Department of Agriculture and Rural Development

Resource Accounts 06/07

For the year ended 31 March 2007

Department of Agriculture and Rural Development

www.dardni.gov.uk

Department of Agriculture and Rural Development
Resource Accounts
For the year ended 31 March 2007

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

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ANNUAL REPORT

DIRECTORS' REPORT

Boundary

The Department of Agriculture and Rural Development (DARD) presents its accounts for the financial year ended 31 March 2007.

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: -

- Core Department
- Rivers Agency
- Forest Service agency

Appendix 1 contains a full list of bodies, for which DARD had lead responsibility during the financial year 2006-07, and identifies a list of all those bodies for which the costs have also been consolidated within the accounts.

Departmental Reporting Cycle

DARD's public expenditure proposals are considered as part of the annual Northern Ireland (NI) Budget process, the outcome of which is contained within the 'Priorities and Budget' document published annually by the Department of Finance and Personnel (DFP). This document also contains the Public Service Agreement (PSA) targets for the Budget period. DARD's progress against PSA targets is included in the Programme for Government Annual Report published by DFP on the internet (www.dfpni.gov.uk).

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

Departmental Board

The Department is headed by its Permanent Secretary, and in 2006-07 was supported by a Departmental Board (DB) of 4 senior officials and two non-executive directors. The composition of the Board was as follows:

Mr Pat Toal	Permanent Secretary
Mr R J McClenaghan	Service Delivery Group (responsibilities including the College of Agriculture, Food and Rural Enterprise ("CAFRE"), Rural Payments and Inspection Division, Rural Development Division and Environment, Food and Central Services Division.)
Mr RM Houston	Chief Veterinary Officer (responsible for Veterinary Service)
Mr G Lavery	Senior Finance Director (responsibilities including Personnel, Facilities Management, Finance, Corporate Policy and Change Divisions)
Mr R Jordan	Central Policy Group (responsibilities include Policy Research and Economics; Food, Farming and Environmental Policy; Animal Health and Welfare Policy; and Rural Policy and Fisheries)
Mrs J Bliss (to 30 September 2006)	Non-Executive Director
Dr CRA Lennon (to 30 September 2006)	Non-Executive Director
Mr DJ Flanagan (from 1 December 2006)	Non-Executive Director
Mrs JE Ruddock (from 1 December 2006)	Non-Executive Director

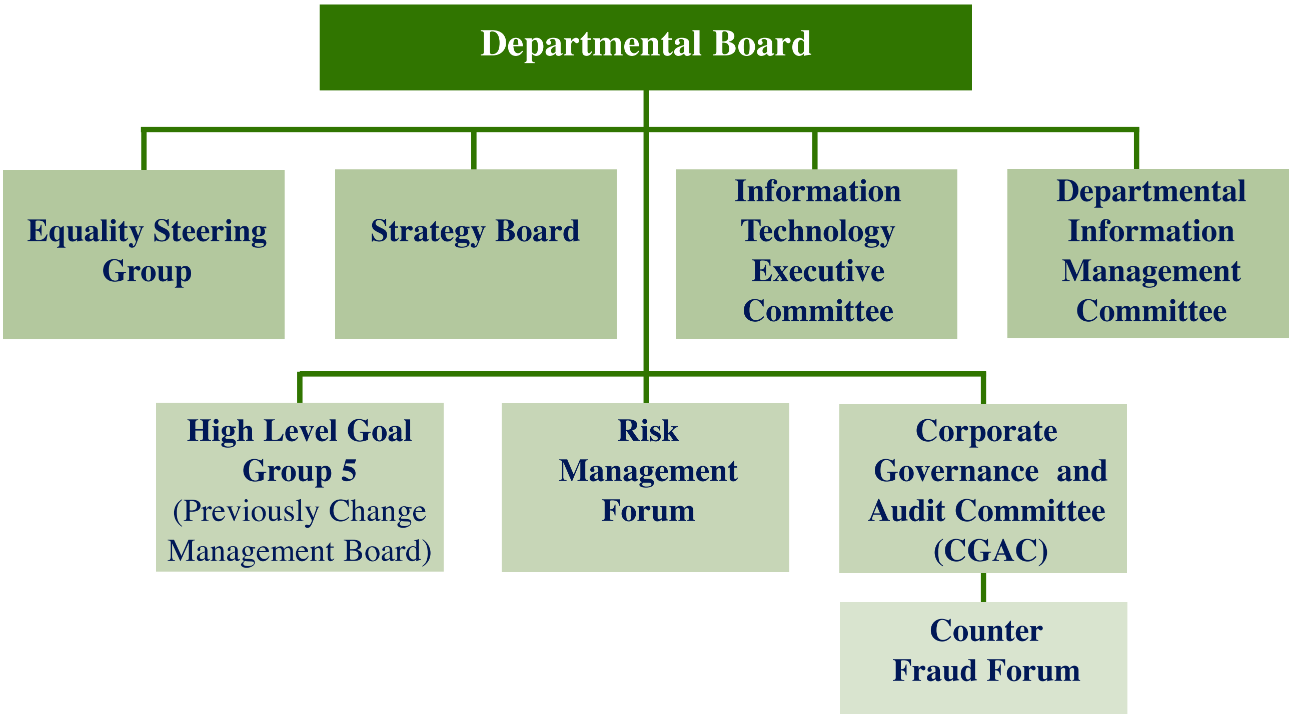
The Chief Executives of the Rivers Agency and Forest Service are Agency Accounting Officers and were directly responsible to the Minister, Mr David Cairns MP (who succeeded Lord Rooker on 9 May 2006) for their respective Agency's performance and operations, with Mr Lavery acting as Frazer Figure.

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

Departmental employees are eligible for pension benefits under the normal civil service pension arrangements that are disclosed in note 1.18 and note 9 of the accounts.

CORPORATE GOVERNANCE

Structure



The DB supports and is accountable to the Minister. It is chaired by the Permanent Secretary and contains four executive members and two non-executive (independent) members. The Board meets at least 8 times a year to discuss Departmental business at a strategic level.

The Board is supported by a number of committees which provide a clearer link between the Board and project teams/business areas. This improves the level of information flow to the Board, enabling the Board to focus more on strategic direction and decision-making. As recommended in the HM Treasury Code of Practice, all of the Board Committees are chaired by a member of the Board.

The six main areas of decision-making for the Board are:

- Signing off budget submissions and monitoring round submissions to DFP;
- Internal allocation of running costs and programme monies;
- Agreement of capital projects, acquisitions and disposals above £1m;
- Agreement of the risk management strategy, counter fraud strategy, and the assurance system underpinning the Statement of Internal Control;
- Agreement of the Human Resources Strategy;
- Taking an overview in respect of the senior management structure of the Department.

The two non-executive members of the Board are considered to be independent in character and judgement. Any potential conflict of interest for all Board members, including non-executive members, is notified to Personnel Division (copied to the Principal Accounting Officer and Board Secretariat).

10 Board meetings have taken place during the period April 2006 – March 2007. Attendance was as follows:

Mr Toal (Chair)	Permanent Secretary	10/10
Mr Lavery	Deputy Secretary of Central Services and Senior Finance Director	9/10
Mr Jordan	Deputy Secretary – Central Policy	8/10
Mr McClenaghan	Deputy Secretary – Service Delivery	10/10
Mr Houston	Chief Veterinary Officer	9/10
Mrs Jackie Bliss	Non-Executive Director (until September 2006)	3/4
Dr Alan Lennon	Non-Executive Director (until September 2006)	3/4
Mrs Joan Ruddock	Non-Executive Director (from December 2006)	4/4
Mr Donal Flanagan	Non-Executive Director (from December 2006)	4/4

Corporate Governance and Audit Committee (CGAC)

The CGAC offers the Principal Accounting Officer, through the DB, objective advice on issues concerning business risks, internal control and governance of the Department and the associated assurances.

The CGAC reviews and challenges the assurances that are available to the Principal Accounting Officer, the way in which these assurances are developed, and the management priorities and approaches on which the assurances are premised.

The CGAC ensures that high level information on risk and control is brought to the Principal Accounting Officer's attention, through the DB, in order to assist in identifying priorities for action.

The CGAC from time to time helps the Principal Accounting Officer prepare for being held to public account by subjecting his executive decisions to constructive challenge in the sense of encouraging him to ensure that he can demonstrate that he has made the best possible decisions in the light of all the available evidence.

It is not the task of the CGAC to substitute for the executive function in the management of Internal Audit, risk management, corporate governance, stewardship reporting, internal control or any other review or assurance function. DARD Risk Management Forum has executive responsibility for the management of risk within the Department. However, the CGAC offer opinions or recommendations on the way in which such management is conducted.

The CGAC has no authority, in its own right, over the operations of the Department or those units that conduct audit and assurance work, including Internal Audit. It advises on the adequacy and the appropriateness, in light of both known and emerging risks, of the work plans of those units.

The committee is chaired by a non-executive director and includes five other members as appointed by the DB.

The work of the committee is assisted by the Counter Fraud Forum.

Information Technology Executive Committee (ITEC)

The ITEC supports the development of an IT strategic framework, develops and oversees IT policy, standards and planning processes within the Department.

Departmental Information Management Committee (DIMC)

The DIMC agrees policy and guidance for approval by the DB on information access, internet/intranet policy, standards and content management.

Strategy Board

The Strategy Board meets monthly to progress the Department's Strategic Plan, monitors progress of implementation and aligns with business planning. The work is supported by five committees each taking responsibility for one of DARD's high level strategic goals.

High Level Goal Group 5 (HLGG5) (Previously Change Management Board)

The HLGG5 meets monthly to develop and plan the corporate change programme, monitor its implementation and make informed decisions on a corporate basis.

Risk Management Forum

The Risk Management Forum was established in 2004 to develop, implement and co-ordinate risk management within the Department. The forum is chaired by the Senior Finance Director and comprises representatives of all business groups within the Department. The future functions of the forum are currently subject to an on-going review of the Departmental Risk Management Strategy.

Equality Steering Group

As agreed within the Department's Equality Scheme 2001 the group reports quarterly with the objective of reporting on and updating all aspects of the implementation of the equality agenda within DARD.

Counter Fraud Forum

The Counter Fraud Forum, a sub committee of the CGAC, meets on a quarterly basis to report on the adequacy and effectiveness of the Departments counter fraud measures.

Executive Agencies

The Department has two executive agencies – the Rivers Agency and Forest Service Agency which operate in accordance with Framework Documents that describe the relationships and responsibilities between the Agencies, the Department and the Minister.

Arm's Length Bodies (ALB)

During the reporting year the Department sponsored the following Non-Departmental Public Bodies (NDPBs): -

Agri-Food and Biosciences Institute*
Agricultural Wages Board*
Livestock and Meat Commission*
Northern Ireland Fisheries Harbour Authority*
Pig Production Development Committee*
Drainage Council for Northern Ireland
Research and Education Advisory Panel
(* denotes an executive NDPB)

To promote sound working relationships all ALB's work in close conjunction with a designated sponsor branch within the core department. It is the responsibility of the sponsor branch to ensure that the ALB is working in accordance with Government rules and regulations.

In addition, all executive NDPBs and the North South Body have agreed a Management Statement and Financial Memorandum with DARD in accordance with Government Accounting Northern Ireland guidelines.

North South Body

DARD is the sponsoring Department for one North South Body. Funding is provided to the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission

Rural Development Programme Delivery Agent

DARD provides funding to the Rural Development Council which administers the distribution to eligible claimants.

PUBLIC INTEREST AND OTHER

Equal Opportunities

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

Employment of People with Disabilities

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

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

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

Payment of Suppliers

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year 98.55% of bills were paid within this standard (2005-06 97.53%).

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

Departmental Auditor

The financial statements are audited by the Comptroller and Auditor General (C&AG), JM Dowdall CB, in accordance with the Government Resources and Accounts Act (Northern Ireland)

2001. He is head of the Northern Ireland Audit Office. He and his staff are wholly independent of the Department, and he reports his findings to the Northern Ireland Assembly, or Parliament during periods when devolution is suspended.

The audit of the financial statements for 2006-07 resulted in a notional audit fee of £126,500. This is included in non-staff administration costs in the Operating Cost Statement. The C&AG did not provide any non-audit services during the year.

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

Disclosure to Auditor

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

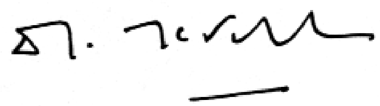
Provision of information to and consultation with employees

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

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

Interests of Board Members

None of the Departmental Board Members have any significant interests which conflict with their management responsibilities. Full details of interests are given in Note 34 to the Accounts.



Dr Malcolm McKibbin
Accounting Officer, Department of Agriculture & Rural Development
3 September 2007

MANAGEMENT COMMENTARY

Principal Activities

The Department of Agriculture and Rural Development is one of eleven departments of the Northern Ireland Civil Service. The Department's remit is essentially an economic one, concerned with the success of all sectors of the Northern Ireland agri-food industry. However, economic activity must also take full account of the wider interests of the community. There is a need to balance efficient and sustainable agri-food and forestry industries with the conservation and enhancement of the countryside, and to stimulate and to 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.

