Department of Agriculture and Rural Development

Resource Accounts 07/08

For the year ended 31 March 2008

Department of
Agriculture and
Rural Development
www.dardni.gov.uk

Department of Agriculture and Rural Development
Resource Accounts
For the year ended 31 March 2008

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 and Accounts
for the year ended 31 March 2008

ANNUAL REPORT

DIRECTORS' REPORT

Boundary

The Department of Agriculture and Rural Development (DARD) presents its accounts for the financial year ended 31 March 2008.

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 2007-08, 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 reported upon in the Operating Review.

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, who in 2007-08 was supported by a Departmental Board (DB) of six senior officials and two non-executive directors. The composition of the Board was as follows:

Mr P T Toal (To 17 April 2007)	Permanent Secretary
Dr D M McKibbin (Took up post 7 May 2007)	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 R M Houston	Chief Veterinary Officer (responsible for Veterinary Service)
Mr G Lavery	Senior Finance Director (responsibilities including Personnel, Facilities Management, Finance and Corporate Policy Divisions)
Mr R J 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)
Mr J F Smith (Joined Board in September 2007)	Finance Director
Mr D G Trelford (Joined Board in December 2007)	Human Resources Director
Mr D J Flanagan	Non-Executive Director
Mrs J E Ruddock	Non-Executive Director

During 2007-08 the Department of Agriculture and Rural Development was under the direction and control of Mr David Cairns up to 7 May 2007. From 8 May 2007 the Department was under the direction and control of Ms Michelle Gildernew.

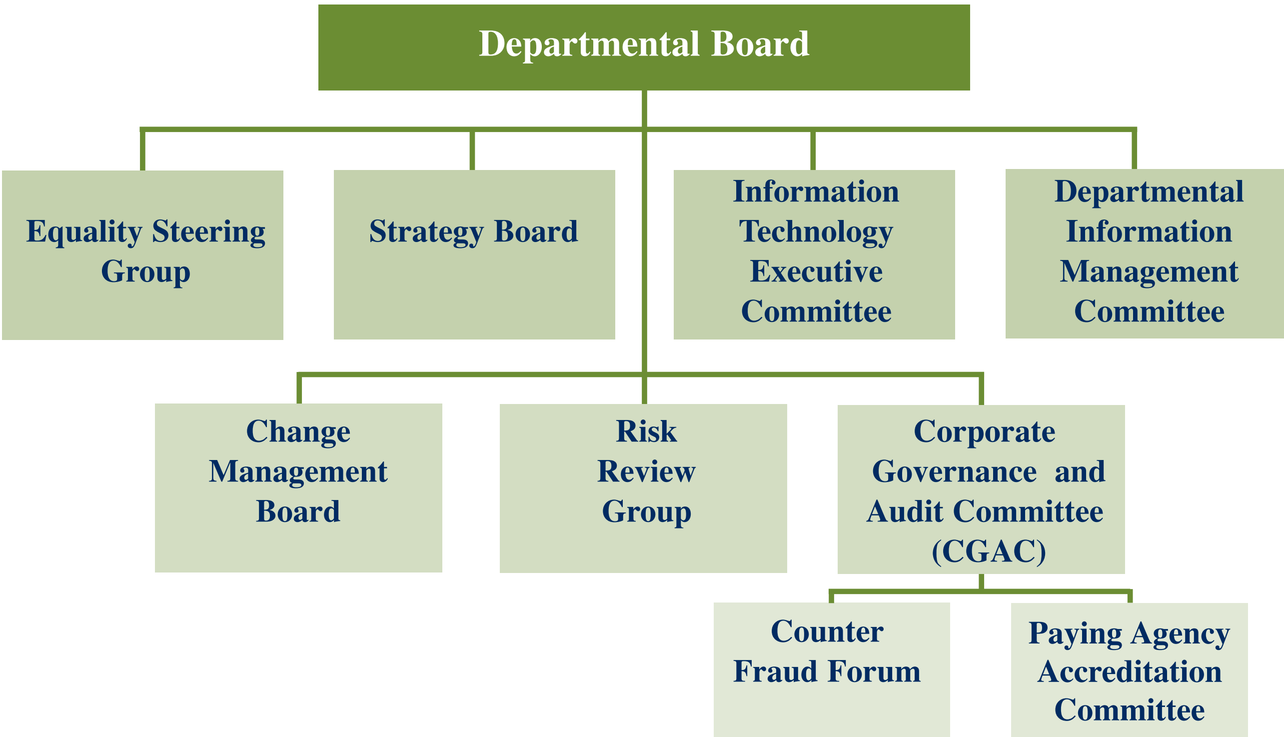
The Chief Executives of the Rivers Agency and Forest Service are Agency Accounting Officers and were directly responsible to the Minister for their respective Agency's performance and operations, with Mr Lavery acting as Frazer Figure.

