

**Department for Regional 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 and Personnel under section 10(4)  
of the Government Resources and Accounts Act(Northern Ireland) 2001*

*15 November 2005*

*Ordered by the House of Commons to be printed  
15 November 2005*

**HC 493**

**LONDON: The Stationery Office**

**£13.50**

**NIA 244/03**



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# DEPARTMENT FOR REGIONAL DEVELOPMENT

## Resource Account for the year ended 31 March 2005

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## **ANNUAL REPORT**

The Department for Regional Development presents its Annual Report and Accounts for the year ended 31 March 2005.

### **SCOPE**

The Department for Regional Development is one of 11 Northern Ireland Departments created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999.

### **Departmental Boundary**

The Consolidated Resource Accounts for the Department have been prepared in accordance with the provisions of the Northern Ireland Resource Accounting Manual (NIRAM).

The Department comprises two Core Groups and two Executive Agencies. The Core Groups - Resources and Management Services, and Strategic Planning and Transport - are managed by Deputy Secretaries. The two Executive Agencies - Water Service and Roads Service - are each managed by a Chief Executive.

### **Functions of the Department**

The functions of the Department's Groups and Agencies are set out below:

#### **Core Groups**

##### *Resources and Management Services:*

Responsible for personnel, finance, corporate and business planning, water reform policy, central policy and management, internal audit and central claims.

##### *Strategic Planning and Transport:*

Responsible for regional development and transport planning, transportation strategies and policies.

## **Executive Agencies**

### *Water Service:*

Responsible for the supply and distribution of drinking water and the provision of sewerage services to over 780,000 domestic, agricultural, commercial and business customers throughout Northern Ireland.

### *Roads Service:*

Responsible for ensuring that measures are taken to implement the roads aspects of the Regional Transportation Strategy for Northern Ireland 2002-2012 through leading the preparation of Transport Plans and ensuring that the public road network is managed, maintained and developed. Roads Service is responsible for approximately 24,900 kilometres of public roads, 9,000 kilometres of footways, 5,800 bridges, 254,000 street lights and 370 public car parks.

## **Entities Outside the Departmental Boundary**

The following bodies are outside the Departmental Resource Accounting Boundary:

### *Northern Ireland Transport Holding Company (NITHC):*

NITHC is a Public Corporation sponsored by the Department and is the parent company of the publicly owned rail and bus companies in Northern Ireland (Northern Ireland Railways, Metro [formerly Citybus] and Ulsterbus, all operating as Translink). The NITHC terms of reference are to control and manage public transport within Northern Ireland.

### *Northern Ireland Trust Ports:*

The Department appoints the Harbour Commissioners to the Boards of the three main trust ports: Belfast, Londonderry and Warrenpoint. The Commissioners are appointed following a public competition and serve for a defined period. The Department also appoints the Donaghadee Harbour Commissioners. The Board of Coleraine Port is appointed by the local Council.

## **Departmental Reporting Cycle**

The Department's Corporate and Business Plan is approved annually by the Minister and progress against Public Service Agreement (PSA) and Business Plan targets contained in the plan are reported to the Departmental Board and Minister on a quarterly basis.

The PSA sets out the Department's overall aim, its objectives, associated budget allocation and key targets. They seek to link funding to achievement of agreed outputs and outcomes in a way that ensures a strong focus on improving services.

The PSA is supported by the Business Plan targets, these set out in greater detail the actions the Department needs to take to ensure delivery of its PSA targets and associated performance targets. They also include a strong focus on improving customer service and securing value for money.

The Department also produces a Main Estimate each year which sets out its detailed spending plans that underpin the resource and cash provision sought by the Department. A Supplementary Estimate is also produced to seek authority for additional resources and / or cash to that sought in the Main Estimate for that financial year. While the Northern Ireland Assembly remains suspended, the approval of Parliament is required for expenditure on devolved services. The Estimate is structured on an objective and function basis. The DRD Estimate is subdivided into 2 Requests for Resources (RFRs), each of which equates to a Departmental objective. Schedule 1 to the Resource Accounts provides a Summary of Resource Outturn for the financial year and compares outturn with Estimate.

## **Financial Instruments**

In accordance with Financial Reporting Standard 13, "Derivatives and Other Financial Instruments", details of the impact of financial instruments on the Department's risk profile are disclosed at Note 32 to the Financial Statements.



## **OPERATING AND FINANCIAL REVIEW**

This Operating and Financial Review (OFR) aims to provide a retrospective and prospective analysis of the Department's business 'through the eyes of management'.

It provides the context for operating and financial performance during the reporting period. It also identifies those trends and factors that are relevant to an assessment of future performance and the achievement of long-term business objectives.

### **Departmental Aim**

The Department's Aim is:

“To improve the quality of life for everyone in Northern Ireland by maintaining and enhancing a range of essential infrastructure services and by shaping the region's long-term strategic development.”

### **Objectives**

In support of the Department's Aim and to ensure consistency with the Secretary of State's Priorities and Plans for 2004-2006 and the Budget process, the Department has two strategic objectives. These align with the Public Service Agreement and form its Requests for Resources. They are:

- A. To maintain and develop transportation networks, airports and harbour services, shape the long-term development of the region and providing other services to the public and other Departments; and
- B. To contribute to the health and well being of the community and the protection of the environment through the provision and development of cost-effective water and sewerage services.

The costs incurred against each objective are set out in Schedule 5 of the Accounts.

## **Operating Review**

The Secretary of State's Priorities and Budget 2004-2006 published in December 2003 set out the policy context, the budgetary allocations and the key commitments being made by Government for those areas that during the period of suspension fall within the remit of the Secretary of State. That document built on the work programme proposed by the Northern Ireland Executive in the draft Programme for Government (PfG) and 'Building on Progress: The Secretary of State's Priorities and Plans for 2003-2006'. It also sets out in detail the policy and spending priorities for the 2004-05 financial year.

The Department's Business Plan 2004-05 and its Public Service Agreement (PSA) set out in detail how the Department's aim and objectives related to the Secretary of State's Priorities and Plans for 2004-2006.

The Business Plan Targets (BPT) for 2004-05 indicated how the Department proposed to achieve its PSA targets by detailing the services to be delivered with the associated performance targets for these activities and budgets. The Department's performance against targets in the BPT is set out in full on the Department's website at [www.drdni.gov.uk](http://www.drdni.gov.uk).

Details of the resources allocated to the Department's strategic objectives and the expenditure against each objective is contained in Schedule 1 of the Accounts.

A summary progress report in respect of the Department's two strategic objectives and associated targets is set out below. The Priorities and Plans 2004-2006 is published on the website of the Office of the First Minister and Deputy First Minister at [www.pfgbudgetni.gov.uk/pab04.pdf](http://www.pfgbudgetni.gov.uk/pab04.pdf)

## Summary of Performance Against PSA Targets

### Objective A

*To maintain and develop transportation networks, airport and harbour services, shape the long-term development of the region and provide other services to the public and other Departments.*

The targets under this objective fell to the Roads Service and the Core Divisions within the Department - there were **9** PSA targets and **51** related Business Plan targets. **3** PSA targets were achieved, **1** was substantially achieved and **5** are on track for achievement.

The **3** PSA targets achieved were:

- Maintain the motorway network so that 85% is in satisfactory structural condition;
- By end-March 2005, increase the length (percentage) of 'other' roads receiving resurfacing treatment to 55% of that recommended in National Best Practice Guidelines; and
- Maintain annual Translink passenger numbers at over 70 million in the face of recent downward trends.

The **1** PSA target substantially achieved was:

- By end-March 2005, increase the length (percentage) of the trunk road network in satisfactory structural condition to 75%. (Outturn for 2004-05 was 73%. Elements of this part of the network have deteriorated much faster than initially estimated.)

The **5** PSA targets on track for achievement were:

- To implement and monitor the Regional Development Strategy (RDS) achieving more sustainable patterns of development, in particular, 60% additional urban growth within existing urban areas of cities and towns of over 5,000 population should be provided for the period up to the review of the RDS in 2010;
- By end-March 2014 reduce journey times on the inter-urban sections of the Key Transport Corridors by 2.5% compared to 2001;
- Trajectory target - By end-March 2007 reduce journey times on the inter-urban sections of the Key Transport Corridors by 1.5% compared to 2001;
- Reduce, by 2012, road deaths and serious injury by 33% from the 1996-2000 Northern Ireland average of 1750 per annum;\* and

- Reduce, by 2012, the number of children killed or seriously injured by 50% from the 1996-2000 Northern Ireland average of 250 per annum.\*

\* Joint targets with the Department of the Environment and the Police Service for Northern Ireland

## Objective B

*To contribute to the health and well being of the community and the protection of the environment through the provision and development of cost-effective water and sewerage services:*

The targets under this objective fell to the Water Service and the Water Reform Unit. There were **3** PSA targets and **18** related Business Plan targets. All **3** PSA targets are on track for achievement.

The **3** PSA targets for 2004-05 were:

- To increase compliance with the drinking water standards set in the Water Supply (Water Quality) Regulations (NI) 2002 to 99% by December 2006.

This target is reported on a calendar year basis and is on track for achievement. At the end of December 2004 a year-end outturn of 99.64% was achieved.

- To increase compliance with Waste Water Treatment Works Discharge Standards set by the Environment and Heritage Service to 80% by December 2005.

This target is reported on a calendar year basis and is on track for achievement. At the end of December 2004 a year-end outturn of 79.6% was achieved.

- To implement a programme of reform of the delivery of water and sewerage services in Northern Ireland which will secure full self financing arrangements for these services by the end of the decade and provide a sustainable and long term funding arrangement to meet future investment needs.

The various strands of the work on the policy development and preparation of legislation, which will enable successful delivery of the target, are ongoing and the overall target is on track for achievement.

## Summary of Performance Against Business Plan Targets

Progress on the **69** Business Plan targets as at 31 March 2005 can be summarised as follows:

- 45 Business Plan targets have been achieved;
- 8 Business Plan targets have been substantially achieved;
- 12 Business Plan targets are likely to be achieved but with some delay;
- 1 Business Plan target is on track for achievement;
- 2 Business Plan targets are not likely to be achieved; and
- 1 Business Plan target has not been achieved.

The Water Service target to achieve compliance for 60% of the population equivalent (for waste water treatment works serving greater than 250 population equivalent) was not achieved as the final outturn was 56.5%

The Business Plan targets also included **16** targets relating to the Department's three Reform Plans:

- The Reform of Water and Sewerage Services in Northern Ireland;
- A New Start for Public Transport – reform of the future governance, planning and delivery of public transport; and
- Construction Procurement.

Progress on these targets as at 31 March 2005 can be summarised as follows:

- **6** Business Plan targets have been achieved;
- **8** Business Plan targets are likely to be achieved but with some delay; and
- **2** Business Plan targets are on track for achievement.

## Key Outcomes

In addition to the achievement of the Priorities and Budget and PSA / Business Plan targets, the Department can also report delivery of the following key outcomes:

### *Roads Service:*

- The Agency continued to progress the work necessary to deliver the Regional Transportation Strategy for Northern Ireland. The Belfast Metropolitan Transport Plan (BMTP) covering all modes of transport within the district council areas of Belfast, Castlereagh, Carrickfergus, Lisburn, North Down and Newtownabbey was launched on 30 November 2004. The Regional Strategic Transport Network Transport Plan (RSTNTP) setting out proposals for the maintenance, management and development of Northern Ireland's strategic transport network, comprising the complete rail network, five key transport corridors, four link corridors and the remainder of the trunk road network was launched on 22 March 2005.
- We continued to give the highest priority to maintaining the fabric of our roads. In 2004-05, we invested almost £74 million on structural maintenance. The investment allowed a significant programme of maintenance on both the Regional Strategic Transport Network and local roads with the resurfacing of over 1,000 lane kilometres for the second year running, while meeting the targets for the repair of road defects.
- During the year, Roads Service incurred capital expenditure of £125 million. Schemes commenced in the 2004-05 year included the A5 Omagh Through-pass stage 3, the A1 underpass at Hillsborough Road junction, Dromore and the A1 Newry to Dundalk Link Road (NI section). Major schemes brought to completion during the year included the A8 Belfast to Larne Road dual carriageway from Doagh Road to Colemans Corner, motorway widening on the M1 Blacks Road to Stockman's Lane, the improvement scheme on the A4 Dungannon to Ballygawley Road at Eglis Road Junction, Dungannon and the strengthening work on the Foyle Bridge, Londonderry.
- Roads Service plans to deliver two packages of Strategic Road Improvements. Procurement for the first package commenced in January 2004. The official project launch for the second package coincided with the publication of the Regional Strategic Transport Network Transport Plan in March 2005. This PPP programme will deliver

over £350 million of capital improvements to the Regional Strategic Transport Network over the coming years including M1 / Westlink, M2 Widening and A1/A4 corridors.

*Transport:*

- In 2004-05 the Department continued to fund the operation of the Northern Ireland Concessionary Fares Scheme which, at a cost of £17.3 million, enabling over 8.2 million journeys to be made by the over 65s, school children up to the age of 16 and certain categories of disabled people.
- In 2004-05 the Department continued to provide Bus Route Subsidy to maintain certain uneconomic, but socially necessary, bus services through the following programs:
  - Support for specific uneconomic Citybus services in Belfast.
  - The Bus Challenge Pilot Scheme, a three-year pilot that is currently supporting services on 9 rural routes.
- In 2004-05 the Rural Transport Fund has:
  - Provided support for 44 uneconomic but socially necessary rural routes delivered by Ulsterbus;
  - Encouraged the growth of existing and new Rural Community Transport Partnerships.
  - Undertaken the first Customer Survey of all Rural Community Transport Partnerships' members. This highlighted a 95% satisfaction rating of the services provided by local Partnerships.
- In 2004-05 sixteen three-car train sets were delivered to Northern Ireland Railways and 11 of which were in passenger service by 31 March 2005. The remaining 5 sets were in the process of being commissioned by Northern Ireland Railways.



*Regional Planning and Transportation Division:*

The Regional Development Strategy 'brownfield' target, 60% of additional urban housing to be provided within existing urban limits, was exceeded in 2002-03<sup>1</sup>.

- A figure of 88% was achieved in 2001. The comparable figure for 2002-03 was 81%.
- Following extensive public consultation, RPTD has published an Accessible Transport Strategy for Northern Ireland, which aims to improve access to the transport system for older people and people with disabilities.
- RPTD has also published Planning Policy Statement 13 “Transportation and Land Use”, the first of a suite of PPSs being prepared by the Department to assist in the implementation of the Regional Development Strategy. PPS 13 guides the integration of transportation and land use.

*Water Service:*

- Water Service continued to invest heavily in improving the quality of water and sewerage services and during 2004-05 recorded a capital spend of some £232 million. Work at Mourne and Lough Macrory Water Treatment Works was completed in 2004-05 and work at Fofanny Water Treatment Works has progressed. Work was also carried out on improvements to the watermain network system throughout parts of Northern Ireland including Lisburn, Omagh, Portadown and Newcastle.
- During the year major improvements were completed to a number of wastewater treatment works including Portglenone, Glenavy, Greyabbey, Kircubbin and Tullaghgarley in Ballymena. Work continued on major improvements to the existing wastewater treatment facilities at Larne, Ballyclare, Cookstown and Culmore which serves Londonderry. In addition improvements were made to the sewerage network system in areas such as Banbridge, Enniskillen, Lisburn and Warrenpoint.

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<sup>1</sup> Due to the nature of the statistics required to measure this target, figures are normally not available and verified until 2 years after the end of the period monitored.

*Water Service Reform:*

- On 10 August 2004 Minister John Spellar MP announced a number of proposals on the reform of water and sewerage services; these included the establishment of a Government Owned Company (GoCo) to replace the Water Service; the extension of the role of the Northern Ireland Authority for Energy Regulation (NIAER) to include economic and consumer regulation of the water industry; and the appointment of the General Consumer Council for Northern Ireland (GCCNI) as the statutory consumer representative for water and sewerage issues in Northern Ireland.
- A further announcement was made on 13 September 2004 to the effect that all households would pay a new direct charge for water and sewerage services, comprising a standing charge and a variable element for each service determined by the capital value of the property.
- An Integrated Impact Assessment (IIA) on the reform proposals was issued for public consultation between 29 November 2004 and 4 March 2005; the IIA Consultation report is scheduled for publication later this year.
- Work is progressing on the development of the new legal framework required to implement the Water Reform proposals.
- Further progress towards the delivery of efficiency savings was achieved with a cumulative saving on Water Service's annual operating costs of £12 million. Planned efficiencies in 2005-06 should bring this up to £18 million.
- Work on the establishment of new systems and structures to support the effective operation of the new company advanced considerably, with short-listed bidders being invited to submit outline proposals for the new customer billing system, a preferred bidder identified for the introduction of new financial systems, and the initiation of a senior management restructuring programme. Also, work commenced on the provision of new pension arrangements and IT support systems for the HR function.

