



RESOURCE ACCOUNTS

For year ended 31 March 2003

Presented to The Houses of Parliament
by the Secretary of State for Northern Ireland
in accordance with article 2(2)(a) of the Northern Ireland Act 2000
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13 November 2003

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Department of Agriculture and Rural Development

Annual Report and Accounts for the year ended 31 March 2003

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SCOPE

Boundary

The Department of Agriculture and Rural Development (DARD) presents its accounts for the financial year ended 31 March 2003.

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

- DARD Core Department
- Rivers Agency
- Forest Service Agency

Appendix 1 contains a full list of bodies, for which the Department had lead responsibility during the 2002-03 financial year and identifies a list of all those bodies for which the costs have also been consolidated within the Accounts.

Key Aims and Objectives

The overall aim of the Department is to:

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

The Department's objectives are:

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

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

Principal Activities

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

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

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

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

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

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

Post Balance Sheet Events

Forest fires that occurred in April 2003, mainly due to the exceptionally dry spring, have resulted in damage estimated to be in the order of £182,000.

OPERATING AND FINANCIAL REVIEW

1. The Department continued to face a changing strategic context during 2002-03. Politically, the power devolved to the Northern Ireland Assembly and its Executive Committee of Ministers on Thursday 2 December 1999 was restored to the United Kingdom on 15 October 2002. Ian Pearson MP was appointed as Minister for Agriculture and Rural Development. There was a need to respond positively to the emerging reform agenda for the Common Agricultural Policy to accommodate eastward enlargement of the European Union and a new World Trade Agreement. The major local initiative of the Vision Group continued, and importantly led to calls for a restructuring and modernisation of the Department itself. This dovetailed with concerns within the Civil Service and more widely to address modernisation as a service-wide issue.
2. A significant development was the establishment of a Rural Stakeholder Forum in June 2002. Its remit is to ensure that the fullest possible stakeholder input on strategic issues is available to the Minister and the Department thereby informing and guiding Departmental decisions and actions.

Operating Review

3. Under Request for Resources A, the Department is committed to promote sustainable development of the agri-food industry and the countryside, and to stimulate the economic and social revitalisation of disadvantaged rural areas.

The PSA targets are shown in Table 1: -

Table 1

PSA Target	Progress
Within the constraints of the Common Agricultural Policy (CAP) and National policy in relation to agriculture, encourage improvements in production efficiency, quality and marketing in the agri-food industry, by implementing measures set out in the Action Plan derived from the exercise to develop a Vision for the future of the agri-food sector. Success will be measured by changes in the share of UK and EU output for the major commodities.	Target on track for achievement.
Achieve the relaxation of beef export restrictions as soon as possible in the 2002-03 financial year.	Target not achieved.
Maintain farming activity in the Less Favoured Area (LFA) and bring about the environment improvements envisaged in the Northern Ireland Rural Development Regulation Plan. Success will be measured by the numbers engaged in farming in the LFA and uptake of the three agri-environment schemes.	Target on track for achievement.
During 2002-03, and subsequently, keep Northern Ireland free of Foot and Mouth Disease.	Target achieved
During 2002-03 improve economic performance and social development of rural areas by meeting Rural Development Programme targets.	Targets achieved

4. The Vision Steering Group was appointed in May 2000 to bring forward a strategy for the future development of the Northern Ireland agri-food industry. Its final report was published in 2001 and the Vision Action Plan, which covers the Government's response to all of the Vision recommendations, was released on 25 November 2002. Some 60 recommendations were implemented during 2002-03; and around £33m was allocated in the Budget to cover implementing a further 30 recommendations in 2003-04 and beyond. Another 120 or so of the original Steering Group recommendations have been accepted in principle and/or require further study. A Sub Group of the Rural Stakeholder Forum has been set up to address directly those 25 Vision recommendations which are for the industry to implement.
5. Another Vision recommendation to establish a Food Body to co-ordinate food marketing and supply chain issues was progressed in 2002. The report of the Food Body Working Group was issued for consultation with key stakeholders in November 2002. The consultation period closed in March 2003, and the responses are currently being considered.
6. Northern Ireland did not meet the requirements for EU recognition of low incidence of BSE. Since 30 September 2002, however, beef exports were legally possible under the Date Based Exports Scheme. Four plants completed applications, and strong expressions of interest have come from 3 others. In effect, a partial relaxation of the beef export restrictions has been achieved.
7. A total of 14,193 farmers (farming 550,504 hectares) received payments under the Less Favoured Area Compensatory Allowance Scheme. The Organic Farming Scheme had 75 participants (farming 4,599 hectares). The Countryside Management Scheme had 1,651 participants (farming 69,805 hectares). The New Environmentally Sensitive Areas Scheme had 266 participants (farming 7,852 hectares).
8. Northern Ireland remains free of Foot and Mouth Disease (FMD). The Department took receipt during 2002-03 of an independent review of its handling of the FMD outbreak in 2001. That review indicated that the Department had contained and eradicated the disease successfully and made a number of recommendations relating to the handling of any future outbreak and the prevention of the introduction of exotic animal disease. The Report recommended the development of an Animal Health Strategy for Northern Ireland and endorsed also the progression of an all-island Strategy. Work on both of these is being taken forward.
9. Expenditure on animal disease compensation for bovine TB and Brucellosis increased substantially in 2002-03 to £16m and £12m respectively compared with £9m and £7m in 2001-02. In recognition of the increased incidence of these diseases the Department completed reviews of policy for both diseases during the year. Following consultation with stakeholders on the review recommendations the Minister announced a series of measures in June 2003 which had the objective of moving towards the eradication of Brucellosis and reducing TB to a lower level. These measures included introducing annual and pre-movement testing for Brucellosis, tightening restrictions on herds which do not test at the required time, establishing a Group to consider the need for action on badgers to help prevent the spread of TB and further research on the approach to testing in Northern Ireland.

10. Request for Resources B commits the Department to reduce the risk to life and property from flooding, promote sustainable development of the sea fishing industry and maintain, protect and expand forests in a sustainable way. The PSA targets are shown in Table 2.

Table 2

PSA Target	Progress
During 2002-03 secure an enhanced economic and environmental benefit by extending the area of woodland in Northern Ireland by 700 hectares and continuing to manage existing woodlands in a sustainable way	Target substantially achieved.
During 2002-03 secure a reduced risk of flooding to 1,250 Housing Equivalents.	Target achieved.
During 2002-03, enhance the viability of the Northern Ireland sea fishing industry as measured by progress towards a self sustaining Cod Spawning Stock Biomass (SSB) in the Irish Sea, and the value of fish landed by NI vessels per >10m licensed fishing vessel.	Target likely to be achieved but with some delay.

11. The Forest Service continued to manage existing woodlands in a sustainable way and 592 hectares of new planting were established. Uptake of private woodlands grants was, however, less than expected. The Department initiated a review of forest policy for the period 2003-2013. Forest policy is concerned with the extent of forest cover, the use made of forestry, and the distribution of forests between public and private sector. Following publication of a consultation paper in June 2003, a number of responses were received. Further policy development work has been undertaken leading to an economic appraisal. When that work is concluded, it is intended to publish the new Forest Policy.
12. The Rivers Agency reduced the risk of flooding for 1,268 Housing Equivalents, slightly exceeding the PSA target.

13. The Common Fisheries Policy Review drew to a close in 2002, and the Agricultural and Fisheries Council in December 2002 agreed the first tranche of ongoing reforms. The main changes relate to setting objectives for attaining and/or maintaining safe levels of adult fish stocks, and the measures needed to reach these levels; the responsibility of Member States for matching fishing capacity to fishing opportunities; and phasing out public aid for private investment in renewing or modernising fishing vessels. The Department has responded to these reforms by continuing to participate in Irish Sea Cod Recovery Plans; consulting on further decommissioning aid, and the possibility of compensation for vessels deprived of fishing opportunities; and setting up a task force to identify and address the socio-economic implications for South Down in particular of successive Fisheries Council decisions. In addition, work commenced on the development of an aquaculture strategy, and a quinquennial review of the Northern Ireland Fishery Harbour Authority.
14. In parallel with the publication of the Government's response to the Vision Report, Ian Pearson MP also announced modernisation plans. He set out a radical restructuring of the Department. First, he indicated that the Department would withdraw from direct involvement in the provision of education in the School of Agriculture and Food Science, and would transfer it under normal university funding arrangements to the Queen's University of Belfast or the University of Ulster. Secondly, he announced the setting up of a new Non-Departmental Public Body to carry out research and development, although core surveillance and testing, and associated R&D would be retained within the Department. Thirdly, he confirmed that there would be a single DARD College, replacing the existing 3, and operating at arm's length from the Department.

Financial Review

15. Schedule 1 to the Account summarises the resource outturn for 2002-03. The net total resources required were £241.296m compared to an estimated net total of £248.343m. Details of the resource estimate and outturn for each Request for Resources are given in Table 3 below.

Table 3

	Estimate £000	Outturn £000	Variance £000
Request for Resources A	191,049	179,845	11,204
Request for Resources B	57,294	61,451	(4,157)*

* This is an Excess Vote – see paragraph 18.