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 Departmental Board (DB) supports and is accountable to the Minister. It is chaired by the Permanent Secretary and contains six other 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 Minister meets with the Board annually.

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;
- Initial internal allocation and subsequent reallocation, as necessary, 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).

11 Board meetings have taken place during the period April 2007 – March 2008. Attendance was as follows:

Dr McKibbin (Chair)	Permanent Secretary (Took up post in May 2007)	9/10
Mr Lavery	Deputy Secretary of Central Services and Senior Finance Director	11/11
Mr Jordan	Deputy Secretary – Central Policy	11/11
Mr McClenaghan	Deputy Secretary – Service Delivery	11/11
Mr Houston	Chief Veterinary Officer	9/11
Mr Smith	Finance Director (Joined Board in September 2007)	7/7
Mr Trelford	Human Resources Director (Joined Board in December 2007)	4/4
Mrs Ruddock	Non-Executive Director	10/11
Mr Flanagan	Non-Executive Director	8/11

Minister Michelle Gildernew MP MLA met with the Board and attended the October 2007 Meeting.

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 Review Group has responsibility to co-ordinate and champion the management and reporting of risk within the Department management. However, the CGAC offers 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 Management matters including Records NI, information access, internet/intranet policy, standards and content management.

Strategy Board

The Strategy Board meets quarterly 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.

Change Management Board

The Change Management Board (formerly HLGG5) meets monthly to develop and plan the corporate change programme, monitor its implementation and make informed decisions on a corporate basis.

Risk Review Group

The Risk Review Group was established in June 2007 to further develop, implement and co-ordinate risk management within the Department. The Group is chaired by a Non Executive Director and comprises representatives of all business groups within the Department.

Equality Steering Group

As set out in the Department's Equality Scheme 2001 this Group reports quarterly to the DB on progress towards implementing all aspects 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.

Paying Agency Accreditation Committee

The purpose of the Paying Agency Accreditation Committee is to ensure that the Department continues to meet in full the requirements of an accredited paying agency for EAFRD and EAGF funds.

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 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.

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. In November 2007 the Department adopted the new Northern Ireland Civil Service policy, Dignity at Work. This builds on the Department's commitment to equality of opportunity and to creating and sustaining an environment where everyone is treated with respect and dignity, free from any form of inappropriate behaviour, and one in which all employees can give of their best.

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 been established within the Department since 2002, 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, long-term health condition, or temporary debility 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 98.50% of bills were paid within this standard (2006-07 98.55%).

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 2007-08 resulted in a notional audit fee of £128,600. 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 ensure that all staff are kept informed of plans and developments through meetings, team briefings, circulars and the publication of business and training plans.

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

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
27 June 2008

MANAGEMENT COMMENTARY

The Context

Sustainability and simplification through better regulation are the overarching drivers of change for the Department. These drivers will shape the context of our work, what we do and how we do it over the next several years, whether it is in relation to animal health, the environment, the agri-food industry or rural development. The Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP) underpin much of the work of the Department. Ongoing reform of these policies (including the CAP health check) will help facilitate greater sustainable development and simplification.

Principal Activities

The Department of Agriculture and Rural Development (DARD) aims to promote thriving and sustainable agri-food, fishing and forestry sectors in Northern Ireland. In doing so the Department seeks to balance efficient and sustainable growth with the conservation and environmental enhancement of the countryside, and to stimulate and to react to consumer demands for safe and wholesome food produced in a manner that protects the welfare of animals. The Department also has a primary role in supporting the development of economic sustainability, social capital and physical infrastructure within rural areas.

The Department contributes to the development of the European Union agricultural, rural development and fisheries policy and oversees the implementation of these policies in 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 the 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 NI*. 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 improving performance in the market place; strengthening the social and economic infrastructure of rural areas; enhancing animal, fish and plant health and welfare; developing a more sustainable environment; and effectively delivering our services to customers.

The Department's Business Units' plans set out 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 improved 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 across the Department and involved senior staff in agreeing the content of the Scorecards.

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

Devolution returned to Northern Ireland on 8 May 2007, and Michelle Gildernew MP MLA took up office as Minister.