In 2006-07, the Department advised the Minister, David Cairns, MP (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.

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 European Union (EU) policies. This includes payments under the Common Agricultural Policy 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 and training services, 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.

Key Aims and Objectives

At the end of March 2006 the Minister published DARD's first 5-year Strategic Plan covering the period 2006-2011. The Plan, which was the subject of a public consultation, sets out the long-term strategic direction for a period which will be particularly challenging for the agri-food industry and the wider rural community. The Plan will therefore play a key role in steering the policy direction for this Department in the coming years. The Strategic Plan is available on DARD's internet site (www.dardni.gov.uk).

The Plan outlines the Department's Vision, Aim and Role over a 5 year timeframe, focuses upon 5 key Goals and derives a series of strategic objectives and key actions which should lead to change and measurable success.

The Vision of the Department is *a thriving and sustainable rural community and environment in Northern Ireland*. To meet this Vision, the Department aims to *put the customer first, build partnerships, value staff and be efficient, adaptable, responsive to change, and focused on making a difference*. This will involve supporting improved performance in the market by safeguarding animal, fish and plant health; by maintaining and investing in the environment; and by contributing to a successful rural economy and society.

It is considered desirable to retain a top level theme to the document and then to use the Department's Business Units' plans to articulate the more operational detail which will not only contribute to the higher level aspirations through the achievement of annual targets but also provides staff with a clearer view of where their personal contribution fits with the Department's task to deliver an increasingly more efficient and effective service to the customers and stakeholders.

Running in tandem with the implementation of the Plan has been the development of a more focussed monitoring system to ensure that progress towards the achievement of the Goals is maintained and that success is delivered. This is based on the Balanced Business Scorecard methodology which has been rolled out at every level across the Department and involved senior staff in agreeing the content of the Scorecards. Formal monthly monitoring of progress against longer term Key Performance Indicators (KPIs) as well as in-year targets and actions will commence in 2007-08 and this will be the vehicle used to keep Ministers, senior management and the Departmental Board informed of progress.

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

OPERATING REVIEW

The Context

Sustainable Development will be the overarching driver of change for the Department in the next 5 years. It will shape the context of our work, what we do and how we do it, whether it is in relation to the environment, the agri-food industry or rural development. It will also shape the activities of many of our clients, with Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP) reform reinforcing the requirement on farmers and fishermen to act in an environmentally sustainable and responsible way. The Department has a major contribution to make across the full range of its functions and this will be reflected in the emerging Sustainable Development Strategy for Northern Ireland.

Agricultural Reform

A programme of CAP reform continues in the form of applying the reforms of recent years to the fruit and vegetables and wine sectors, the CAP simplification initiative and preliminary work for the CAP health check in 2008. The Commission have also just published a review of cross-compliance conditions applied to direct payments which makes a number of suggestions to streamline and simplify the system.

The CAP health check in 2008 is meant to be an opportunity to review the reform that was initiated in 2003. The main objective will be to ensure that the CAP is working as envisaged and the focus will be on fine tuning rather than further fundamental reform. The health check is likely to concentrate on the operation of the Single Farm Payment (SFP) with particular emphasis on how it can be simplified and also on market reforms particularly in the dairy and cereal sector with respect to the use of intervention and export refunds. It will probably seek to secure full decoupling of all support across the EU by 2013, abolish cereal set-aside obligations, signal the end of milk quotas in 2015 and increase the rate of compulsory modulation. It may also look at limiting the level of support payments to individual farmers. An initial discussion paper is expected from the Commission in June or July of 2007, with formal proposals emerging early in 2008.

Another ongoing initiative is CAP simplification. An action plan for CAP simplification has been drawn up which identifies the need for technical and political simplification. The political elements, such as the abolition of cereal set-aside, will be dealt with as part of the 'Health Check'. Approximately 20 (uncontroversial) technical actions (such as: easing the excessively strict conditions linked to the energy crop premium; decision mechanisms for permitting grazing livestock on set-aside land in adverse weather conditions etc) to simplify the CAP, as well as a proposal for a "Single Commodity Market Organisation" (Single CMO) to replace the existing 21, will be taken forward as a separate work stream. The Single CMO proposal was published in December 2006 and was the subject of a DARD Consultation. The Commission expect EU Member States to reach an agreement on the Single CMO Regulation by June 2007.

Market Change

Market change will invariably impact on our work: increased market competition, the growth of multiples and cheaper produce from other countries are all likely to affect the agri-food industry in the coming years. In addition, the requirement for easily prepared and healthy food as well as organic products will influence the industry. Direct intervention in the market is not an option for Government, rather our role will be to assist the industry adapt to changes in the market place.

Changes in Rural Society and Farming Culture

Over the last 20 years the rural landscape has changed considerably as more commuters live in the countryside and travel longer distances to work in urban areas. This has increased pressure for improved transport networks, better schools, more shops, outlets, and restaurants, and there is an expectation that these will be provided in the same numbers and to the same standard as in urban areas. At the same time, farming culture is changing, with fewer farms being economically sustainable and a consequent downward pressure on farming's level of employment. This is being offset not only by diversification out of traditional farming, but also by the growth of a stronger, more diverse rural economy.

We want to respond to these changes in a positive manner by developing and implementing appropriate agri / rural support plans to ensure that the countryside is preserved for future generations to enjoy, and articulate the comprehensive needs of rural communities throughout Government.

EU and global developments

Other developments that are likely to impact on rural communities include:

Globalisation of markets: the World Trade Organisation (WTO) Doha Agenda – the Doha Ministerial Declaration commits the EU (and all other WTO participants) to comprehensive negotiations aimed at substantial improvements in market access; reductions in all forms of export subsidies and substantial reductions in trade-distorting domestic support. This move towards trade liberalisation will inevitably impact on Northern Ireland, as it will lead to increased competition from imports and a need to develop profitable exports which do not rely on subsidy.

Environmental Regulations: EU environmental regulations, in particular the Nitrates Directive, Waste Directive and the Water Framework Directive, will require changes to some farming practices. The most significant impact will be on the intensive livestock sectors and some structural adjustment may be necessary.

Climate change: emerging strategies to counter climate change and adapt to its effects will provide an increasing impetus for the exploitation of renewable energy sources, including biofuels. These present significant new business opportunities for farms seeking to diversify.

Waste: demanding EU obligations to reduce the amount of biodegradable municipal waste going to landfill up to 2020, the drive to recycle more under the various producer responsibility regulations and to reduce the environmental impact of waste management through strict controls on waste treatment and disposal will all impact on rural areas.

Fisheries policy: the increasing global concern over the sustainability of fishing and the plight of key fish stocks will inevitably lead to further reform of the EU's Common Fisheries Policy and fisheries management. Through the implementation of international fisheries agreements and a reformed Common Fisheries Policy we shall reduce adverse impact and develop fisheries that are environmentally sustainable. It is likely that this will result in continued restructuring of EU fishing fleets with impacts on dependent fish processing businesses and coastal fishing communities.

Protecting against emergencies

DARD has a key role in protecting against outbreaks of animal disease and emergencies in the food chain. Growing awareness of the potential risks has led to well developed contingency plans, which are regularly tested. The Rivers Agency also plays a proactive role in flood risk management and flood emergency planning. External factors will continue to challenge preparations and this will impact on our work. DARD has to ensure compliance with the requirements of the NI Civil Contingencies Framework and it does this by regularly reviewing its plans against guidance and best practice. We will ensure that we are able to deal with emergencies efficiently and effectively on the basis of risk assessment and by building resilience into Departmental plans.

Public Sector Reform

The Department faces a period of very significant public sector reform. The Department is committed to better regulation, greater efficiency and targeting resources from front line services. These commitments reflect the Government's efficiency and reform agenda, as taken forward through the recommendations in the Gershon Report, the Fit for Purpose Report, the Hampton Report and the Comprehensive Spending Review (CSR), whilst other change will be motivated by the Department's desire to improve its service to our customers.

The published proposals arising from the Review of Public Administration envisage a new role for Local Government in the field of Rural Development. Further change will be motivated by how we position ourselves to facilitate improved service delivery in a spirit that reflects the principles set out in "A Shared Future" and the emerging Sustainable Development Strategy. In parallel with this the Department's draft Rural Policy proposes a new and more challenging regime of rural intervention and advocacy of the particular needs of rural communities within Government by the Department.

Our agenda, broadly held in common with that of other Departments, is to enhance the way in which customers access our services. Customers will be able to contact us by telephone, e-mail or in person, confident that the majority of their requirements will be dealt with at the first point of call. All our channels of communication will be joined up seamlessly, so that electronic customer records will be updated instantly with new information, however obtained. We will drive down service costs, especially in setting up new shared service centres in partnership with other public bodies.

Realising the benefits of this investment will be the key to helping us maximise the effective use of staff and enhance front-line delivery.

Reform and Efficiency

In line with other Departments, DARD must meet its commitments in relation to the “Fit for Purpose” document. This sets out the new Public Sector reform programme that includes a reduction of 2,300 posts in the Northern Ireland Civil Service (NICS) by March 2008. Within this overall figure DARD has a target of a minimum reduction of 373 posts.

DARD is also committed in its Efficiency Plan to realise total annual efficiencies of at least £21m by 2007-08 of which at least £10.5m will release resources to be reinvested into priority front-line activities.

New Science Non-Departmental Public Body – Agri-Food and Biosciences Institute

The Department’s NDPB, the Agri-Food and Biosciences Institute (AFBI), was launched on 1 April 2006. AFBI comprises the former DARD Science Service and a previous DARD NDPB, the Agricultural Research Institute of Northern Ireland. The setting up of AFBI provides a clearer customer-contractor relationship between DARD and the organisation that delivers its science services.

The primary role of AFBI is to carry out specific scientific work in support of DARD policies and responsibilities. This work includes statutory, diagnostic and analytical testing, as well as Research and Development, set out in an annually agreed work programme. AFBI will also undertake work from other customers, including DARD and other government departments, on a commercial basis. AFBI may seek such opportunities in local, national and international markets.

Account NI Programme

The Account NI Programme is a key component of the Reform Programme and will modernise accounting processes across all of the Northern Ireland Departments including executive agencies and non-departmental public bodies. Account NI will provide a new integrated Resource Accounting and Budgeting System for all NICS Departments. A new financial Shared Service Centre (SSC) will be established, which will be responsible for the transaction processing needs of NI Departments and their agencies. In addition, the SSC will perform other value added services such as help desk facilities, systems administration, report development and support, end-user training, contract and performance management and development of service enhancements.

e-HR - HRConnect

e-HR is a major programme, which aims to transform Human Resources Services by providing enhanced capability through timely, accurate, responsive and accessible personnel data supported by business change to realise benefits. The implementation of e-HR will have some impact on everyone in the NICS in the future.

Workplace 2010

Workplace 2010 is a three to five year programme of work to transform the Northern Ireland Civil Service (NICS) office estate, improving the working environment for many staff and facilitating new ways of working in a way that demonstrates value for money for the taxpayer. The Strategic Investment Board and DFP are working together with Departments to deliver a step change in the quality and efficiency of NICS public services. Workplace 2010 involves the introduction of new accommodation standards, including open plan working, which will enable the NICS to rationalise its existing estate and dispose of surplus, poor quality accommodation.

PSA Targets

The remainder of this Operating Review focuses on the Department's PSA targets and reports on progress under a single Request for Resources (RfR).

Under its Request for Resources, the Department is committed to promoting sustainable development of the agri-food industry and the countryside and stimulating the economic and social revitalisation of disadvantaged rural areas, 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.