## Financial Review

As set out in Schedule 1 of the Accounts, the Department was voted Resource Estimate Provision of £1,421,699,000 for 2004-05. Details of resource estimate and outturn for each Request for Resources are given in Table 1 below (full details are provided in Schedule 1 of the Accounts):

**Table 1**

|                         | Estimate  | Outturn | Variance |
|-------------------------|-----------|---------|----------|
|                         | (£000)    | (£000)  | (£000)   |
| Request for Resources A | 1,012,478 | 917,005 | 95,473   |
| Request for Resources B | 409,221   | 394,483 | 14,738   |

Explanations of significant variances (over £500k and in excess of 10%) against the Resource Estimate line totals (see Note 10 to the Accounts) are also provided in Schedule 1 of the Accounts.

Details on resources consumed by Departmental aim and objectives are provided in Schedule 5.

Movements in the Department's fixed assets during the year are shown in Notes 12 and 13 to the accounts. The overall movement reflects net capital expenditure incurred in the year, together with the impact of revaluation and depreciation.

## Post Financial Year Events

No important events affecting the entities within the Resource Accounting boundary have occurred since the financial year-end.

### *Roads Service:*

The main features arising from Roads Service's financial performance in 2004-05 are as follows:

- Operating costs decreased in 2004-05. This is a direct result of the reduction in maintenance funding compared with 2003-04 levels.
- Expenditure on fixed assets increased to £125 million. A number of major road schemes were completed during 2004-05 including the A8 Belfast to Larne Road dual carriageway from Doagh Road to Colemans Corner, motorway widening on the M1 Blacks Road to Stockman's Lane, the improvement scheme on the A4 Dungannon to Ballygawley Road at Eglis Road Junction, Dungannon and the strengthening work on the Foyle Bridge, Londonderry. In addition, work commenced on A5 Omagh Through-pass stage 3, the A1 underpass at Hillsborough Road Junction, Dromore, the A1 Newry to Dundalk Link Road (NI section) and the Bann River Bridge Portadown.
- Physical inspection surveys of the network have shown an improvement in the overall condition, resulting in a depreciation credit of £49 million. This is due in part to the increased level of maintenance spend of previous years, the benefits of which have been spread across the network throughout Northern Ireland.

### *Water Service:*

The main features arising from Water Service's financial performance in 2004-05 are as follows:

- staff and operating costs were maintained broadly at 2003-04 levels reflecting the impact of the efficiency programme. Allowing for inflation and taking into account some of the necessary additional costs associated with an increased capital programme this equates to an efficiency gain of some £6 million.
- An increase in depreciation charges of some £30 million was largely as a result of the decommissioning of high value installations.
- Expenditure on fixed assets amounted to £232 million. This included the completion of work on both the Mourne Water Treatment Works, serving Belfast and North Down and Lough Macrory Water Treatment Works which serves Omagh and surrounding rural areas. Work continued on the construction of the new Fofanny Water Treatment Works

in the Mourne and on the upgrade of Carran Hill Water Treatment Works near Crossmaglen.

- Work also continued on the detailed studies of the watermain network system throughout Northern Ireland. As a result, improvements commenced to the system in the Belfast, Ballymena, Craigavon, Portadown and Glarryford areas.
- During the year, major improvements to wastewater treatment works were completed at Greyabbey, Kircubbin, Glenavy, Portglenone, and Tullaghgarley in Ballymena. Major improvement work continued to the wastewater treatment facilities at Larne, Ballyclare, Cookstown and Culmore plus a number of smaller rural works.
- Substantial investment was also made to the sewerage network in areas such as Banbridge, Enniskillen and Warrenpoint. During the year the Belfast Sewers Project was initiated. This £100 million project will provide Belfast with a modern sewerage system to meet its existing and future development needs.

*Transport:*

- During the 2004-05 year Ports and Public Transport Division incurred capital grant expenditure of £59 million including EU Grants. This enabled the Division to support key safety related projects on the rail network as well as providing financial support towards the purchase of the new rolling stock and new buses.
- At a cost of £2 million, the Bus Route Subsidy supported a schedule of uneconomic, but socially necessary, bus services in Belfast and a number of new stage carriage services across Northern Ireland which were also uneconomic but socially necessary.
- The Rural Transport Fund provided £2.1 million support for, 44 uneconomic Ulsterbus routes; encouraged the growth of Rural Community Transport Partnerships from 16 to 18; and supported the commissioning of a customer survey of all Rural Community Transport Partnerships' members.
- The Transport Programme for People with Disabilities provided £1 million support for door-to-door services for people with disabilities in north and west Belfast, and Londonderry. It also supported Translink Easibus services in Bangor, Belfast and Londonderry, and a number of Shopmobility schemes across Northern Ireland.

### *Strategic Direction:*

The planned outcomes, actions and targets set out in the Department's Corporate and Business Plan 2005-2008 support the Department's two strategic objectives and take account of the commitments contained in the Department's Public Service Agreement (PSA), Business Plan and the Budget allocation for the period from 1 April 2005 to 31 March 2008.

The document also seeks to ensure that the resources allocated to the Department result in the delivery of public services to agreed standards of service, performance and quality. In addition it sets out in detail the Department's approach to People Management, Corporate Governance, Efficiency, Reform, Equality of Opportunity, Targeting Social Need, Human Rights, Freedom of Information, Culture and Diversity and the Departments commitment to optimising the impact of European Union Structural Funds in addressing Northern Ireland expenditure priorities.

### *Investment Strategy for Northern Ireland (ISNI):*

The Reinvestment and Reform Initiative, launched on 2 May 2002, sought to deliver both investment in infrastructure and modernisation of the delivery of public services. In February 2003, the Government published proposals to deliver a package of projects with a total value in excess of £2 billion through the Strategic Investment Programme. The need for a modern infrastructure is one of the key elements of the RRI and is also one of the four drivers of the Economic Vision.

In December 2004, the Draft Investment Strategy for Northern Ireland (ISNI) 2005-2015 was published by the Strategic Investment Board (this envisages the delivery of around £16 billion in key infrastructure over the period). The Draft ISNI, which includes the ten-year investment proposals for DRD, will provide a long-term framework for investment planning for Northern Ireland. It identifies where investment should be targeted over the medium to long term in order to meet key social needs and provide a basis for sustained economic growth and development. The delivery of the ISNI, and its various components, will depend on the availability of resources determined through successive Budget rounds, and economic appraisal and on statutory processes.

The DRD investment proposals, which total over £4.4 billion over the 10 year period, would enable Water Service to progress compliance with EU Directives, to achieve substantial progress towards the completion of the 20 year capital investment programme for Water infrastructure as set out in the second NI Asset Management Plan, and to enhance its capacity to respond to the increasing demand for water and sewerage services in Northern Ireland.

The proposals would also enable DRD Roads Service to work towards the objectives established in the Regional Transportation Strategy (RTS) 2002-12 through developing the associated Transport Plans and implementation of the resulting measures via maintenance and capital programmes. In addition, a major programme of dualling of the key transportation corridors is envisaged within the DRD investment proposals.

The proposals would also enable further progress to be made with regard to the public transport objectives established in the RTS. They would facilitate the development of a more modern public transport system and support the Government's commitment to sustainable development.

## **MANAGEMENT**

### **The Minister**

The Rt Hon John Spellar MP was the Minister with overall political responsibility and accountability for all the Department's activities during 2004-05. Shaun Woodward MP was appointed Minister for Regional Development on 11 May 2005.

### **The Permanent Secretary**

Mr Stephen Quinn is the Permanent Secretary for the Department and is the Minister's principal adviser on all aspects of the Department's responsibilities as well as the Accounting Officer for all Departmental expenditure.

The Civil Service Commission appoints the Permanent Secretary of the Department. The appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules of termination are set out in Chapter 11 of the Senior Civil Service Management Code.

### **The Departmental Board**

The work of the Department is co-ordinated and monitored by the Departmental Board, comprising the Permanent Secretary, the two Deputy Secretaries and the Agency Chief Executives. The role of the Departmental Board is to provide corporate leadership within policies determined by Ministers.

The Permanent Secretary is the Principal Accounting Officer and Agency Chief Executives are Agency Accounting Officers.

The composition of the Departmental Board during the year was as follows:

|                     |                                |
|---------------------|--------------------------------|
| Mr Stephen Quinn    | Permanent Secretary            |
| Mr David Sterling   | Deputy Secretary               |
| Mrs Doreen Brown    | Deputy Secretary               |
| Dr Malcolm McKibbin | Chief Executive, Roads Service |
| Mrs Katharine Bryan | Chief Executive, Water Service |



## **Remuneration**

The Minister's salary and allowances are paid by the Cabinet Office.

The Permanent Secretaries Remuneration Committee, taking account of the recommendations of the annual Senior Salaries Review Body report, determines the Permanent Secretary's pay. The Chief Executive of Water Service was appointed to lead Water Service through a transition from an Executive Agency to a Government Owned Company. The salary level and bonus terms for the post were set at the minimum considered necessary to attract and retain a person of the necessary calibre and will be uplifted annually in line with the revalorization of Senior Civil Service paybands until the new company is established. The agreed relocation costs were in line with the NICS Staff Handbook. The Chief Executive is not a permanent member of the Northern Ireland Senior Civil Service.

The other members of the Departmental Board are members of the Northern Ireland Senior Civil Service. Their pay is set by Ministers and is informed by the recommendations of the annual Senior Salaries Review Body report.

Details of the remuneration of Ministers and senior officials in salary bands is provided in Note 2 to the Financial Statements, subject to the exercise of statutory rights under the Data Protection Act.

## **PUBLIC INTEREST AND OTHER**

### **Equal Opportunities**

The policy of the Northern Ireland Civil Service is that all eligible persons should have equality of opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. The Department is committed to equality of opportunity and to the elimination of all forms of discrimination, harassment and victimisation. This means that all staff are entitled to:

- fair and equal treatment irrespective of their gender, marital status, sexual orientation, religious belief and/or political opinion, race, age, disability or Trade Union activity;
- a good and harmonious working environment free from intimidation and threat;
- complain about harassment, discrimination or victimisation; and
- have such a complaint dealt with fairly, thoroughly, sensitively and expeditiously.

## **Disabled Persons**

The NICS Code of Practice on the Employment of People with a Disability provides the framework used by the Department to ensure equality of opportunity for people with disabilities. The Department aims to ensure that disability is not a bar to recruitment and advancement and that its policies and practices comply with the requirements of the Disability Discrimination Act 1995. The consideration and implementation of reasonable adjustments help to ensure that disabled staff make full use of their skills and abilities. The Department also provides employment for severely disabled people through the Employment Support Programme.

## **Equality of Opportunity and Good Relations**

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

## **Prompt Payment of Suppliers**

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, Late Payment of Commercial Debts Regulations 2002 and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later.

The Department monitors payment performance for all goods and services payments. Measurement of performance, as obtained from the Department's accounting systems, showed that in 2004-05, 96.8% of invoices for goods or services were paid within 30 days or contract terms (performance for 2003-04 was 95.6%).

## **Staff Training and Development**

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

## **Employee Involvement**

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

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

## **Health and Safety**

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

## **Auditor**

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Department and he reports his findings to Parliament.

The audit of the financial statements for 2004-05 resulted in a notional audit fee of £109,000 and is included in the administration costs in the operating cost statement.

## **Company Directorships**

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



**Accounting Officer**

12 October 2005

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

In preparing the accounts, the Accounting Officer is required to comply with the *Northern Ireland Resource Accounting Manual* prepared by DFP, and in particular to:

- a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b. make judgements and estimates on a reasonable basis;
- c. state whether applicable accounting standards as set out in the Northern Ireland Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- d. prepare the accounts on a going-concern basis.

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

## **STATEMENT ON INTERNAL CONTROL**

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

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Department for Regional Development's (DRD) 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.

The Minister approves the Department's Corporate and Business Plans and Public Service Agreement (PSA) targets and is kept informed quarterly of any significant deviation from the achievement of targets and departmental performance.

The Departmental Board, through the Departmental Business Meeting, directs the work of the Department. As Permanent Secretary and Departmental Accounting Officer, I am chair of the Board. The other Board members are the Deputy Secretary for Resources and Management Services, the Deputy Secretary for Regional Planning and Transportation, and the Chief Executives of the Roads Service and the Water Service. The Director of Central Policy and Management Unit and the Principal Information Officer also attend the meetings.

Further checks and balances are provided by Internal and External Audit and by the Departmental Audit Committee, the Departmental Risk Management Committee (DRMC) and through my role as Chairman of the Policy Liaison and Performance Review Groups for the Department's two Agencies. Appropriate records of all such meetings are maintained.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 DRD 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 risk management policy provides direction on current and future risk management activity across the Department. It provides a framework for the management of risk and promotes a consistent approach across the Department.

The risk management cycle in DRD encompasses both a “top-down” and “bottom-up” approach. This approach allows risks to be identified and managed at all levels and to be escalated as appropriate.

As part of the embedding of this process, each branch or functional area nominated a risk co-ordinator. Risk co-ordinators have attended risk management awareness seminars to provide them with the knowledge and skills required to lead the risk management process in their business area.

Each Agency and Core Division also has a Risk Co-ordinator representative on the Departmental Risk Review Group. This group meets on regular basis to review the risk management process in the Department, and discusses how that could evolve in light of changing business needs, HMT guidance and best practice.

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

The system of internal control within DRD is based on an on-going risk management process. This identifies the principal risks associated with the achievement of departmental policies, aims and objectives, along with the controls in place to manage those risks, at four key levels:

- Corporate – High level risks for the Department managed by the Departmental Risk Management Committee;
- Agency – key risks identified and managed by the Senior management team of each of the Department’s Executive Agencies;
- Division/Directorate Level – key risks identified and managed by Directors and their management teams; and,
- Branch/Functional Area – key risks at this level are managed by the Head of Branch and feed into the Agency/Divisional level risks as appropriate.

The Department manages risk by:

- the consistent and methodical identification, assessment and prioritisation of risk, with clear assignment of accountability for management;
- the structured selection and implementation of measures to treat the risk, involving all relevant parties as appropriate;
- the appropriate escalation, monitoring and reporting to ensure information on risks, controls, and progress of planned actions is made available to the appropriate individuals/groups on a timely basis; and
- managers seeking appropriate assurance that risk management responsibilities and processes have been discharged and that risks are being managed as intended.

The Corporate Risk Register identifies the key risks that may impact upon the achievement of the Department's objectives. It evaluates the likelihood and impact of occurrence and also assesses the controls in place to manage those risks. The 'Risk Appetite' has been considered and further action to improve control has been agreed where appropriate. The ownership of each risk has been allocated to appropriate staff.

In 2004-05, the Departmental Risk Management Committee reviewed the Corporate Risk Register both at the start of the financial year and again following an in-year review. The key Departmental risks requiring management at corporate level related to resources, delivery of Reform Initiatives, compliance with EU regulations/directives, management of information and management of sickness absence.

## **5. Review of effectiveness**

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Departmental Audit Committee and DRMC, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Deputy Secretaries, Chief Executives and Core Directors, who have responsibility for the development and maintenance of the internal control framework, provide me with

Assurance Statements commenting on the adequacy and effectiveness of the control environment.

The DRMC is responsible for identifying and evaluating the principal risks and ensuring that there is an effective system of internal control in place. Where risk exposure exists, DRMC will decide whether additional controls could be introduced to mitigate the risk, or the risk should be accepted with appropriate measures put in place to minimise the impact should the risk materialise.

The DRMC has ensured that enhanced procedures are being developed for verifying that aspects of risk management and internal control are regularly reviewed and reported on. The committee receives periodic reports concerning internal control.

Senior Managers are responsible for ensuring that assessments are undertaken, risks are identified and analysed and action plans taken forward. It is the responsibility of each Director, in conjunction with his/her management team, to implement the Risk Management strategy, to develop and promote risk management principles within his/her areas of responsibility and to ensure that robust systems are in place for the management of risk.

The Audit Committee, in its terms of reference has amongst other things specific responsibility for:

- promoting awareness of management's responsibilities to establish and maintain an environment that fosters effective control within the Department and its Agencies;
- reviewing the annual assurance reports from the Head of Internal Audit (HIA) and assisting the Departmental Accounting Officer in monitoring the performance of Internal Audit unit against agreed levels of service;
- assisting the Departmental Accounting Officer in determining what action should be taken where internal and external audit recommendations have not been implemented within agreed timescales;
- consideration of any major issues arising from Internal Audit reviews of the Department and its Agencies;
- ensuring that the Internal Audit unit operates in accordance with Government Internal Audit Standards by considering and commenting on any matters arising from external quality assurance and peer reviews.



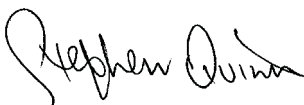
The Department's Internal Audit Unit operates to Government Internal Audit Standards (GIAS). The work of the internal audit unit is informed by an analysis of the risks to which the Department is exposed, and annual internal audit plans take account of this analysis.