Animal Disease

Less than four months later, Northern Ireland faced the threat of Foot and Mouth Disease. Swift and decisive action was taken to prevent the disease coming here. The "Fortress Ireland" approach ensured that the industry was protected from this disease and its devastating consequences. The use of certification was also a local initiative and again, local action in conjunction with the private sector ensured that businesses problems were minimised, as they continued to export their food stuffs across the World despite the FMD outbreak in England.

There were outbreaks of Avian Flu and Bluetongue in England. Post importation controls identified a case of Bluetongue in Northern Antrim in imported animals. Fortunately, this was during the winter period when midges were not active and it was eradicated by testing and culling potentially affected animals, allowing Northern Ireland to maintain its Bluetongue free status. Good biosecurity is the best defence and importers, in particular, are encouraged to be alert to the introduction of this disease.

Agricultural Reform

During 2007/08 a number of further reforms to the CAP occurred. The fruit and vegetable sector was integrated into the Single Farm Payment (SFP) scheme; changes to cross compliance were agreed along with a 2% increase in milk quotas from 1 April 2008. A significant act of legislative simplification has taken place with the establishment of a Single Common Market Organisation replacing the previous 21.

The CAP health check will take place in 2008 with legislative proposals scheduled to be published in 2008. Agreement on the reforms by the EU Council of Ministers is expected in November 2008 with implementation in 2009 and 2010. The main issues that will be covered are: simplification of the SFP scheme, future rates of compulsory EU modulation, the extent of decoupling of support payments and whether models of decoupling should be adjusted towards a flat rate payment system. In addition it is likely that market reforms to the cereal and dairy sector will be proposed, such as the ending of set-aside and an increase in milk quotas to prepare for abolition in 2015. The Department will be conducting a consultation on the legislative proposals to inform its negotiation position for the forthcoming EU discussions.

The current round of World Trade Organisation (WTO) trade negotiations, launched in Doha in November 2001 and known as the Doha Development Agenda (DDA), are focused on improving the position of developing countries. Agriculture is a core element of the DDA, but it also includes Non-Agricultural Market Access, Services, Rules, Trade Facilitation and Trade & Environment. Agreement must be reached on all elements in order for the DDA to be finalised.

In 2004, an agreement was reached on the agriculture work programme committing all parties to eliminate export subsidies, reduce trade-distorting domestic support and increase market access. Discussions to translate this programme into ‘modalities’ (i.e. concrete commitments setting dates, figures, formulae, etc) have yet to reach a final agreement.

Market access (or import tariff reductions) is the most difficult aspect of the negotiations for the EU. There is a wide-spread belief within the agri-food industry that the latest proposals are asking too much of EU agriculture, with only limited movement from trading partners in the other areas under negotiation. Livestock producers, in particular, believe that possible import tariff cuts of 70 per cent or more will have an extremely damaging effect on their future livelihoods. The livestock sectors are already under considerable pressure from increasing input costs and adjusting to the challenges of recent reforms to the Common Agricultural Policy, which saw the introduction of Single Farm Payment in 2005. Although the negotiations are entering a crucial stage at the time of writing, it remains unclear if agreement will be reached in the near future.

Market Change

The agri-food industry operates in an ever changing market place offering both opportunities and threats. There is increasing market competition from other countries. The growth of multiples continues. The cost of inputs such as fuel and fertiliser has increased significantly. Increasing demand and poor weather conditions in various parts of the world have led to increased prices for dairy products and cereals. While the rise in milk prices is welcome, the local agricultural industry has suffered considerably as a result of the effect of increasing cereal prices on feed costs. Direct market intervention is not a realistic option for Government, rather our role will be to assist the industry to adapt to changes in the market place and to offer support, when possible, where clear cases of market failure are identified.

Supporting Local Industry

A review of regulations affecting the agri-food sector is now in hand by an independent panel which the Minister set up in conjunction with Environment Minister, Arlene Foster, MLA. The Panel's target is to produce a simplification plan to deliver at least a 25% reduction in bureaucracy over the next 5 years. Profitability has come under severe pressure from rising costs and increasing competition in the red meat and pig sectors. The Red Meat Taskforce report has set out the challenges facing the beef and lamb sectors and DARD is working alongside the other task force members to find a way forward.