16. Explanations of significant variances against the resource estimate are also provided in Schedule 1 of the Accounts.

17. In respect of Request for Resources A, the underspend of £11.2m includes, within Food and Farm Policy, the retention of £8.15m provided by the Treasury to match funds modulated from farmers' CAP Subsidy Payments. Other underspends reflect difficulties in recruitment in some specialist areas, and difficulties in anticipating levels of uptake in demand-led schemes. In the case of the Agri-Food Development Service, a decision was taken that training expenditure at the Agricultural Colleges qualified for funding under the Peace Programme and a transfer of £8.572m was made from AFDS programme expenditure to Peace programme expenditure. This is reflected in the Accounts as an underspend in the AFDS and an overspend in the Peace Programme.
18. Under Request for Resources B, the major overspend occurs in the non-cash items, and arises because of a mis-estimation of the cost of capital by the Rivers Agency and has resulted in an Excess Vote. In addition, the Rivers Agency exceeded its operating costs by £0.984m. In the case of Fisheries, some funds amounting to over £1.228m were held back to fund a forthcoming Decommissioning Scheme, and there was also slippage in the Reinvestment and Reform Initiative allocation to Kilkeel Harbour. The Forest Service benefited by an enhanced level of receipts resulting in an underspend in their area.
19. Under both Request for Resources A and Request for Resources B there were overspends in central administration, which arose because of a range of unanticipated costs relating to insurances, seconded officers, legal fees etc.
20. The resources consumed by the Department are set out according to its objectives in Schedule 5 of the Accounts.

MANAGEMENT

During devolution the Department was subject to the control and direction of Mrs Brid Rodgers, a Member of the Northern Ireland Assembly and Minister for the Department of Agriculture and Rural Development. Following suspension of the Northern Ireland Assembly, at midnight on 14 October 2002, these functions were discharged by Mr Ian Pearson, a member of the Northern Ireland Office (NIO) ministerial team.

Departmental Management Board

The Department is headed by its Permanent Secretary, supported by a Departmental Management Board (DMB) of 5 senior officials, each responsible for a number of Senior Management Units (SMUs, i.e. core business units of the Department). Each of the Board members is responsible, respectively, for:

- Food, Farming and Environmental Policy;
- Central Services, Fisheries and Rural Development;
- Science Service;
- Veterinary Service;
- Agri-food Development Service;

The Chief Executives of the Rivers Agency and Forest Service, each of which is a single SMU, also report to the Permanent Secretary.

The composition of the DMB during the year was as follows:

*Mr Peter Small	Permanent Secretary
Mr Roy McClenaghan	Chief Agricultural Officer
Prof CH McMurray (retired 18/08/02)	Chief Scientific Officer
Dr SG McIlroy (wef 19/08/02)	Chief Scientific Officer
Mr Robert McCracken (retired 19/07/02)	Chief Veterinary Officer
Mr RM Houston (wef 22/07/02)	Chief Veterinary Officer
Mr Pat Toal	Principal Establishment and Finance Officer
Mr AE McCusker	Food, Farming & Environmental Policy Group

*The Permanent Secretary, Mr Peter Small, retired on the last day of the 2002-03 financial year, that is 31 March 2003. His successor, Mr Pat Toal (Principal Establishment and Finance Officer during 2002-03), will sign the 2002-03 Accounts.

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

Appointment of Senior Officials

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

Remuneration of Minister and Senior Officials

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

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

Pay of Other Members of the Departmental Board

The pay for other members of the Departmental Boards is set by the recommendations of the annual Senior Salaries Review Body report.

Details of remuneration paid for the year ended 31 March 2003 are summarised at note 2 to the accounts.

PUBLIC INTEREST AND OTHER

Employment of the Disabled

The Department aims to provide access to the full range of recruitment and career opportunities for all people with disabilities, to establish working conditions that encourage the full participation of disabled people, and seeks to ensure the retention of existing staff that are affected by disability through rehabilitation, training and reassignment. As part of this overall policy DARD is committed to ensuring that its policies and practice comply with the requirements of the Disability Discrimination Act 1995.

Equal Opportunities

It is the policy of DARD that all eligible persons shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for work. This policy has been communicated to all staff of the Department through a comprehensive programme of equal opportunities training for all staff, and through the provision of information and guidance to staff on a wide range of equal opportunities issues. The Department's Equal Opportunities Team is responsible for the development, formulation, co-ordination and monitoring of the policy for the Department.

Payment of Suppliers

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year 94.02% of bills were paid within this standard (2001-02 93%).

Departmental Auditor

The Departmental Auditor is the Comptroller and Auditor General (C&AG), J M Dowdall.

Provision of information to and consultation with employees

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

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



P TOAL

**Accounting Officer, Department of Agriculture & Rural Development
29 October 2003**

BODIES FOR WHICH DARD HAS A DEGREE OF RESPONSIBILITY

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

On-Vote Executive Agencies

- Rivers Agency*
- Forest Service Agency*

Executive Non-Departmental Public Bodies (NDPB)

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

Advisory NDPBs

- Drainage Council for Northern Ireland
- Rural Development Council

Cross Border Bodies

- The Foyle, Carlingford and Irish Lights Commission* #

Notes:

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

DARD – PRINCIPAL ACTIVITIES

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

Core Department

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

Core Department (continued)

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

Rivers Agency

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

Forest Service

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

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

STATEMENT ON INTERNAL CONTROL – TRANSITIONAL STATEMENT

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

I also obtain additional assurance through a formal stewardship reporting process which is embedded within each business area of the Department and which is monitored by the Corporate Governance and Audit Sub-Committee.

Where internal audit reviews or the work of the Department's Investigation Service have identified control weaknesses, management responses have been obtained setting out action which will be taken to strengthen the relevant controls. The Corporate Governance and Audit Sub-Committee meets on a regular basis to ensure that appropriate action is being taken to address internal and external findings raised throughout the year.

The Departmental Management Board has verified the Department's Corporate Risk Register and procedures are in place for monitoring and responding to changes in risk. A Corporate Risk Register and the corresponding Risk Management Plans for each business area were developed during 2002-03, and introduced in April 2003. They are linked to business performance targets. In this way risk management has a key function in managing business performance.

Following the development of the Department's Corporate Risk Register and Risk Management Plans for each business area further work is being done to embed risk management as routine business practice. The responsibility for risk management is cascaded through the organisation with risk management plans used to inform the agendas of management meetings at all levels. As a result, the ownership of risk management is allocated to the appropriate staff.

STATEMENT ON INTERNAL CONTROL (continued)

The Department continues to pursue a culture of continuous improvement through a structured improvement programme. As part of this approach the Anti-Fraud Policy Statement was amended in 2002 to include the Northern Ireland Civil Service “Whistle Blowing Policy”. In the incoming year, the Department plans to:

- develop and implement a risk management strategy;
- provide additional training to ensure that risk management procedures are implemented consistently across the organisation;
- form a Corporate Risk Management Forum to ensure consistent implementation of risk management-related actions;
- introduce a risk management assessment framework to evaluate the Department’s risk management capability; introduce a revised Anti-Fraud Policy Statement.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors 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.

One aspect of my review relates to recommendations of the Public Accounts Committee. I am satisfied that we have implemented all undertakings given in Memoranda of Reply. In addition, at a recent hearing on the operation of the Sheep Annual Premium Scheme during 2002-03 and earlier, I gave an undertaking that the Department would implement all recommendations in the NIAO Report on the Scheme. Action is under way to honour that commitment. I await the final recommendations of the Public Accounts Committee on this matter.

The outcome of my review has identified the need for further improvement in relation to minor internal control weaknesses. However, I am unaware of any significant internal control weaknesses that need to be addressed. A plan to address the identified minor weaknesses and ensure continuous improvement of the system is in place.

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

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.



P TOAL

Accounting Officer

29 October 2003

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements on pages 23 to 29 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 30 to 37.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 17 the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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 the Northern Ireland Assembly and 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 Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 18 to 19 reflects the Department's compliance with the Department of Finance and Personnel's guidance 'Corporate Governance: 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.

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.

Annual Report and Accounts for the year ended 31 March 2003

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 the Northern Ireland Assembly and 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.

Qualified opinion arising from expenditure in excess of amounts authorised

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department of Agriculture and Rural Development at 31 March 2003 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;
- except for Resource expenditure of £4,157,656.45 in excess of the amount authorised for Request for Resources B (Reducing the risk to life and property from flooding, promoting sustainable development of the Sea Fishing Industry and maintaining, protecting and expanding forests in a sustainable way), referred to in paragraphs 1 to 4 of my report, in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and Parliament and the financial transactions conform to the authorities which govern them.

My report on these financial statements is at page 22.



J M Dowdall
Comptroller and Auditor General
31 October 2003

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**REPORT OF THE COMPTROLLER AND AUDITOR GENERAL ON THE
DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
RESOURCE ACCOUNTS 2002-03**

1. The Department of Agriculture and Rural Development Resource Account shows expenditure of £4.157 million (7.25%) in excess of the net estimate for Request for Resources B (Reducing the risk to life and property from flooding, promoting sustainable development of the Sea Fishing Industry and maintaining, protecting and expanding forests in a sustainable way), which amounted to £57.294million. It is proposed to ask Parliament to authorise a further supply grant of £4.157million.
2. The excess expenditure relates to the non – cash items in Request for Resources B, which includes depreciation, cost of capital, notional costs, permanent diminution in value and loss on disposal of fixed assets, where outturn exceeded estimate by £5.048million. Net savings of £0.891million in other parts of Request for Resource B reduce the excess to £4.157million.
3. The Department has informed me that the Excess arose through a miscalculation of the requirement for capital charges. At the Spring Supplementary Estimates stage, substantial changes were necessary to this area of expenditure because of classification decisions relating to assets of the Rivers Agency. It was during these amendments that the miscalculation occurred.
4. The Department has informed me that it has reminded all relevant managers of the need to ensure that all estimates are calculated correctly and that all expenditure is monitored effectively whether it be of a cash or non-cash nature.