<u>DARD's 2006-07 PSA targets and their links to the Strategic Plan Goals are shown in Table 1: -</u>

Table 1

PSA Target	Progress
1. Create conditions for the agricultural industry to achieve a 10.5% improvement in Total Factor Productivity (TFP) between calendar years 2001 and 2008.	**On track for achievement**
2. Reduce the gap in agricultural Gross Value Added (GVA) per full time worker equivalent (measured as Annual Work Units) between NI and the UK as a whole by 0.6 of a percentage point per annum between 2003 and 2008, i.e. from 34% in 2003 to 31% in 2008.	**Likely to be achieved but with some delay**
3. Create conditions to increase agricultural GVA per full-time worker equivalent (measured as Annual Work Units) from £14,800 (2000-2002 average) to £19,500 by 2008.	**Likely to be achieved but with some delay**
4. Create conditions to increase value added per full-time employee equivalent in the NI Food and Drinks processing sector from £22,400 (1999-2001 average) to £33,100 by 2008.	**Likely to be achieved but with some delay**
5. Reduce the level of serious animal disease by a reduction in Brucellosis outbreaks from 111 at 31 March 2005 to less than 35 at 31 March 2008 and the level of Tuberculosis (TB) reactors from 13,219 at 31 March 2005 to less than 7,225 at 31 March 2008.	**Overall: Likely to be achieved but with some delay.** **Brucellosis: Likely to be achieved but with some delay** **TB: On track for achievement**
6. By 31 March 2008, create a net increase of 1,000 Full Time Equivalent (FTE) jobs in disadvantaged rural areas under the Rural Development Programme 2001-2006 (300 of which should be in the tourism sector).	**On track for achievement**
7. By 31 December 2008, reduce nitrate and phosphate inputs to soil and waterways in accordance with the agreed action programme.	**On track for achievement**
8. Increase the number of Housing Equivalents (HE) benefiting from a reduced risk of flooding from 18,050 at 31 March 2006 to 18,350 at 31 March 2008.	**Achieved significantly ahead of schedule due to necessary realignment of the Rivers Agency's capital works programme**
9. Sustain the annual supply of timber, recreation and environmental services from existing forests at 2002-03 levels and secure a modest increase in combined public and private forest area by 1,000ha by 2008 at a rate of 500ha per year.	**Achieved** **Target of 500ha in respect of 06/07 was achieved**

1. Total Factor Productivity has risen by 7.4% between 2001 and 2006, although the 2006 figure remains provisional. [Note: TFP is calculated on a calendar year basis. The next up-to-date figure will become available when the 2007 figure is calculated in early February 2008.]

   Definition of TFP: Agricultural **Total factor productivity (TFP)** is a volume based productivity measure, which takes account of all factors/resources used in production and removes, as far as possible, the effects of changing prices. Agricultural TFP is calculated and published annually by DARD for Northern Ireland as a whole. The values of output and inputs compiled for each year's Aggregate Agricultural Account are used in the calculation. These values are converted into constant prices and an index is constructed based on gross output (at constant prices) divided by the value of inputs (at constant prices). In addition, since agricultural activity is characterized by multiple outputs and multiple inputs, the ratio of the weighted sum of outputs with respect to the weighted sum of inputs is used to calculate the Total Factor Productivity Index. The weights are the cost share for inputs (at constant prices) and the revenue shares for the outputs (at constant prices) for each year. There is some evidence to indicate that the TFP for Northern Ireland is increasing at a faster rate than in GB.

2. With respect to the reducing the gap in agricultural Gross Value Added (GVA) per full time worker equivalent between NI and the UK as a whole, there has been a 2 percentage point improvement between 2003 and 2006 – based on revised target percentages (see Note below); however the 2006 figure remains provisional. The figure for 2007 will be available in February 2008. It should also be noted that the figures given are subject to revision which can sometimes be considerable.

   Note: The introduction of the Single Farm Payment (SFP) scheme in 2005 resulted in accounting changes in the calculation of agricultural GVA per full time worker. SFP is not included in GVA unlike the direct subsidy payments that it replaces. The published GVA figure for 2006, therefore, excludes the SFP while the published figure for 2004 includes the directed subsidies replaced by SFP. Therefore, there is a stepped change in the published GVA figure from 2005 onwards but it is possible to circumvent this stepped change by adding SFP to GVA and calculating GVA (+SFP) per full time worker for the purposes of assessing this target. Using this revised figure (the gap in agricultural GVA plus SFP per full time worker between Northern Ireland and the UK based on a three year moving average) there has been a 2 percentage point improvement between 2003 and 2006; however the 2006 figure remains provisional. PSA Target 2 states that the gap was 34% in 2003, however, following revisions the finalised figure for the extent of the gap in 2003 was 38%. Given these revisions the target for the gap in 2008 becomes 35%. A one year delay in achieving the (revised) target of 35% is estimated.

3. The published provisional 2006 figure for Gross Value Added (GVA) per full-time employee is £9,150 however whenever SFP is included in GVA (see Note below) the provisional figure for 2006 is £16,800. This revised figure (GVA plus SFP per full time worker) of £16,800 is the relevant figure to use when assessing progress in respect to PSA Target 3. The target of

£19,500 is achievable, but is not likely to be achieved by 2008; a 3 year delay is currently estimated.
[Note: The introduction of the Single Farm Payment (SFP) scheme resulted in accounting changes in the calculation of agricultural gross value added. SFP is not included in GVA unlike the direct subsidy payments that it replaces.]

4. The latest figure available in respect of value added per full-time employee equivalent in the NI Food and Drinks processing sector is £26,215 for 2004, a 3.1% increase on the 2003 revised figure of £25,417. Figures for 2005 are expected to be available by July 2007. The target of £33,100 is not likely to be achieved by 2008 – a 3 year delay is estimated.

   [Note: There is a 3 year delay in the data becoming available, therefore it will be 6 years after 2008 before we know if the target is met with a 3 year delay.]

5. Whilst, still working towards a reduction in outbreaks, achievement of the target of less than 35 Brucellosis outbreaks by 31 March 2008 will be delayed in light of the recent upturn of Brucellosis outbreaks in Newry and Armagh areas. At the end of February 2007 there have been 110 breakdowns. The current estimate for 31 March 2008 is 68 breakdowns. It is likely to be 31 March 2009 before the target of 35 is achieved based on current trends. A series of preventative measures have been taken, including increased testing levels, parallel testing and detailed investigation reports, to combat the spread of disease in the 'hotspot' areas. By the end of February 2007 there had been 8,716 TB reactors. All figures are based on actual new Brucellosis breakdowns or TB reactors identified in the previous twelve months from the date quoted.

6. The Department is on schedule to achieve the 2008 FTE jobs in disadvantaged rural areas under the Rural Development Programme 2001-2006 (300 of which should be in the tourism sector). By the end of March 2007, 945 net Full Time Equivalent (FTE) jobs in disadvantaged rural areas under the Rural Development Programme 2001-2006 were created; of these 100.5 FTE jobs are in the tourism sector.

7. The Nitrates Directive Action Programme and Phosphorus Regulations came into operation on 1 January 2007. The Farm Nutrient Management Scheme (FNMS) provides 60% grant support to farmers towards the costs of building slurry and manure storage facilities to comply with the Action Programme. The FNMS received 4,800 applications and by 31 March 2007 over 1,200 approvals had issued and almost 700 projects had been completed.

   A guidance booklet on the Action Programme issued to all farm businesses on 12 March 2007. A series of 150 farmer information evenings were organized and a telephone helpline set up to help farmers comply with Action Programme requirements. Delivery/inspection arrangements were agreed with DOE/EHS (Environment & Heritage Service).

8. Rivers Agency Schemes have delivered a total cumulative figure at 31 March 2007 of 19,421 Housing Equivalents which have benefited from a reduced risk of flooding. [Note: The PSA

Housing Equivalent (HE) Target was set for the Agency back in 2004 for the four year period up to March 2008. The target was based on schemes programmed at that time. However, since then two major flood defence schemes brought into the programme have significantly increased the actual number of HE achieved by the Agency. Because of this, the starting position was re-aligned at the start of 2005-06 business year and further re-alignment is necessary as the figure at 31 March 2006 was 18,591. This PSA Target has now been reviewed and figures re-aligned for the forthcoming 2007-08 business year.]

9. The Forest Service achieved over 500 hectares planted in combined public and private forest areas and 402,612 m^3 of timber was sold during 2006-07.

FINANCIAL REVIEW

The Department's new NDPB, the Agri-Food and Biosciences Institute (AFBI), was launched on 1 April 2006. AFBI comprises the former DARD Science Service and a previous DARD NDPB, the Agricultural Research Institute of Northern Ireland (ARINI). The formation of the new NDPB has resulted in the transfer of certain assets and liabilities of the former Science Service and ARINI to AFBI and from ARINI to DARD. In respect of 2005-06, the Operating Cost Statement, Balance Sheet and certain other notes have been restated for comparison purposes and these are notated accordingly. However certain notes have not been restated where it is not appropriate to do so.

In note 2 to the accounts, the prior year Departmental Expenditure outturn for Science Service is stated as £39,996k; however the other notes to the accounts refer to an adjustment of £31,451k in respect of Science Service. Whilst there were a number of factors contributing to this variance, the main difference in the two reported figures is largely attributable to DARD having retained costs previously allocated to Science Service: £5.7million in respect of overheads and £3.5million in respect of capital charges on land and buildings.

The net operating cost of the Department in 2006-07 was £266.7million. Gross expenditure was £574.3million and income was £307.6million. When the EU funded element of expenditure and income relative to the Common Agricultural Policy (CAP) is excluded the amounts are £322.8million and £56.1million respectively. Expenditure and income in respect of the CAP reduced by £77.5million between 2005-06 and 2006-07. This was largely as a result of the introduction of the Single Farm Payment Scheme which altered the timing of subsidy entitlements bringing into 2005-06 expenditure on this scheme alongside that on legacy schemes. Similar CAP adjustments to the restated 2005-06 operating costs, for CAP expenditure and income, results in figures of £256.7million and £52.1million for expenditure and income respectively, a net variance of £62.1million (increases of £66.1million and £4.0million in expenditure and income respectively). The expenditure variance of £66.1million needs to be adjusted by £34.4million on account of AFBI. The adjusted net expenditure variance of £31.7million is largely attributable to increased expenditure by Central Policy Group (£16.6million) and under Executive Programme Funds (£10.8million). The net income variance is mainly due to income from AFBI of £7.7million offset by a reduction in other EU income of £3.9million.

The Statement of Parliamentary Supply summarises the resource outturn for 2006-07. The net total resources required were £269.3million compared to an estimated net total of £290.3million. The Accounts note 2 provides an analysis of resource outturn and Estimate by section while Note 3(a) sets out a reconciliation to the Operating Cost Statement. For 2006-07 net resource outturn differs from net operating cost in that the former excludes income payable to the Consolidated Fund. Table 2 below sets out a comparison of resource estimate and outturn:

Table 2

	Estimate £million	Outturn £million	Variance £million
Gross Expenditure	608.9	574.3	34.6
Accruing Resources	318.6	305.0	13.6
Net Total	290.3	269.3	21.0

The significant areas of under-spending are Common Agricultural Policy (£9.6million), AFBI Grant (£5.0million), Service Delivery Group (£0.7million), Central Policy Group (£4.5million) and Flood Protection(£1.6million). Other areas of under-spending are detailed at note 2. The variance in accruing resources largely relates to Common Agricultural Policy income (£9.6million), which is a direct consequence of the under-spending in the same area, and to Service Delivery Group (£1.4million).

Outturn against the Administration Budget is shown at Note 3(b) to the Accounts. Gross administration costs amounted to £101.5million, while outturn against the Administration Budget was £90.7million which was within the agreed limit of £93.4million. This compares with 2005-06 when gross administration costs amounted to £124.3million and outturn against the administration budget was £115.0million. The figures for 2005-06 however include the administration costs of the Science Service which are now accounted for within the grant-in-aid to AFBI and hence not within the administration costs limit of the Department.

Total Capital Employed has increased from £772.5million at 31 March 2006 to £866.4million at 31 March 2007. This increase is largely attributable to:

- An increase in the value of tangible fixed assets - £89.0million. Revaluation of these assets amounted to £86.7million with the overall effect of other asset changes being largely neutral
- A reduction in debtors - £46.6million – largely attributable to amounts due from RPA in relation to the Common Agricultural Policy expenditure (£34.8million) and from the Consolidated Fund in respect of Supply (£8.3million)
- A decrease in creditors – £52.7million - largely attributable to amounts due under the Common Agricultural Policy (£34.8million), the revised treatment of EU income (£17.4million), and an increase in other creditors of £18.9million offset by the elimination of the bank overdraft (£19.3million at 31 March 2006). In 2005-06 all EU non-CAP income was classified as CFER income and remitted to the Consolidated Fund on receipt. From 2006-07 this income is classified as an accruing resource where it supports expenditure incurred.

Notes 14 to 20 provide further details on assets and current liabilities.

Capital expenditure at £16.6million was £4.9million lower than anticipated. This arose largely due to delays in capital works across the Service Delivery Group facilities and the AFBI estate. Subject to the necessary approvals this under-spending will be carried forward under the terms of the End Year Flexibility Scheme.

The Net Cash Requirement at £239.2million was £29.6million less than the Estimate. This variance is largely attributable to the reduction in resources required for cash items (£21.0million), the lower than anticipated capital expenditure (£4.9million) and increases in working capital being less than anticipated (£7million).