The analysis of risk and the internal audit plans are endorsed at the Departmental Audit Committee meeting and approved by me, in my capacity as Accounting Officer. The Head of Internal Audit (HIA) provides me with bi-annual reports on internal audit activity within the Department. The Annual Assurance Reports for the Core Department and both Executive Agencies includes the HIA's independent opinion on the adequacy and effectiveness of the risk management, control and governance processes.

## **6. Significant internal control problems**

For 2004-05, Internal Audit has provided me with reasonable assurance, in overall terms, regarding the adequacy and effectiveness of the risk management, control and governance processes for the Core of the Department, for Roads Service and for Water Service.

Internal Audit has highlighted significant control issues following reviews of the Administration of EU Structural Funds and New Connections and Human Resource Management within Water Service where overall limited assurances have been provided. Action plans have been developed to address the problems identified and related issues and work is also ongoing to address issues relating to the non-implementation of recommendations raised during the follow-up review of Water Charges.



**Accounting Officer**

12 October 2005

## **DEPARTMENT FOR REGIONAL 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 33 to 79 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 40 to 45.

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

As described on page 24, 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 page 25 to 29 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.

### **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 for Regional 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.

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to read 'J M Dowdall CB', written in a cursive style.

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

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

**19 October 2005**

Summary of Resource Outturn 2004-05

Schedule 1

|   | Estimate          |                    |                  | Outturn           |                    |                  | Net total outturn compared with Estimate saving/ (excess) | Prior-year outturn |
|---|-------------------|--------------------|------------------|-------------------|--------------------|------------------|---|--------------------|
|   | Gross expenditure | Accruing Resources | NET TOTAL        | Gross expenditure | Accruing Resources | NET TOTAL        |   |                    |
|   | £000              | £000               | £000             | £000              | £000               | £000             |   |                    |
| Request for resources A (Notes 6 and 10)  | 1,027,111         | 14,633             | 1,012,478        | 931,638           | 14,633             | 917,005          | 95,473  | 780,818            |
| Request for resources B (Notes 6 and 10)  | 449,997           | 40,776             | 409,221          | 434,919           | 40,436             | 394,483          | 14,738  | 352,941            |
| <b>Total resources</b>                    | <b>1,477,108</b>  | <b>55,409</b>      | <b>1,421,699</b> | <b>1,366,557</b>  | <b>55,069</b>      | <b>1,311,488</b> | <b>110,211</b>  | <b>1,133,759</b>   |
| Non-operating Accruing Resources (Note 6) |                   |                    | 18,825           |                   |                    | 15,192           | (3,633)   | 2,092              |
| <b>Net cash requirement</b>               |                   |                    | <b>733,130</b>   |                   |                    | <b>696,385</b>   | <b>36,745</b>   | <b>584,819</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):

|              | Note | Forecast 2004-05 |              | Outturn 2004-05 |              |
|--------------|------|------------------|--------------|-----------------|--------------|
|              |      | Income           | Receipts     | Income          | Receipts     |
|              |      | £000             | £000         | £000            | £000         |
| <b>Total</b> | 5    | 4,837            | <i>4,837</i> | 17,401          | <i>4,931</i> |

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

| Line RfR A   | Variance Under/(over) £000 | Explanation   |
|--------------|----------------------------|---|
| 2            | 2,914                      | A delay in finalising the funding arrangements for certain grant related expenditure. EYF is anticipated.   |
| 3            | 9,541                      | Delays in planned programmes for the new trains and slippage in some major NIR projects (including stabling and valeting facilities and the new trains cleaning facilities) EYF is anticipated.   |
| 10           | 1,777                      | SIP interest charges were revised after Spring Supplementary Stage.   |
| 11           | 77,132                     | A condition improvement of £49m occurred on the road network against a forecast reduction of £56m. A reclassification from donated assets to fixed assets impacted on capital charges by £67m. Other capital charges were less than forecast by £39m. |
| 12           | 763                        | DRD took Estimate provision for the cost of capital charges on Strategic Investment Programme (SIP) funded assets at Main Estimate stage. Subsequent guidance negated the need for this provision.  |
| 15           | 1,492                      | The department had anticipated a reclassification of fixed assets in 2004-05. However the reclassification did not take place and this has given rise to a saving against Estimate.   |
| <b>RfR B</b> |                            |   |
| 6            | 2,083                      | DRD took Estimate provision for the cost of capital charges on Strategic Investment Programme (SIP) funded assets at Main Estimate stage. Subsequent guidance negated the need for this provision.  |
| 8            | 1,666                      | The department had anticipated a reclassification of fixed assets in 2004-05. However the reclassification did not take place and this has given rise to a saving against Estimate.   |

The notes on pages 40 to 79 form part of the financial statements

## Schedule 1 (continued)

Explanation of the variation between Estimate net cash requirement and Outturn (net cash requirement):

| Line  | Variance<br>Under/(over)<br>£000 | Explanation   |
|---|----------------------------------|---|
| Proceeds of fixed asset disposals                         | (3,663)                          | Proceeds of fixed asset disposals in Water Service were £2.5m lower than anticipated and in Roads Service they were £1m lower than forecast.  |
| Changes in working capital other than cash                | 18,458                           | Creditors were £23m higher than expected because of delays in the receipt of capital grant claims and some slippage on some major NIR projects and debtors were £5m higher than anticipated as VAT due to be reclaimed at the end of March was not received until the start of April. |
| Changes in creditors falling due after more than one year | 1,452                            | The increase in Other Creditors was £5.4m higher than forecast while the decrease in Capital Retentions was £4.2m higher than expected.   |
| Use of provision  | (1,264)                          | There were additional legal claims and land acquisition for road schemes.   |

### Reconciliation of resources to cash requirements

|   | Note    | Estimate<br>£000 | Outturn<br>£000  | Net total<br>outturn<br>compared with<br>Estimate<br>saving/<br>(excess)<br>£000 |
|---|---------|------------------|------------------|--|
| <b>Net total resources</b>                                  |         | <b>1,421,699</b> | <b>1,311,488</b> | <b>110,211</b>   |
| <b>Capital:</b>   |         |                  |                  |  |
| Acquisition of fixed assets                                 | 12 & 13 | 363,988          | 357,913          | 6,075  |
| Investments   | 14      | -                | -                | -  |
| Non-operating Accruing Resources                            |         |                  |                  |  |
| Proceeds of fixed asset disposals                           | 11      | (18,825)         | (15,192)         | (3,633)  |
| <b>Accruals adjustments:</b>                                |         |                  |                  |  |
| Non-cash items  | 3a      | (1,041,415)      | (946,861)        | (94,554)   |
| Changes in working capital other than cash                  | 15a     | (2,697)          | (21,155)         | 18,458   |
| Changes in creditors falling due after more than one year   | 15c     | 1,444            | (8)              | 1,452  |
| Use of provision  | 20      | 8,936            | 10,200           | (1,264)  |
| Excess cash receipts surrenderable to the Consolidated Fund |         | -                | -                | -  |
| <b>Net cash requirement (Schedule 4)</b>                    |         | <b>733,130</b>   | <b>696,385</b>   | <b>36,745</b>  |

The notes on pages 40 to 79 form part of the financial statements

## Operating Cost Statement

## Schedule 2

for the year ended 31 March 2005

|                                   |       | 2004-05  |                  | 2003-04  |                  |
|-----------------------------------|-------|----------|------------------|----------|------------------|
|                                   | Note  | £000     | £000             | £000     | £000             |
| <b>Administration costs:</b>      |       |          |                  |          |                  |
| Staff costs                       | 2a    |          | 120,830          |          | 119,819          |
| Non-staff administration costs    | 3     |          | 46,008           |          | 46,184           |
| <b>Gross administration costs</b> |       |          | <b>166,838</b>   |          | <b>166,003</b>   |
| Operating income                  | 6a    |          | (950)            |          | (585)            |
| <b>Net administration costs</b>   |       |          | <b>165,888</b>   |          | <b>165,418</b>   |
| <b>Programme costs</b>            |       |          |                  |          |                  |
| <b>Request for resources A:</b>   |       |          |                  |          |                  |
| Staff costs                       | 2a    | 307      |                  | 426      |                  |
| Expenditure                       | 4     | 836,194  |                  | 701,642  |                  |
| Less: EU income                   | 6a    | (4,836)  |                  | (4,914)  |                  |
| Other income                      | 6a    | (14,064) |                  | (17,113) |                  |
|                                   |       |          | 817,601          |          | 680,041          |
| <b>Request for resources B:</b>   |       |          |                  |          |                  |
| Staff costs                       | 2a    | -        |                  | -        |                  |
| Expenditure                       | 4     | 360,073  |                  | 312,814  |                  |
| Less: EU income                   | 6a    | -        |                  | -        |                  |
| Other income                      | 6a    | (38,757) |                  | (39,849) |                  |
|                                   |       |          | 321,316          |          | 272,965          |
| <b>Net programme costs</b>        | 4     |          | <b>1,138,917</b> |          | <b>953,006</b>   |
| <b>Net operating cost</b>         | 8 & 9 |          | <b>1,304,805</b> |          | <b>1,118,424</b> |
| <b>Net resource outturn</b>       | 8     |          | <b>1,311,488</b> |          | <b>1,133,759</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 |                |
|---|------|---------|------------------|---------|----------------|
|   | Note | £000    | £000             | £000    | £000           |
| Net gain on revaluation of tangible fixed assets                | 12   |         | 3,723,373        |         | 391,089        |
| Net gain on revaluation of intangible fixed assets              | 13   |         | 1                |         | 3              |
| Net (loss)/gain on revaluation of investments                   | 14   |         | (26)             |         | 11             |
| Net gain on revaluation of stocks                               |      |         | -                |         | -              |
| Receipt of donated assets                                       | 22   |         | 99,144           |         | 14,262         |
| Adjustment to fixed asset balances ( <i>see</i> Note 1.6)       | 12   |         | 610,830          |         | -              |
| <b>Total recognised gains and losses for the financial year</b> |      |         | <b>4,433,322</b> |         | <b>405,365</b> |

The notes on pages 40 to 79 form part of the financial statements

## Balance Sheet

## Schedule 3

|   | Note | 31 March 2005 |                   | 31 March 2004 |                   |
|---|------|---------------|-------------------|---------------|-------------------|
|   |      | £000          | £000              | £000          | £000              |
| <b>Fixed assets:</b>  |      |               |                   |               |                   |
| Tangible assets   | 12   | 29,273,803    |                   | 24,575,504    |                   |
| Intangible assets   | 13   | 165           |                   | 90            |                   |
| Investments   | 14   | 59            |                   | 85            |                   |
|   |      |               | 29,274,027        |               | 24,575,679        |
| <b>Current assets:</b>  |      |               |                   |               |                   |
| Stocks  | 16   | 3,664         |                   | 3,680         |                   |
| Debtors   | 17   | 101,116       |                   | 76,856        |                   |
| Cash at bank and in hand  | 18   | 66            |                   | 257           |                   |
|   |      | 104,846       |                   | 80,793        |                   |
| <b>Creditors (amounts falling due within one year)</b>          | 19   | (182,850)     |                   | (137,758)     |                   |
| <b>Net current liabilities</b>                                  |      |               | (78,004)          |               | (56,965)          |
| <b>Total assets less current liabilities</b>                    |      |               | 29,196,023        |               | 24,518,714        |
| <b>Creditors (amounts falling due after more than one year)</b> | 19   | (10,592)      |                   | (10,584)      |                   |
| <b>Provisions for liabilities and charges</b>                   | 20   | (40,555)      |                   | (22,725)      |                   |
|   |      |               | (51,147)          |               | (33,309)          |
|   |      |               | <b>29,144,876</b> |               | <b>24,485,405</b> |
| <b>Taxpayers' Equity</b>  |      |               |                   |               |                   |
| General fund  | 21   |               | 14,874,374        |               | 12,725,881        |
| Revaluation reserve   | 22   |               | 13,043,509        |               | 8,713,338         |
| Donated asset reserve   | 22   |               | 1,049,384         |               | 2,890,108         |
| Grants reserve  | 22   |               | 177,609           |               | 156,078           |
|   |      |               | <b>29,144,876</b> |               | <b>24,485,405</b> |



Accounting Officer

12 October 2005

The notes on pages 40 to 79 form part of the financial statements



## Cash Flow Statement

## Schedule 4

for the year ended 31 March 2005

|  |      | 2004-05        | 2003-04      |
|--|------|----------------|--------------|
|  | Note | £000           | £000         |
| Net cash outflow from operating activities   | a    | (346,587)      | (341,783)    |
| Capital expenditure and financial investment   | b    | (342,179)      | (222,755)    |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities |      | -              | -            |
| Payments of amounts due to the Consolidated Fund   |      | (13,558)       | (62,737)     |
| Financing  | c    | 692,330        | 630,408      |
| <b>(Decrease)/increase in cash in the period</b>   |      | <b>(9,994)</b> | <b>3,133</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 a reconciliation to the net cash requirement.

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

|   | 2004-05            | 2003-04            |
|---|--------------------|--------------------|
|   | £000               | £000               |
| <b>Net operating cost</b>   | <b>(1,304,805)</b> | <b>(1,118,424)</b> |
| Adjustments for non-cash transactions (see note 3a)   | 940,351            | 768,867            |
| Adjustments for movements in working capital other than cash (see note 15)                      | 22,359             | 15,803             |
| Use of bad debt provision (see note 20)   | (387)              | (158)              |
| Adjustment for movements in other creditors falling due after more than one year (see note 15c) | 2,607              | (731)              |
| Use of other revenue provisions (see note 20)   | (6,712)            | (7,140)            |
| <b>Net cash (outflow) from operating activities</b>   | <b>(346,587)</b>   | <b>(341,783)</b>   |

#### (b) Analysis of capital expenditure and financial investment

|   | 2004-05          | 2003-04          |
|---|------------------|------------------|
|   | £000             | £000             |
| Fixed Asset Additions (see note 11)                 | (345,391)        | (224,847)        |
| Proceeds of disposal of fixed assets (see note 11)  | 3,212            | 2,092            |
| Repayment of Government loans (see note 11)         | -                | -                |
| <b>Net cash (outflow) from investing activities</b> | <b>(342,179)</b> | <b>(222,755)</b> |

The notes on pages 40 to 79 form part of the financial statements

**Schedule 4 (continued)**

*(c) Analysis of financing, and reconciliation to the net cash requirement*

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| From the Consolidated Fund (Supply) - current year                                | 670,200        | 562,600        |
| From the Consolidated Fund (Supply) - prior year                                  | 22,219         | 21,037         |
| From the EU (non-Supply) – capital grants   | 1,275          | 48,311         |
| From TENS (non-Supply) – capital grants   | 176            | -              |
| Repayment of government loans   | (1,540)        | (1,540)        |
| <b>Net financing</b>  | <b>692,330</b> | <b>630,408</b> |
| <b>Decrease/(increase) in cash</b>  | <b>9,994</b>   | <b>(3,133)</b> |
| <b>Net cash flows other than financing</b>  | <b>702,324</b> | <b>627,275</b> |
| <b>Adjustment for payments and receipts not related to Supply:</b>                |                |                |
| Amounts due to the Consolidated Fund – EU capital grants received and paid over   | (1,275)        | (48,311)       |
| TENS capital grants received  | (176)          | -              |
| Amounts due to the Consolidated Fund – received in a prior year and paid over     | (10,434)       | (5,891)        |
| Amounts due to the Consolidated Fund – received and not paid over                 | 1,806          | 10,434         |
| Amounts received and paid on behalf of other government departments               | 90             | (228)          |
| Supply financed repayment of financing  | 1,540          | 1,540          |
| Interest on RRI Loans paid by the Consolidated Fund on behalf of the Department # | 2,510          | -              |
| <b>Net cash requirement (Schedule 1)</b>  | <b>696,385</b> | <b>584,819</b> |

# A further amount of £2,509,839 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 for investment in this year and in prior years.

The notes on pages 40 to 79 form part of the financial statements

## Resources by Departmental Aim and Objectives

## Schedule 5

for the year ended 31 March 2005

|   | 2004-05          |                 |                  | 2003-04          |                 |                  |
|---|------------------|-----------------|------------------|------------------|-----------------|------------------|
|   | Gross            | Income          | Net              | Gross            | Income          | Net              |
|   | £000             | £000            | £000             | £000             | £000            | £000             |
| <b>Aim:</b>   |                  |                 |                  |                  |                 |                  |
| To improve the quality of life for everyone in Northern Ireland by maintaining & enhancing a range of essential infrastructure services & by shaping the regions long-term strategic development.   |                  |                 |                  |                  |                 |                  |
| <b>Objective A:</b>   |                  |                 |                  |                  |                 |                  |
| Maintaining and developing transportation networks, airport and harbour services, shaping the long-term development of the region and providing other services to the public and other Departments. | 930,041          | (19,684)        | 910,357          | 790,288          | (22,612)        | 767,676          |
| <b>Objective B:</b>   |                  |                 |                  |                  |                 |                  |
| Contributing to the health and well being of the community and protecting the environment through the provision and development of cost-effective water and sewerage services.                      | 433,371          | (38,923)        | 394,448          | 390,597          | (39,849)        | 350,748          |
| <b>Net operating costs</b>  | <b>1,363,412</b> | <b>(58,607)</b> | <b>1,304,805</b> | <b>1,180,885</b> | <b>(62,461)</b> | <b>1,118,424</b> |

See Note 23

The notes on pages 40 to 79 form part of the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2004-05 Northern Ireland Resource Accounting Manual issued by the Department of Finance and Personnel (DFP). 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 which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 *Accounting convention*

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

#### 1.2 *Basis of consolidation*

These accounts comprise a consolidation of the Core Department and its two supply financed agencies: The Roads Service and The Water Service. Transactions between entities within the departmental resource accounting boundary included in the consolidation are eliminated.