J M Dowdall
Comptroller and Auditor General
31 October 2003

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 1

Summary of Resource Outturn 2002-03	2002-03			2002-03				2001-02
	Estimate							Outturn
	Gross Expenditure 1	Accruing resources 2	NET TOTAL 3	Gross Expenditure 4	Accruing resources 5	NET TOTAL 6	Net Total Outturn Compared With Estimate: Saving/ (excess) 7	Prior Year Outturn 8
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A (Notes 5 & 9)	203,509	12,460	191,049	192,305	12,460	179,845	11,204	182,775
Request for Resources B (Notes 5 & 9)	63,216	5,922	57,294	67,373	5,922	61,451	(4,157)	61,289
Total Resources	266,725	18,382	248,343	259,678	18,382	241,296	7,047	244,064
Non – operating Cost Accruing resources (Notes 5b & 10)	-	-	637	-	-	552	85	265
Net Cash Requirement	-	-	244,392	-	-	198,778	45,614	213,906
<i>Reconciliation of resources to cash requirement</i>	Note		£000			£000	£000	
Net total resources Capital:			248,343			241,296	7,047	
Acquisition of fixed assets:								
Cash purchase	10 & 11		26,107			17,189	8,918	
Finance lease			-			-	-	
On-balance-sheet PFI			-			-	-	
Off-balance-sheet PFI residual interest			-			-	-	
Investments			-			-	-	
Non-operating Accruing resources:								
Book value of fixed assets disposals	10		(637)			(552)	(85)	
Accruals adjustments:								
Non-cash items	3a		(46,218)			(51,603)	5,385	
Changes in working capital other than cash	14		14,829			(10,080)	24,909	
Changes in creditors falling due after more than one year			-			-	-	
Use of provisions	19		1,968			2,528	(560)	
Net Cash Requirement (Schedule 4) (Note b)			244,392			198,778	45,614	

Notes on pages 30 to 63 form part of these accounts

ACCOUNTS – SCHEDULE 1 (continued)

Notes to Schedule 1 - Explanation of the variation between estimate and outturn (net total resources):

1. RfR A Savings £11.204m
 - (a) AFDS and Peace Programmes - There was a reclassification of £8.572m of programme expenditure from AFDS to Peace because this expenditure is now considered eligible for EU funding under the Peace programme.
 - (b) Food/Farm Policy – The underspend was mainly due to the retention of £8.15m provided by Treasury to match modulated funds deducted from farmers' CAP subsidy payments.
2. RfR A Prior Period Adjustment £3.535m
 - (a) A prior period adjustment of £3.535m, arising from a change in estimation policy for animal disease compensation accruals, has been dealt with in two parts. In accordance with paragraph 7.7.4 of NIRAM £2.067m has been treated as current year expenditure in Schedule 1. In accordance with paragraph 7.7.5(b) of NIRAM £1.468m, relating to the period prior to 1 April 2001, has not been treated as current year expenditure in Schedule 1.
3. RfR B Exceeding £4.157m (Excess Vote)
 - (a) Rivers Agency - The major overspend arises because of a mis-estimation of the cost of capital by the Rivers Agency and has resulted in an Excess Vote.

Analysis of income payable to the Consolidated Fund		Forecast 2002-03		Outturn 2002-03	
	Note	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Operating income and receipts – excess Accruing resources	5a	-	-	4,300	4,300
Non-operating income and receipts – excess Accruing resources	5b	-	-	209	209
Subtotal				4,509	4,509
Other operating income and receipts	5a	6,916	5,221	14,724	3,380
Not classified as Accruing Resources	-	-	-	-	-
Other non-operating income and receipts	-	-	-	-	-
Not classified as Accruing Resources	-	-	-	-	-
Other amounts collectable on behalf of The Consolidated Fund	-	-	-	-	-
Total		6,916	5,221	19,233	7,889

Actual outturn – resources:

Request for Resources A: Actual amount net resources outturn £179,844,531.97; actual amount of savings over estimate £11,204,468.03

Request for Resources B: Actual amount net resources outturn £61,451,656.45; actual amount of excess over estimate £4,157,656.45

Actual outturn – cash:

Net cash requirement: Outturn net requirement £198,778,144.92 which is £45,613,855.08 less than estimate.

The actual receipts surrenderable to the Consolidated Fund were £7,888,112.88

Notes on pages 30 to 63 form part of these accounts

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 2

		2002-03		2001-02 As restated	
Operating Cost Statement	Note	£'000	£'000	£'000	£'000
<i>for the year ended 31 March 2003</i>					
Administration costs:					
Staff costs	2a		83,901		84,812
Other administration costs	3		26,755		27,913
Gross administration costs			110,656		112,725
Operating income	5a		(3,310)		(2,679)
Net administration costs			107,346		110,046
Programme costs					
Request for Resources A:					
Expenditure	4	290,814		263,800	
Less: EU Income	4 & 5a	(200,216)		(159,371)	
Other Income	4 & 5a	(12,850)	77,748	(13,788)	90,641
Request for Resources B:					
Expenditure	4	44,797		44,309	
Less: EU Income	4 & 5a	(3,150)		(833)	
Other Income	4 & 5a	(6,536)	35,111	(9,544)	33,932
Net programme costs	4		112,859		124,573
Net operating cost	7 & 8		220,205		234,619
Net resource outturn	7		241,296		244,064

All income and expenditure are derived from continuing operations

	2002-03	2001-02
Statement of Recognised Gains and Losses	£'000	£'000
<i>For the year ended 31 March 2003</i>		
Net gain/(loss) on revaluation of tangible fixed assets	11,845	10,260
Net gain/(loss) on revaluation of intangible fixed assets	941	(6)
Net gain/(loss) on revaluation of investments	-	-
Receipt of donated assets	-	-
Prior periods adjustment	(3,535)	-
Total recognised gains/(losses) for the financial year	9,251	10,254

Notes on pages 30 to 63 form part of these accounts

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 3

		31 March 2003		31 March 2002 As restated	
Balance Sheet	Note	£'000	£'000	£'000	£'000
<i>as at 31 March 2003</i>					
Fixed assets:					
Tangible assets	11	612,411		593,068	
Intangible assets	12	813		281	
Investments	13	-		-	
			613,224		593,349
Debtors falling due after more than one year	16		400		420
Current assets:					
Stocks	15	2,439		2,728	
Debtors	16	67,371		54,518	
Cash at bank and in hand	17	112		107	
		69,922		57,353	
Creditors (amounts falling due within one year)	18	(80,773)		(61,959)	
Net current assets (liabilities)			(10,851)		(4,606)
Total assets less current liabilities			602,773		589,163
Creditors (amounts falling due after more than one year)	18	-		-	
Provisions for liabilities and charges	19	(2,695)		(1,968)	
			(2,695)		(1,968)
			600,078		587,195
Taxpayers' Equity					
General fund	20		405,418		554,317
Revaluation reserve	21		194,525		32,741
Donated asset reserve	21		135		137
			600,078		587,195



(Signed).....(Accounting Officer)

(Date) 29 October 2003

Notes on pages 30 to 63 form part of these accounts

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 4

	2002-03	2001-02
Cash Flow Statement		
<i>for year ended 31 March 2003</i>		
	£'000	£'000
Net cash outflow from operating activities {Note a}	(174,283)	(179,191)
Capital expenditure and financial investment {Note b}	(16,606)	(17,128)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	-	-
Payments of amounts due to the Consolidated Fund	(3,534)	(10,230)
Financing {Note c}	203,506	209,586
Increase/(decrease) in cash in the period	9,083	3,036

Notes:

- a See the table below giving a reconciliation of operating cost to operating cash flows.
- b See the table below giving an analysis of capital expenditure and financial investment.
- c See the table below giving an analysis of financing and reconciliation to the net cash requirement.

	2002-03	2001-02
Reconciliation of operating cost to operating cash flows		
	£'000	£'000
Net operating cost	(220,205)	(234,619)
Adjustments for non-cash transactions (see note 3a)	51,781	51,185
Adjustments for movements in working capital other than cash (see note 14)	(3,331)	4,611
Use of provisions (see note 19)	(2,528)	(368)
Net cash outflow from operating activities	(174,283)	(179,191)

	2002-03	2001-02
Analysis of capital expenditure and financial investment		
	£'000	£'000
Tangible Fixed Assets additions (Notes 10 & 11)	(17,189)	(17,328)
Proceeds of disposal of fixed assets (Note 10)	583	200
Net cash outflow from investing activities	(16,606)	(17,128)

Notes on pages 30 to 63 form part of these accounts

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 4 (continued)

	2002-03	2001-02
Analysis of financing, and reconciliation to the net cash requirement	£'000	£'000
From the Consolidated Fund (Supply) – current year (Note 1) (+)	173,800	184,200
From the Consolidated Fund (Supply) – prior year (Note 2) (+)	29,706	25,386
From the Consolidated Fund (non-Supply) (+)	-	-
Capital element of payments in respect of finance leases and on-balance-sheet PFI contracts (-)	-	-
Net financing	203,506	209,586
(Increase)/decrease in cash	(9,083)	(3,036)
Net cash flows other than financing	194,423	206,550
Adjustment for payments and receipts not related to Supply:		
Amounts due to the Consolidated Fund – received in a prior year and paid over (-)	(1,344)	(6,829)
Amounts due to the Consolidated Fund – received and not paid over (+)	5,699	6,370
Add: Transitional adjustment Notes 14 & 20)	-	7,815
Net cash requirement (Schedule 1)	198,778	213,906

Note: 1. Amount of grant actually issued to support the net cash requirement = £173,800,000.00

2. Amount of grant actually issued to support the prior year net cash requirement = £29,706,000.00

Notes on pages 30 to 63 form part of these accounts.