RECONCILIATION OF RESOURCES EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

	2006-07 £000	2005-06 £000
Net Resource Outturn (Estimates)	**269,309**	**267,932**
Adjustments:		
Less Consolidated Fund Extra Receipts (CFER's) in the OCS	(2,536)	(31,832)
Remove other adjustments		
Net Operating Cost (Accounts)	**266,773**	**236,100**
Adjustments:		
Less Capital grants	(38,193)	*
Less European Union income related to capital grants	11,620	*
Add other Consolidated Fund Extra Receipts (CFER's) in the OCS	2,536	29,626
Less notional inter-departmental charges	(6,926)	(7,855)
Less Non-Budget grants payable to NDPBs	(41,077)	(3,751)
Less other voted expenditure that is outside the Resource Budget	(1)	325,771 **
Add non-voted expenditure that is outside the OCS	-	
Add NDPB resource expenditure	42,268	7,948
Resource Budget Outturn (Budget)	**237,000**	**587,839**
Of which:		
Departmental Expenditure Limit (DEL)	218,650	246,316
Annually Managed Expenditure (AME)	18,350	341,523

*Capital grants were within the Resource Budget in 2005-06

**CAP Income is within the Resource Budget in 2006-07

Appendix 1
BODIES FOR WHICH DARD HAS A DEGREE OF RESPONSIBILITY

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

On-Vote Executive Agencies

- Rivers Agency*
- Forest Service Agency*

Executive Non-Departmental Public Bodies (NDPBs)

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

Advisory NDPBs

- Drainage Council for Northern Ireland
- Research and Education Advisory Panel

North South Bodies

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

Other Bodies

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

Notes:

1. *Separate Reports and Accounts are produced for these entities.

2. # These entities have been consolidated, only to the extent of the inclusion of grants paid in the Operating Cost Statement.

3. There is no grant-in-aid funding provided to the Livestock and Meat Commission and the Pig Production Development Committee.

4. Expenditure on the Agricultural Wages Board relates to general expenses e.g. travel expenses of members and has been consolidated within the Departmental accounts.

5. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission is funded jointly by DARD and the Department of Communications, Marine and Natural Resources.

Appendix 2

DARD – PRINCIPAL ACTIVITIES

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

Core Department

- Develop and administer policies to maintain or improve the sustainable economic performance of the agri-food industry;
- Represent the interests of Northern Ireland agri-food, agri-environment and rural development sectors at national and European level;
- Conduct on-farm inspections;
- Approve grant and subsidy applications and process claims in line with scheme regulations;
- Apply and enforce public health, animal health and welfare legislation through the prevention/control/eradication of epizootic/enzootic/zoonotic diseases by conducting animal inspections/tests;
- Carry out meat inspection in compliance with national and international standards;
- Implement a programme of inspection, sampling, enforcement, licensing and guidance in relation to food safety;
- Implement animal registration, identification and movement controls;
- Promote and maintain acceptable welfare standards through inspection;
- Process animal disease compensation payments to eligible applicants;
- Develop and administer policies to conserve and enhance biodiversity and the rural environment;
- Implement a programme of audits, management plan development, inspections and guidance in relation to agri-environment schemes;
- Implement Government policy through inspection, enforcement, licensing, certification and guidance relating to agriculture, horticulture and food;
- Provide a programme of Higher and Further Education courses;
- Deliver a programme of Lifelong Learning through short courses, to enhance competitiveness throughout the agri-food industry and to develop environmentally responsible farming and rural enterprise;
- Establish necessary legislation to implement new schemes under the EU Structural Funds and Peace Package and promote the schemes;

- Promote comprehensive and integrated action towards the sustainable and equitable development of disadvantaged rural areas;
- Equality and Rural Proofing;
- 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 Agency

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

REMUNERATION REPORT

Remuneration Policy

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

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

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

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

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

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

The pay award for staff in the Senior Civil Service (SCS) is comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Mrs J C Bliss and Dr CRA Lennon, Non Executive Directors, voluntarily resigned from their posts at the end of September 2006. They were succeeded by Mr D J Flanagan and Mrs J E Ruddock who were appointed on 2 year contracts with effect from 1 December 2006.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org .

Remuneration and Pension Entitlements

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

Ministers Remuneration

During 2006-07 the Department Of Agriculture and Rural Development was under the direction and control of Lord Rooker up to 8 May 2006. He was succeeded by Mr David Cairns MP with effect from 9 May 2006. Their salaries and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Lord Rooker's and Mr Cairns' salary and allowances will be provided in the 2006-07 Northern Ireland Office Resource Accounts.

Ministerial pensions

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

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

paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary.

Senior Management Remuneration [Audited]

	2006-07		2005-06	
Officials	**Salary £'000**	**Benefits in kind(to nearest £100)**	**Salary £'000**	**Benefits in kind (to nearest £100)**
Mr P T Toal Permanent Secretary 2A	115-120	-	110-115	-
Mr G Lavery Deputy Secretary 3	85-90	-	80-85	-
Mr R J McClenaghan Deputy Secretary 3	95 -100	-	90 - 95	-
Mr R M Houston Deputy Secretary 3	85-90	-	80-85	-
Mr R J Jordan Deputy Secretary 3	80-85	-	45-50 (75-80 full year equivalent)	-
Mrs J C Bliss Non-Executive Director (Note 1)	5-10 (10-15 full year equivalent)	-	10 - 15	-
Dr C R A Lennon Non-Executive Director (Note 1)	5 – 10 (10-15 full year equivalent)	-	5-10	-
Mr D J Flanagan Non-Executive Director (Note 2)	0 – 5 (5-10 full year equivalent)	-	-	-
Mrs J E Ruddock Non-Executive Director (Note 2)	0 – 5 (5-10 full year equivalent)	-	-	-

Salary

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

Benefits in kind

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

Pensions of Senior Management [Audited]

Officials	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV (Note 3)	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr PT Toal Permanent Secretary 2A	55-60 plus lump sum of 165-170	0-2.5 plus lump sum of 0-2.5	1249	1217	14	-
Mr G Lavery Deputy Secretary 3	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	696	621	18	-
Mr RJ McClenaghan Deputy Secretary 3	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 0-2.5	1036	950	13	-
Mr RM Houston Deputy Secretary 3	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	478	427	13	-
Mr RJ Jordan Deputy Secretary 3	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 0-2.5	855	780	13	-

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

1. Mrs Bliss and Dr Lennon served as non-executive directors on the Departmental Board until their voluntary resignations on 30 September 2006. They were not employees of the Department and their remunerations were non-pensionable.

2. Mr D J Flanagan and Mrs J E Ruddock were appointed to the Departmental Board as non-executive directors on 1 December 2006. They are not employees of the Department and their remunerations are non-pensionable.

3. After adjustment for inflation and changes in market investment factors.

Civil Service 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). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or on immediately ceasing to be an active member of the scheme if they are already 60.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk .

Cash Equivalent Transfer Values

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

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Dr Malcolm McKibbin
Accounting Officer, Department of Agriculture & Rural Development
3 September 2007

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under the Government Resources and Accounts Act (NI) 2001, the Department is required to prepare for each financial year, resource accounts 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 Government Financial Reporting Manual and in particular to:

   a observe the Accounts Direction issued by DFP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

   b make judgements and estimates on a reasonable basis;

   c state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

   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 of Agriculture and Rural Development's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in *Government Accounting Northern Ireland*.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

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

This Department regards its Agencies and Non-Departmental Public Bodies as partners, although these are in practice arm's length bodies underpinned by strict accountability arrangements. A collegiate approach to achieving PSA targets is adopted and performance is reviewed as part of the annual planning and reporting cycle.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Agriculture and Rural Development for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Departmental Management Board monitors and verifies the Department's Corporate Risk Register (CRR) which is revised to reflect diminishing and emergent risks on a timely basis. The CRR and the corresponding Risk Management Plans for each business area have been reviewed and amended to reflect the 2007/08 business plans and they are linked to business performance targets. In this way risk management has a key function in managing business performance.

Training on fraud has been provided across the Department to further embed counter-fraud awareness. The Departments Risk Management process is a dynamic and ongoing one. The responsibility for the identification and reporting of risks is cascaded throughout the organisation and as a result, ownership of risk is allocated to the appropriate staff.

4. The risk and control framework

The Department's Corporate Governance arrangements are underpinned by a robust risk management process, which is embedded into DARD's systems and procedures. A key function within this process is the development of the Department's appetite to risk. This function is undertaken by the respective business areas with the most appropriate skills and expertise to properly assess the level of risk acceptable to both the respective business areas and the Department.

Analysis of and response to risk is key to corporate governance and the Department's comprehensive CRR is used for the identification and management of risk. The CRR is updated quarterly and identifies any new risks and movements in risk rankings. The Departmental Board (DB) has overall responsibility for the management of risks associated with the delivery of the Department's functions. The implications of a rise in risk rankings for corporate priorities are considered by DB and remedial action agreed. Risk registers are also produced and monitored at Group, Divisional and Branch level.

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

Additional assurance is also obtained through a formal stewardship reporting process which is embedded within each business area of the Department. This process is monitored by Finance Division and any issues of significance raised in the Stewardship Reports, are reported to the Corporate Governance and Audit Committee (CGAC). The CGAC is constituted in a way that ensures adherence to the guidelines contained within Treasury's Audit Committee handbook and is chaired by a non-executive director. A Departmental Risk Review Group is being established to replace the current Risk Management Forum. This Group will review the risk management process, the Corporate Risk Register and operational reports from business areas on a regular basis. It will be a non-executive committee that reports to CGAC. Risk management training has been rolled out across the Department to ensure that risk management has been embedded within operational activities.

The Department has an Internal Audit Unit, which operates to defined Government Internal Audit Standards. This Unit submits regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. In the Internal Audit Annual Assurance Report for 2006-07 it confirms that the Unit is generally satisfied with the Departments internal control framework and confirmed that the developing risk management and governance processes are considered to be effective.

Where internal audit reviews or the work of the Department's Central Investigation Service have identified control weaknesses, management responses have been obtained setting out action that will be taken to strengthen the relevant controls. The Corporate Governance and Audit Committee monitors implementation of these action plans to ensure that appropriate action has been taken to address internal and external findings raised throughout the year. Satisfactory progress has been made on rectifying control weaknesses identified during 2006-07.

5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The executive managers also report any weakness in the Department's systems of internal control through the stewardship and risk management reporting process. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Corporate Governance and Audit Committee and the Risk Management Forum, and plans to address weaknesses and ensure continuous improvement of the system are in place.

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

- Review the Departments use of the Corporate Risk Register with a view to making further improvements to the process of risk management;
- Continue to embed counter fraud awareness across the Department,
- Establish a Risk Review Group to replace the Risk Management Forum.

6. Significant internal control problems

Details of key concerns reported by the Department's Internal Audit Branch (IAB) over the period are as follows:

- Rural Development Council PEACE II & BSP - IAB provided a "weak" opinion in both reports. Key areas of concern included the limited number of Article 4 inspections conducted to date, receipts generated by a project not being deducted from the grant aid made available to the project, and insufficient double funding checks.

- Rural Development Division LEADER+ - IAB reported concerns in relation to the administration of one Local Action Group. Key concerns included the apparent absence of project monitoring visits, a project changing substantially but not being formally re-assessed by the Board, and score amendments with no recorded explanations.

- Rural Development Division PEACE II (EAGGF) – IAB provided an unacceptable rating for 1 measure and weak ratings for another 2. Key concerns included no documented double funding checks, lack of Article 4 visits, no measure procedures in place to record and /or report irregularities and payments still being made to promoter despite the number, frequency and nature of errors within each claim submitted.

- Fisheries – IAB provided a weak opinion. Key concerns included non-implementation of previous audit recommendations, non - application of controls in relation to the processing of payments and insufficient documentation to validate overtime and mileage claims

- The Agri-Food and Biosciences Institute (AFBI) sponsor branch requested that DARD IAB perform a "health check" of the organisation on completion of the first 6 months of operation. IAB provided a weak opinion. Key concerns included payments to board members, contracts, Control of Substances Hazardous to Health assessments and service level/collaborative agreements. IAB acknowledged however that systems, procedures and controls were evolving.

Management in each of the relevant business areas have accepted all of the audit recommendations and have agreed implementation plans to address IAB's concerns. IAB have scheduled follow-up reviews in each area to ensure that agreed actions have been implemented effectively.