A list of the entities within the departmental boundary is given at Note 33.

#### 1.3 *Tangible fixed assets*

The minimum level for capitalisation of a tangible fixed asset is £500 for IT equipment and £1,000 for all other assets. On initial recognition they are measured at historic cost including any costs, such as installation, directly attributable to bringing them into working condition.

Fixed assets, together with their valuation basis, comprise the following:

- land and buildings which have been valued by Valuation and Lands Agency and are updated to reflect both subsequent expenditure and the movement in appropriate indices;
- road infrastructure assets, roads and bridges, are valued on a Net Current Replacement basis and revalued annually by reference to the 'Baxter' index for construction in England and Wales and Northern Ireland. In 2004-05 Roads Service has applied a provisional index to 31 December 2004 as this was the most up to date at the balance sheet date. In accordance with FRS15, staff costs directly attributable to capital schemes are included in fixed asset additions;
- water infrastructure assets are mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines. Their valuation is based on the Asset Management Plan (AMP) which reported at 1 April 2002 and is updated to reflect subsequent expenditure. The valuation has been indexed in accordance with Water Construction Cost Indices;
- other operating assets which are valued at depreciated replacement cost and restated for inflation by appropriate inflation indices;

- office equipment, excluding computers and IT equipment, which is valued at depreciated replacement cost and restated for inflation by appropriate inflation indices;
- computers and IT equipment. Due to technological advances an accelerated depreciation method is applied to write off their cost to a nil residual book value over their assumed useful economic life; and
- Donaghadee Harbour is classified as a non-operational heritage asset which (as is permissible under NIRAM) has not been capitalised as the cost of obtaining a valuation would be greater than the benefit arising. Further details in respect of the harbour can be found at Note 12.

#### 1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value over their estimated useful lives. Payments on account and assets in the course of construction are depreciated from the point at which the asset is brought into use. No depreciation is provided on freehold land as it has an infinite useful life.

Depreciation is calculated as follows:

- Freehold Land - not depreciated.
- Buildings, Operating Assets and Office Equipment are depreciated on a straight line basis over their expected useful lives. Estimated useful economic lives by asset category are as follows:

|                               |               |
|-------------------------------|---------------|
| Buildings Excluding Dwellings | 15-80 years   |
| Infrastructure Assets         | 120-300 years |
| Transport Equipment           | 3-50 years    |
| Plant and Machinery           | 3-40 years    |

- IT equipment and computers are depreciated using the accelerated depreciation method to write off assets over three or five years.
- Assets in the course of construction are not depreciated until they have been brought into use.
- Water infrastructure assets – the charge is based on the estimated level of annual expenditure required to maintain the operating capability of the network in perpetuity.
- Road infrastructure assets – the application of Renewals Accounting for road infrastructure assets means that conventional depreciation methodology is not applied. Instead, the Operating Cost Statement is charged with the full value of the maintenance expenditure each year required to maintain the network in a ‘steady state’. This charge should approximate to a conventional depreciation charge. Any permanent diminution in asset values will result in a further charge in the Operating Cost Statement.

#### 1.5 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent gains and losses on revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

### 1.6 *Adjustments to fixed asset balances*

Due to an improvement in the quality of information in the area of Fixed and Donated Assets adjustments impacting on fixed asset balances and related reserves have been processed to correct a misclassification (see Notes 12, 21 and 22).

|                        | <b>Opening Balance</b> | <b>Adjustment</b> | <b>Adjusted Opening Balance</b> |
|------------------------|------------------------|-------------------|---------------------------------|
|                        | <b>£000</b>            | <b>£000</b>       | <b>£000</b>                     |
| Tangible Assets        | 24,575,504             | 610,830           | 25,186,334                      |
| General Fund           | 12,725,881             | 1,916,276         | 14,642,157                      |
| Donated Assets Reserve | 2,890,108              | (1,916,276)       | 973,832                         |
| Revaluation Reserve    | 8,713,338              | 609,179           | 9,322,517                       |
| EU Grant Reserve       | 156,078                | 1,651             | 157,729                         |

### 1.7 *Intangible fixed assets*

Purchased computer software licenses are capitalised as an intangible fixed asset where expenditure of £1,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year in accordance with the movement in the RPI. Software licences are amortised over the term of the licence. Other intangible fixed assets are depreciated over three or five years.

### 1.8 *Investments*

Fixed asset investments (all of which are unlisted) consist of loan stock and ordinary shares. The loan stock is valued at cost, which is considered to be a close approximation to market value. The shares are stated at market value which has been determined by an independent stockbroker.

### 1.9 *Stocks and work in progress*

Stocks are valued at cost or current replacement cost, where the difference is material and where they are held for continuing use. Otherwise they are written down to their net realisable value when they either cannot or will not be used. Cost includes labour, material, transport and an element of overheads.

Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

### 1.10 *Grant funding*

Grants received in respect of capital assets are credited to a Grant Reserve and released to the Operating Cost Statement over the lives of the assets.

### 1.11 *Operating income*

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

Estimate and income payable to the Consolidated Fund. Operating income is stated net of VAT.

#### *1.12 Administration and programme expenditure*

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

#### *1.13 Capital charge*

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

- (a) tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
  - depreciation of tangible and amortisation of intangible fixed assets;
- (b) donated assets;
- (c) amounts due from, or due to be surrendered to the Consolidated Fund;
- (d) cash balances within the centralized Northern Ireland Civil Service pool of accounts currently held at the Northern Bank; and
- (e) assets that have been funded through supply monies which have been made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). In this case, the interest which would have been charged had the supply monies been made available by loan rather than through supply is added to the cost of capital charge on other assets.

#### *1.14 Foreign exchange*

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

#### *1.15 Pensions*

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

stakeholder based arrangement with a significant employer contribution (partnership pension account).

#### *1.16 Early departure costs*

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 3.5% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

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

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

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

#### *1.18 Leases*

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

#### *1.19 Grants payable*

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

#### *1.20 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 the Department of Finance and Personnel (currently 3.5%).

#### *1.21 Contingent liabilities*

In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard No 12 Provisions, Contingent Liabilities and Contingent Assets (FRS12), the Department discloses for Parliamentary reporting and accountability purposes certain 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; and
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

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

#### *1.22 Value Added Tax*

VAT is recovered centrally by the Department (from DFP) on a cash basis. The Operating Cost Statement is stated net of VAT. Both trade debtors and trade creditors are stated gross of VAT and the VAT account balance is adjusted accordingly.

#### *1.23 EU income*

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

#### *1.24 Funding from Parliamentary/Assembly Supply*

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

#### *1.25 Notional costs*

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

## 2. Staff numbers and related costs

### 2a. Staff costs

Staff costs consist of:

|  |                |                                |              |           | 2004-05             | 2003-04        |
|--|----------------|--------------------------------|--------------|-----------|---------------------|----------------|
|  | Total          | Permanently-<br>employed staff | Others       | Ministers | Special<br>advisors | Total          |
|  | £000           | £000                           | £000         | £000      | £000                | £000           |
| Wages and salaries                                   | 110,710        | 107,697                        | 3,013        | -         | -                   | 109,131        |
| Social security costs                                | 8,097          | 8,097                          | -            | -         | -                   | 8,007          |
| Other pension costs                                  | 12,348         | 12,348                         | -            | -         | -                   | 12,167         |
| <b>Sub-total</b>                                     | <b>131,155</b> | <b>128,142</b>                 | <b>3,013</b> | <b>-</b>  | <b>-</b>            | <b>129,305</b> |
| Less recoveries in respect<br>of outward secondments | (24)           | (24)                           | -            | -         | -                   | (40)           |
| <b>Total Net Costs</b>                               | <b>131,131</b> | <b>128,118</b>                 | <b>3,013</b> | <b>-</b>  | <b>-</b>            | <b>129,265</b> |
| Analysed as:   |                |                                |              |           |                     |                |
| Administration costs                                 | 120,830        |                                |              |           |                     | 119,819        |
| Minister's costs<br>(notional)                       | -              |                                |              |           |                     | -              |
| Schedule 2   | 120,830        |                                |              |           |                     | 119,819        |
| Programme costs<br>(Note 4)                          | 307            |                                |              |           |                     | 426            |
| Capitalised  | 10,018         |                                |              |           |                     | 9,060          |
|  | <b>131,155</b> |                                |              |           |                     | <b>129,305</b> |

The Principal Civil Service Pension Scheme (PCSPS) (NI) of which most of the Department's employees are members is an unfunded multi-employer defined benefit scheme which produces its own resource accounts but the Department for Regional 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, normal employer's contributions of £12,341,000 were payable to the PCSPS (NI) (2003-04 £12,152,000) at one of four rates in the range 12% to 18% of pensionable pay, (2003-04 12% to 18.5%) 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 account, a stakeholder pension with an employer contribution. Employer's contributions of £19,583 (2003-04 £14,627) were payable 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% (2003-04 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2003-04 3%) of pensionable pay. In addition employer contributions of £1,394, 0.8% (2003-04 £756, 0.8%) of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £1,428.06 (2003-04 nil). Contributions prepaid at that date were £nil (2003-04 nil).

62 people (2003-04 13 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £59,720.62 (2003-04 £16,739.66).

**2b. Average number of persons employed**

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

| Objective    | 2004-05      |                            |            |           |                  | 2003-04      |
|--------------|--------------|----------------------------|------------|-----------|------------------|--------------|
|              | Total        | Permanently employed staff | Other      | Ministers | Special advisors | Total        |
| A            | 2,891        | 2,801                      | 90         | -         | -                | 2,842        |
| B            | 2,141        | 2,039                      | 102        | -         | -                | 2,215        |
| <b>Total</b> | <b>5,032</b> | <b>4,840</b>               | <b>192</b> | <b>-</b>  | <b>-</b>         | <b>5,057</b> |

**2c. Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Minister and Departmental Board members:

**(a) Remuneration:**

| Ministers                                      | 2004-05            |                                    | 2003-04            |                                    |
|--|--------------------|------------------------------------|--------------------|------------------------------------|
|  | Salary<br>£        | Benefits in kind<br>(nearest £100) | Salary<br>£        | Benefits in kind<br>(nearest £100) |
| John Spellar MP<br>(From 13/06/03 to 31/03/05) | <i>(See below)</i> |                                    | <i>(See below)</i> |                                    |
| Angela Smith MP<br>(From 01/04/03 to 12/06/03) |                    |                                    | <i>(See below)</i> |                                    |

| Officials   | 2004-05     |                                    | 2003-04     |                                    |
|---|-------------|------------------------------------|-------------|------------------------------------|
|   | Salary<br>£ | Benefits in kind<br>(nearest £100) | Salary<br>£ | Benefits in kind<br>(nearest £100) |
| Stephen Quinn<br>Permanent Secretary  | 100-105     | Nil                                | 100-105     | Nil                                |
| David Sterling<br>Deputy Secretary  | 80-85       | Nil                                | 70-75       | Nil                                |
| Doreen Brown<br>Deputy Secretary<br>(From 17/12/03)                                   | 95-100      | Nil                                | 25-30       | Nil                                |
| Paul Sweeney<br>Deputy Secretary<br>(From 01/04/03 to 15/12/03)                       | N/A         | N/A                                | 55-60       | Nil                                |
| Dr Malcolm McKibbin<br>Chief Executive, Roads<br>Service                              | 85-90       | Nil                                | 80-85       | Nil                                |
| Ms Katharine Byran<br>Chief Executive, Water<br>Service<br>(From 05/01/04)            | 205-210     | 10,500                             | 30-35       | 6,400                              |
| John Kelly<br>Acting Chief Executive, Water<br>Service<br>(From 01/04/03 to 04/01/04) | N/A         | N/A                                | 70-75       | Nil                                |

### Salary

“Salary” includes gross salary, performance pay or bonuses, overtime, recruitment and retention allowances and private office allowances and any other allowance to the extent that it is subject to UK taxation. Salary for Katharine Bryan includes costs of relocation including professional fees and removal costs.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP £57,485, (2003-04 £56,358) and various allowances to which they are entitled are borne centrally. (However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures.)

From 16 October 2002 the Department for Regional Development was under the direction and control of Angela Smith and from 13 June 2003 of John Spellar. Their salary and allowances were paid by the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Cost Schedule in the same way as Devolved Ministers’ salaries. Details of salary and allowances will be provided in the 2004 - 05 NIO resource accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Katharine Bryan received benefits in kind totalling £10,500 (2003-04 £6,400). This was in respect of rental accommodation, car hire and air travel to and from England prior to relocation. None of the other Officials received any benefits in kind.

## (b) Pension benefits:

| Ministers       | Real increase in pension and related lump sum at age 60<br>£000 | Accrued pension at age 60 at 31 March 2005 and related lump sum<br>£000 | CETV at 31 March 2005<br>£000 | CETV at 31 March 2004<br>£000 | Real increase in CETV<br>£000 | Employer contribution to partnership pension account<br>(nearest £100) |
|-----------------|---|---|-------------------------------|-------------------------------|-------------------------------|--|
| John Spellar MP | <i>(See above)</i>  |   |                               |                               |                               |  |

## Ministerial pensions

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

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate, and 9% if they have opted for the 1/40th accrual rate.

There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

## Cash Equivalent Transfer Values

This 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. It 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 ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real increases in CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

| Officials   | Real increase in pension and related lump sum at age 60<br>£000 | Accrued pension at age 60 at 31 March 2005 and related lump sum<br>£000 | CETV at 31 March 2005<br>£000 | CETV at 31 March 2004<br>£000 | Real increase in CETV<br>£000 | Employer contribution to partnership pension account<br>(nearest £100) |
|---|---|---|-------------------------------|-------------------------------|-------------------------------|--|
| Stephen Quinn<br>Permanent Secretary                                    | 0-2.5 plus<br>2.5-5 lump sum                                    | 35-40 plus<br>115-120 lump sum  | 659                           | 609                           | 27                            | Nil  |
| David Sterling<br>Deputy Secretary                                      | 0-2.5 plus<br>2.5-5 lump sum                                    | 25-30 plus<br>75-80 lump sum  | 362                           | 322                           | 21                            | Nil  |
| Doreen Brown<br>Deputy Secretary<br>(From 17/12/03)                     | 0-2.5 plus<br>2.5-5 lump sum                                    | 30-35 plus<br>100-105 lump sum  | 554                           | 514                           | 10                            | Nil  |
| Dr Malcolm McKibbin<br>Chief Executive, Roads Service                   | 0-2.5 plus<br>2.5-5 lump sum                                    | 25-30 plus<br>80-85 lump sum  | 387                           | 347                           | 23                            | Nil  |
| Ms Katharine Byran<br>Chief Executive, Water Service<br>(From 05/01/04) | 2.5-5<br>Member in premium scheme: no automatic lump sum        | 0-5<br>Member in premium scheme: no automatic lump sum                  | 58                            | 5                             | 49                            | Nil  |

## 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 to the retail price index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate 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 type 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, these will be matched by the employer up to a limit of 3% (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.civilservice-pensions.gov.uk](http://www.civilservice-pensions.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 being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### **Real increases 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.