The Rural Development Programme contains a range of measures which can help farmers in the red meat and other sectors become more competitive. Funding has also been secured to assist the up-skilling and re-skilling of members of the farm household to help them make the most of the business and job opportunities available. We are also working with the industry on the assessment of alternative production systems, using dairy-bred calves and a more integrated supply chain. A pilot scheme has been launched to test the voluntary labelling of the country of origin of beef served in local restaurants and the Minister has sought to give local food a higher profile at home and abroad – attending the Anuga red meat fair in Cologne; the Smithsonian Festival in Washington and the IFEX food exhibition. DARD has been working with the Central Procurement Directorate of DFP on new procurement guidance for food and the Minister met with the Ministers for health and education, the two largest procuring departments.

Changes in Rural Society and Farming Culture

Over the last 20 years the rural landscape has changed considerably as in addition to existing rural dwellers, more commuters now live in the countryside and travel longer distances to work in urban areas. This has further increased pressure for improved transport networks, better schools, improved healthcare and better access to services 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 to a certain degree by diversification into more profitable farming sectors, or out of traditional farming, and also by the growth of a stronger, more diverse rural economy.

We want to continue 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. To this end, DARD obtained EU approval of the 2007-2013 Rural Development Programme in July 2007 and has committed to defining the roles of rural champion, enhancing the rural proofing process and developing proposals for a Rural White Paper, all by the end of 2008.

The Northern Ireland Rural Development Programme (NIRDP) for 2007-2013 aims to:

- improve the competitiveness of agriculture and forestry by restructuring, development and innovation;
- improve the environment and countryside by supporting land management;
- improve the quality of life in rural areas and encourage diversification of economic activity; and
- use a LEADER-type approach involving local partnerships and council clusters to deliver parts of the NIRDP within their own geographical area.

The NIRDP was one of the first programmes approved by the EU, in July 2007. In December DARD announced a £21.5m Processing and Marketing Grants Scheme to encourage the agriculture, horticulture and forestry sectors to become more competitive, to respond to customer demand, to be more innovative and to add value to their produce. In 2008 more schemes will become available.

In addition to the NIRDP, DARD is also embarking on a complementary raft of rural development anti-poverty measures aimed at capacity building in rural areas and targeted specifically at children, childcare and communities. Also, under the new European Structural Fund Programme, Interreg IV initiatives will focus on developing a dynamic rural economy, and promoting innovative ways of addressing specific cross-border problems experienced in those most disadvantaged rural areas.

The Department has continued to make progress on social and community issues through its work on the Rural Development Plan primarily on the Building Sustainable Prosperity, Interreg and PEACE programmes. The Department also has funded the Rural Community Network and Rural Support Networks which have been set up to directly assist rural communities and in particular in isolated border regions - the Department co-funded the PUL network with DSD. The Department has a number of contributions to make across the key Strategies of Anti Poverty & Social Exclusion, the Children and Young Peoples Strategy and the Sustainability Strategy.

Protecting against emergencies

In line with its strategic goals, DARD is responsible for protecting against outbreaks of animal fish and plant disease and has a key role in responding to Food and Feed Safety emergencies. Business Areas such as Veterinary Service, Rivers Agency, Forest Service and Service Delivery Group, which are involved in emergency planning activities, have in place contingency plans which are maintained, updated and tested on a regular basis.

Central Management Branch monitors the delivery of the annual Emergency Management Development Programme (EMDP) Action Plan. The overall focus of the EMPD remains on developing resilience to emergency situations, which could have consequences for the wider public, the operation of Government infrastructure and the environment.

External factors, such as the threat of an outbreak of Avian Influenza, Bluetongue or Foot and Mouth Disease will continue to challenge contingency preparations and this in turn will impact on the work of the Department and the Agri-Food and Biosciences Institute.

Protecting the environment

Agriculture plays a vital role in the protection and enhancement of the rural landscape and environment. The Farm Nutrient Management Scheme offers farmers capital grants to upgrade slurry and manure storage facilities. Some 4,400 projects are being progressed under this key support measure to improve water quality. The Scheme assists farmers to comply with the EU Nitrates Directive and could result in a total investment of up to £200 million in farm infrastructure.

The Department's agri-environment schemes, the Countryside Management Scheme (CMS) and the Environmentally Sensitive Areas (ESA) Scheme had 12,675 participant farmers by the end of 2007.