Dr Malcolm McKibbin
Accounting Officer, Department of Agriculture & Rural Development
3 September 2007

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

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

I certify that I have audited the financial statements of the Department of Agriculture and Rural Development for the year ended 31 March 2007 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and

- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

JM Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

4 September 2007

Notes

1. *The maintenance and integrity of the Department of Agriculture & Rural Development (DARD) web site is the responsibility of the Departmental Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2006-07

									2006-07 £'000	2005-06 £'000
				Estimate			Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
A	2	608,962	(318,647)	290,315	574,328	(305,019)	269,309	21,006	267,932
Total resources	3	608,962	(318,647)	290,315	574,328	(305,019)	269,309	21,006	267,932
Non-operating accruing resources				4,779			3,582	1,197	5,790

Net cash requirement 2006-07

				2006-07 £'000	2005-06 £'000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	268,812	239,200	29,612	232,638

Summary of income payable to the Consolidated Fund

		Forecast 2006-07 £'000		Outturn 2006-07 £'000	
	Note	Income	*Receipts*	Income	*Receipts*
Total	5	-	-	2,536	*31,787*

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

Notes 1 to 37 form part of these accounts

OPERATING COST STATEMENT
for the year ended 31 March 2007

		2006-07 £'000						Restated 2005-06 £'000	
		Core Department			Consolidated			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs:									
Staff Costs	9	65,972			81,643			66,321	82,168
Other administration Costs	10		24,075			26,815		24,311	27,510
Operating income	12			(10,960)			(11,991)	(8,982)	(10,101)
Sub-Total		65,972	24,075	(10,960)	81,643	26,815	(11,991)	81,650	99,577
Programme Costs:									
Staff Costs	9	9,606			9,606			9,837	9,837
Programme costs	11		419,944			456,264		435,165	466,262
Income	12			(287,606)			(295,564)	(364,408)	(371,027)
Sub-Total		9,606	419,944	(287,606)	9,606	456,264	(295,564)	80,594	105,072
Totals		75,578	444,019	(298,566)	91,249	483,079	(307,555)	162,244	204,649
Net Operating Cost	3, 13			221,031			266,773	162,244	204,649

Note: The figures for 2005-06 exclude Science Service

STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2007

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Net (gain)/loss on revaluation of tangible assets	(17,821)	(88,994)	(24,503)	(123,174)
Net (gain)/loss on revaluation of intangible assets	(84)	(141)	(31)	(56)
Net (gain)/loss on revaluation of investments	-	-	-	-
Receipt of donated assets	-	-	-	-
Donated asset amounts recognised in the OCS	7	7	7	7
Receipt of government grants	(27)	(27)	(13)	(13)
Government grant amounts recognised in the OCS	47	47	50	50
Recognised gains and losses for the financial year	(17,878)	(89,108)	(24,490)	(123,186)

Note: The figures for 2005-06 exclude figures associated with Science Service assets that transferred to AFBI.

Notes 1 to 37 form part of these accounts

BALANCE SHEET
as at 31 March 2007

	Note	2006-07 £'000 Core Department	2006-07 £'000 Consolidated	Restated 2005-06 £'000 Core Department	Restated 2005-06 £'000 Consolidated
Fixed assets:					
Tangible assets	14	177,358	885,146	161,685	796,154
Intangible assets	15	1,824	2,342	1,338	1,807
Investments	16	32	32	393	393
		179,214	887,520	163,416	798,354
Debtors falling due after more than one year	18	320	320	340	340
Current assets:					
Stocks	17	1,470	2,062	1,547	2,127
Debtors	18	107,529	109,926	154,891	156,553
Cash at bank and in hand	19	882	924	75	127
		109,881	112,912	156,513	158,807
Creditors (amounts falling due within one year)	20	(123,746)	(127,447)	(177,468)	(180,114)
Net current assets		(13,865)	(14,535)	(20,955)	(21,307)
Total assets less current liabilities		165,669	873,305	142,801	777,387
Creditors (amounts falling due after more than one year)	20	-	-	-	-
Provisions for liabilities and charges	21	(6,644)	(6,928)	(4,834)	(4,893)
		159,025	866,377	137,967	772,494
Taxpayer's equity:					
General Fund	22	93,290	420,318	86,115	410,986
Revaluation reserve	23(a)	65,420	445,184	51,531	360,680
Donated asset reserve	23(b)	141	141	138	138
Government grant reserve	23(c)	174	734	183	690
		159,025	866,377	137,967	772,494

Note:
The figures for 2005-06 exclude figures associated with Science Service assets and reserves that transferred to AFBI and include figures for assets and reserves that transferred from ARINI.

Dr Malcolm McKibbin
Accounting Officer
3 September 2007

Notes 1 to 37 form part of these accounts

CONSOLIDATED CASH FLOW STATEMENT

for year ended 31 March 2007

	Note	2006-07 £'000	2005-06 £'000
Net cash outflow from operating activities	24(a)	(193,930)	(186,814)
Capital expenditure and financial investment	24(b)&(c)	(13,484)	(14,292)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(19,972)	(31,325)
Financing	24(d)	247,471	232,813
Increase/(decrease) in cash in the period	24(e)	20,085	382

CONSOLIDATED STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES

for year ended 31 March 2007

	2006-07 £'000			Restated 2005-06 £'000		
	Gross	Income	Net	Gross	Income	Net
Aim						
Objective 1	574,328	(307,555)	266,773	619,117	(383,017)	236,100
Adjustment*				(33,340)	1,889	(31,451)
Net operating costs	574,328	(307,555)	266,773	585,777	(381,128)	204,649

*The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service.

The Department's objectives were as follows:

Objective 1: (RfR A) Promoting sustainable development of the agri-food industry and the countryside and stimulating the economic and social revitalisation of disadvantaged rural areas, 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.

See Note 25.

Notes 1 to 37 form part of these accounts

NOTES TO THE DEPARTMENTAL ACCOUNTS

1. Statement of accounting policies

1.0 Introduction

These financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel of Northern Ireland (DFPNI). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and livestock.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and those entities which fall within the Departmental boundary as defined in the FReM (chapter 2.4). Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is given at Note 36.

1.3 Tangible fixed assets

<u>Capitalisation</u>

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

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

Valuation
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). Professional valuations of land and buildings are undertaken every 5 years. Properties are valued on the basis of open market value for existing use, unless they are specialised, in which case they are valued on a depreciated replacement cost basis.
Land and buildings are revalued annually, between valuations, using indices provided by the Valuation and Lands Agency (VLA) for land and indices compiled by the Department of Trade and Industry for buildings.

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

Assets under Construction are carried at cost.

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

All other fixed assets are revalued annually by reference to indices compiled by the Office for National Statistics (ONS).

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

Depreciation
Land at Baronscourt is being handed back to its owner in stages up to the year 2024. Depreciation is being charged over that period. There is no depreciation charge on the Department's own land.

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

Assets under Construction are not depreciated until they are commissioned.

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

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

1.4 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 (both sea and river) 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.
In the financial year to 31st March 2006 a revaluation of flood defence assets was carried out. Sea defence assets were independently valued by RPS Consulting Engineers. River defence assets were valued in accordance with FReM para 5.2.6(d) using indices and other appropriate information.

(b) Culverts

Rivers Agency manages a culvert network of 300 kilometres, in which there are over 6,200 culvert reaches i.e. lengths of culverts between manholes. The depths at which culverts are laid vary between 1 metre and 12 metres. Prior to 1st April 2005, the Agency used an in-house model to calculate a Modern Day Replacement Value (MDRV) of the total culvert network, which includes both pipe and box culverts. In the financial year to 31st March 2006 a revaluation of the total culvert network was carried out. This gave a new valuation for the culvert network at 1 April 2005. The MDRV of the culvert network is now based on a hybrid cost model of a UK National Industry Standard Cost Estimating Package (TR61) for the pipe network, and an In-House Developed model for the box culvert network. The rates derived from both cost models are applied to the network statistics, which are contained within the Agencies Asset Inventory Database, INFONET.
The TR61 cost model has been independently validated by Halcrow Management Sciences Ltd. on behalf of WRC and member companies (including Rivers Agency), and the In-House model validated by WS Atkins.

Each year the valuation will be revalued using indices contained within Current Cost Accounting MM17, a publication of the ONS. It will also take account of any additions and condition surveys that have taken place in the year.

The accounting policy adopted in relation to culverts is a variant of renewals accounting as detailed in FReM paragraph 5.2.10. 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 Operating Cost Statement. Actual refurbishment costs are charged to the Operating Cost Statement, with any variation between this figure and that suggested by the Asset Management Plan adjusted in the accounts.

(c) Soft Defences

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

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

The accounting policy adopted by Rivers Agency in respect of Soft Flood Defences is to expense all expenditure to the Operating Cost Statement each year.

(d) Capitalisation of engineer's time

The Rivers Agency has included engineer salary costs in Flood Defence and Culvert Network Valuations.

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.

1.6 Assets funded by government grants

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

1.7 Intangible fixed assets

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

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

1.8 Investments

Financial interests, in bodies that are outside the departmental boundary, are treated as fixed asset investments as they are held for the long term. These comprise ordinary £1 shares in United Dairy Farmers Limited, a dairy farmer cooperative registered in Northern Ireland. Additional investments were transferred from ARINI when it was dissolved on 31 March 2006 (see note 16 to the financial statements).

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.

1.9 Stocks

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

1.10 Operating income

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

1.11 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.

1.12 Grants

The Department recognises grant expenditure in the period in which the recipient carries out the activity that creates an entitlement to the grant support, in so far as it is practicable to do so. EU income due to the Department is accrued in line with the relevant expenditure.

1.13 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.

Legal claims and other provisions estimated as under £300,000 are assessed together and a provision based on historic trends is made. This calculation is reviewed on an ongoing basis to ensure it continues to represent a reasonable estimate of the expenditure of the Department on such claims. Cases greater than or equal to £300,000 are assessed on a case-by-case basis, and provided for or disclosed as a contingent liability as applicable.

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

1.14 Value Added Tax

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

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

1.15 Third-party assets

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

1.16 Administration and programme expenditure

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

1.17 Capital charge

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

(a) tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:

- additions at cost
- disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
- impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
- depreciation of tangible and amortisation of intangible fixed assets

(b) donated assets, and cash balances with the Consolidated Fund (including balances in Departmental bank accounts within the centralised NICS pool of accounts currently held at the Northern Bank), where the charge is nil.

(c) liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate.

1.18 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS[NI]). The defined benefit scheme is a multi-employer unfunded 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 Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS[NI] of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS[NI]. The defined benefit scheme are non-contributory except in respect of dependents benefits. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year. See Note 9.
Further details of the civil service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk

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 £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement; and

- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

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

2. Analysis of net resource outturn by section

	Admin	Other current	Grants	Gross resource Expenditure	Accruing Resources	2006-07 £'000 Outturn Net Total	2006-07 £'000 Estimate Net Total	Net Total outturn compared with Estimate	2005-06 £'000 Outturn Prior-year outturn
Request for Resources A									
Departmental Expenditure in DEL:									
1: Service Delivery Group	27,483	32,770	6,355	66,608	(10,269)	56,339	57,028	689	60,792
2: Rural Development	5,057	1,231	5,175	11,463	(2,588)	8,875	10,142	1,267	9,833
Science Service									*39,996*
3: Veterinary Service	36,973	1,045	-	38,018	(7,747)	30,271	30,442	171	28,852
4: Central Policy Group	8,077	43,117	6,901	58,095	(10,593)	47,502	52,032	4,530	37,636
5: Fisheries	2,510	227	1,510	4,247	(1,214)	3,033	4,129	1,096	6,020
6: The Loughs Agency of FCILC	-	-	1,421	1,421	-	1,421	1,571	150	1,332
7: Rivers Agency	12,428	2,550	-	14,978	(443)	14,535	14,653	118	14,714
8: Forest Service Agency	7,904	14,163	322	22,389	(7,324)	15,065	16,543	1,478	15,339
9: EU Programme for Peace & Reconciliation	-	993	11,714	12,707	(8,791)	3,916	3,883	(33)	12,244
10: EU Community Initiatives	-	-	8,271	8,271	(4,585)	3,686	4,359	673	6,865
11: Executive Programme Funds	1,062	1,041	15,724	17,827	-	17,827	18,725	898	6,992
12: Intregrated Development Fund	-	15	470	485	-	485	1,613	1,128	75
Repayment of Loan Interest (RRI)									*114*
13: Common Agricultural Policy	-	250,833	632	251,465		(251,465)	-	-	-
Annually Managed Expenditure (AME):									
Common Agricultural Policy									*326,848*
14: Flood Protection	38	18,312	-	18,350	-	18,350	19,964	1,614	14,445
Non-Budget:									
Science Service - ARINI									*3,380*
Common Agricultural Policy									*(326,848)*
15: Agri-Food and Biosciences Institute	-	-	40,484	40,484	-	40,484	45,513	5,029	-
16: Fisheries - NIFHA	-	-	593	593	-	593	593	-	371
17: Payments to Agricultural Loans Fund	-	-	1	1	-	1	30	29	8
18: Executive Programme Funds	-	-	-	-	-	-	805	805	
19: Notional Charges	6,926	-	-	6,926	-	6,926	8,290	1,364	8,924
Total:	108,458	366,297	99,573	574,328	(305,019)	269,309	290,315	21,006	267,932

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

The main reasons for the underspend of £21.0m are as follows:

(a) Service Delivery Group underspend of £0.7m due to lower than expected staff costs and fewer than expected claims under the New Entrants Scheme, offset by a reduction in income.

(b) Rural Development underspend of £1.3m due to grant projects progressing at a slower rate than expected.

(c) Central Policy Group underspend of £4.5m due mainly to slippage in relation to Modulation Match Funding expenditure.

(d) Fisheries underspend of £1.1m due to slippage across a range of capital grant projects.