### 3. Non-staff administration costs

|   | 2004-05       |               | 2003-04      |               |
|---|---------------|---------------|--------------|---------------|
|   | £000          | £000          | £000         | £000          |
| <b>Rentals under operating leases:</b>                |               |               |              |               |
| Other operating leases                                | 376           |               | 326          |               |
| Rent of land and buildings                            | 201           |               | -            |               |
|   |               | <b>577</b>    |              | 326           |
| <b>Interest charges:</b>                              |               |               |              |               |
| Interest on government loans                          |               | -             |              | 184           |
| <b>Non-cash items:</b>                                |               |               |              |               |
| <b>Notional charges:</b>                              |               |               |              |               |
| Accommodation   | 7,600         |               | 7,559        |               |
| DFP Recruitment Service                               | 167           |               | 195          |               |
| DFP Business Development Service                      | 660           |               | 654          |               |
| Central Procurement Directorate                       | 231           |               | 204          |               |
| Valuation & Lands Agency                              | 694           |               | 517          |               |
| NIAO auditors' remuneration*                          | 109           |               | 112          |               |
| Other   | 913           |               | 741          |               |
|   | <b>10,374</b> |               | <b>9,982</b> |               |
| <b>Depreciation and amortisation of fixed assets:</b> |               |               |              |               |
| Tangible fixed assets                                 | 3,684         |               | 3,541        |               |
| Intangible fixed assets                               | 76            |               | 51           |               |
| Impairment of fixed assets                            | -             |               | -            |               |
| Loss on disposal of fixed assets                      | -             |               | 3            |               |
| Cost of capital charge                                | 4,012         |               | 4,473        |               |
| <b>Provisions:</b>                                    |               |               |              |               |
| Provided in year                                      | 1,730         |               | 1,294        |               |
|   | <b>9,502</b>  |               | <b>9,362</b> |               |
|   |               | <b>19,876</b> |              | 19,344        |
| <b>Other expenditure</b>                              |               | <b>26,007</b> |              | 26,697        |
| <b>Less: Own work capitalised</b>                     |               | <b>(452)</b>  |              | (367)         |
|   |               | <b>46,008</b> |              | <b>46,184</b> |

\* Auditors' remuneration contains no element relating to non-audit work.

#### 3a. Analysis of total non-cash items for Schedules 1 and 4

|  | 2004-05        | 2003-04        |
|--|----------------|----------------|
|  | £000           | £000           |
| Staff costs (see Note 2)                                 | -              | -              |
| Non-staff administration costs (see Note 3)              | 19,876         | 19,344         |
| Programme costs – RfR A (see Note 4)                     | 632,549        | 506,256        |
| Programme costs – RfR B (see Note 4)                     | 287,926        | 243,267        |
| <b>Non-cash transactions (Schedule 4)</b>                | <b>940,351</b> | <b>768,867</b> |
| Less interest paid to NI Consolidated Fund for RRI loans | (2,510)        | -              |
| Non cash proceeds of sale of assets                      | (11,925)       | -              |
| Adjust for capital provisions                            | 20,945         | 7,335          |
| <b>Non-cash transactions (Schedule 1)</b>                | <b>946,861</b> | <b>776,202</b> |



#### 4. Net programme costs

|   | 2004-05  |                  | 2003-04  |                |
|---|----------|------------------|----------|----------------|
|   | £000     | £000             | £000     | £000           |
| <b>RfR A</b>                                  |          |                  |          |                |
| Current grants and other current expenditure  |          | 203,645          |          | 195,386        |
| Non-cash expenditure:                         |          |                  |          |                |
| Depreciation and amortisation of fixed assets | (36,346) |                  | (72,547) |                |
| Impairment of fixed assets                    | 1,209    |                  | -        |                |
| Loss on sale of fixed assets                  | 79       |                  | -        |                |
| Profit on sale of fixed assets                | (493)    |                  | (1)      |                |
| Release from donated assets reserve           | (395)    |                  | 2,551    |                |
| Release from government grant reserve         | (2,452)  |                  | (1,888)  |                |
| Provision for bad debts                       | (40)     |                  | -        |                |
| Provisions – provided in year                 | 3,702    |                  | 4,371    |                |
| Cost of capital charge                        | 667,285  |                  | 573,770  |                |
|   |          | 632,549          |          | 506,256        |
| Own work capitalised                          |          | -                |          | -              |
|   |          | 836,194          |          | 701,642        |
| <b>Staff Costs (Note 2)</b>                   |          | 307              |          | 426            |
| <b>Less: programme income (Note 6)</b>        |          |                  |          |                |
| EU income                                     | (4,836)  |                  | (4,914)  |                |
| Other income                                  | (14,064) |                  | (17,113) |                |
|   |          | (18,900)         |          | (22,027)       |
| <b>Total net programme costs – RfR A</b>      |          | <b>817,601</b>   |          | <b>680,041</b> |
| <b>RfR B</b>                                  |          |                  |          |                |
| Current grants and other current expenditure  |          | 69,606           |          | 66,929         |
| Interest payable on NLF loan                  |          | 114              |          | -              |
| PFI charges – off-Balance Sheet contracts     |          | 2,427            |          | 2,618          |
| Non-cash expenditure:                         |          |                  |          |                |
| Depreciation and amortisation of fixed assets | 109,931  |                  | 79,843   |                |
| Impairment of fixed assets                    | -        |                  | -        |                |
| Loss on sale of fixed assets                  | 328      |                  | -        |                |
| Profit on sale of fixed assets                | (93)     |                  | (360)    |                |
| Release from donated assets reserve           | (970)    |                  | (814)    |                |
| Release from government grant reserve         | (1,793)  |                  | (1,548)  |                |
| Provision for bad debts                       | 310      |                  | (60)     |                |
| Provisions – provided in year                 | 1,266    |                  | 1,446    |                |
| Other notional costs                          | 169      |                  | 180      |                |
| Cost of capital charge                        | 178,778  |                  | 164,580  |                |
|   |          | 287,926          |          | 243,267        |
|   |          | 360,073          |          | 312,814        |
| <b>Less: programme income (Note 6)</b>        |          |                  |          |                |
| EU income                                     | -        |                  | -        |                |
| Other income                                  | (38,757) |                  | (39,849) |                |
|   |          | (38,757)         |          | (39,849)       |
| <b>Total net programme costs – RfR B</b>      |          | <b>321,316</b>   |          | <b>272,965</b> |
| <b>Total net programme costs</b>              |          | <b>1,138,917</b> |          | <b>953,006</b> |

## 5. Analysis of income payable to the Consolidated Fund

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

|  | Note | 2004-05 forecast |                     | 2004-05 outturn |                     |
|--|------|------------------|---------------------|-----------------|---------------------|
|  |      | Income<br>£000   | Receipts<br>£000    | Income<br>£000  | Receipts<br>£000    |
| Operating income and receipts – excess Accruing Resources                    | 6    | -                | -                   | 1,515           | <i>1,515</i>        |
| Non-operating income and receipts – excess Accruing Resources                | 6    | -                | -                   | -               | -                   |
| <b>Subtotal</b>  |      | -                | -                   | 1,515           | <i>1,515</i>        |
| Other operating income and receipts not classified as Accruing Resources     | 6    | 3,107            | <i>3,107</i>        | 5,205           | <i>1,966</i>        |
| Other non-operating income and receipts not classified as Accruing Resources | 6    | 1,730            | <i>1,730</i>        | -               | -                   |
| Other amounts collectable on behalf of the Consolidated Fund                 |      | -                | -                   | -               | -                   |
| EU capital grants income and receipts  | 21   | -                | -                   | 10,085          | <i>1,274</i>        |
| TENS funding   | 21   | -                | -                   | 596             | <i>176</i>          |
| <b>Total</b>   |      | <b>4,837</b>     | <b><i>4,837</i></b> | <b>17,401</b>   | <b><i>4,931</i></b> |

## 6 Income and Accruing Resources

### 6a. Operating Income

Operating income not classified as accruing resources (i.e. income transferred 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.

|   | <b>2004-05</b>                |   |  |  |   |  |
|---|-------------------------------|---|--|--|---|--|
|   | <b>RESOURCE<br/>OUTTURN</b>   | <b>Reconciliation to Operating Cost Statement</b>         |  |  | <b>OPERATING<br/>COST<br/>STATEMENT</b>                                 |  |
| <b>Operating income<br/>analysed by<br/>classification and<br/>activity, is as follows:</b> | Accruing<br>Resources<br>£000 | Netted off<br>gross<br>expenditure<br>in sub-head<br>£000 | Payable to<br>Consolidated<br>Fund<br>£000 | Transactions<br>between<br>Requests for<br>Resources<br>£000 | Accruing<br>Resources<br>netted off<br>operating<br>expenditure<br>£000 | Income<br>included in<br>Operating Cost<br>Statement<br>£000 |
| <b>Administration income:</b>   |                               |   |  |  |   |  |
| Transactions between<br>Request for Resources   | 16                            | -   | -  | (16)   | -   | -  |
| Fees and charges to<br>external customers   | 23                            | -   | -  | -  | -   | 23   |
| Fees and charges to other<br>departments  | 907                           | -   | 3  | -  | -   | 910  |
| Receipts of other classes   | 107                           | -   | 17   | -  | (107)   | 17   |
| <b>Total Administration<br/>Income</b>  | <b>1,053</b>                  | <b>-</b>  | <b>20</b>                                  | <b>(16)</b>  | <b>(107)</b>  | <b>950</b>   |
| <b>Programme income:</b>  |                               |   |  |  |   |  |
| <b>RfR A</b>  |                               |   |  |  |   |  |
| Transactions between<br>Request for Resources   | 1,511                         | -   | -  | (1,511)  | -   | -  |
| Fees and charges to<br>external customers   | 9,448                         | -   | 1,512                                      | -  | -   | 10,960   |
| Fees and charges to other<br>departments  | 2,323                         | -   | -  | -  | -   | 2,323  |
| EU income   | -                             | -   | 4,836                                      | -  | -   | 4,836  |
| Other   | 464                           | -   | 317  | -  | -   | 781  |
| <b>RfR B</b>  |                               |   |  |  |   |  |
| Transactions between<br>Request for Resources   | 1,548                         | -   | -  | (1,548)  | -   | -  |
| Fees and charges to<br>external customers   | 38,517                        | -   | -  | -  | -   | 38,517   |
| Fees and charges to other<br>departments  | -                             | -   | -  | -  | -   | -  |
| EU income   | -                             | -   | -  | -  | -   | -  |
| Other   | 205                           | -   | 35   | -  | -   | 240  |
| <b>Total Programme Income</b>   | <b>54,016</b>                 | <b>-</b>  | <b>6,700</b>                               | <b>(3,059)</b>   | <b>-</b>  | <b>57,657</b>  |
| <b>Total</b>  | <b>55,069</b>                 | <b>-</b>  | <b>6,720</b>                               | <b>(3,075)</b>   | <b>(107)</b>  | <b>58,607</b>  |

|   | RESOURCE | Reconciliation to Operating Cost Statement |  |                              |   | OPERATING   |   |
|---|----------|--|--|------------------------------|---|---|---|
|   | OUTTURN  | Accruing Resources                         | Netted off gross expenditure in sub-head | Payable to Consolidated Fund | Transactions between Requests for Resources | Accruing Resources netted off operating expenditure | Income included in Operating Cost Statement |
|   | £000     | £000                                       | £000                                     | £000                         | £000  | £000  | £000  |
| <b>Operating income analysed by classification and activity, is as follows:</b> |          |  |  |                              |   |   |   |
| <b>Administration income:</b>   |          |  |  |                              |   |   |   |
| Transactions between Request for Resources                                      | 45       | -  | -  | (45)                         | -   | -   |   |
| Fees and charges to external customers  | 53       | -  | -  | -                            | -   | -   | 53  |
| Fees and charges to other departments   | 404      | -  | -  | -                            | -   | -   | 404   |
| Receipts of other classes   | 101      | -  | 100                                      | -                            | (73)  | -   | 128   |
| Total Administration Income   | 603      | -  | 100                                      | (45)                         | (73)  | -   | 585   |
| <b>Programme income:</b>  |          |  |  |                              |   |   |   |
| <b>RfR A</b>  |          |  |  |                              |   |   |   |
| Transactions between Request for Resources                                      | 1,758    | -  | -  | (1,758)                      | -   | -   |   |
| Fees and charges to external customers  | 7,208    | -  | 7,633                                    | -                            | -   | -   | 14,841                                      |
| Fees and charges to other departments   | 1,691    | -  | -  | -                            | -   | -   | 1,691                                       |
| EU income   | -        | -  | 4,914                                    | -                            | -   | -   | 4,914                                       |
| Other   | -        | -  | 581                                      | -                            | -   | -   | 581   |
| <b>RfR B</b>  |          |  |  |                              |   |   |   |
| Transactions between Request for Resources                                      | 1,023    | -  | -  | (1,023)                      | -   | -   |   |
| Fees and charges to external customers  | 34,927   | -  | 2,193                                    | -                            | -   | -   | 37,120                                      |
| Fees and charges to other departments   | 2,729    | -  | -  | -                            | -   | -   | 2,729                                       |
| EU income   | -        | -  | -  | -                            | -   | -   | -   |
| Total Programme Income  | 49,336   | -  | 15,321                                   | (2,781)                      | -   | -   | 61,876                                      |
| Total   | 49,939   | -  | 15,421                                   | (2,826)                      | (73)  | -   | 62,461                                      |

An analysis of income from services provided to external and public sector customers and a comparison with the full cost of providing these services are provided in the Agency Accounts of both Roads Service and Water Service.

6b. *Non-operating income not classified as Accruing Resources*

|  | <b>2004-05</b>  | <b>2003-04</b>  |
|--|-----------------|-----------------|
|  | <b>Income</b>   | <b>Income</b>   |
|  | <b>£000</b>     | <b>£000</b>     |
|  | -               | -               |
|  | <b>Receipts</b> | <b>Receipts</b> |
|  | <b>£000</b>     | <b>£000</b>     |
|  | -               | -               |

6c. *Non-operating Accruing Resources*

|                           | <b>2004-05</b> | <b>2003-04</b> |
|---------------------------|----------------|----------------|
|                           | <b>£000</b>    | <b>£000</b>    |
| Disposals of fixed assets | <b>15,192</b>  | 2,092          |

7. **NI administration cost limits**

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

|  | <b>2004-05</b> |                | <b>2003-04</b> |               |
|--|----------------|----------------|----------------|---------------|
|  | <b>Outturn</b> | <b>Limits</b>  | <b>Outturn</b> | <b>Limits</b> |
|  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>   |
| Request for Resources A (Gross Limit)                                | 83,326         | 83,438         | 79,128         | 81,198        |
| Request for Resources B (Gross Limit)                                | 66,095         | 66,184         | 68,988         | 70,360        |
|  | <b>149,421</b> | <b>149,622</b> | 148,116        | 151,558       |
| Administration expenditure excluded from administration cost limit   | 17,528         |                | 18,005         |               |
| Administration income allowable within the administration cost limit | -              |                | -              |               |
| <b>Total administration outturn (Note 10)</b>                        | <b>166,949</b> |                | 166,121        |               |

8. **Reconciliation of net operating cost and net resource outturn**

|  | <b>2004-05</b>   | <b>2003-04</b> |
|--|------------------|----------------|
|  | <b>£000</b>      | <b>£000</b>    |
| <b>Net operating cost (Note a):</b>  | 1,304,805        | 1,118,424      |
| <b>Remove non-supply expenditure (-) and income (+), including income scored as Consolidated Fund Extra Receipts (CFERs)</b> |                  |                |
| Operating income not classified as accruing resources  | 6,720            | 15,421         |
| Exchange loss on CFER related EU debtors   | (37)             | (86)           |
| <b>Net resource outturn (Note a)</b>   | <b>1,311,488</b> | 1,133,759      |

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).