Funding for the agri-environment programme supports sustainable development, helps integrate environmental concerns with farming businesses, and improves water quality. By the end of 2007, 449,600 hectares of farmland was being managed in an environmentally sustainable way and, for example,

- 555 ha managed to protect ancient monuments
- 6,500 ha of farmland managed for breeding lapwing and other wading birds
- 516 ha grass margins managed for wildlife
- 625 ha native trees planted
- 73 ha traditional orchards restored

One of the Department's Programme for Government targets is to increase to 50% land under environmental enhancement agreements. A new agri-environment measure, the Northern Ireland Countryside Management Scheme (NICMS) integrates the existing schemes and opens in 2008. 5,000 new entrants into NICMS should see 18,000 farmers making a major contribution to biodiversity, water quality, landscape, heritage and climate change mitigation targets.

North South Co-operation

Officials have continued to work very closely on current disease threats including FMD along with Avian Influenza and most recently Bluetongue Disease where we have aligned our actions to keep the island free of this disease. This has strengthened the resolve to have an 'all-island' animal health strategy in place as soon as possible and to ensure that freer movement of animals is implemented across the island in the near future.

Officials have been working with Dublin colleagues to determine how to implement this and are currently conducting a review of existing all-island Working Groups in order to secure prioritisation of resources. An All-Island Consultative Forum is also to be set up to look at priorities for all-island co-operation. This will ensure partnership in the development of policy and in the delivery of the All-Island Strategy and increased stakeholder/government interaction across the island. Officials are also going to work closely to ensure parallel sheep identification systems are put in place. A feasibility study into the setting up of equivalent data systems north and south is also underway. This would be central to achieving the free movement of animals on the island.

The Minister has also played her part fully in the North South Ministerial Council on a range of issues. Co-operation on the Common Agricultural Policy (CAP) is one such area, as both DARD and Department of Agriculture, Fisheries and Food (DAFF) have broadly similar needs and priorities in terms of what the CAP should do and how it can be implemented. With this in mind senior officials from both Departments with responsibility for Single Farm Payment (SFP) meet bi-annually on a range of CAP issues, notably the CAP Health Check and the operation of the SFP scheme.

The Department is including areas of North/South co-operation in our new Plant Health Strategy. The North/South pesticide steering group will also continue to focus on the production of co-ordinated pesticide usage surveys for grassland and fodder crops and for arable crops. The Group also continues to exchange information on registered plant protection products and their uses, policy developments and research developments.

Turning to fisheries issues, the Minister is working very closely with her southern counterpart on fisheries aquaculture policy and the Loughs Agency to provide a vision for developing access infrastructure, marine tourism, recreational fisheries and providing skills training through local partnerships. A monitoring vessel at an estimated cost of £750,000 is to be used by the Agency to undertake the scientific monitoring to capture the data that is required by the European Commission and is needed to aid fisheries management decision-making. We obtained EU approval for State Aid so that the Loughs Agency can begin the payment of the salmon hardship package to those who are gave up their drift and draft net licences.

During the year the sea fishing industry faced increased difficulties due to the rapid rise in fuel costs. This lead to demands for short term financial support. The Minister has established a Fisheries Forum involving key stakeholders to develop proposals for a more strategic approach to dealing with the issues facing the industry including fuel costs. In particular this Forum will consider how the £28m available to NI under the European Fisheries Fund up to 2013 can best be utilized.

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 at 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.

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.

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.

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

Fit for Purpose and Efficiency Targets

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

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

Account NI Programme

The Account NI Programme is a key component of the NICS 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. Account NI went live in December 2007 for wave 1 departments (DFP and OFMDFM) and is managed by a new Shared Service Centre (SSC) responsible for the processing of all financial transactions. In addition, the SSC performs other services such as help desk/service management, systems administration, financial report development and support, end-user training, contract and performance management and development of service enhancements. DARD is scheduled to migrate to Account NI in April 2009.

HRConnect

HRConnect forms a major part of the NICS reform programme and aims to transform Human Resources Services by providing enhanced capability through timely, accurate, responsive and accessible personnel data supported by detailed business change strategies and benefits realisation plans. The phased introduction of the HRConnect system commenced on 18 October 2007 with the full system to be deployed in the next financial year.

Workplace 2010

Workplace 2010 is a programme of work initiated by the Department of Finance and Personnel (DFP) to address accommodation needs within the NICS estate. Workplace 2010 is a means of creating a modern flexible working environment to support a modern Civil Service. The overall objectives of the programme are to provide accommodation that will enable the civil service to transform the way it delivers public services, to provide accommodation that is fit for purpose in which staff are proud to work and to safeguard funding for priority front line services.