Annual Report and Accounts for the year ended 31 March 2003

ACCOUNTS – SCHEDULE 5

	2002-03			2001-02		
Resources by Departmental Aim and Objectives	Gross	Income	Net	Gross	Income	Net
	£'000	£'000	£'000	£'000	As restated £'000	£'000
For the year ended 31 March Aim:						
Objective 1	377,687	(215,361)	162,326	353,814	(175,273)	178,541
Objective 2	68,580	(10,701)	57,879	67,020	(10,942)	56,078
Net operating costs	446,267	(226,062)	220,205	420,834	(186,215)	234,619

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

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

See Note 22.

Notes on pages 30 to 63 form part of these accounts.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

Introduction - Suspension of the Northern Ireland Assembly

- (i) The Secretary of State for Northern Ireland signed an Order on 14 October effectively suspending devolved government in Northern Ireland from midnight that night. Under suspension:
- the Assembly and its committees ceased to meet or conduct business;
 - the First Minister, Deputy First Minister, Departmental Ministers, Junior Ministers, Chairmen and Deputy Chairmen of Statutory Committees all ceased to hold office;
 - direct rule was reinstated; the Northern Ireland Departments discharged their functions subject to the direction and control of the Secretary of State; the functions of the First Minister and Deputy First Minister were discharged by the Secretary of State;
 - legislation on devolved matters were made by Order in Council at Westminster.
- (ii) The provisions allowing members of the Executive Committee to participate in the North/South Ministerial Council and the British/Irish Council were also suspended.
- (iii) The Secretary of State could at any time make an Order, subject to Parliamentary approval, to restore devolved government.
- (iv) During devolution the Department was subject to the control and direction of Mrs Brid Rodgers, following suspension these functions were discharged by Mr Ian Pearson who is part of the Northern Ireland Office (NIO) ministerial team.
- (v) The costs and practicalities of producing separate resource accounts for the period up to and following suspension are prohibitive, and one resource account for the complete financial year has therefore been prepared.

1. Statement Of Accounting Policies

The financial statements have been prepared in accordance with the 2002-03 Northern Ireland Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel. The accounting policies contained in NIRAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where NIRAM permits a choice of accounting policy, the accounting policy 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 at their value to the business by reference to their current costs. Stocks, where held, have not been revalued to current cost as their value is not deemed to be material.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department [*including its non-executive NDPBs accounted for on-Vote, where applicable*] and those entities which fall within the departmental boundary as defined in NIRAM (Section 1.5).

Transactions between entities included in the consolidation are eliminated. A list of the entities within the departmental boundary is given at note 33.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

1.3 Tangible fixed assets

Fixed Assets comprises Land and Buildings, Plant, Machinery and Equipment, Infrastructure Assets (Flood Defences and Culverts), Heritage Assets, Assets Under Construction, Growing Timber and Intangibles.

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

The Department's Heritage Assets comprise the Peace Maze at Castlewellan Forest Park and Glenariff Walkway.

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

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

Land and Buildings due to be valued in the year were valued on 1st April 1998 for the Forest Service and 1st April 2000 for both the Core Department and Rivers Agency, on the basis of existing use value by an independent surveyor i.e. Valuation and Lands Agency. Other tangible assets were revalued on the basis of the latest available indices.

This basis of valuation is also applied to land and buildings occupied by the Department under the terms of finance leases, which are also capitalised. Operating leases are not capitalised.

The Castlewellan Peace Maze and Glenariff Walkway (Heritage Assets included under "Land and Buildings" in note 11), and Assets under Construction are carried at cost.

Timber grown for commercial purposes by Forest Service is valued on replacement cost basis. Growing Timber is included as Cultivated Assets under Fixed Assets because the forest as a whole is used for recreational and other purposes. The timber is valued at the balance sheet date using the most recent costs available. Any change in valuation is taken to the revaluation reserve.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

The threshold for capitalisation of single fixed assets is £5000. Within the Department the grouping of computer equipment, in respect of items falling below this threshold, has also been undertaken. Prior to 1st April 2002 the Forest Service continued to use the former capitalisation threshold of £1,200 and the relevant assets under £5,000 remain on the Fixed Assets Register.

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

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

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

1.4 Depreciation

Freehold land is not depreciated except for land at Baronscourt, leased by the Forest Service, has been depreciated.

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

Assets under Construction are not depreciated until they are commissioned.

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

- Land and Buildings as specified by professional valuation
- Plant Machinery, Equipment and Computers 3-20 years

1.5 Valuation and Depreciation of Infrastructure Assets

a. Flood Defences

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

b. Culverts

Rivers Agency manages a culvert network of 255 kilometres, in which there are over 5000 culvert reaches i.e. lengths of culverts between manholes. The depths at which culverts are laid vary between 1 metre to 12 metres. The Agency has developed an in-house model to calculate a modern day replacement cost of the culvert network. The model uses physical quantification data from a database dedicated to culverts.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

This database also records the condition grading of each culvert, based on detailed surveys carried out by the Agency over the past 8 years. The unit cost information that is used in the valuation model derives from an analysis of various schemes undertaken by the Agency. However, since internal costing information is limited to culverts built since 1988 and also due to the wide variation in the available costing data, the Agency has used supplementary information from the Water Industry. The valuation model has also been validated by WS Atkins.

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

The accounting policy adopted in relation to culverts is renewal accounting. This policy requires the formulation of a detailed Asset Management Plan that determines the amount to be spent to maintain the asset in a steady state condition and also the charge to the Rivers Agency Income and Expenditure Account. Rivers Agency does not have an Asset Management Plan in place, but intends to implement one by 2004-05. An Asset Management Unit has been established, the database has been reviewed, new software has been purchased and preparation has been made to complete the culvert survey programme. In the meantime, the Agency will charge the actual refurbishment costs to the Income and Expenditure Account. Any variation between this figure and those suggested by the Asset Management Plan will be noted in the 2005 accounts.

c. Soft Defences

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

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

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

d. Engineers' Time

With the introduction of a time recording system in the course of this accounting year, Rivers Agency is on course to include engineer salary costs in Flood Defence and Culvert Network valuations from 1 April 2003. Rivers Agency however will not include an estimate for engineers' time previously incurred in any valuation.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

1.5 Donated assets

The Department has a number of donated assets. These include a number of buildings on agricultural college sites within the Core Department. These assets are depreciated and revalued, consistent with other assets, but are charged to the Donated Asset Reserve. The Forest Service has a number of donated assets that are all valued at below £5000. As this is below the threshold they have not been capitalised.

The Department does hold a number of items i.e. works of art, on loan from the Northern Ireland Civil Service Art Collection. These items are checked regularly for condition and verification that they are still located in Government buildings by the Department of Finance and Personnel.

1.6 Intangible fixed assets

Intangibles include development costs, goodwill, software and other intangibles.

Development costs are charged to revenue. It is generally accepted that there is no goodwill arising in resource accounts, as goodwill should only be recognised via capitalisation when it has been purchased externally.

Intangible costs relating to software licences are now capitalised.

Other intangibles relate to turbary and shooting rights (held by Forest Service). Although intangibles are not generally revalued the Forest Service intangibles are land based and as a consequence are revalued every 5 years by the VLA.

1.7 Investments

The Department does not hold any investments.

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

1.8 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value.

1.9 Research and development

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

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

1.10 Operating income

Operating income is income that relates directly to operating activities of the Department. It principally comprises fees and charges, to be recovered for services provided on a full-cost basis to external customers; sale of timber; and public repayment work. It also includes income appropriated in aid of the Vote and income to the Consolidated Fund which the Department of Finance and Personnel has agreed should be treated as operating income e.g.: accruing resources and negative public expenditure CFERs.

Operating Income is split under the following headings on the Operating Cost Statement depending on their classification:

- Administration Income
- Programme Income

1.11 Administration and programme expenditure

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

1.12 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on the average carrying amount of all assets less liabilities.

1.13 Foreign Exchange

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

1.14 Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**classic**, **premium**, and **classic plus**). New entrants after 1 October 2002 may choose between membership of the **premium** scheme or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

1.15 Leases

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

The Department does not hold any finance leases.

1.16 Private Finance Initiative (PFI) transactions

The Department has no PFI transactions.

1.17 Grants payable

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

Some schemes require animals to be retained for a specific time period (defined in the rules of the scheme and known as the retention period), before payment may be made to applicants. Accruals for these schemes have been calculated where the retention period expired on or before the 31 March 2003.

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

In respect of all other schemes the Department recognises grant expenditure in the period in which the recipient carries out the activity which creates an entitlement to the grant support, in so far as it is practicable to do so. Claims received by 31 March, which remain unpaid at that date, are included within trade creditors (note 18). Accruals are made in respect of the total amounts included on claims received after 31 March, where the underlying activity occurred prior to that date. Further accruals are recognised for the Department's best estimate of expenditure incurred by grant recipients up to 31 March, which have not yet been included on a claim.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

1.18 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 Treasury discount rate of 6 percent in real terms.

1.19 Contingent liabilities

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

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

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

1.20 Value Added Tax

All items within the accounts are exclusive of VAT, which is recoverable on a Departmental basis. The net amount due from Customs and Excise is included within debtors in the Balance Sheet.