**9. Analysis of net operating cost by spending body**

|                                     | <b>2004-05</b>   |                  | <b>2003-04</b>   |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | <b>Budget</b>    | <b>Outturn</b>   | <b>Budget</b>    | <b>Outturn</b>   |
|                                     | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      |
| <b>Spending Body:</b>               |                  |                  |                  |                  |
| Ports and Public Transport Division | 124,838          | 111,642          | 94,596           | 77,797           |
| Other Core Department               | 21,768           | 18,582           | 28,592           | 20,524           |
| Roads Service                       | 868,654          | 785,825          | 906,765          | 674,856          |
| Water Service                       | 403,332          | 388,756          | 353,488          | 345,247          |
|                                     | <b>1,418,592</b> | <b>1,304,805</b> | <b>1,383,441</b> | <b>1,118,424</b> |

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

|   | <b>2004-05</b> |                       |                |                                       |                               |                   |                  |  |
|---|----------------|-----------------------|----------------|---------------------------------------|-------------------------------|-------------------|------------------|--|
|   | Admin.<br>£000 | Other current<br>£000 | Grants<br>£000 | Gross resource<br>expenditure<br>£000 | Accruing<br>Resources<br>£000 | NET TOTAL<br>£000 | Estimate<br>£000 | Net total<br>outturn<br>compared<br>with<br>Estimate<br>£000 |
| <b>Request for Resources A</b>  |                |                       |                |                                       |                               |                   |                  |  |
| <b>Departmental Expenditure in DEL:</b>   |                |                       |                |                                       |                               |                   |                  |  |
| 1: Roads Service  | 73,619         | 108,220               | -              | 181,839                               | (13,122)                      | 168,717           | 169,207          | 490  |
| 2: Ferry services, air and sea ports  | 8              | (477)                 | 424            | (45)                                  | (867)                         | (912)             | 2,002            | 2,914  |
| 3: Railway services   | -              | 7                     | 69,574         | 69,581                                | -                             | 69,581            | 79,122           | 9,541  |
| 4: Road passenger services  | 3,265          | 72                    | 36,967         | 40,304                                | (5)                           | 40,299            | 40,800           | 501  |
| 5: ERDF related expenditure and grants  | -              | -                     | 2,172          | 2,172                                 | -                             | 2,172             | 2,352            | 180  |
| 6: EU Programme for Peace & Reconciliation  | -              | -                     | 1,748          | 1,748                                 | -                             | 1,748             | 1,748            | -  |
| 7: EU Community Initiatives   | -              | -                     | 1,179          | 1,179                                 | -                             | 1,179             | 1,650            | 471  |
| 8: Executive Programme Funds  | 217            | -                     | -              | 217                                   | -                             | 217               | 309              | 92   |
| 9: Services to Other Departments  | 6,217          | 575                   | -              | 6,792                                 | (639)                         | 6,153             | 6,104            | (49)   |
| 10: Repayment of Loans Interest   | -              | 1,586                 | -              | 1,586                                 | -                             | 1,586             | 3,363            | 1,777  |
| <b>Annually Managed Expenditure (AME):</b>  |                |                       |                |                                       |                               |                   |                  |  |
| 11: Non-cash items  | 1,755          | 618,413               | -              | 620,168                               | -                             | 620,168           | 697,300          | 77,132   |
| 12: Roads Service   | -              | -                     | -              | -                                     | -                             | -                 | 763              | 763  |
| <b>Non-Budget:</b>  |                |                       |                |                                       |                               |                   |                  |  |
| 13: ERDF – Grants to statutory bodies   | -              | -                     | -              | -                                     | -                             | -                 | 1                | 1  |
| 14: Capital grants to statutory bodies and other expenditure  | -              | 7                     | -              | 7                                     | -                             | 7                 | 13               | 6  |
| 15: Release from Government Grant Reserve in respect of EU funded assets and other expenditure                              | -              | (1,943)               | -              | (1,943)                               | -                             | (1,943)           | (451)            | 1,492  |
| 16: Notional Charges  | 8,033          | -                     | -              | 8,033                                 | -                             | 8,033             | 8,195            | 162  |
| <b>Total</b>  | <b>93,114</b>  | <b>726,460</b>        | <b>112,064</b> | <b>931,638</b>                        | <b>(14,633)</b>               | <b>917,005</b>    | <b>1,012,478</b> | <b>95,473</b>  |
| <b>Request for Resources B</b>  |                |                       |                |                                       |                               |                   |                  |  |
| <b>Departmental Expenditure in DEL</b>  |                |                       |                |                                       |                               |                   |                  |  |
| 1: Water Services   | 66,095         | 74,855                | -              | 140,950                               | (40,436)                      | 100,514           | 105,153          | 4,639  |
| 2: Water Restructuring  | -              | -                     | -              | -                                     | -                             | -                 | -                | -  |
| 3: Executive Programme Funds  | -              | -                     | -              | -                                     | -                             | -                 | 75               | 75   |
| 4: Repayment of Loans Interest  | -              | 2,188                 | -              | 2,188                                 | -                             | 2,188             | 2,540            | 352  |
| <b>Annually Managed Expenditure (AME):</b>  |                |                       |                |                                       |                               |                   |                  |  |
| 5: Non-cash items   | 5,399          | 285,190               | -              | 290,589                               | -                             | 290,589           | 296,000          | 5,411  |
| 6: Water Service  | -              | -                     | -              | -                                     | -                             | -                 | 2,083            | 2,083  |
| <b>Non-Budget:</b>  |                |                       |                |                                       |                               |                   |                  |  |
| 7: Water – repayment of loans   | -              | 114                   | -              | 114                                   | -                             | 114               | 331              | 217  |
| 8: Release from Government Grant Reserve in respect of EU funded assets and other expenditure                               | -              | (1,432)               | -              | (1,432)                               | -                             | (1,432)           | 234              | 1,666  |
| 9: Notional Charges   | 2,341          | 169                   | -              | 2,510                                 | -                             | 2,510             | 2,805            | 295  |
| <b>Total</b>  | <b>73,835</b>  | <b>361,084</b>        | <b>-</b>       | <b>434,919</b>                        | <b>(40,436)</b>               | <b>394,483</b>    | <b>409,221</b>   | <b>14,738</b>  |
| <b>Resource Outturn</b>   | <b>166,949</b> | <b>1,087,544</b>      | <b>112,064</b> | <b>1,366,557</b>                      | <b>(55,069)</b>               | <b>1,311,488</b>  | <b>1,421,699</b> | <b>110,211</b>   |
| <b>Reconciliation to Operating Cost Statement</b>   |                |                       |                |                                       |                               |                   |                  |  |
| CFER related operating expenditure and income   | -              | 37                    | -              | 37                                    | (6,720)                       | (6,683)           |                  |  |
| Accruing Resources netted off operating expenditure – transactions between entities within the departmental boundary netted | -              | (3,071)               | -              | (3,071)                               | 3,071                         | -                 |                  |  |
| Accruing Resources netted off operating expenditure- transactions between entities within an RfR netted                     | (111)          | -                     | -              | (111)                                 | 111                           | -                 |                  |  |
| <b>Gross operating expenditure</b>  | <b>166,838</b> | <b>1,084,510</b>      | <b>112,064</b> | <b>1,363,412</b>                      |                               |                   |                  |  |
| <b>Operating income</b>   |                |                       |                |                                       | <b>(58,607)</b>               |                   |                  |  |
| <b>Net operating cost</b>   |                |                       |                |                                       |                               | <b>1,304,805</b>  |                  |  |

|   | Admin.<br>£000 | Other current<br>£000 | Grants<br>£000 | Gross resource<br>expenditure<br>£000 | Accruing<br>Resources<br>£000 | Net total<br>£000 | Estimate<br>£000 | Net total<br>outturn<br>compared<br>with Estimate<br>£000 |
|---|----------------|-----------------------|----------------|---------------------------------------|-------------------------------|-------------------|------------------|---|
| <b>Request for Resources A</b>  |                |                       |                |                                       |                               |                   |                  |   |
| <b>Departmental Expenditure in DEL</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 1: Roads Service  | 71,679         | 130,018               | -              | 201,697                               | (10,265)                      | 191,432           | 192,888          | 1,456   |
| 2: Ferry services, air and sea ports  | 576            | 886                   | 402            | 1,864                                 | (518)                         | 1,346             | 1,905            | 559   |
| 3: Railway services   | -              | 88                    | 41,170         | 41,258                                | -                             | 41,258            | 49,471           | 8,213   |
| 4: Road passenger services  | 2,023          | 180                   | 33,494         | 35,697                                | (1)                           | 35,696            | 42,499           | 6,803   |
| 5: ERDF related expenditure and grants  | -              | -                     | 1,108          | 1,108                                 | -                             | 1,108             | 2,446            | 1,338   |
| 6: EU Programme for Peace & Reconciliation  | -              | -                     | 4,519          | 4,519                                 | -                             | 4,519             | 5,256            | 737   |
| 7: EU Community Initiatives   | -              | -                     | -              | -                                     | -                             | -                 | 200              | 200   |
| 8: Executive Programme Funds  | 292            | 500                   | 500            | 1,292                                 | -                             | 1,292             | 1,698            | 406   |
| 9: Services to Other Departments  | 6,333          | 354                   | -              | 6,687                                 | (476)                         | 6,211             | 8,320            | 2,109   |
| 10: Repayment of Loans  | -              | -                     | -              | -                                     | -                             | -                 | 521              | 521   |
| <b>Annually Managed Expenditure (AME):</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 11: Non-cash items  | 641            | 491,500               | -              | 492,141                               | -                             | 492,141           | 715,833          | 223,692   |
| 12: Roads Service   | -              | 164                   | -              | 164                                   | -                             | 164               | 140              | (24)  |
| <b>Non-Budget:</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 13: ERDF – Grants to statutory bodies   | -              | -                     | -              | -                                     | -                             | -                 | 1                | 1   |
| 14: Capital grants to statutory bodies and other expenditure  | -              | 9                     | -              | 9                                     | -                             | 9                 | 34               | 25  |
| 15: Release from Government Grant Reserve in respect of EU funded assets and other expenditure                              | -              | (1,888)               | -              | (1,888)                               | -                             | (1,888)           | (1,581)          | 307   |
| 16: Notional Charges  | 7,530          | -                     | -              | 7,530                                 | -                             | 7,530             | 9,281            | 1,751   |
| <b>Total</b>  | <b>89,074</b>  | <b>621,811</b>        | <b>81,193</b>  | <b>792,078</b>                        | <b>(11,260)</b>               | <b>780,818</b>    | <b>1,028,912</b> | <b>248,094</b>  |
| <b>Request for Resources B</b>  |                |                       |                |                                       |                               |                   |                  |   |
| <b>Departmental Expenditure in DEL</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 1: Water Services   | 68,083         | 70,937                | -              | 139,020                               | (38,679)                      | 100,341           | 104,542          | 4,201   |
| 2: Water Restructuring  | -              | 197                   | -              | 197                                   | -                             | 197               | 198              | 1   |
| 3: Executive Programme Funds  | 815            | 200                   | -              | 1,015                                 | -                             | 1,015             | 960              | (55)  |
| 4: Repayment of loans   | -              | -                     | -              | -                                     | -                             | -                 | 328              | 328   |
| <b>Annually Managed Expenditure (AME):</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 5: Non-cash items   | 5,697          | 244,074               | -              | 249,771                               | -                             | 249,771           | 251,000          | 1,229   |
| 6: Water Service  | -              | 349                   | -              | 349                                   | -                             | 349               | 368              | 19  |
| <b>Non-Budget:</b>  |                |                       |                |                                       |                               |                   |                  |   |
| 7: Water – repayment of loans   | -              | 184                   | -              | 184                                   | -                             | 184               | 331              | 147   |
| 8: Release from Government Grant Reserve in respect of EU funded assets and other expenditure                               | -              | (1,548)               | -              | (1,548)                               | -                             | (1,548)           | (1,700)          | (152)   |
| 9: Notional Charges   | 2,452          | 180                   | -              | 2,632                                 | -                             | 2,632             | 2,719            | 87  |
| <b>Total</b>  | <b>77,047</b>  | <b>314,573</b>        | <b>-</b>       | <b>391,620</b>                        | <b>(38,679)</b>               | <b>352,941</b>    | <b>358,746</b>   | <b>5,805</b>  |
| <b>Resource Outturn</b>   | <b>166,121</b> | <b>936,384</b>        | <b>81,193</b>  | <b>1,183,698</b>                      | <b>(49,939)</b>               | <b>1,133,759</b>  | <b>1,387,658</b> | <b>253,899</b>  |
| Reconciliation to Operating Cost Statement  |                |                       |                |                                       |                               |                   |                  |   |
| CFER related operating expenditure and income   | -              | 86                    | -              | 86                                    | (15,421)                      | (15,335)          |                  |   |
| Accruing Resources netted off operating expenditure – transactions between entities within the departmental boundary netted | (45)           | (2,781)               | -              | (2,826)                               | 2,826                         | -                 |                  |   |
| Accruing Resources netted off operating expenditure- transactions between entities within an RfR netted                     | (73)           | -                     | -              | (73)                                  | 73                            | -                 |                  |   |
| <b>Gross operating expenditure</b>  | <b>166,003</b> | <b>933,689</b>        | <b>81,193</b>  | <b>1,180,885</b>                      |                               |                   |                  |   |
| <b>Operating income</b>   |                |                       |                |                                       | <b>(62,461)</b>               |                   |                  |   |
| <b>Net operating cost</b>   |                |                       |                |                                       |                               | <b>1,118,424</b>  |                  |   |



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

|                         | <b>2004-05</b>                 |                     |                               |                   |
|-------------------------|--------------------------------|---------------------|-------------------------------|-------------------|
|                         | Capital<br>expenditure<br>£000 | Loans, etc.<br>£000 | Accruing<br>Resources<br>£000 | Net total<br>£000 |
| Request for Resources A | 125,904                        | -                   | (14,959)                      | 110,945           |
| Request for Resources B | 232,009                        | -                   | (233)                         | 231,776           |
|                         | <b>357,913</b>                 | <b>-</b>            | <b>(15,192)</b>               | <b>342,721</b>    |

Analysed as:

|  |          |                 |
|--|----------|-----------------|
| Tangible fixed asset additions<br>(Note 12)                | 357,763  |                 |
| Intangible fixed asset additions<br>(Note 13)              | 150      |                 |
| Total fixed asset additions<br>(Schedule 1)                | 357,913  |                 |
| Capital provisions made                                    | (20,945) |                 |
| Capital provisions utilised                                | 3,101    |                 |
| Movement in capital retentions<br>(Note 19)                | 5,322    |                 |
| Cash outflow from purchase of<br>fixed assets (Schedule 4) | 345,391  |                 |
| Net book value of assets<br>disposed (see Note 12)         |          | (14,334)        |
| Transfer of assets to DSD and<br>Planning Service          |          | 11,925          |
| Capital grants receipts                                    |          | (624)           |
| Net profit on sale of fixed assets<br>(Notes 3 & 4)        |          | (179)           |
| Cash from sale of fixed assets<br>(Schedule 4)             |          | (3,212)         |
| Accruing Resources grant<br>income debtor                  |          | (55)            |
| Transfer of assets to DSD and<br>Planning Service          |          | (11,925)        |
| Excess non-operating Accruing<br>Resources                 |          | -               |
| Non-operating Accruing<br>Resources (Schedule 1)           |          | <b>(15,192)</b> |

|                         | Capital<br>expenditure<br>£000 | Loans, etc.<br>£000 | Accruing<br>Resources<br>£000 | Net total<br>£000 |
|-------------------------|--------------------------------|---------------------|-------------------------------|-------------------|
| Request for Resources A | 73,662                         | -                   | (1,665)                       | 71,997            |
| Request for Resources B | 156,649                        | -                   | (427)                         | 156,222           |
|                         | <u>230,311</u>                 | <u>-</u>            | <u>(2,092)</u>                | <u>228,219</u>    |

## Analysed as:

|                                |                |
|--------------------------------|----------------|
| Total fixed asset additions    | 230,311        |
| Capital provisions made        | (7,335)        |
| Capital provisions utilised    | 3,527          |
| Movement in capital retentions | <u>(1,656)</u> |

|  |                |
|--|----------------|
| Cash outflow from purchase of<br>fixed assets (Schedule 4) | <u>224,847</u> |
|--|----------------|

|   |                |
|---|----------------|
| Net book value of assets<br>disposed                | (2,037)        |
| Transfer of assets to DSD and<br>DVLNI              | 303            |
| Net profit on sale of fixed assets<br>(Notes 3 & 4) | <u>(358)</u>   |
| Cash from sale of fixed assets<br>(Schedule 4)      | (2,092)        |
| Excess non-operating Accruing<br>Resources          | <u>-</u>       |
| Non-operating Accruing<br>Resources (Schedule 1)    | <u>(2,092)</u> |

## 12. Tangible fixed assets

|  | Land & Buildings Excluding Dwellings | Infrastructure Assets | Transport Equipment | Plant & Machinery | Information Technology | Payments on Account and Assets under Construction | Total             |
|--|--------------------------------------|-----------------------|---------------------|-------------------|------------------------|---|-------------------|
|  | £000                                 | £000                  | £000                | £000              | £000                   | £000  | £000              |
| <b>Cost or valuation</b>                   |                                      |                       |                     |                   |                        |   |                   |
| At 1 April 2004                            | 1,592,570                            | 26,024,086            | 48,584              | 551,784           | 15,467                 | 300,422   | 28,532,913        |
| Adjustments to opening balances (Note 1.6) | -                                    | 610,830               | -                   | -                 | -                      | -   | 610,830           |
| Additions                                  | 6,025                                | 127,596               | 3,435               | 3,767             | 1,979                  | 214,961   | 357,763           |
| Donations                                  | 127                                  | 98,910                | -                   | 107               | -                      | -   | 99,144            |
| Disposals                                  | (11,206)                             | (19,857)              | (1,944)             | (4,519)           | (140)                  | -   | (37,666)          |
| Transfers                                  | 24,882                               | 90,218                | 93                  | 35,480            | 370                    | (151,043)   | -                 |
| Revaluations                               | 83,338                               | 3,924,901             | 1,233               | 16,627            | 35                     | -   | 4,026,134         |
| Impairments                                | -                                    | (2,706)               | -                   | -                 | -                      | -   | (2,706)           |
| <b>At 31 March 2005</b>                    | <b>1,695,736</b>                     | <b>30,853,978</b>     | <b>51,401</b>       | <b>603,246</b>    | <b>17,711</b>          | <b>364,340</b>                                    | <b>33,586,412</b> |
| <b>Depreciation</b>                        |                                      |                       |                     |                   |                        |   |                   |
| At 1 April 2004                            | 564,783                              | 3,024,956             | 29,210              | 326,478           | 11,982                 | -   | 3,957,409         |
| Adjustments to opening balances (Note 1.6) | -                                    | -                     | -                   | -                 | -                      | -   | -                 |
| Charged in year                            | 31,851                               | 15,045                | 4,305               | 23,404            | 2,663                  | -   | 77,268            |
| Disposals                                  | (8,916)                              | (7,936)               | (1,868)             | (4,472)           | (140)                  | -   | (23,332)          |
| Transfers                                  | (13)                                 | -                     | -                   | 13                | -                      | -   | -                 |
| Revaluations                               | 24,643                               | 267,583               | 758                 | 9,764             | 13                     | -   | 302,761           |
| Impairments                                | -                                    | (1,497)               | -                   | -                 | -                      | -   | (1,497)           |
| <b>At 31 March 2005</b>                    | <b>612,348</b>                       | <b>3,298,151</b>      | <b>32,405</b>       | <b>355,187</b>    | <b>14,518</b>          | <b>-</b>  | <b>4,312,609</b>  |
| <b>Net book value at 31 March 2005</b>     | <b>1,083,388</b>                     | <b>27,555,827</b>     | <b>18,996</b>       | <b>248,059</b>    | <b>3,193</b>           | <b>364,340</b>                                    | <b>29,273,803</b> |
| Net book value at 31 March 2004            | 1,027,787                            | 22,999,130            | 19,374              | 225,306           | 3,485                  | 300,422   | 24,575,504        |
| <b>Asset Financing</b>                     |                                      |                       |                     |                   |                        |   |                   |
| Owned                                      | 1,082,235                            | 27,555,827            | 18,996              | 248,059           | 3,193                  | 364,340   | 29,272,650        |
| Capitalised leasehold                      | 1,153                                | -                     | -                   | -                 | -                      | -   | 1,153             |
| <b>Net book value at 31 March 2005</b>     | <b>1,083,388</b>                     | <b>27,555,827</b>     | <b>18,996</b>       | <b>248,059</b>    | <b>3,193</b>           | <b>364,340</b>                                    | <b>29,273,803</b> |

Included in Land & Buildings Excluding Dwellings are properties surplus to requirements valued at £11.288m (2003-04, £7.092m).