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 allow the NICS to rationalise its existing estate and dispose of surplus, poor quality accommodation. The programme is progressing with contract award expected in 2009.

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 RfR, 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.

DARD's 2007-08 PSA targets are shown in Table 1: -

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.	**Likely to be achieved**
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 38% in 2003 to 35% in 2008. (Target revised to "38% in 2003" and "35% in 2008" from 34% and 31% respectively to take account of Single Farm Payment)	**Unlikely to be achieved**
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.	**Achieved**
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.	**Unlikely to be achieved**
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.	**The Br target was not achieved** **The TB target was substantially achieved**
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).	**Achieved**
7. By 31 December 2008, reduce nitrate and phosphate inputs to soil and waterways in accordance with the agreed action programme.	**Achieved**
8. Increase the number of Housing Equivalents (HE) benefiting from a reduced risk of flooding from 19,421 at 31 March 2005 to 19,566 at 31 March 2008.	**Achieved**
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 1,500ha by 2008 at a rate of 500ha per year.	**Achieved**

1. Total Factor Productivity has risen by 14.3% between 2001 and 2007, although the 2007 figure remains provisional. The actual figure to 2008 will not be confirmed until March 2009.

   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 0.2 percentage point reduction in 2007/08 however this figure remains provisional. In total there has been a 1 percentage point improvement between 2003 and 2007 (based on revised target percentages - see Note below) however the 2007 figure remains provisional as noted above. The actual figure to 2008 will be confirmed in March 2009. It should also be noted that the figures given are subject to revision which can sometimes be considerable.

   This PSA target is related to and builds on PSA 4 by benchmarking against movements in the UK as a whole. It became clear that benchmarking against the UK was problematic because NI and the UK as a whole differ in terms of which types of farming prevail. Livestock farming (dairy and beef) is relatively more important in NI, whereas cereal farming is relatively more important in the UK. Furthermore DARD can only have a small direct influence on this target and such impacts are easily swamped by even minor changes in macroeconomic factors, such as exchange rates and interest rates.

   [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. 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.]

3. The provisional 2007 figure for Gross Value Added (GVA) per full-time employee is £20,083. The actual figure to 2008 will not be available until March 2009.

   [Note: As in PSA 2 above, 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. The published 2005 figure for GVA is £9,485 but when SFP is included in GVA the figure for 2005 becomes £16,963. The equivalent figure for 2006 is £16,117 and for 2007 the provisional figure is £20,083]

4. The latest figure available in respect of value added per full-time employee equivalent in the NI Food and Drinks processing sector is £26,742 for 2005, a 2.4% increase on the 2004 revised figure of £26,110. Given the current rate of growth, this target of £33,100 is not likely to be achieved until 2012.

   As noted in 2 above DARD can only have a small direct influence on this PSA target and such impacts are easily swamped by even minor changes in macroeconomic factors such as exchange rates and interest rates.

   [Note: There is a 2 year delay in the data becoming available, therefore it will be 2014 before the precise outturn of this target is known.]

5. Brucellosis: Achievement of the target of less than 35 Brucellosis outbreaks by 31 March 2008 was not achievable in light of the upturn of Brucellosis outbreaks since December 2005, particularly in Newry and Armagh areas. The nature of the disease is such that it can take a number of years to eliminate it from an area, and several hotspot areas occurred that created conditions for the disease to spread unexpectedly, particularly in these areas.

   A total of 211 outbreaks occurred in 2007/08 and it is difficult to predict the course of the epidemic over the next 12 months. However, a series of preventative measures continue, including targeted risk testing and parallel testing. The additional testing may initially lead to an increased incidence but it is hoped that by detecting disease earlier it will contribute to meeting the new PSA target. An initiative was started in March 2008 to improve communication with herd keepers and to enhance the management of the brucellosis programme.

   A new PSA target has been set to achieve a 20% reduction in Brucellosis annual herd incidence during the period 2008-11.

   Tuberculosis: The total number of TB reactors removed from 1 April 2007 to 31 March 2008 is 7293, 68 above the target of less than 7225. A new PSA target has been set to achieve a 27% reduction in TB annual herd incidence during the period 2008-11.

6. The Department has achieved the target relating to the creation of 1000 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 2008, 1360 net Full Time Equivalent (FTE) jobs in disadvantaged rural areas under the Rural Development Programme 2001-2006 were created. The Leader and BSP programmes contributing to this target will not close until

the end of 2008. Therefore this figure could potentially increase further as job validation work continues.