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

1.21 Third party assets

The Department holds a number of bank accounts on behalf of third parties. These third parties include student trust funds and college club and society accounts, and other trust funds and statutory accounts. The closing balances in these accounts as at 31 March 2003 have been disclosed at Note 32.

1.22 E.U. income

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

1.23 Vote Funding

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

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

2. Staff numbers and costs

a Staff costs

	2002-03				2001-02
	Total	Officials	Ministers	Special Advisers	Total
	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	70,340	70,280	19	41	69,645
Social Security Costs	5,290	5,283	2	5	5,805
Other Pension Costs	10,174	10,164	4	6	9,362
Total Staff Costs*	85,804	85,727	25	52	84,812

*Staff costs amounting to £1,511,978 have been charged to capital.

Staff Costs Analysis:	£'000
Staff costs – cash	84,036
Staff costs – provisions (Note 19)	(160)
Staff costs – notional	25
Total net staff costs (Schedule 2)	83,901
Programme costs (Note 4)	391
Capitalised	1,512
	85,804

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department of Agriculture and Rural Development is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out at 31 March 1999 and an interim estimate of the scheme liability is available at 31 March 2002. A full actuarial valuation of the scheme liability is currently underway.

For 2002-03, employer's contributions of £10,171,160 were payable to the PCSPS(NI) (2001-02 £9,356,000) at one of four rates in the range 12 to 19.5 per cent of pensionable pay, based on salary bands. The 2003-04 rates are in the range 12 to 18 per cent of pensionable pay, based on the revalorised salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

b Staff numbers

The average number of whole time equivalent persons employed (including senior management, ministers and special advisers) during the year was as follows:

	2002-03	2001-02
	Number	Number
RfR A	2,824	2,640
RfR B	907	896
Total	3,731	3,536

c Ministers

The salary and pension entitlements of the Minister of the Department were as follows: -

	Age	Salary (Note a)	Real increase in pension at age 60	Total accrued pension at age 60 at the year end
	Years	£000	£000	£000
2002-03				
MINISTER				
Mrs Bríd Rodgers	68	15-20	0-2.5	5-10
2001-02				
MINISTER				
Mrs Bríd Rodgers	67	45-50	0-2.5	0-5

Notes to above table

Note 1. The Minister's salary, which has been disclosed, refers to the Office Holder's salary only.

Note 2. The Minister received no benefits in kind in relation to her office.

Note 3. The Minister is a member of the Assembly Members Pension Scheme. This scheme is a statutory scheme, which provides benefits on a "final salary" basis at normal retirement age of 65 (or age 60, if reckonable service is more than 20 years, with a sliding scale from 60 to 65). Members pay contributions of 6% of pensionable salary, including Office Holder's Salary. Benefits accrue separately on the Member's salary and on the Office Holder's salary. For service as a Member, benefits accrue at the rate of 1/50th of the member's pensionable salary for each year of service. In addition, Minister's will receive a pension in respect of their Officer Holder's salary. This will equal 1/50th of Member's pensionable salary times the sum of the ratios of the actual contributions paid in respect of a Member's salary for that year. In the event of serious ill health, it is possible for both the Member's and the Office Holder's pension to be brought into payment immediately, without

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

actuarial reduction. The Member's pension will be based on enhanced service, with the enhancement period being potential service to age 65. There is no enhancement to the Office Holder's part of the pension. Those who leave the scheme before retirement, with at least two years' service, will be entitled to a deferred pension payable from age 65 (or earlier, subject to the service accrued). Those who leave with fewer than two years' service may elect to receive a refund of contributions less tax and the cost of reinstatement into SERPS. Part of the pension may be commuted into a tax free lump sum on retirement. On death in retirement, a pension is payable to the surviving spouse at a rate of 62.5% of the Member's and Office Holder's pension, before any commutation. On death in service, the scheme pays a lump sum benefit of three times salary, including Office Holder's salary (or a contribution refund if greater). A pension is payable to the surviving spouse, at a rate of 62.5% of the pension which would have been payable had the Member retired in ill health. All pensions increase in line with the Retail Price Index once in payment.

Note 4. Between 1 April 2002 and 14 October 2002 the Department of Agriculture and Rural Development was under the control of Mrs Brid Rodgers. Her Ministerial salary and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in these resource accounts. Details of her Ministerial salary, allowances and other benefits are given above.

The **introduction** at the beginning of the Notes to the Departmental Resource Accounts, explains the effect of suspension of devolution, resulting in the transfer of functions from Devolved Ministers to a Northern Ireland Office (NIO) Ministerial team. Each member of the Ministerial team oversees a number of Northern Ireland Departments.

From 15 October 2002 the Department of Agriculture and Rural Development was under the direction and control of Mr Ian Pearson. His salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Costs Schedule in the same way as Devolved Minister's salaries. Details of Mr Ian Pearson's salary and allowances will be provided in the 2002-03 NIO resource accounts.

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

d Officials

The salary and pension entitlements of the senior managers of the Department were as follows: -

	Age	Salary (Note 1)	Real increase in pension at age 60	Total accrued pension at age 60 at the year end
	Years	£000	£000	£000
2002-03				
Mr Peter Small <i>Permanent Secretary (Note 2)</i>	56	110-115	5-7.5	50 – 55
Mr P Toal <i>Under Secretary 3</i>	59	90-95	0-2.5	15 – 20
Dr R McCracken (Retired 19/07/02) <i>Under Secretary 3 (Note 3)</i>	60	25-30	N/A	N/A
Dr C McMurray (Retired 18/08/02) <i>Under Secretary 3 (Note 4)</i>	Permission to disclose salary and pension details withheld			
Mr Roy McClenaghan <i>Under Secretary 3</i>	55	70-75	5-7.5	30 – 35
Mr RM Houston (wef 22/07/02) <i>Under Secretary 3 (Note 3)</i>	49	45-50	2.5-5	15 – 20
DR SG McIlroy (wef 19/08/02) <i>Under Secretary 3 (Note 4)</i>	51	40-45	N/A	0 – 5
Mr T McCusker <i>Under Secretary 3</i>	54	85-90	2.5-5	35 – 40
2001-02				
Mr Peter Small <i>Permanent Secretary</i>	55	95-100	2.5-5	50 – 55
Mr P Toal <i>Under Secretary 3 (Note 5)</i>	58	80-85	2.5-5	35 – 40
Dr R McCracken <i>Under Secretary 3</i>	59	75-80	2.5-5	30 – 35
Dr C McMurray (Retired 18/02/02) <i>Under Secretary 3 (Note 4)</i>	60	70-75	0-2.5	25 – 30
Mr Roy McClenaghan <i>Under Secretary 3</i>	54	60-65	0-2.5	30 – 35
Mr D G McNeill (Transferred 02/01/02) <i>Under Secretary 3 (Note 5)</i>	59	60-65	2.5-5	40 - 45
Mr T McCusker (wef 14/01/02) <i>Under Secretary 3</i>	53	20-25	2.5-5	40 – 45

The information given above relates to the senior managers of the Department of Agriculture and Rural Development. Equivalent information relating to the department's on-Vote agencies (consolidated into the departmental resource accounts), are given in the separate accounts of Forest Service and Rivers Agency.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

Note 1: ‘Salary’ includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. None of the above received benefits in kind.

Note 2: Mr. PJ Small retired on 31/03/2003 on ill-health retirement.

Note 3: Dr RM McCracken retired on 19 July 2002. His successor, Mr RM Houston, took up post on 22 July 2002.

Note 4: Dr C McMurray retired on 18 August 2002. He had previously retired on 18 February 2002 but was re-employed due to the Public Review of arrangements in relation to the DARD/QUB link. His successor, Dr SG McIlroy, took up post on 19 August 2002.

Note 5: Mr D G McNeill transferred to OFMDFM on 2 January 2002 and was replaced by Mr P Toal on 3 January 2002.

Note 6: Officials’ pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (**classic**, **premium**, and **classic plus**). 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**).

(a) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. Members pay contributions of 1.5 percent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension.

The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme

Benefits accrue at the rate of 1/60th of the final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member’s pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill-health is such that it permanently prevents them from taking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

All staff in service at 1 October 2002 will be given the option to join the **premium** or **classic plus** arrangements.