Included within disposals is £11.922m which relates to the transfer of roads, footways and associated land to the Department for Social Development (DSD). The transfer of the asset has been treated as a non-cash technical transfer valued at £11.922m and has been accounted for on the same basis in both the DRD and DSD Resource Accounts. There was also a non-cash transfer of assets to Planning Service at a value of £3k.

The assets of Water Service were last formally revalued at 1 April 2002 in accordance with the Asset Management Plan and valuations carried out by the Valuations and Lands Agency.

The Infrastructure valuation was performed on a Net Current Replacement Cost basis on 31 March 2005.

In previous accounting periods due to the absence of up to date scheme rates the Baxter Index was used to revalue Roads, Bridges and Communications assets. However in 2004-05 the availability of new scheme information allowed for an update of unit rates to reflect current costs and on this basis a full revaluation of the Roads and Bridges element of

infrastructure assets was performed. This part of the revaluation exercise accounts for £2,350,795,000 of the total revaluation of £3,669,734,000.

The Communications element of infrastructure assets were revalued using the ‘Baxter Index’ for construction in England and Wales and Northern Ireland. For 2004-05 a provisional index to 31 December 2004 was applied, as this was the most up to date available at the time of the production of the valuation.

The condition reduction of the non-trunk network is based on the results from a physical inspection survey regime. This is a rolling programme of visual surveys called ‘Coarse Visual Inspection’. An independent consulting engineer’s opinion has been sought on the results from the survey and on the methodology used to calculate the condition reduction.

For valuation purposes footways have been assumed to be maintained in a “steady state”.

The valuation of land for schemes has been indexed to 31 March 2005 using indicative land rates provided by the Valuation and Lands Agency.

During the year the Department benefited from additional supply monies of £105,508,000 (2003-04 £23,787,000) which were made available through the Strategic Investment Programme. These monies were used to fund additions to fixed assets above.

#### *Surplus Assets*

Details of the movements in surplus assets are set out below:

|                    | <b>2004-05</b> | <b>2003-04</b> |
|--------------------|----------------|----------------|
|                    | <b>£000</b>    | <b>£000</b>    |
| <b>At 1 April</b>  | 7,092          | 6,483          |
| Additions          | 287            | 1,442          |
| Disposals          | (1,865)        | (1,586)        |
| Revaluation        | 5,774          | 753            |
| <b>At 31 March</b> | <b>11,288</b>  | <b>7,092</b>   |

The following external valuers have been involved in valuing Roads Service Fixed Assets.

| <u>Asset</u>     | <u>Valuer</u>  |
|------------------|--|
| Infrastructure   | EC Harris (Professional Surveyors) & Professor MS Snaith FREng |
| Land & Buildings | Valuation and Lands Agency (VLA)                               |
| Ferry            | Blythe Bridges (Marine Consultants)                            |

The Department is responsible under the Donaghadee Harbour Act 1820 for the appointment of the Harbour Commissioners. This arrangement is designed to ensure the preservation of the fabric of the harbour and the setting within which it is framed for the current and future generations. Commercial activity ceased some years ago and the harbour is now used almost exclusively for leisure purposes. As such, it is classified as a non-operational heritage asset. As is permitted by NIRAM, the harbour has not been capitalised in the balance sheet of the Department as the costs of obtaining a valuation would outweigh the benefits arising.

The Department for Regional Development is committed to transforming Water Service into a self-financing Government Owned Company (GoCo). It is anticipated that the new company will be owned by the Department, and will raise finance through income from customers and loan finance. It will also be subject to economic regulation. The financial accounts will no longer be subject to the Northern Ireland Resource Accounting Manual

(NIRAM) but will be required to fully comply with company legislation and UK GAAP. The statutory accounts are therefore likely to be prepared on a historic cost basis.

The value of the assets of Water Service will be written down as part of the process of establishing the GoCo. This write down is required to reflect the value placed on the assets of the GoCo which will operate outside central government, but will be subject to a new economic regulatory regime and will be required to be self-financing. The establishment of the GoCo is subject to the enactment of the appropriate legislation and the value of the write down will be determined in due course. An appropriate valuation for the GoCo will be determined in accordance with relevant valuation methodologies applicable in this context.

In 2004-05 the assets have been valued in accordance with the requirements of NIRAM and there is no inherent impairment in the value of the assets requiring a write down for operational reasons.

### 13. Intangible fixed assets

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

|  | <b>Purchased<br/>software<br/>licences<br/>£000</b> |
|--|---|
| <b>Cost or valuation</b>               |   |
| At 1 April 2004                        | 303   |
| Additions                              | 150   |
| Revaluation                            | 8   |
| <b>At 31 March 2005</b>                | <b>461</b>  |
| <b>Amortisation</b>                    |   |
| At 1 April 2004                        | 213   |
| Charged in year                        | 76  |
| Revaluation                            | 7   |
| <b>At 31 March 2005</b>                | <b>296</b>  |
| <b>Net book value at 31 March 2005</b> | <b>165</b>  |
| Net book value at 31 March 2004        | 90  |

### 14. Investments

|                                 | <b>2004-05<br/>£000</b> |
|---------------------------------|-------------------------|
| Balance at 1 April 2004         | 85                      |
| Revaluations                    | (26)                    |
| <b>Balance at 31 March 2005</b> | <b>59</b>               |

Fixed asset investments consist of loan stock and ordinary shares all of which are unlisted. The loan stock is valued at cost which is considered to be a close approximation to market value. The shares are stated at market value which has been determined by an independent stockbroker.

## 15. Movements in working capital other than cash

15a. The movements in working capital used in the Reconciliation of resources to net cash requirement comprise:

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Decrease in stocks/work in progress   | 16             | 214            |
| (Increase)/decrease in debtors  | (13,994)       | 21,139         |
| Increase in creditors falling due within one year                               | 35,745         | 11,021         |
|   | <b>21,767</b>  | <b>32,374</b>  |
| Adjustments:  |                |                |
| Movements in working capital relating to fixed asset additions                  | (4,074)        | (139)          |
| Movement in CFER related debtors (non-supply)                                   | 142            | 531            |
| Movement in EU revenue grants receivable  | 3,483          | (21,086)       |
| (Decrease) in Government Loans due within one year                              | (189)          | (131)          |
| Funding related (increase)/decrease in inter-departmental creditors             | (91)           | 228            |
| Movement in Provision for Bad Debts   | 117            | 218            |
| Adjustment for offset of debtors and provisions                                 | -              | 132            |
| <b>Net decrease in working capital other than cash recognised in Schedule 1</b> | <b>21,155</b>  | <b>12,127</b>  |

15b. The movements in working capital used in the Cash Flow Statement comprise:

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Decrease in stocks/work in progress   | 16             | 214            |
| (Increase)/decrease in debtors  | (13,994)       | 21,139         |
| Increase in creditors falling due within one year                               | 35,745         | 11,021         |
|   | <b>21,767</b>  | <b>32,374</b>  |
| Adjustments:  |                |                |
| Movement in Provision for Bad Debts   | 117            | 218            |
| Adjustment for offset of debtors and provisions                                 | -              | 132            |
| Adjustment for offset of CFER related debtors and creditors                     | -              | (17,007)       |
| Adjust for exchange loss on EU Capital grants receivable                        | -              | 86             |
| Adjust to remove capital related debtors  | 420            | -              |
| Adjust to remove Accruing Resources grant debtor                                | 55             | -              |
| <b>Net decrease in working capital other than cash recognised in Schedule 4</b> | <b>22,359</b>  | <b>15,803</b>  |

15c. Movements in creditors falling due after more than one year:

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Net increase/(decrease) in creditors falling due after more than one year (Schedule 4)</b> | <b>2,607</b>   | <b>(731)</b>   |
| (Decrease) in Government Loans due after more than one year                                   | (1,351)        | (1,409)        |
| (Decrease)/increase in Capital Retentions due after more than one year                        | (1,248)        | 1,795          |
| <b>Net increase/(decrease) in creditors falling due after more than one year (Schedule 1)</b> | <b>8</b>       | <b>(345)</b>   |

## 16. Stocks and work-in-progress

|                  | <b>2004-05</b> | <b>2003-04</b> |
|------------------|----------------|----------------|
|                  | <b>£000</b>    | £000           |
| Stocks           | 3,486          | 3,494          |
| Work in progress | 178            | 186            |
|                  | <b>3,664</b>   | <b>3,680</b>   |

## 17. Debtors

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | £000           |
| <b>Amounts falling due within one year:</b>                           |                |                |
| Trade debtors *   | 6,039          | 6,512          |
| Other debtors *   | 3,135          | 947            |
| Prepayments and accrued income  | 12,245         | 12,959         |
| EU grants receivable *  | 9,318          | 5,835          |
| VAT   | 25,108         | 15,598         |
|   | <b>55,845</b>  | <b>41,851</b>  |
| <br>  |                |                |
| Amounts due from Consolidated Fund in respect of supply (see Note 21) | 23,675         | 22,219         |
| EU grants receivable – capital*                                       | 21,596         | 12,786         |
|   | <b>101,116</b> | <b>76,856</b>  |

\* The EU grants receivable and £673,000 of the Other debtors (2003-04 £531,000 of the trade debtors) are to be surrendered to the Consolidated Fund when received. Of this £673,000, £420,000 relates to capital grants receivable.

Also included in Other debtors is an amount of £55,000 which relates to non-operating Accruing Resources grant receivable.



## 18. Cash at bank and in hand

|                            | 2004-05                           |                           |                 | 2003-04         |
|----------------------------|-----------------------------------|---------------------------|-----------------|-----------------|
|                            | Cash and Bank<br>Balances<br>£000 | Bank<br>Overdraft<br>£000 | Net<br>£000     | Net<br>£000     |
| Balance at 1 April         | 257                               | (11,931)                  | (11,674)        | (14,807)        |
| Net cash (outflow)/inflow  | (191)                             | (9,803)                   | (9,994)         | 3,133           |
| <b>Balance at 31 March</b> | <b>66</b>                         | <b>(21,734)</b>           | <b>(21,668)</b> | <b>(11,674)</b> |

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

The balance at 31 March 2005 comprises:

**Cash held on behalf of other government departments;**

|  |     |     |
|--|-----|-----|
| Inter-departmental creditors (see Note 19) | 202 | 111 |
|--|-----|-----|

**Cash due to be paid to the Consolidated Fund;**

|   |       |        |
|---|-------|--------|
| Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund | 1,805 | 10,434 |
|---|-------|--------|

**Cash due to be received from the Consolidated Fund;**

|  |                 |                 |
|--|-----------------|-----------------|
| Amounts not issued by the Consolidated Fund for supply but spent at the year end | (23,675)        | (22,219)        |
|  | <b>(21,668)</b> | <b>(11,674)</b> |

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

During 2004-05, receipts (including Parliamentary Supply) and expenditure in respect of the Department for Regional Development and the Department of the Environment were processed through a shared bank account.

The balance on this bank account is disclosed in the Department for Regional Development's Resource Accounts. A corresponding inter-departmental balance in the Resource Accounts of the Department of the Environment reflects the amount outstanding at the year end as a result of this arrangement.

## 19. Creditors

|  | 2004-05                           |                | 2003-04       |                |
|--|-----------------------------------|----------------|---------------|----------------|
|  | £000                              | £000           | £000          | £000           |
| <b>Amounts falling due within one year</b>   |                                   |                |               |                |
| Bank Overdraft (Note 18)   |                                   | 21,734         |               | 11,931         |
| Trade creditors  | 41,798                            |                | 28,862        |                |
| Due to other government departments in respect of Supply   | 202                               |                | 111           |                |
| Other taxation and social security   | 1,479                             |                | 1,595         |                |
| Other creditors  | 28,276                            |                | 19,343        |                |
| Accruals and deferred income   | 55,163                            |                | 41,261        |                |
|  |                                   | 126,918        |               | 91,172         |
| Government loans   |                                   | 751            |               | 940            |
| Capital retentions   |                                   | 55             |               | 4,129          |
| Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants | Received 230<br>Receivable 30,914 |                | 562<br>18,621 |                |
|  |                                   | 31,144         |               | 19,183         |
| Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other     | Received 1,575<br>Receivable 673  |                | 9,872<br>531  |                |
|  |                                   | 2,248          |               | 10,403         |
|  |                                   | <b>182,850</b> |               | <b>137,758</b> |
| <b>Amounts falling due after more than one year</b>  |                                   |                |               |                |
| Government loans   |                                   | 661            |               | 2,012          |
| Capital retentions   |                                   | 3,510          |               | 4,758          |
| Other creditors  |                                   | 6,421          |               | 3,814          |
|  |                                   | <b>10,592</b>  |               | <b>10,584</b>  |
| <b>Government Loans</b>  |                                   |                |               |                |
| Repayments are due in the following periods:   |                                   |                |               |                |
| Between one and two years  |                                   | 661            |               | 984            |
| Between two and five years   |                                   | -              |               | 1,028          |
|  |                                   | <b>661</b>     |               | <b>2,012</b>   |

## 20. Provisions for liabilities and charges

|                                      | <b>Land<br/>Acquisition<br/>for Schemes<br/>£000</b> | <b>Contract<br/>Disputes<br/>£000</b> | <b>Early<br/>Retirement<br/>Provisions<br/>£000</b> | <b>Legal<br/>Claims<br/>£000</b> | <b>Total<br/>£000</b> |
|--------------------------------------|--|---------------------------------------|---|----------------------------------|-----------------------|
| Balance 1 April 2004                 | 13,158   | 155                                   | 187   | 9,225                            | 22,725                |
| Provided in the year                 | 20,945   | (18)                                  | 77  | 6,635                            | 27,639                |
| Provisions not required written back | -  | -                                     | (3)   | -                                | (3)                   |
| Provisions utilised in the year      | (3,101)  | (5)                                   | (134)   | (6,573)                          | (9,813)               |
| Unwinding of discount                | -  | -                                     | 7   | -                                | 7                     |
| <b>Balance at 31 March 2005</b>      | <b>31,002</b>  | <b>132</b>                            | <b>134</b>  | <b>9,287</b>                     | <b>40,555</b>         |

### Provisions charges in the year comprise

|                                       |        |      |    |       |        |
|---------------------------------------|--------|------|----|-------|--------|
| Administration provisions charges     | -      | -    | 81 | 1,649 | 1,730  |
| Programme provisions charges<br>RfR A | -      | (18) | -  | 3,720 | 3,702  |
| Programme provisions charges<br>RfR B | -      | -    | -  | 1,266 | 1,266  |
| Capital additions                     | 20,945 | -    | -  | -     | 20,945 |
|                                       | 20,945 | (18) | 81 | 6,635 | 27,643 |

### Provisions utilised in the year comprise

|                                     |         |     |       |         |          |
|-------------------------------------|---------|-----|-------|---------|----------|
| Revenue provisions utilised         | -       | (5) | (134) | (6,573) | (6,712)  |
| Capital provisions utilised         | (3,101) | -   | -     | -       | (3,101)  |
|                                     | (3,101) | (5) | (134) | (6,573) | (9,813)  |
| Revenue bad debt provision utilised |         |     |       |         | (387)    |
|                                     |         |     |       |         | (10,200) |

### Early departure costs

The Department is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 3.5% in real terms. In past years the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote.

