant payments are:
- The importance of proper procurement procedures should be stressed to grant applicants at the time a letter of offer is made. It should be made clear that where these procedures have not been followed grants may be withheld or reclaimed by the Department;
  - Provision should be made in the letter of offer to grant applicants for the unusual situation where normal procurement procedures cannot be carried out, for example where there is only one possible supplier. Where this is the case the letter of offer should require the applicant to provide full justification before any purchase is made.

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- The Department should perform a challenge function and apply appropriate checks in its reviews of grant claims, particularly where the required procurement procedures have not been carried out. Written evidence should be retained to record the results of this challenge. Where there is no satisfactory explanation for a lack of quotations or tendering then the grant should be withheld or, if already paid, reclaimed by the Department.
8. I asked the Department what it intended to do in future to ensure expenditure claimed is properly incurred. The Department told me that it accepted that the scheme should have been clearer in its requirements regarding tendering and any exceptions to tendering. It also fully accepted that the documentation retained to support its decisions was in some cases inadequate to demonstrate that the conditions in the letter of offer had been fully met. This also gave the impression that the Department was not rigorously pursuing its challenge function. It stressed, however, that it had re-examined many of the cases involved and satisfied itself that sufficient evidence existed and the payment of grant was justified.
9. In terms of future actions, the Department said that it was revising the scheme to explicitly recognise the exceptional circumstances in which tenders may not be required, and setting out the evidence which must be retained on file to support the approval of such cases. It would also be requiring all beneficiaries to produce tender documentation for a selected sample of 5% of expenditure items included in each claim. Importantly in future, immediately after issuing a letter of offer to applicants, a visit will take place to underscore the need to adhere to the scheme conditions (including those for tendering) and emphasising the penalties for non-compliance in terms of non-payment or procedures for recovery. Finally, all staff involved in grants payments are being reminded of the need for effective challenge and for the maintenance of proper records to support decisions made.

## **Conclusion**

10. I am concerned by the lack of evidence which was available to prove that proper procurement procedures were followed for a substantial amount of grants paid in the year. It is important that the Department follow up on its commitment to ensure that it performs an effective challenge function to grant applicants together with appropriate checks of grant claims. In addition adequate evidence must be retained to prove that the sufficient challenge has taken place and that procurement rules have been followed.



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**Comptroller and Auditor General**

**31 October 2005**

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