(e) Forest Service underspend of £1.5m due to greater than expected income from timber sales and forest recreation.

(f) Executive Programme Funds underspend of £0.9m due mainly to delays in completion of Vision projects by AFBI and Service Delivery Group.

(g) Integrated Development Fund underspend of £1.1m due to slower than expected progress on Rural Development and Fisheries projects.

(h) Flood Protection underspend of £1.6m due to lower than expected capital charges.

(i) AFBI underspend of £5m due primarily to grant cover for potential ex-ARINI staff pensions liability not being drawn down in 2006-07.

(j) Notional Charges lower than estimated by £1.4m in respect of accommodation, recruitment and other services.

Note: Additional explanations of variances are given in the Management Commentary

3(a) Reconciliation of net resource outturn to net operating cost

		2006-07 £'000			Restated 2005-06 £'000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	269,309	290,315	21,006	267,932
Prior Period Adjustments		-	-	-	-
Non-supply Income (CFERs)	5	(2,536)	-	2,536	(31,832)
Non-supply Expenditure		-	-	-	-
Net operating cost adjustment*		-	-		(31,451)
Net Operating Cost		266,773	290,315	23,542	204,649

* The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service

3(b) Outturn against final Administration Budget

		2006-07 £'000		2005-06 £'000
	Note	Budget	Outturn	Outturn
Gross Administration Budget (DEL)		103,991	101,494	124,301
Income allowable against the Administration Budget*	12	(10,595)	(10,842)	(8,948)
Adjustment to prior year Income Allowable**				(319)
Net outturn against final Administration Budget		93,396	90,652	115,034

* Includes excess accruing resources of £Nil (2005-06: £991,022.37)

** The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service

4. Reconciliation of resources to cash requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with estimate: saving/(excess) £'000
Resource Outturn	2	290,315	269,309	21,006
Capital				
Acquisition of fixed assets	14, 15	21,436	16,576	4,860
Settlement of ARINI capital creditor	24(b)		157	(157)
Investments		-		-
Non-operating accruing resources				
Proceeds of fixed asset disposals	24(b)	(4,779)	(3,555)	(1,224)
Receipt of capital grants	23(c)	-	(27)	27
Accruals adjustments				
Non-cash items•		(52,960)	(50,696)	(2,264)
Changes in working capital other than cash		13,800	6,752	7,048
Changes in creditors falling due after more than one year	20	-	-	-
Use of provision	21	1,000	684	316
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		268,812	239,200	29,612

Non-cash items*	£'000
From Note 24(a):	
Staff costs (note 9)	54
Other administration costs (note 10)	10,256
Programme costs (note 11)	40,386
	50,696

Explanation of the variation between Estimate and outturn

The main reasons for the variance of £29.6m are as follows:

(a) Net Resource underspend of £21.0m as detailed at note 2 and in the Financial Review

(b) Capital underspend of £4.9m due to delays in capital works across the Service Delivery Group facilities and the AFBI estate. Subject to the necessary approvals this underspend will be carried forward to 2007-08 under End Year Flexibility arrangements.

(c) Changes in working capital £7.0m less than expected due to lower than anticipated changes in debtor and creditor balances.

5. Analysis of income payable to the Consolidated Fund

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

		Forecast 2006-07 £'000		Outturn 2006-07 £'000	
	Note	Income	*Receipts*	Income	*Receipts*
Operating income and receipts - excess accruing resources		-	-	-	-
Other operating income and receipts not classified as accruing resources		-	-	2,536	*31,787*
Sub-Total of operating income and receipts	22	-	-	2,536	*31,787*
Non-operating income and receipts - excess accruing resources	7	-	-	-	-
Other non-operating income & receipts not classified as accruing resources	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	
Total income payable to the Consolidated Fund		-	-	2,536	*31,787*

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

	Note	2006-07 £'000	2005-06 £'000
Administration income	12	11,991	10,101
Programme income	12	295,564	371,027
Adjustment to prior year Income*			1,889
Gross income		307,555	383,017
Income authorised to be accruing resources	2	(305,019)	(22,145)
CAP income netted off against programme expenditure		-	(329,040)
Operating income payable to the Consolidated Fund	5	2,536	31,832

* The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service

7. Non-operating income - Excess accruing resources

	2006-07 £'000	2005-06 £'000
Proceeds on disposal of fixed assets	-	-
Other	-	-
Non-operating income - excess accruing resources	-	-

8. Non-operating income not classified as accruing resources

The Department had no non-operating income not classified as accruing resources during the financial year 2006-07. (2005-06: £nil)

9. Staff numbers and related costs

9(a) Staff costs:

	2006-07 £'000					Restated 2005-06 £'000
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
Wages and salaries	74,958	73,501	1,457	-	-	75,357
Social security costs	5,375	5,247	128	-	-	5,456
Other pension costs**	12,539	12,498	41	-	-	12,919
Sub-Total	92,872	91,246	1,626	-	-	93,732
Less recoveries in respect of outward secondments	(65)	(65)	-	-	-	(112)
Total net costs*	92,807	91,181	1,626	-	-	93,620
Of which:						
Core department £'000	75,578					

Note: The figures for 2005-06 exclude Science Service
*Of the total, £1,623,000 has been charged to capital.
**Includes £54,000 for increase in early departure costs provision (see note 21)

	2006-07 £'000		Restated 2005-06 £'000	
Distribution	Core Dept.	Consolidated	Core Dept.	Consolidated
Administration costs	65,972	81,643	66,321	82,168
Programme costs	9,606	9,606	9,837	9,837
Capitalised	-	1,623	-	1,727
Total staff costs as above	75,578	92,872	76,158	93,732

The Principal Civil Service Pension Scheme of Northern Ireland [PCSPS(NI)] is an unfunded multi-employer 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 acturial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2006-07, employers' contributions of £12,510,258 were payable to the PCSPS(NI) (2005-06 restated: £12,435,073) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands. From 1 April 2007, the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued in a period, 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 £28,150 (2005-06 restated: £29,947) were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' 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 £1,550 (2005-06 restated: £1,786), 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. There were no contributions due to or prepaid to the partnership pension providers at the balance sheet date.

26 persons (2005-06 restated: 26 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £28,251 (2005-06 restated: £26,691).

9(b) Average number of persons employed

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

					2006-07	Restated 2005-06
Objective	Total	Permanent staff	Others	Ministers	Special Advisers	Total
Request for Resource A	3,198	3,137	61	-	-	3,331
Of which: core department	2,499					

10. Other Administration Costs

		2006-07 £'000		Restated 2005-06 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Travel and subsistence		3,001	3,735	3,340	4,097
Training and development		446	580	467	629
Operating leases		231	231	149	149
Accommodation costs:					
Rates		39	236	42	237
Utilities		182	344	270	460
Repairs & maintenance		4,204	4,218	3,624	3,649
Communications		662	802	667	808
Computer charges		1,304	1,304	1,203	1,203
Postage, stationery & printing		1,491	1,500	1,804	1,825
OSNI Hard charges		1	1	431	914
Other Office Services		252	302	320	365
Contracted Out Services		638	754	625	785
Other expenses		2,443	2,552	2,206	2,339
Sub-Total		14,894	16,559	15,148	17,460
Non-cash items:					
Depreciation of tangible fixed assets		1,998	2,150	1,867	2,046
Amortisation of intangible fixed assets		476	536	342	391
Permanent diminution of fixed assets		157	172	61	69
Profit on disposal of fixed assets		(1)	(1)	-	-
Loss on disposal of fixed assets		114	115	10	10
Cost of capital charge		(855)	(827)	(349)	(333)
Provisions	21	1,047	1,185	285	277
Notional charges:					
Accommodation		5,081	5,587	5,943	6,423
Auditors' remuneration & expenses		90	127	72	111
Others		1,074	1,212	932	1,056
Sub-Total		9,181	10,256	9,163	10,050
Total		24,075	26,815	24,311	27,510

Note: The figures for 2005-06 exclude Science Service

11. Programme Costs

		2006-07 £'000		Restated 2005-06 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Current expenditure:					
Operating leases		199	252	147	216
Rates		430	430	419	419
Utilities		670	670	654	654
Repairs & maintenance - buildings		510	518	668	681
Repairs & maintenance - other		128	1,598	140	1,439
Contracted Out Services		609	1,881	616	2,425
Private Veterinary Practioners fees & expenses		6,887	6,887	6,375	6,375
Exchange rate losses/gains		84	84	-	-
Materials		1,484	3,663	1,133	3,331
Disease testing programmes		6,936	6,936	4,472	4,472
Disease compensation		13,549	13,549	12,169	12,169
Livestock and Aquatic Costs		1,164	1,164	766	766
Non-capital plant & equipment purchases		404	480	663	702
Weather Aid		108	108	4,566	4,566
Other expenses		8,405	9,157	6,267	6,892
Sub-Total		41,567	47,377	39,055	45,107
Common Agriculture Policy:					
EU funded element		250,204	251,465	328,592	329,040
National match funded element		17,623	18,365	13,860	14,544
Sub-Total		267,827	269,830	342,452	343,584
Grants:					
Grant-in-aid		41,905	41,905	5,083	5,083
Capital grants		37,297	37,297	8,141	8,141
Current grants		19,416	19,469	30,345	30,345
Sub-Total		98,618	98,671	43,569	43,569
Non-cash items:					
Depreciation of fixed assets		3,999	8,129	2,852	6,306
Permanent diminution of fixed assets		30	2,126	1,725	3,406
Release from donated assets reserve		(7)	(7)	(7)	(7)
Release from government grant reserve		(47)	(47)	(50)	(50)
Profit on sale of fixed assets		(9)	(669)	(451)	(608)
Loss on sale of fixed assets		13	433	24	74
Cost of capital		6,542	28,941	5,423	24,318
Interest on RRI loan		-	-	114	114
Provisions	21	1,411	1,480	459	449
Sub-Total		11,932	40,386	10,089	34,002
Total		419,944	456,264	435,165	466,262

Note: The figures for 2005-06 exclude Science Service

12. Income

	Note	2006-07 £'000 Core Department	2006-07 £'000 Consolidated	Restated 2005-06 £'000 Core Department	Restated 2005-06 £'000 Consolidated
ADMINISTRATIVE INCOME					
Fees and charges:					
To Food Standards Agency		7,942	7,942	7,251	7,251
To AFBI		1,012	1,012	-	-
To other departments		1,386	1,650	1,299	1,697
Other income		238	238	-	-
Sub-Total		10,578	10,842	8,550	8,948
To external customers		382	1,149	432	1,153
Total administration income		10,960	11,991	8,982	10,101
PROGRAMME INCOME					
EU income					
Common Agriculture Policy		250,204	251,465	328,592	329,040
Other		25,717	25,717	29,626	29,626
Sub-Total		275,921	277,182	358,218	358,666
Other income					
Seconded Staff		65	65	112	112
Timber & other forest produce		-	5,998	-	5,547
BR/TB Salvage Revenue		1,385	1,385	2,599	2,599
AFBI		6,720	6,720	-	-
Other		3,515	4,214	3,479	4,103
Sub-Total		11,685	18,382	6,190	12,361
Total programme income		287,606	295,564	364,408	371,027
Total income		298,566	307,555	373,390	381,128

Note: The figures for 2005-06 exclude Science Service

13. Analysis of net operating cost by spending body

	2006-07 £'000 Estimate	2006-07 £'000 Outturn	Restated 2005-06 £'000 Outturn
Spending body:			
Core department	193,049	178,452	188,302
Adjustment to prior year Net Operating Cost*			(31,451)
Rivers Agency	34,617	32,645	29,182
Forest Service Agency	16,543	14,599	14,865
AFBI	45,513	40,484	-
ARINI	-	-	3,380
NIFHA	593	593	371
Net operating cost	290,315	266,773	204,649