In accordance with NIRAM, the provision for early retirement costs has been shown gross. The amount settled in advance in earlier years has been included within prepayments.

### Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of five years. The provision is based on the estimated cash flows discounted by the Treasury discount rate of 3.5% in real terms. No reimbursement will be received in respect of any of these claims. Legal claims which may succeed but are less

likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 28.

### Land Acquisition Schemes

The provision for land is for land being acquired for future Road Schemes.

## 21. Reconciliation of net operating cost to changes in general fund

|  | 2004-05  |                   | 2003-04  |                   |
|--|----------|-------------------|----------|-------------------|
|  | £000     | £000              | £000     | £000              |
| <b>Net operating cost (Schedule 2)</b>                                     |          | (1,304,805)       |          | (1,118,424)       |
| Operating income not appropriated in aid payable to the Consolidated Fund. |          |                   |          |                   |
| - EU revenue grants claimed (note 6)                                       | (4,799)  |                   | (4,914)  |                   |
| - Other (note 6)   | (1,884)  |                   | (10,421) |                   |
|  |          | (6,683)           |          | (15,335)          |
| <b>Resource outturn for the year (Schedule 1)</b>                          |          | (1,311,488)       |          | (1,133,759)       |
| Parliamentary Funding  | 670,200  |                   | 562,600  |                   |
| Notional charges   | 10,543   |                   | 10,162   |                   |
| Cost of capital charge   | 850,075  |                   | 742,823  |                   |
| Transferred to general fund - realised element of revaluation reserve      | 11,818   |                   | 13,187   |                   |
| Non-cash transfer of assets*   | (11,925) |                   | (303)    |                   |
| Consolidated Fund Extra Receipts - EU grants claimed                       | (10,085) |                   | (14,851) |                   |
| Consolidated Fund Extra Receipts – TENS funding                            | (596)    |                   | -        |                   |
| Consolidated Fund debtor for cash undrawn                                  | 23,675   |                   | 22,219   |                   |
|  |          | <b>1,543,705</b>  |          | <b>1,335,837</b>  |
| <b>Net movement in general fund</b>  |          | <b>232,217</b>    |          | <b>202,078</b>    |
| Balance at 1 April   |          | 12,725,881        |          | 12,523,803        |
| Adjustment to opening balance (Note 1.6)                                   |          | 1,916,276         |          | -                 |
| Adjusted opening balance   |          | 14,642,157        |          | 12,523,803        |
| <b>Balance as at 31 March</b>  |          | <b>14,874,374</b> |          | <b>12,725,881</b> |

\* During the year there was a transfer of roads, footways and associated land to the Department for Social Development (DSD) at a value of £11.922m. The transfer of the asset has been treated as a non-cash technical transfer valued at £11.922m and has been accounted for on the same basis in both the DRD and DSD Resource Accounts.

There was also a non-cash transfer of assets to Planning Service at a value of £3k.

Under the Strategic Investment Programme, loans were made available to the Northern Ireland Departmental Expenditure Limit. 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 £2,509,839 (2003-04 £nil) was

due to the Department but was not actually issued in order to pay for the interest on loans applicable to this Department. This interest charge has been included in the net cash requirement of the Department.

## 22. Reserves

### (i) Revaluation reserve

|   | <b>2004-05</b>    | <b>2003-04</b>   |
|---|-------------------|------------------|
|   | <b>£000</b>       | <b>£000</b>      |
| Balance at 1 April  | 8,713,338         | 8,429,383        |
| Adjustment to opening balance   | 609,179           | -                |
| Adjusted opening balance  | 9,322,517         | 8,429,383        |
| Transfer to donated asset reserve (note 22 (ii))                                  | -                 | (54,406)         |
| Arising on revaluation during the year (net)                                      |                   |                  |
| - tangible  | 3,732,835         | 351,534          |
| - intangible  | 1                 | 3                |
| Revaluation of investments  | (26)              | 11               |
| Transferred to general fund in respect of realised element of revaluation reserve | (11,818)          | (13,187)         |
| <b>Balance at 31 March</b>  | <b>13,043,509</b> | <b>8,713,338</b> |

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

### (ii) Donated asset reserve

|   | <b>2004-05</b>   | <b>2003-04</b>   |
|---|------------------|------------------|
|   | <b>£000</b>      | <b>£000</b>      |
| Balance at 1 April                      | 2,890,108        | 2,786,140        |
| Adjustment to opening balance           | (1,916,276)      | -                |
| Adjusted opening balance                | 973,832          | 2,786,140        |
| Transfer from revaluation reserve       | -                | 54,406           |
| Additions during the year               | 99,144           | 14,262           |
| Revaluations                            | (22,227)         | 33,563           |
| Release to the operating cost statement | (1,365)          | 1,737            |
| <b>Balance at 31 March</b>              | <b>1,049,384</b> | <b>2,890,108</b> |

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

### (iii) Grant reserve

|                                     | <b>2004-05</b> | <b>2003-04</b> |
|-------------------------------------|----------------|----------------|
|                                     | <b>£000</b>    | <b>£000</b>    |
| Balance at 1 April                  | 156,078        | 138,671        |
| Adjustment to opening balance       | 1,651          | -              |
| Adjusted opening balance            | 157,729        | 138,671        |
| Consolidated Fund Extra Receipts    |                |                |
| - EU grants claimed                 | 10,764         | 14,851         |
| - TENS grants claimed               | 596            | -              |
| Revaluations                        | 12,765         | 5,992          |
| Release to operating cost statement | (4,245)        | (3,436)        |
| <b>Balance at 31 March</b>          | <b>177,609</b> | <b>156,078</b> |

## 23. Notes to Schedule 5

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

|             | <b>2004-05</b>   | <b>2003-04</b>   |
|-------------|------------------|------------------|
|             | <b>£000</b>      | <b>£000</b>      |
| Objective A | 837,038          | 701,332          |
| Objective B | 359,536          | 313,550          |
|             | <b>1,196,574</b> | <b>1,014,882</b> |

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

|   | <b>2004-05</b>          | <b>2003-04</b>          |
|---|-------------------------|-------------------------|
|   | <b>Capital employed</b> | <b>Capital employed</b> |
|   | <b>£000</b>             | <b>£000</b>             |
| Capital employed by Departmental aim and objectives |                         |                         |
| At 31 March   |                         |                         |
| <i>Aim:</i>   |                         |                         |
| Objective A   | 23,581,185              | 19,249,361              |
| Objective B   | 5,563,691               | 5,236,044               |
|   | <b>29,144,876</b>       | <b>24,485,405</b>       |

## 24. Capital commitments

|  | <b>2004-05</b>   | <b>2003-04</b> |
|--|------------------|----------------|
|  | <b>£000</b>      | <b>£000</b>    |
| Contracted capital commitments at 31 March for which no provision has been made                    | <b>229,731</b>   | 161,065        |
| Authorised but not contracted capital commitments at 31 March for which no provision has been made | <b>1,144,841</b> | 1,214,000      |

## 25. Commitments under leases

### *Operating Leases*

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

|   | <b>2004-05</b> | <b>2003-04</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Obligations under operating leases comprise:</b> |                |                |
| Office equipment                                    |                |                |
| Expiry within 1 year                                | 294            | 226            |
| Expiry within 2 to 5 years                          | 108            | 63             |
| Expiry thereafter                                   | 27             | 26             |
|   | <b>429</b>     | <b>315</b>     |

## 26. Commitments under PFI contracts

The Department has entered into the following PFI contracts.

### 26a. Off Balance Sheet

On the 30 April 1999, Water Service signed its first PFI contract with Coastal Clearwater Ltd (the concessionaire) for the provision of sewerage treatment which covered the upgrading of the Kinnegar Waste Treatment Works with a capital cost in the region of £11 million. Construction works commenced in August 1999, with the concessionaire taking over the operation of the works in June 2000. Commissioning of the works commenced in early 2001 and acceptance of the works occurred in late May 2001. The life of the contract is 25 years giving an end date of 30 April 2024.

A smaller PFI contract was signed on 29 June 1999 with Highland, Light and Power Northern Ireland Limited to facilitate the generation of hydro electricity at Silent Valley / Ben Crom Reservoirs. Work commenced at both sites in the latter part of 2000 and was completed in summer 2001. The contract period is for nine years and the estimated capital value is £840k. There are no annual payments under this contract.

### 26b. Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-Balance Sheet PFI transactions is £2.427m (2003-04 £2.618m). The future estimated annual amount payable under existing PFI agreements is £2,400,000. These payments are subject to performance, volume and quality targets being met, which lead to fluctuations in the amount payable. Payments to which Water Service is committed during 2005-06, analysed by the period during which the commitment expires, are as follows:

|                              | <b>2004-05</b> | <b>2003-04</b> |
|------------------------------|----------------|----------------|
|                              | <b>£000</b>    | <b>£000</b>    |
| Expiry within 1 year         | -              | -              |
| Expiry within 2 to 5 years   | -              | -              |
| Expiry within 6 to 10 years  | -              | -              |
| Expiry within 11 to 15 years | -              | -              |
| Expiry within 16 to 20 years | 2,400          | -              |
| Expiry within 21 to 25 years | -              | 2,400          |
|                              | <b>2,400</b>   | <b>2,400</b>   |

## 27. Other financial commitments

The Department has no other financial commitments that are not included in the spending review for the next three years.

## 28. Contingent liabilities disclosed under FRS 12

The Department is disputing liability in Employer's and Public Liability cases amounting to £13,032,732 (2003-04 £13,141,654).

There were also unsettled cases in relation to Equal Opportunities/Unfair Dismissal and Contractors' claims for which possible future liabilities of £186,000 and £1,574,305 are estimated.

Land highlighted for future roads schemes to the value of £20,500,740 (2003-04 £20,714,104) is also estimated.

**29. Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability.**

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

The Department has no such contingent liabilities.

**30. Losses and special payments**

|                         | 2004-05            |              |
|-------------------------|--------------------|--------------|
|                         | Number<br>of cases | £000         |
| <b>Losses:</b>          |                    |              |
| Stores and plant losses | 36                 | 24           |
| Abandoned claims        | 11                 | 35           |
| Other cash losses       | 25                 | 15           |
| <b>Total losses</b>     | <b>72</b>          | <b>74</b>    |
| <br>                    |                    |              |
| <b>Special Payments</b> | <b>297</b>         | <b>1,706</b> |

**Details of cases over £100,000**

During the year a public liability case was settled for £275,000.

**31. Related-party transactions**

DRD is the parent department of the Roads Service and Water Service Executive Agencies and is the sponsor of the Northern Ireland Transport Holding Company Limited, which is a Public Corporation.

The Department provides certain core administration services (mainly on a notional charging basis) for the Department of the Environment and its agencies, and for certain agencies which were part of the former Department of the Environment prior to devolution that are now part of the Department of Finance and Personnel (DFP) and the Department of Culture, Arts and Leisure. DFP provides services such as accommodation, personnel, payroll, recruitment and training to the Department on a notional basis.

All of the above are regarded as related parties with which the DRD had various material transactions during the year.

In addition, DRD has had a small number of transactions with other government departments and other government bodies, the majority of which are Northern Ireland Departments.

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

**32. Financial instruments**

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity



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

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

*32a. Liquidity Risk*

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

*32b. Interest Rate Risk*

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

*32c. Interest Rate Profile*

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

**Financial liabilities**

| Currency         | Total<br>£000 | Floating<br>rate<br>financial<br>liabilities<br>£000 | Fixed rate<br>financial<br>liabilities<br>£000 | Non-<br>interest<br>bearing<br>financial<br>liabilities<br>£000 | Weighted<br>average<br>interest<br>rate<br>% | Fixed rate   | Non-<br>interest<br>bearing                                 |
|------------------|---------------|--|--|---|--|--|---|
|                  |               |  |  |   |  | financial liabilities  | financial liabilities                                       |
|                  |               |  |  |   |  | Weighted<br>average<br>period for<br>which rate<br>is fixed<br>Years | Weighted<br>average<br>period<br>until<br>maturity<br>Years |
| At 31 March 2005 | 72,881        | -  | 661  | 72,220  | 4.6  | 2  | -   |
| At 31 March 2004 | 45,240        | -  | 2,012  | 43,228  | 4.6  | 3  | -   |

**Note**

The Department's non-interest bearing financial liabilities at 31 March 2005 comprises the bank overdraft of £21.734 million (2003-04, £11.931 million), Capital retentions of £3.510 million (2003-04, £4.758 million), Other creditors of £6.421 million (2003-04 £3.814 million) and provisions of £40.555 million (2003-04 £22.725 million).

The Department's fixed rate financial liabilities include Government loans of £0.661 million (2003-04 £2.012 million)

## Financial assets

| Currency         | Total<br>£000 | Fixed-<br>rate<br>financial<br>assets<br>£000 | Non-<br>interest<br>bearing<br>financial<br>assets<br>(Note a)<br>£000 | Fixed-rate financial | Non-<br>interest<br>bearing<br>financial<br>assets | Weighted<br>average<br>term                  |
|------------------|---------------|---|--|----------------------|--|--|
|                  |               |   |  | assets               | assets   | Weighted<br>average<br>interest<br>rate<br>% |
| At 31 March 2005 | 125           | 125   | -  | Note a               | -  | -  |
| At 31 March 2004 | 342           | 342   | -  | Note a               | -  | -  |

Note a: the Department's fixed rate financial assets at 31 March 2005 comprises cash at bank and in hand of £0.066 million (2003-04, £0.257 million) and Investments of £0.059 million (2003-04 £0.085 million).

Cash at bank and in hand is available on demand. The Investment is of unlimited term.

### 32d. Foreign Currency Risk:

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

## Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2005.

|                                      | Book Value<br>£000 | Fair Value<br>£000 | Basis of fair<br>valuations |
|--------------------------------------|--------------------|--------------------|-----------------------------|
| <b>Primary financial instruments</b> |                    |                    |                             |
| <b>Financial Liabilities:</b>        |                    |                    |                             |
| Bank overdraft                       | 21,734             | 21,734             | Note a                      |
| Provisions                           | 40,555             | 40,555             | Note b                      |
| Capital Retentions                   | 3,510              | 3,510              | Note a                      |
| Other Creditors                      | 6,421              | 6,421              | Note a                      |
| Government Loans                     | 661                | 661                | Note a                      |
| <b>Financial Assets:</b>             |                    |                    |                             |
| Cash at Bank                         | 66                 | 66                 |                             |
| Investments                          | 59                 | 59                 |                             |

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

Note b: the fair value is not significantly different to book value as, in the calculation of book value, the expected cash flows have been discounted by the real rate set by HM Treasury (currently 3.5%).

### 33. Entities within the departmental boundary

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

- (a) Supply-financed executive agencies: Roads Service  
Water Service
- (b) Non-executive NDPB: Northern Ireland Water Council
- (c) Other entities: None

The annual reports and accounts of Roads Service and Water Service are published separately. The Northern Ireland Water Council does not publish separate accounts.

### 34. Intra Government balances

|   | <b>Debtors:<br/>Amounts<br/>falling<br/>due<br/>within<br/>one year<br/>£000</b> | <b>Debtors:<br/>Amounts<br/>falling<br/>due after<br/>more than<br/>one year<br/>£000</b> | <b>Creditors:<br/>Amounts<br/>falling<br/>due<br/>within<br/>one year<br/>£000</b> | <b>Creditors:<br/>Amounts<br/>falling<br/>due after<br/>more than<br/>one year<br/>£000</b> |
|---|--|---|--|---|
| Balances with other central government bodies       | 52,223   | -   | 36,930   | 661   |
| Balances with local authorities                     | 15   | -   | 124  | -   |
| Balances with NHS Trusts                            | -  | -   | 2  | -   |
| Balances with public corporations and trading funds | 547  | -   | 40,054   | -   |
| Balances with bodies external to government         | 48,331   | -   | 105,740  | 9,931   |
| <b>At 31 March 2005</b>                             | <b>101,116</b>   | <b>-</b>  | <b>182,850</b>   | <b>10,592</b>   |
| Balances with other central government bodies       | 38,782   | -   | 33,072   | 2,012   |
| Balances with local authorities                     | 93   | -   | 57   | -   |
| Balances with NHS Trusts                            | 3  | -   | -  | -   |
| Balances with public corporations and trading funds | 364  | -   | 30,275   | -   |
| Balances with bodies external to government         | 37,614   | -   | 74,354   | 8,572   |
| <b>At 31 March 2004</b>                             | <b>76,856</b>  | <b>-</b>  | <b>137,758</b>   | <b>10,584</b>   |

### 35. Post Balance Sheet Events

There were no post Balance Sheet events.









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