Pensions payable under the **classic**, **premium** and **classic plus** are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. 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 risk benefit cover (death in service and ill-health retirement). The member may retire at any time between 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Note 7: In accordance with the conditions of service for Special Advisers to the Minister, pension contributions of 16% of salary are paid by DARD into a personal pension scheme, which is nominated by the officer.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

3. Other administration costs

	2002-03		2001-02	
	£'000	£'000	£'000	£'000
Lease rentals		206		177
Non-cash items (Note 3a):				
Notional Charges:				
Accommodation	3,643		3,860	
Auditor's remuneration and expenses*	157		156	
Others	1,853		1,529	
	5,653		5,545	
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	999		806	
Tangible fixed assets – permanent diminution	-		-	
Impairment of fixed assets	8		36	
Loss on disposal of fixed assets	277		1,605	
Profit on disposal of fixed assets	(33)		-	
Cost of capital charge	160		82	
Provisions – provided in year (Note 19)	615		77	
	2,026	7,679	2,606	8,151
Other expenditure		18,870		19,585
		26,755		27,913

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

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

	2002-03	2001-02
	£000	£000
Staff costs (see note 2)	(135)	45
Other Admin. Costs (see note 3)	7,679	8,151
Programme Costs RfR A (see note 4)	11,788	11,939
Programme Costs RfR B (see note 4)	32,449	31,050
Non-cash transactions (Schedule 4)	51,781	51,185
Adjust net loss on disposal of fixed assets (see notes 3 & 4)	(178)	(1,605)
Non-cash transactions (Schedule 1)	51,603	49,580

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

4. Net programme costs

	2002-03		2001-02 As restated	
	£'000	£'000	£'000	£'000
RFR A				
Staff costs (Note 2a)		391		-
Current grants and other current expenditure		278,635		251,861
Non-cash items:				
Cost of capital	5,240		6,049	
Depreciation and amortisation	3,277		3,155	
Permanent diminution fixed assets value	477		-	
Released from Donated Assets Reserve	(6)		-	
Other non-cash items	-		1,567	
Provisions provided in year (Note 19)	2,800	11,788	1,168	11,939
		290,814		263,800
Less: programme income (note 5)				
EU income	(200,216)		(159,371)	
Other income	(12,850)	(213,066)	(13,788)	(173,159)
Total		77,748		90,641

	2002-03		2001-02 As restated	
	£'000	£'000	£'000	£'000
RFR B				
Current grants and other current expenditure		12,348		13,259
Non-cash items:				
Cost of capital	29,706		28,850	
Depreciation and amortisation	2,541		2,200	
Permanent diminution fixed assets value	268		-	
Loss on sale of fixed assets	11		-	
Profit on sale of fixed assets	(77)	32,449	-	31,050
		44,797		44,309
Less: programme income (note 5)				
EU income	(3,150)		(833)	
Other income	(6,536)	(9,686)	(9,544)	(10,377)
Total		35,111		33,932
Total RfR A & RfR B		112,859		124,573

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

5. Income and accruing resources

5(a) Operating income

Operating income not classified as accruing resources (i.e. 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 2002-03, all operating income not classified as accruing resources was within public expenditure.

	2002-03				
	Resource Outturn	Reconciliation to Operating Cost Statement			Operating Cost Statement
		Netted off gross expenditure in sub-head	Payable to Consolidated Fund	Netted off Operating Expenditure	
	Accruing Resources				Income
	£'000	£'000	£'000	£'000	£'000
Administrative income:					
Allowable within admin. Cost limit:					
Fees and charges to external customers	1,091	-	-	-	1,091
Fees and charges to other departments	273	-	-	-	273
Not allowable within Cost Limit:					
Fees and charges to external customers	56	-	-	-	56
Fees and charges to other departments	-	-	-	-	-
Profit on sale of fixed assets	-	-	33	(33)	-
Other	1,890	-	-	-	1,890
Sub-Total	3,310	-	33	(33)	3,310
Programme Income:					
RfR A – EU income	-	187,483	12,733	-	200,216
Other income	10,164	-	2,686	-	12,850
RfR B – EU income	-	1,283	1,867	-	3,150
Profit on sale of assets	-	-	77	(77)	-
Other income	4,908	-	1,628	-	6,536
Sub-Total	15,072	188,766	18,991	(77)	222,752
Total 2002-03	18,382	188,766	19,024	(110)	226,062
Total 2001-02	14,499	160,204	11,512	-	186,215

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

	2002-03			2001-02		
	Income	Full cost	Surplus/(deficit)	Income	Full cost	Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
RfR A	777	1,676	(899)	804	1,630	(826)
RfR B	643	1,487	(844)	564	1,221	(657)
Total	1,420	3,163	(1,743)	1,368	2,851	(1,483)

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

5(b) Non-operating income not classified as Accruing Resources

	2002-03	
	Income	Receipts
	£'000	£'000
Excess non-operating Accruing Resources	209	209

5(c) Non-operating Accruing Resources

	2002-03	2001-02
	£'000	£'000
Non-operating Accruing Resources	552	265

6. Administration cost limits

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

	2002-03		2001-02	
	Outturn	Limits	Outturn	Limits
	£'000	£'000	£'000	£'000
Request for Resources A (Gross limit)	81,534	81,529	90,014	87,293
Request for Resources B (Gross limit)	20,725	22,109	22,711	24,615
Total within Administration cost control	102,259	103,638	112,725	111,908
Administration Expenditure excluded from Administration cost limit	7,067			
Administration Income Allowable within the administration cost limit	1,364			
Total administration outturn	110,690			

7. Reconciliation of net operating cost to control total and net resource outturn

	2002-03	2001-02
	£'000	£'000
Net operating cost (Note a)	220,205	234,619
Remove non-supply expenditure (-) and income (+) including income scored as Consolidated Fund extra receipts (CFERs)	-	-
Operating income not classified as Accruing Resources	19,024	11,512
Consolidated Fund standing services	-	-
Adjust for the effects of prior-period adjustments in the current and prior years	2,067	(2,067)
Net resource outturn (Note a)	241,296	244,064

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).

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

8. Analysis of net operating cost by spending body

	2002-03		2001-02
			As restated
	Budget	Outturn	Outturn
	£'000	£'000	£'000
Spending body:			
Core department	197,881	168,579	180,907
Rivers Agency	28,248	32,331	33,261
Forest Service	22,214	19,295	20,451
Total	248,343	220,205	234,619

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

9. Analysis of resource outturn by function and reconciliation to Operating Cost Statement

	2002-03							2001-02	
	Admin.	Other current	Grants	Gross resource expend.	Accruing Resources	Net total	Estimate	Net total outturn compared with estimate	Prior-year outturn
RfR A:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DEL:									
1 Central Admin.	15,862	2,323	-	18,185	(1,215)	16,970	13,012	(3,958)	18,080
2 AFDS	10,686	4,759	1,221	16,666	(1,964)	14,702	23,612	8,910	21,918
3 Science service	19,397	6,958	2,622	28,977	(415)	28,562	28,968	406	28,064
4 Vet. service	23,842	236	-	24,078	-	24,078	25,471	1,393	24,368
5 Food/farm policy	10,861	13,542	51,821	76,224	(8,866)	67,358	75,341	7,983	58,555
6 Rural Dev.	1,977	-	1,652	3,629	-	3,629	4,522	893	4,821
7 ERDF - grants	-	-	42	42	-	42	-	(42)	834
8 Non ERDF-grants	-	-	575	575	-	575	-	(575)	1,063
9 Peace programme	-	-	8,877	8,877	-	8,877	2,064	(6,813)	936
10 Exec. prog. funds	-	-	-	-	-	-	700	700	-
11 EU community initiatives	-	-	787	787	-	787	1,349	562	-
AME:									
12 CAP expenditure	-	-	187,483	187,483	-	187,483	178,335	(9,148)	159,031
13 Non-cash items	4,282	9,974	-	14,256	-	14,256	15,955	1,699	14,914
Other Expenditure:									
14 CAP Expenditure	-	-	(187,483)	(187,483)	-	(187,483)	(178,335)	9,148	(158,954)
15 Payments to ALF	-	-	9	9	-	9	55	46	10
Foot and Mouth	-	-	-	-	-	-	-	-	9,138
Science	-	-	-	-	-	-	-	-	(3)
Total	86,907	37,792	67,606	192,305	(12,460)	179,845	191,049	11,204	182,775
RfR B:									
DEL:									
1 Central Admin.	2,952	388	-	3,340	(177)	3,163	2,520	(643)	2,359
2 Rivers Agency	10,118	3,324	-	13,442	(545)	12,897	11,913	(984)	14,641
3 Fisheries	1,235	1,609	378	3,222	(1)	3,221	4,449	1,228	5,976
4 Foyle, Carlingford, and Irish Lights	-	-	1,005	1,005	-	1,005	1,011	6	497
5 Forest Service	6,693	3,090	748	10,531	(5,199)	5,332	6,180	848	5,437
6 Peace programme	-	-	325	325	-	325	163	(162)	-
7 Infrastructure - RRI	-	-	197	197	-	197	790	593	-
AME:									
8 CAP expenditure	-	-	1,283	1,283	-	1,283	1,003	(280)	1,244
9 Non-cash items	2,785	32,526	-	35,311	-	35,311	30,263	(5,048)	32,183
Other Expenditure:									
10 CAP expenditure	-	-	(1,283)	(1,283)	-	(1,283)	(1,003)	280	(1,187)
11 Payments to Sanitary Authorities	-	-	-	-	-	-	5	5	1
Others	-	-	-	-	-	-	-	-	138
Total	23,783	40,937	2,653	67,373	(5,922)	61,451	57,294	(4,157)	61,289
Resource Outturn	110,690	78,729	70,259	259,678	(18,382)	241,296	248,343	7,047	244,064

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

	2002-03							2001-02	
Resource Outturn – Reconciliation to Operating Cost Statement	Admin. £'000	Other current £'000	Grants £'000	Gross resource expend. £'000	Accruing Resources £'000	Net total £'000	Estimate £'000	Net total outturn compared with estimate £'000	Prior-year outturn £'000
Resource Outturn Reconciliation to Operating Cost Statement	110,690	78,729	70,259	259,678	(18,382)	241,296	248,343	7,047	244,064
Effects of prior year adjustments in current and prior years	-	-	-	(2,067)	-	(2,067)			
Income payable to Consolidated Fund (Note 5a)	-	-	-	-	(19,024)	(19,024)			
Income netted off in gross sub head (Note 5a)	-	-	-	188,656	(188,656)	-			
Gross operating expenditure				446,267					
Operating income					(226,062)				
Net operating cost						220,205			

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

	Capital expenditure £'000	Loans etc. £'000	Accruing Resources £'000	Net total £'000
Request for Resources A	5,842		(283)	5,559
Excess non-operating accruing resources RfR A	-	-	209	209
Request for Resources B	11,347	-	(478)	10,869
Excess non-operating accruing resources RfR B	-	-	-	-
Total 2002-03	17,189	-	(552)	16,637
Total 2001-02	17,328	-	(265)	17,063