* The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service

14. Tangible fixed assets

	Land & Buildings £'000	Plant & Machinery £'000	Transport, Equipment £'000	Information Technology £'000	Infrastructure assets £'000	Cultivated assets £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or valuation								
At 1 April 2006	285,699	12,406	6,418	12,554	432,885	136,051	14,765	900,778
Additions	850	834	425	1,999	1,023	2,436	7,967	15,534
Donations	-	-	-	-	-	-	-	-
Disposals	(221)	(707)	(532)	(191)	(412)	(2,186)	-	(4,249)
Reclassifications	2,386	-	-	-	733	-	(3,119)	-
Revaluations	49,376	542	80	369	42,144	5,750	-	98,261
Impairments	(30)	-	-	(494)	-	-	-	(524)
At 31 March 2007	338,060	13,075	6,391	14,237	476,373	142,051	19,613	1,009,800
Depreciation								
At 1 April 2006	1,067	6,405	3,611	4,935	88,606	-	-	104,624
Charged in year	4,220	1,168	693	2,132	2,066	-	-	10,279
Disposals	(2)	(611)	(497)	(180)	-	-	-	(1,290)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	178	304	46	135	8,604	-	-	9,267
Impairments	(8)	-	-	(301)	2,083	-	-	1,774
At 31 March 2007	5,455	7,266	3,853	6,721	101,359	-	-	124,654
Net book value at 31 March 2007	332,605	5,809	2,538	7,516	375,014	142,051	19,613	885,146
Net book value restated at 31 March 2006	284,632	6,001	2,807	7,619	344,279	136,051	14,765	796,154
Asset financing:								
Owned	331,684	5,809	2,538	7,516	375,014	142,051	19,613	884,225
Land at Baronscourt	921	-	-	-	-	-	-	921
Net book value at 31 March 2007	332,605	5,809	2,538	7,516	375,014	142,051	19,613	885,146
Analysis of tangible fixed assets								
The net book value of tangible fixed assets comprise:								
At 31 March 2007								
Core department	156,716	1,489	409	7,154	-	-	11,590	177,358
Agencies	175,889	4,320	2,129	362	375,014	142,051	8,023	707,788
At 31 March 2006 restated								
Core department	139,838	1,560	426	7,242	-	-	12,619	161,685
Agencies	144,794	4,441	2,381	377	344,279	136,051	2,146	634,469

Notes:
The opening figures at 1 April 2006 have been adjusted to exclude assets transferred to AFBI and include assets transferred from ARINI.
(a) Land and Buildings includes Heritage Assets
(b) Land and Buildings were valued as at 1st April 2005 for both the Core Department and Rivers Agency. Land of the Forest Service Agency was valued as at 1st April 2003 and Buildings as at 1st April 2004. All these valuations were on the basis of existing use value by an independent surveyor, VLA.
The Rivers Agency flood defences (i.e. sea defences) were revalued by RPS Consulting Engineers at 31 March 2006.
The Rivers Agency culvert network was revalued, by in-house staff using an industry standard recognised methodology, at 31 March 2005, and indexation applied at 31 March 2007 for these accounts.
Other tangible assets were revalued using the latest available indices.
(c) There were no donated asset additions during the 2006-07 financial year.

15. Intangible fixed assets

	Forest Land Rights £'000	Licences £'000	Software Total £'000
Cost or valuation			
At 1 April 2006	169	2,889	3,058
Additions	-	1,042	1,042
Donations	-	-	-
Disposals	-	(401)	(401)
Reclassifications	-	-	-
Revaluations	43	146	189
Impairments	-	-	-
At 31 March 2007	212	3,676	3,888
Amortisation			
At 1 April 2006	-	1,251	1,251
Charged in year	-	536	536
Disposals	-	(289)	(289)
Reclassifications	-	-	-
Revaluations	-	48	48
Impairments	-	-	-
At 31 March 2007	-	1,546	1,546
Net book value at 31 March 2007	212	2,130	2,342
Net book value at 31 March 2006 restated	169	1,638	1,807
Land rights held by Forest Service relate to shooting, turbary rights and wayleaves. They are valued at 5-yearly intervals by the VLA, the latest being at 1 April 2004.			
Analysis of intangible fixed assets			
The net book value of intangible fixed assets comprise:			
At 31 March 2007			
Core department	-	1,824	1,824
Agencies	212	306	518
At 31 March 2006 restated			
Core department	-	1,338	1,338
Agencies	169	300	469

The opening figures at 1 April 2006 have been adjusted to exclude assets transferred to AFBI.

16. Investments

	Held by CAFRE £'000	From ARINI £'000	Total £'000
Balance at 1 April 2006	19	374	393
Additions	1	-	1
Disposals	-	(362)	(362)
Balance at 31 March 2007	20	12	32

The opening balance at 1 April 2006 has been adjusted to include investments of £373,915 transferred from ARINI.
The shares held by CAFRE are in United Dairy Farmers Ltd to whom CAFRE supplies milk from the Greenmount campus. If CAFRE ceases to supply milk to United in the future then United will redeem the shares at par. Alternatively shareholders who cease to supply milk to United can opt to convert their ordinary shares to preference shares with no voting rights (preference share dividend calculated on base rate minus 1%)
The balance of former ARINI investments held by the core department is in Telefonice SA O2 plc
The additions were in respect of bonus shares received.

17. Stocks and work in progress

	2006-07 £'000		Restated 2005-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	1,470	2,062	1,547	2,127

Note: The figures for 2005-06 exclude Science Service

18. Debtors

18 (a) Analysis by type

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
VAT	1,090	1,606	78	570
Trade debtors	8,524	10,102	2,376	3,346
Other debtors	6,773	6,775	11,567	11,569
Prepayments & accrued income	1,031	1,154	1,665	1,796
Amounts due from RPA in relation to the Common Agriculture Policy (CAP)	51,315	51,415	86,174	86,241
EU grants receivable (excluding the CAP)	25,396	25,474	31,360	31,360
	94,129	96,526	133,220	134,882
Amounts due from the Consolidated Fund in respect of supply	13,400	13,400	21,671	21,671
Total at 31 March due within one year	107,529	109,926	154,891	156,553
Amounts falling due after more than one year:				
Prepayments	320	320	340	340
Total at 31 March due after more than one year	320	320	340	340

Note (1): The figures for 2005-06 exclude Science Service
Note (2): Included in debtors is an amount of £2,119,000 (2005-06 £31,369,000) that is to be remitted to the Consolidated Fund when received.

18 (b) Intra-Government Balances

	Amounts falling due within one year £'000 2006-07	£'000 Restated 2005-06	Amounts falling due after more than one year £'000 2006-07	£'000 Restated 2005-06
Balances with other central government bodies	73,738	109,734	-	-
Balances with local authorities	7	14	320	340
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Sub-Total: intra-government balances	73,745	109,748	320	340
Balances with bodies external to government	36,181	46,805	-	-
Total debtors at 31 March	109,926	156,553	320	340

19. Cash at bank and in hand

		2006-07 £'000		2005-06 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		(19,213)	(19,161)	(19,642)	(19,543)
Net change in cash balances	24 (e)	20,095	20,085	429	382
Balance at 31 March		882	924	(19,213)	(19,161)
The following balances at 31 March were held at:					
Commercial banks and cash in hand		882	924	(19,213)	(19,161)
Balance at 31 March		882	924	(19,213)	(19,161)
The balance comprises:					
Cash		882	924	75	127
Bank overdraft		-	-	(19,288)	(19,288)

20. Creditors

20 (a) Analysis by type

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Bank overdraft (net of uncashed payable orders)	-	-	19,288	19,288
Other amounts falling due within one year:				
Taxation and Social Security	39	237	58	346
Trade creditors	3,633	4,568	3,108	3,952
Other creditors	35,706	36,084	19,813	20,044
Accruals and deferred income	7,809	9,836	5,645	6,838
EU grant creditors - Common Agriculture Policy	51,315	51,415	86,174	86,241
EU grant creditors - Other	8,811	8,864	9,526	9,526
Sub-Total	107,313	111,004	124,324	126,947
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	-	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
Received - EU	13,406	13,407	282	282
Received - Other	908	917	2,201	2,228
Receivable - EU	1,918	1,918	31,360	31,360
Receivable - Other	201	201	13	9
Sub-Total	16,433	16,443	33,856	33,879
Total at 31 March due within one year	123,746	127,447	177,468	180,114
Amounts falling due after more than one year:	-	-	-	-

Note: (i) The figures for 2005-06 exclude Science Service
(ii) In 2005-06 all non-CAP EU grant income was classified as CFER income and remitted to the Consolidated Fund on receipt. From 2006-07 EU income is classified as an Accruing Resource where it supports expenditure incurred. This has led to a reduction in the CFER creditor by £17,436,000.

20 (b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£'000	£'000 Restated	£'000	£'000
	2006-07	2005-06	2006-07	2005-06
Balances with other central government bodies	19,065	37,042	-	-
Balances with local authorities	42	73	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Sub-Total: intra-government balances	19,107	37,115	-	-
Balances with bodies external to government	108,340	142,999	-	-
Total creditors at 31 March	127,447	180,114	-	-

21. Provisions

	Core Department				Consolidated			
	Early departure costs £'000	Litigation claims £'000	Other Provisions £'000	Total £'000	Early departure costs £'000	Litigation claims £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2006- restated	522	938	3,374	4,834	538	981	3,374	4,893
Provided in the year	28	1,206	1,373	2,607	54	1,420	1,373	2,847
Provisions not required written back	-	(105)	(16)	(121)	-	(112)	(16)	(128)
Provisions utilised in the year	(226)	(144)	(306)	(676)	(232)	(146)	(306)	(684)
Balance at 31 March 2007	324	1,895	4,425	6,644	360	2,143	4,425	6,928

Note: The figures at 1 April 2006 exclude Science Service

Early departure costs:
The department and its agencies meet the additional costs of benefits beyond the normal PCSPSNI benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPSNI over the period between early departure and normal retirement date. The department and its agencies provide for this in full when early retirement programme becomes binding by establishing a provision for the estimated payments.

Litigation
Compensation and associated legal costs relating to personal injury claims by employees and the public.

Other Provisions
Compensation and associated legal costs relating to animal disease claims.

22. General Fund

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

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(86,115)	(410,986)	(94,557)	(417,005)
Net Parliamentary Funding:				
Drawn down	(201,571)	(225,800)	(185,788)	(210,850)
Year end adjustment:				
Supply Creditor/(Debtor)	(13,400)	(13,400)	(21,671)	(21,671)
Net transfer from operating activities:				
Net operating cost	221,031	266,773	162,244	204,649
Net operating cost adjustment***	-	-	31,451	31,451
CFERs repayable to Consolidated Fund	2,536	2,536	31,768	31,832
Non-cash costs:				
Notional costs	(6,245)	(6,926)	(6,947)	(7,590)
Cost of capital	(5,687)	(28,114)	(5,074)	(23,985)
RRI loan interest**	-	-	(114)	(114)
Transfer from Revaluation Reserve	(3,995)	(4,557)	(2,033)	(2,315)
Internal Asset Transfers	-	-	(6)	-
Transfer of Reserves from ARINI*	-	-	(4,163)	(4,163)
Transfer of Assets to/from AFBI*	157	157	10,078	10,078
Transfer of Reserves to AFBI*	-	-	(710)	(710)
Investment additions	(1)	(1)	-	-
Adjustment to prior year General Fund****	-	-	(593)	(593)
Balance at 31 March	(93,290)	(420,318)	(86,115)	(410,986)

* Adjustments to take account of formation of AFBI and dissolution of ARINI.
** Under the Reinvestment and Reform Initiative (RRI), loans are made available to the Northern Ireland Block. The loans are financed by borrowing from the National Loans Fund and the funding is paid to the NI Consolidated Fund. The associated cash, £559,000.00 for 2006-07 (2005-06 £Nil) is paid to Departments from the NI Consolidated Fund through the normal supply process.
*** The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service.
****Adjustment necessary to general fund due to the exclusion of Science Service.

23. Reserves

23(a) Revaluation Reserve

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

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(51,531)	(360,680)	(25,147)	(236,389)
Arising on revaluation during the year	(17,905)	(89,135)	(24,534)	(123,230)
Transfer to General Fund of realised element	3,995	4,557	2,033	2,315
Transfer to donated asset reserve	10	10	15	15
Transfer to Government Grant Reserve	11	64	9	516
Transfer of Revaluation Reserve from ARINI	-	-	(3,907)	(3,907)
Balance at 31 March	(65,420)	(445,184)	(51,531)	(360,680)

Note: The figures for 2005-06 exclude Science Service and include reserves from ARINI

23(b) Donated Asset Reserve

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

	2006-07 £'000		2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(138)	(138)	(130)	(130)
Additions during the year	-	-	-	-
Release to the operating cost statement	7	7	7	7
Transfer from Revaluation Reserve	(10)	(10)	(15)	(15)
Balance at 31 March	(141)	(141)	(138)	(138)

23(c) Government Grant Reserve

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

	2006-07 £'000		2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(183)	(690)	(211)	(211)
Additions during the year	(27)	(27)	(13)	(13)
Release to the operating cost statement	47	47	50	50
Transfer from Revaluation Reserve	(11)	(64)	(9)	(516)
Balance at 31 March	(174)	(734)	(183)	(690)

Note: The figures for 2005-06 exclude Science Service

24. Notes to the Consolidated Cash Flow Statement

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

	Note	2006-07 £'000	Restated 2005-06 £'000
Net operating cost	13	(266,773)	(204,649)
Adjustment to prior year Net Operating Cost*		-	(31,451)
Adjustments for non-cash transactions:			
Staff costs	9	54	452
Other Admin costs	10	10,256	10,050
Programme costs	11	40,386	34,002
Movements in working capital other than cash:			
(Increase)/Decrease in Stock		65	301
(Increase)/Decrease in Debtors		46,647	(44,189)
less movements in debtors relating to items not passing through the OCS		(8,271)	(292)
Adjustment for investments		-	-
Increase/(Decrease) in creditors - excluding overdraft		(33,379)	47,649
less movements in creditors relating to items not passing through the OCS:			
- Capital expenditure accruals		333	(528)
- Consolidated Fund Extra Receipts		17,436	(507)
Use of provisions	21	(684)	(666)
Adjustment to prior year Cash Flow reconciliation**		-	3,014
Net cash outflow from operating activities		(193,930)	(186,814)

* The adjustment relates to restatement of the prior year figures in respect of the exclusion of Science Service.
**Adjustment necessary to cash flow reconciliation due to the exclusion of Science Service.