Within the 1,360 net FTE jobs created, only 62 tourism jobs out of the target of 300 have been identified. A job assessment exercise is ongoing to assess the quality and type of the jobs created across all Rural Development Programmes (RDP). A complementary job identification exercise is also underway to further assess job creation by projects in the tourism sector, this will be completed by the end of June 2008.

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 4,892 applications and by 31 March 2008 4,482 projects were being progressed.

   Advice and support to help farmers comply with the Action Programme has been provided through a Guidance booklet, a telephone helpline and a series of information events and training in both 2007 and 2008. Monitoring and inspection arrangements were agreed with DOE/EHS (Environment and Heritage Service).

8. Rivers Agency Schemes have delivered a total of 145 Housing Equivalents which have benefited from a reduced risk of flooding in 2007/08 (Newcastle-Burren Flood Alleviation Scheme delivered 128 HEs and Stoneyford-Stonebridge Meadows Scheme 17 HEs). The cumulative total at 31 March 2008 is 19,566 Housing Equivalents benefited.

9. The Forest Service achieved a total of 552ha planted in combined public and private forest areas in 2007/08. The total area planted for the period 2005/06 to 2007/08 is 1,707ha.

FINANCIAL REVIEW

The net operating cost of the Department in 2007-08 was £275.8million. Gross expenditure was £570.6million and income was £294.8million. When expenditure and income relative to the Common Agricultural Policy (CAP) is excluded the amounts are £324.1million and £48.3million respectively. Similar CAP adjustments to the 2006-07 operating costs, for CAP expenditure and income, results in figures of £322.9million and £56.1million for expenditure and income respectively, a net variance of £9.0million (an increase in expenditure of £1.2million and a decrease in income of £7.8million). The reduction in income is largely attributable to a decrease of £8.2million in income earned from the EU. There is a corresponding reduction in expenditure on grants financed by this income. This is offset by increases in nationally match funded EU schemes (£6.4m) and increases in non-cash costs of £3.2m.

The Statement of Parliamentary Supply summarises the resource outturn for 2007-08. The net total resources required were £287.2million compared to an estimated net total of £313.9million. Note 2 to the Accounts provides an analysis of resource outturn and Estimate by section while

Note 3(a) sets out a reconciliation to the Operating Cost Statement. For 2007-08 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	597.3	570.6	26.7
Accruing Resources	283.4	283.4	-
Net Total	313.9	287.2	26.7

The significant areas of under-spending are on the Farm Nutrient Management Scheme (£14.5million), AFBI grant-in-aid (£3.9million), Modulation Match Funding (£3.7million) and Integrated Development Fund (£3.7million). Expenditure on CAP schemes exceeded the Estimate by £10.1million. This was matched by additional income of equivalent value. However due to Estimate limits £4.5million of this was treated as Consolidated Fund Extra Receipts.

Outturn against the Administration Budget is shown at Note 3(b) to the Accounts. Gross administration costs amounted to £101.6million, while outturn against the Administration Budget was £91.2million which was within the agreed limit of £91.8million. This compares with 2006-07 when gross administration costs amounted to £101.5million and outturn against the administration budget was £90.7million. This reflects the continuing pressure being applied to administration costs budgets and the achievement of work force planning targets.

Total Capital Employed has increased from £866.4million at 31 March 2007 to £916.2million at 31 March 2008. This increase is largely attributable to:

- An increase in the value of tangible fixed assets - £44.2million. Asset additions totalled £15.1million and asset revaluations amounted to £46.7million. These were partly offset by reductions in the value of the asset base.
- A reduction in debtors - £31million – largely attributable to amounts due from RPA in relation to the Common Agricultural Policy expenditure (£30million).
- A decrease in creditors – £37.8million - largely attributable to amounts due under the Common Agricultural Policy (£30million), Other EU Grant Creditors (£4million) and Consolidated Fund Extra Receipts (£2.8million).

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

Capital expenditure at £15.1million was £4.7million lower than anticipated. This arose largely due to delays in capital works across the AFBI estate (£2.3million) and CAFRE facilities (£0.8million), together with lower than anticipated capitalisation of works by the Forest Service (£0.7million).

The Net Cash Requirement at £252.3million was £28.3million less than the Estimate. This variance is largely attributable to the reduction in resources required for cash items (£26.3million), the lower than anticipated capital expenditure (£4.7million), offset by a higher than anticipated increase in working capital (£3.2million).