Fixed Assets additions (Note 11)	£'000 17,189
----------------------------------	-----------------

Reconciliation of Non-Operating Accruing Resources	£'000
Sale proceeds (Schedule 4)	(583)
Net loss on sale of fixed assets (Notes 3 & 4)	(178)
Net Book Value of fixed assets disposals (Note 11)	(761)
Excess Non-Operating accruing resources (Note 5b)	209
Non-Operating accruing resources (Note 5c)	(552)

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

11. Tangible fixed assets

	Land & buildings	Plant, Machinery	Transport Equipment	IT	Infrastructure Assets	Cultivated Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2002	196,640	15,979	6,094	3,711	294,108	132,938	10,187	659,657
Additions	1,933	2,905	1,083	1,080	5,782	2,499	1,907	17,189
Donations (Note a)	-	-	-	-	-	-	-	-
Disposals	(456)	(384)	(277)	(1,485)	-	-	-	(2,602)
Reclassifications	5,338	42	(42)	-	4,807	(1,769)	(10,145)	(1,769)
Revaluations (Note b)	325	142	2	1,830	5,071	(1,306)	-	6,064
Impairments	(276)	(12)	-	(2,026)	-	-	-	(2,314)
Indexation	7,716	260	4	-	-	-	-	7,980
At 31 March 2003	211,220	18,932	6,864	3,110	309,768	132,362	1,949	684,205
Depreciation								
At 1 April 2002	4,822	8,357	3,289	2,224	47,897	-	-	66,589
Charged in year	2,508	1,594	735	526	1,045	-	-	6,408
Disposals	(6)	(340)	(244)	(1,251)	-	-	-	(1,841)
Reclassifications	-	10	(10)	-	-	-	-	-
Revaluations	(7)	(199)	(152)	1,453	823	-	-	1,918
Impairments	(9)	-	-	(1,552)	-	-	-	(1,561)
Indexation	142	138	1	-	-	-	-	281
At 31 March 2003	7,450	9,560	3,619	1,400	49,765	-	-	71,794
Net book value								
At 31 March 2003	203,770	9,372	3,245	1,710	260,003	132,362	1,949	612,411
Net book value								
At 31 March 2002	191,818	7,622	2,805	1,487	246,211	132,938	10,187	593,068

Asset financing:

Assets in use:

Owned	203,770	9,372	3,245	1,710	260,003	132,362	1,949	612,411
Finance leased	-	-	-	-	-	-	-	-
On-balance-sheet PFI contracts	-	-	-	-	-	-	-	-
PFI residual interests	-	-	-	-	-	-	-	-
Net book value								
At 31 March 2003	203,770	9,372	3,245	1,710	260,003	132,362	1,949	612,411

Note a – There were no donated assets additions during 2002-03 financial year.

Note b – Land and buildings due to be valued on 1st April 1998 for the Forest Service and 1st April 2000 for both the Core Department and Rivers Agency, on the basis of existing use value by an independent surveyor i.e. Valuation and Lands Agency. Other tangible assets were revalued on the basis of the latest available indices.

Note c – The categorization of the assets has been changed from 2001-02 to reflect categories in NIRAM 2002-03 and the requirements of “Whole of Government Accounts”.

Note d – Land and Buildings includes Heritage Assets.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

12. Intangible fixed assets

The Department's intangible fixed assets comprise shooting and turbarry rights, and software licences.

	Shooting & Turbarry Rights	Software Licences	Totals
Cost or valuation	£'000	£'000	£'000
At 1 April 2002	281	-	281
Additions	-	-	-
Donations	-	-	-
Disposals	-	-	-
Revaluations	15	926	941
At 31 March 2003	296	926	1,222
Amortisation			
At 1 April 2002	-	-	-
Charged in year	-	409	409
Disposals	-	-	-
Revaluations	-	-	-
At 31 March 2003	-	409	409
Net book value at 31 March 2003	296	517	813
Net book value at 31 March 2002	281	-	281

The full amortisation periods for software licences held by the Department vary from 3 years to 10 years depending on the licence.

13. Investments

The Department has no investments.

14. Movements in working capital other than cash

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

	2002-03	2001-02
	£'000	£'000
Decrease/(increase) in stocks/work in progress	289	(536)
Adjust for cost of growing timber sold	1,769	-
(Increase)/decrease in debtors	(17,561)	(1,338)
Remove debtors transferred to DCAL	(21)	-
Increase in creditors falling due within one year	12,193	9,248
Adjustment for revaluation	-	(11)
Prior year adjustment	-	(2,752)
Net increase/decrease in working capital other than cash (Schedule 4)	(3,331)	4,611
Adjust to remove movement in capital EU Revenue Grants receivable (see note 16)	11,344	3,280
Adjust for Schedule 1 effects of prior-period adjustments in the current and prior years (see note 20)	2,067	(2,067)
Transitional adjustment for outstanding balances in DARD Appropriation Accounts 2000-01	-	(7,815)
Changes in working capital other than cash (Schedule 1)	10,080	(1,991)

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NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

15. Stocks and work in progress

	2002-03	2001-02
	£000	£000
Stocks	2,439	2,728
Work in progress	-	-
Totals	2,439	2,728

16. Debtors

	2002-03	2001-02
	£000	£000
Amounts falling due within one year:		
Trade debtors	2,981	2,749
Owed by other NI Central Govt. Departments	1	-
Other debtors	5,617	5,435
Prepayments & accrued income	3,217	1,548
Amounts Due from RPA	13,587	9,475
Amounts Due from DCAL	212	171
EU grants receivable – revenue*	16,777	5,433
	42,392	24,811
Amounts due from the Consolidated Fund in respect of supply (see note 20)	24,979	29,707
Total due within one year	67,371	54,518
Amounts falling due after more than one year:		
Prepayments	400	420
Total due after more than one year	400	420

* Note – The EU grants receivable are to be surrendered to the Consolidated Fund once the debts have been collected.

17. Cash at bank and in hand

	2002-03			2001-02		
	Cash & Bank Balances £'000	Bank overdraft £'000	Net £'000	Cash & Bank Balances £'000	Bank overdraft £'000	Net £'000
Balance at 1 April 2002	107	(23,443)	(23,336)	103	(26,475)	(26,372)
Net change in cash balances	5	9,078	9,083	4	3,032	3,036
Balance at 31 March 2003	112	(14,365)	(14,253)	107	(23,443)	(23,336)
The above balances consist of balances at commercial banks or cash in hand.						
The balance at 31 March comprises:						
Cash due from the Consolidated Fund, not received but spent at year end			(24,979)			(29,707)
Cash due to be paid to the Consolidated Fund, extra receipts received and not yet paid			10,726			6,371
Totals			(14,253)			(23,336)

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

18. Creditors

	2002-03	2001-02
Amounts falling due within one year	£'000	£'000
Bank Overdraft (see note 17)	14,365	23,443
Trade creditors	10,684	561
Other creditors (including taxation and social security)	1,119	823
Accruals and Deferred income	5,703	11,194
Due to other central govt bodies	6,145	2,029
EC Grant Creditors	15,253	12,104
	38,904	26,711
Consolidated Fund extra receipts received and receivable and other amounts due to be paid to the Consolidated Fund - EU	17,928	6,412
Consolidated Fund extra receipts received and receivable and other amounts due to be paid to the Consolidated Fund - Other	9,576	5,392
	27,504	11,804
Totals	80,773	61,959
Amounts falling due after more than one year	-	-

19. Provisions for liabilities and charges

	Early departure costs £'000	Legal costs £'000	Bonuses £'000	Total £'000
Balance at 1 April 2002	800	1,168	-	1,968
Provided in the year	7	3,415	95	3,517
Provisions not required written back	(262)	-	-	(262)
Provisions utilised in the year	(92)	(2,436)	-	(2,528)
Unwinding of discount	-	-	-	-
Balance at 31 March 2003	453	2,147	95	2,695
Provisions charges in year comprise:				
Staff costs provisions charges	(255)	-	95	(160)
Administration charges	-	615	-	615
Programme provisions charges RfR A	-	2,800	-	2,800
Programme provisions charges RfR B	-	-	-	-
	(255)	3,415	95	3,255

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

Legal costs - It is the department's practice to provide for a percentage of total estimated legal claims pending and to categorise the remaining percentage as a contingent liability, uncertain in timing and amount. It is estimated that 50% of legal cases pending at 31 March 2003 should be provided for. (Contingent liabilities are shown in Note 27).

Bonuses - Provision is made for directors' bonuses and for special bonuses for other staff where these are known at 31 March.