24(b) Analysis of capital expenditure and financial investment

	Note	2006-07 £'000	2005-06 £'000
Tangible fixed asset additions	14	(15,534)	(20,070)
Settlement of ARINI capital creditor		(157)	-
Adjustment for capital creditors & accruals		(333)	528
Government grants received for fixed assets acquisition		27	13
Intangible fixed asset additions	15	(1,042)	(540)
Proceeds of disposal of fixed assets		3,555	5,777
Net cash outflow from investing activities		(13,484)	(14,292)

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

	Capital expenditure £'000	Loans etc. £'000	Accruing resources £'000	Net Total £'000
Request for Resource A	16,733	-	(3,582)	13,151
Net movement in debtors/creditors	333	-	-	333
	17,066	-	(3,582)	13,484

24(d) Analysis of financing

	Note	2006-07 £'000	2005-06 £'000
From the Consolidated Fund (Supply) - current year	22	225,800	210,850
From the Consolidated Fund (Supply) - prior year		21,671	21,963
From the Consolidated Fund (non-Supply)		-	-
Net financing		247,471	232,813

Note:
During the year the Department benefited from additional supply monies of £559,000 (2005-06: £Nil), which were made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). These monies were used to fund grants to support infrastructure additions.

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

	Note	2006-07 £'000	2005-06 £'000
Net cash requirement		(239,200)	(232,638)
From the Consolidated Fund (Supply) - current year	24(d)	225,800	210,850
From the Consolidated Fund (Supply) - prior year	24(d)	21,671	21,963
Interest on RRI loans paid from Consolidated Fund		-	117
Amounts due to the Consolidated Fund:			
Received in a prior year and paid over		(2,510)	(2,420)
Received and not paid over		14,324	2,510
Increase/(decrease) in cash 19		20,085	382

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

Allocation of programme grants and other current expenditure
As the Department has only one objective, no allocation between objectives is required.

Capital Employed by Departmental Aim and Objectives at 31 March
As the Department has only one objective, the total capital employed, as stated in the balance sheet, relates to this objective.

26. Capital commitments

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made:	896	2,677	403	408

Note: The figures for 2005-06 exclude Science Service

27. Commitments under leases

27.1 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.

	2006-07 £'000		Restated 2005-06 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Land and buildings:				
Expiry within 1 year	59	59	16	16
Expiry after 1 year but not more than 5 years	66	66	79	79
Expiry thereafter	5	5	25	25
	130	130	120	120
Other:				
Expiry within 1 year	-	-	21	21
Expiry after 1 year but not more than 5 years	156	156	88	88
Expiry thereafter	-	-	-	-
	156	156	109	109

27.2 Finance leases

The Department had no finance leases during 2006-07 or 2005-06.

28. Commitments under PFI contracts

The Department had no PFI contracts during 2006-07 or 2005-06, so there are no commitments at 31 March 2007.

29. Other financial commitments

The Department and its agencies have entered into non-cancellable contracts (which are not leases or PFI contracts), 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 at 31 March 2007. The payments to which the Department and its agencies are committed during 2006-07 are shown in the following table.

	2006-07 £'000		2005-06 £'000	
	Core department	Consolidated	Core department	Consolidated
EU Grants/Schemes:				
Environmentally Sensitive Areas (ESA's)	1,355	1,355	2,763	2,763
New Environmentally Sensitive Areas (NESA's)	61,083	61,083	28,322	28,322
Countryside Management Scheme (CMS)	146,415	146,415	92,568	92,568
Building Sustainable Prosperity (BSP) – Rural Development	13,321	13,321	9,752	9,752
Building Sustainable Prosperity (BSP) – Fisheries	6,546	6,546	3,167	3,167
Building Sustainable Prosperity (BSP) – Other	8,968	8,968	5,292	5,292
Leader+	3,789	3,789	10,268	10,268
PEACE II-Natural Resource Rural Tourism Initiative	231	231	1,538	1,538
PEACE II-Other	9,711	9,711	7,752	7,752
Interreg IIIA-Rural Development	2,857	2,857	1,456	1,456
Interreg IIIA – Fisheries	848	848	487	487
Forestry	-	11,225	-	9,000
Total EU Grants/Schemes*	255,124	266,349	163,365	172,365
Farm Nutrient Management Scheme	7,525	7,525	6,709	6,709
National Grants/Schemes	9,071	9,071	6,275	6,275
Student Awards	760	760	799	799
Other financial commitments	5	5	-	-
GRAND TOTAL	272,485	283,710	177,148	186,148

*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 £266m is EU £154m (58%) and DARD £112m (42%).

30. Financial Instruments

Introduction

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

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

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament (from 2007-08 the NI Assembly), 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

With the introduction of the Single Farm Payment scheme, farmers are now entitled to receive their farm subsidy payments in Euros. In 2006/07 DARD made some £3.2m such payments in Euros. The Department is protected from exposure to significant currency risk in relation to these payments as the funding is received in Euros at the same time as the payments are made. The Department's exposure to foreign currency risk in relation to this scheme therefore remains negligible.

Whilst the Department makes payments to projects in sterling for EU Structural Funds schemes it submits applications for payment to the EU in Euro and the EU reimburses the Department in Euro. The Department is therefore exposed to short term currency exchange fluctuations reflecting currency movements between the time it makes a claim and the time it is reimbursed; it is also exposed to currency movements on 31 March, as debtor balances are revalued at the balance sheet date. In 2006-07 the Department suffered exchange losses amounting to £0.1m.

Fair values

The book values and fair values of the Department's financial assets and liabilities at March 2007 are not considered materially different.

31. Contingent liabilities disclosed under FRS 12

Legal Cases

It is possible that claims may be brought against the Department for the following for which the Department disputes liability: -

- in respect of legislation implemented by the Department. If such a claim was successfully pursued by the claimant, it is estimated that the cost to the Department could be circa £315,000
- in respect of a Leader Scheme grant
- in respect of charges made for meat plant inspection assistants.

The Department has also a potential liability of up to £0.5million if a judicial review case is decided in favour of the applicant.

As a result of the NIAO report on the 2004/05 accounts, the Department is currently undertaking a review of tendering in relation to earlier years of the Processing and Marketing grant scheme. Whilst there is currently no indication that the EU will disallow claimed expenditure, it is possible, if results are unfavourable, that repayment of some funding to the EU could be required. It will not be possible to quantify the likely amount involved, if any, until the review has concluded.

There is a possibility that farmers who have had animals condemned will submit compensation claims against the Department.

Due to the serious prejudice that would be caused to the two DARD agencies in relation to disputes with other parties, full disclosure of their contingent liabilities is not possible. The Rivers Agency and Forest Service Agency consider that their contingent liabilities should not exceed £20,000 and £17,000 respectively.

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

There were no contingent liabilities reported to Parliament which are not covered by provisions (Note 21) or Note 31 above.

33. Losses and special payments

33(a) Losses Statement

	2006-07 £'000	2005-06 £'000
Total of 164 cases (2005-06: 186)	354	175

These cases include abandoned claims, constructive losses, other losses, malicious damage, theft, cash losses, accidental damage, fruitless payments, forest fires, and unvouched or incompletely vouched expenditure. No individual case exceeded £250,000.

33(b) Special Payments

	2006-07 £'000	2005-06 £'000
Total of 211 cases (2005-06: 245)	460	841

These cases include Ex Gratia payments, compensation payments, and Extra Statutory payments. No individual case exceeded £250,000.

34. Related-party transactions

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

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

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

In terms of related party interests of the Department's officials, in the interests of transparency and in common with 2005-06 the Department has widened the interpretation of declarable related party interest to include:

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

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

Four officers by virtue of their employment were members of one or more of the following bodies:

- Gangmaster Licensing Authority
- Taste of Ulster Management Board

- Council of Food from Britain
- North of Ireland Veterinary Association
- Royal Ulster Agricultural Society (RUAS)

One officer received Single Farm Payment from DARD.

One officer has an interest in a small parcel of agricultural land for which his wife has activated Single Farm Payment entitlements.

Five officers have relatives with an interest in small parcels of agricultural land that may be eligible for grants from DARD.

The brother of one officer was a member of the Board of Coillte Teoranta, with which body the Forest Service agency had very occasional dealings. The officer was excluded from involvement in any such dealings.

The wife of one officer had connections with a number of organisations that dealt with DARD in respect of grant aid. The DARD officer was not involved in these dealings.

All the above interests are regarded as immaterial.

35. Third-party assets

The Department held third-party assets at 31 March including bank accounts, Consolidated Fund investments, shares in the Northern Ireland Central Investment Fund for Charities, and Government Stocks. These are not Departmental assets and are not included in the accounts. The balances at 31 March are shown in the following tables.

Northern Ireland Central Investment Fund for Charities Description	No. of Shares	Market Value at 31/03/07 £	Market Value at 31/03/06 £
DARD Moore Memorial Fund	96	992.04	970.42
DARD Thomson Memorial Account	990	10,230.36	10,007.42
DARD Thompson Bequest Account	11,763	121,555.31	118,906.29
Vaughan Charity	181,395	1,874,481.51	1,818,503.01
Vaughan Charity – Fermanagh Pig Project	1,099	11,356.74	11,017.58
DARD Drainage Trusts	3,008	31,083.77	30,406.36
Totals	198,351	2,049,699.73	1,989,811.08

Government Stocks Description	Nominal Value £	Market Value at 31/03/07 £	Market Value at 31/03/06 £
DARD Drainage Trusts:			
2.5% Treasury Stock	119	66	71
8.5% Treasury Stock	1,160	1,170	1,220
Totals	1,279	1,236	1,291

Third-party account balances	Bank Accounts		Consolidated Fund	
At 31 March	2007 £	2006 £	2007 £	2006 £
DARD Pig Production Development	30,602.89	19,406.87		
DARD Horse Racing Fund Account	1,199.43	25,963.93	115,342.00	119,942.00
Enniskillen College of Agriculture (ECA)				
Sport and Tuck Shop	1,633.24	3,405.20		
ECA Equine and Business	1,612.00	1,612.00		
ECA Show Jumping Club	146.61	154.11		
ECA Travel Fund	353.48	3,805.16		
ECA – Flo Milling Award	3,925.28	3,890.88		
ECA Vaughan Charity – current account	40,831.23	28,644.09		
ECA Vaughan Charity – deposit account	26,631.94	25,794.96		
Greenmount College Floristry Club	1,143.56	1,493.25		
Greenmount College Sports Fund	2,120.23	4,421.68		
Greenmount College Sports and Recreation Club	13,702.56	7,051.09		
GCR Enterprise Management	2,126.94	2,028.22		
Greenmount Travel – Current	19,795.61	13,453.27		
Greenmount Travel – Business Reserve	8,405.25	13,282.19		
Greenmount – Projects	18,754.27	18,725.02		
Greenmount – Cream Advisory	22,950.14	22,523.81		
Greenmount College Rugby Club	126.45	705.50		
Greenmount College Football Club	76.12	269.91		
Greenmount College Golf Society	343.02	378.00		
Greenmount College Gaelic Club	1,086.31	1,648.00		
Greenmount Horse Riding Club	340.74	192.28		
Greenmount Hockey Club	210.35	210.35		
Loughry Student Affiliation Account	6,489.18	7,162.67		
Drainage Trust Investment Accounts	56,482.33	53,983.11		
DARD Agricultural Loans Fund	-	6.42	-	1,145.00
DARD Land Purchase Annuities	0.73	10.16		
DARD Moore Memorial Fund	60.56	60.37	1,300.00	1,200.00
DARD Thomson Memorial Account	509.02	111.10	8,170.00	7,770.00
DARD Thompson Bequest Account	66.80	61.59	860.00	4,460.00
Totals	261,726.27	260,455.19	125,672.00	134,517.00

36. Entities within the Departmental boundary

The entities within the boundary during 2006-07 were On-Vote agencies as follows:

- Forest Service Agency
- Rivers Agency

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

37. Post Balance Sheet Events

Due to the Northern Ireland Rural Development Programme 2007-2013 being approved by the European Commission in July 2007, it is appropriate for DARD to recognise additional LFACA expenditure of £11.2million and, where applicable, associated match funding income in the 2006/07 Resource Account.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued and laid in the Northern Ireland Assembly on 7th September 2007

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