Annual Report and Accounts for the year ended 31 March 2003

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

20. Reconciliation of net operating cost to changes in general fund

	2002-03 £'000	£'000	2001-02 £'000	£'000
Net operating cost for the year (Schedule 2)	220,205		236,087	
Operating income not appropriated in aid payable to the Consolidated Fund	19,024	239,229	13,054	249,141
Net parliamentary funding	(173,800)		(184,200)	
Transferred to General Fund of realised element of revaluation reserve (Note 21)	17,209		-	
Consolidated Fund debtor for cash undrawn	(24,978)		(29,707)	
Transferred to general fund of realised element of donated asset reserve	-		(6)	
Notional Costs	(40,784)		(7,195)	
Non-operating income not appropriated in aid payable to consolidated fund	209		-	
Transfer of assets to DCAL	21		-	
Non-cash charges:	-		(34,981)	
Prior-period adjustments	-		(9,314)	
Transfer of Growing Timber elements	131,793		3,591	
		(90,330)		(261,812)
Net increase in general fund		148,899		(12,671)
General fund at 1 April 2002		(557,852)		(549,461)
Transitional arrangements		-		7,815
Prior period adjustment		3,535		-
General Fund at 1 April 2002 (as restated)		(554,317)		-
General fund at 31 March (Schedule 3)		(405,418)		(554,317)

21. Reserves

	2002-03 Revaluation reserve £'000	2001-02 Revaluation reserve £'000
Balance at 1 April	(32,741)	(11,006)
Arising on revaluation during the year (Notes 11 & 12)	(12,782)	(13,845)
Transferred to General Fund in respect of realised element of revaluation reserve	(17,209)	-
Transferred to donated asset reserve	-	2
Transfer from General Fund of Growing Timber	(131,793)	-
Prior-period adjustments	-	(7,892)
Balance at 31 March	(194,525)	(32,741)

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

	2002-03 Donated asset reserve £'000	2001-02 Donated asset reserve £'000
Balance at 1 April	(137)	(141)
Additions during the year	-	-
Release to the Operating Cost Statement	6	-
Transferred from revaluation reserve	(4)	(2)
Release to the General Fund	-	6
Balance at 31 March	(135)	(137)

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

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

22. Notes to Schedule 5

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

	2002-03	2001-02
Capital employed by Departmental Aim and Objectives	Capital employed £'000	Capital employed £'000
At 31 March 2003:		
Objective 1	126,707	160,889
Objective 2	482,606	429,841
Total capital employed	609,313	590,730

23. Capital Commitments

	2002-03	2001-02
	£'000	£'000
Contracted capital commitments at 31 March 2003 for which no provision has been made	5,954	11,166

24. 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.

Obligations under operating leases at 31 March 2003 comprises:	2002-03	2001-02
	£'000	£'000
Land & buildings		
Expiry within one year	73	111
Expiry after one year but not more than five years	38	-
Expiry thereafter	27	31
	138	142
Other		
Expiry within one year	105	38
Expiry after one year but not more than five years	58	100
Expiry thereafter	-	-
	163	138

25. Commitments under PFI contracts

The Department has no PFI contracts and therefore no commitments.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

26. Other financial commitments

A number of grants/schemes are operated by the Department whereby the Department undertakes through a letter of offer or similar binding document to give financial assistance to farmers and others who meet appropriate criteria. A commitment is deemed to arise for the balance of the total possible payment unpaid, unclaimed and not yet due to be claimed by 31 March 2003.

The grants/schemes have been grouped into 3 broad categories. Within these categories grants/schemes where commitments amount to more than £500k are disclosed separately, and those where commitments amount to less than £500k are grouped together.

Other financial commitments at 31 March 2003:	£'000
EU Grants/Schemes*	
Environmentally Sensitive Areas (ESA's)	17,316
New Environmentally Sensitive Areas (NESA's)	4,185
Countryside Management Scheme (CMS)	31,172
Building Sustainable Prosperity (BSP) – Rural Communities Estates	1,379
Leader+	13,955
NRRT (PEACE II) (natural resource rural tourism initiative)	15,304
Process and Marketing Grants – Fisheries	1,018
Collective operations by members of the NI Fishing Industry	712
Process and Marketing Grants – Agriculture Produce	2,785
Information & Communication technology (Training for farmers) (PEACE II)	2,477
Obtaining alternative employment – PEACE II	2,875
RDC Local Regeneration Programme (BSP)	8,064
RCN RSN's (BSP)	650
Other EU Grants/Schemes (twelve in total)	1,651
Total EU Grants/Schemes	103,543
Other Grants/Schemes (two in total)	159
Student Awards	754
GRAND TOTAL	104,456

*The EU Grants/Schemes commitment includes both the EU and the Departmental share. The EU and Departmental shares vary from scheme to scheme. The split of the total commitment of £103.5m is DARD £46.6m (45%) and EU £56.9m (55%).

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

27. Contingent liabilities disclosed under FRS 12

LEGAL CASES

It is the department's practice to provide for a percentage of total estimated legal claims pending and to categorise the remaining percentage as a contingent liability, uncertain in timing and amount. It is estimated that 50% of legal cases pending at 31 March 2003 should be provided for.

(Provisions are shown in note 19).

NOTE: The figures below show the total number of cases pending in each category but the costs shown are the contingent liability element only, that is 50%.

TB/Brucellosis Compensation Claims

21 claims are currently being challenged by the department.

Of the potential cost £973.4k is uncertain in timing or amount.

Other Compensation, Public Liability, Judicial Review/Ombudsman Cases

44 cases. Of the potential cost £832.2k is uncertain in timing or amount.

26 cases (estimated cost £316k) relate to the Department's agencies.

Employers Liability/Industrial Tribunal Cases

31 cases. Of the potential cost £341.4k is uncertain in timing or amount.

In addition there are 34 employers liability claims pending which are not yet at the stage where they can be quantified.

In addition DEFRA is carrying out a review of whether the Department may have exceeded its authority in charging seed potato fees between 1994 and 1997. If the review finds that the Department did exceed its authority some £48k may have to be repaid. However, the outcome of the review is uncertain.

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

There were no contingent liabilities reported to Parliament which are not covered by note 27 above.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

29. Losses and special payments

Losses statement	£'000
Total of 194 cases	174
These cases include abandoned claims, constructive losses, other losses, malicious damage, theft, cash losses, fruitless payments, forest fires, and unvouched or incompletely vouched expenditure.	
<u>Details of cases over £100,000.</u>	
One cash loss of £114,139 – Ballyclo in respect of write off of unrecovered irregularity.	

Special payments	£'000
Total of 279 cases	492
The majority of these payments were made by either Animal Health & Welfare Division or Grants & Subsidies Division.	
<u>Details of cases over £100,000.</u>	
One ex gratia payment of £400,000 – Mr. RHJ Crawford in respect of brucellosis compensation.	

30. Related-party transactions

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

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

In terms of related party interests of the Department's officials, in the interests of transparency this year the Department widened the interpretation of declarable related party interest to include:

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

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

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

One official is a Council member of the Royal Ulster Agricultural Society (RUAS), with which body DARD has financial dealings in respect of the Balmoral Show.

One official is an unpaid non-executive member of the Audit Committee of the Scottish Agriculture Department, a member of the Board of NI-CO and a member of the IFI Advisory Committee, both also unpaid. The latter two positions arise from the post held by the official.

One official sat as a Director of the NI Agricultural Research and Development Committee. This position arose from the post held by the official.

One official sat as a member of the governing body of the Rowett Research Institute (Aberdeen), as a member of the management board of Northern Ireland Public Sector Enterprises (NICO), a trustee of the Agricultural Research Institute (Hillsborough), and as an assessor to the following advisory committees:

Microbiological Safety
Animal Feedstuffs (Food Standards Agency)
Spongiform Encephalopathy

None of the above appointments involved material transactions.

One official owns a small part time farm.

The son of one official works for AMT SYBEX with which company DARD has done business. However he is not involved with DARD related business.

The brother of one official is contracted by DARD as a casual instructor at Greenmount College.

The wife of one official is a solicitor who occasionally acts on behalf of farmers who have dealings with the Department. The official is not involved with these cases.

All the above interests are regarded as immaterial.

31. Financial Instruments

FRS 13, *Derivatives and Other Financial instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

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

Liquidity risk

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

Interest rate risk

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

Foreign Currency Risk

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

Fair values

The book values and fair values of the Department's financial assets and liabilities at March 2003 are not considered materially different.

32. Third party assets

The Core Department held third party bank accounts at 31 March 2003, including accounts for sponsored bodies; accounts in respect of colleges' club, society and trust funds; and accounts for other trust funds and statutory accounts. The total balances at 31 March 2003 amounting to £204,684.41 are shown in the following table: -

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

Third party bank account balances	At 31 March 2003
	£
DARD Pig Production Development	54,641.83
DARD Horse Racing Fund Account	1,476.90
Enniskillen College of Agriculture (ECA)	
Sport and Tuck Shop	2,809.09
ECA Racing Club	5,073.52
ECA Equine and Business	2,300.00
ECA Show Jumping Club	7,023.01
ECA – Flo Milling Award	3,562.61
ECA Vaughan Charity – current account	5,789.54
ECA Vaughan Charity – deposit account	48,762.00
Greenmount College Sports Fund	5,754.30
Greenmount College Sports and Recreation Club	6,322.45
Greenmount Association – savings account	1,474.53
Greenmount Association – trading account	1,128.72
Greenmount Association – Trust Fund	1,983.07
Loughry Student Development Account	3,098.00
Loughry Student Affiliation Account	4,114.00
Henry Harrison – Drainage Trust Investment (DTI)	1,490.81
Sir HJW Bruce & HG Kyle – DTI	8,681.70
Richard Blakiston Houston – DTI	2,229.42
Wm. E Montgomery – DTI	18,875.73
EA Swayne – DTI	5,042.09
The Hon. Irish Society – DTI	1,884.46
A De Vere Beau Clerk - DTI	1,506.25
John C Crossle - DTI	1,975.88
Ross of Bladensburg - DTI	1,574.10
Rev. CE Hardy - DTI	1,321.00
OTHERs: (Under £1,000)	4,789.40
	204,684.41

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (continued)

33. Entities within the departmental boundary

The entities within the boundary during 2002-03 were On-Vote agencies as follows:

Forest Service
Rivers Agency

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



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