RECONCILIATION OF RESOURCES EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

	2007-08 £000	2006-07 £000
Net Resource Outturn (Estimates)	**287,210**	**269,309**
Adjustments:		
Less Consolidated Fund Extra Receipts (CFER's) in the OCS	(11,450)	(2,536)
Remove other adjustments		
Net Operating Cost (Accounts)	**275,760**	**266,773**
Adjustments:		
Less Capital grants	(38,678)	(38,193)
Less European Union income related to capital grants	9,851	11,620
Add other Consolidated Fund Extra Receipts (CFER's) in the OCS	11,450	2,536
Less notional inter-departmental charges	(7,329)	(6,926)
Less Non-Budget grants payable to NDPBs	(41,992)	(41,077)
Less other voted expenditure that is outside the Resource Budget	(1)	(1)
Add non-voted expenditure that is outside the OCS	123	-
Add NDPB resource expenditure	47,725	42,268
Resource Budget Outturn (Budget)	**256,909**	**237,000**
Of which:		
Departmental Expenditure Limit (DEL)	236,556	218,650
Annually Managed Expenditure (AME)	20,353	18,350

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

DARD has a representative on the Board of Gangmasters Licensing Authority (GLA), a UK-wide body sponsored by Defra which aims to curb the exploitative activities of gangmasters in agriculture, horticulture, forestry, shellfish gathering and the related food processing and packaging sectors. DARD funds GLA enforcement in Northern Ireland.

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 Northern Ireland Fisheries Harbour Authority, Livestock and Meat Commission and the Pig Production Development Committee. The latter was wound up with effect from 31 March 2008.

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, Energy 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;
- Deliver and provide financial support for a range 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 European Agriculture Fund for Rural Development and promote the schemes;

- Promote comprehensive and integrated action towards the sustainable and equitable development of rural areas;
- Equality;
- 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;
- Manage and implement the Northern Ireland Rural Development Programme 2007-2013;
- Rural White Paper, Rural Champion, Rural Proofing;
- Undertake research programmes in support of policy development and delivery;
- Respond positively to issues raised by members of the public through the Freedom of Information Act, Environmental Information Regulations and the Data Protection Act.

Rivers Agency

- Identify and assess flooding risks through the interim Flood Mapping Strategy;
- 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. Further information about the work of the Review Body can be found at www.ome.uk.com.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

The pay award for staff in the Northern Ireland 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.

Mr D J Flanagan and Mrs J E Ruddock, Non Executive Directors, 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 Minister and most senior officials of the department.

Remuneration [Audited]

	2007-08		2006-07	
Minister	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Ms M Gildernew	30-35	-	n/a	-
Officials				
Mr P T Toal Permanent Secretary 2A (To 17 April 2007)	10-15 (120-125 full year equivalent)	-	115-120	-
Dr D M McKibbin Permanent Secretary 2A (Took up post 7 May 2007)	90-95 (100-105 full year equivalent)	-	n/a	-
Mr G Lavery Deputy Secretary 3	90-95	-	85-90	-
Mr R J McClenaghan Deputy Secretary 3	95-100	-	95 -100	-
Mr R M Houston Deputy Secretary 3	80-85	-	85-90	-
Mr R J Jordan Deputy Secretary 3	85-90	-	80-85	-
Mr J F Smith Assistant Secretary 5 (Joined Board in September 2007)	40-45 (55-60 full year equivalent)	-	n/a	-
Mr D G Trelford Assistant Secretary 5 (Joined Board in December 2007)	15-20 (65-70 full year equivalent)	-	n/a	-
Mr D J Flanagan Non-Executive Director (Note 1)	10-15	-	0 – 5 (5 -10 full year equivalent)	-
Mrs J E Ruddock Non-Executive Director (Note 1)	10-15	-	0 – 5 (5-10 full year equivalent)	-

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Between 1 April 2007 and 7 May 2007 the Department of Agriculture and Rural Development was under the direction and control of Mr David Cairns MP. His salary and allowances were paid by NIO or the Cabinet Office rather than the NI Assembly. These costs have not been included as notional costs in the Operating Cost Schedule in the same way as Devolved Minister's salaries. Details of Mr Cairns' salary and allowances will be provided in the NIO resource accounts.

From 8 May 2007 the Department of Agriculture and Rural Development was under the control of Ms Michelle Gildernew MP MLA. Her Ministerial salary and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in these resource accounts. Details of her Ministerial salary, allowances and other benefits are given above. These amounts do not include costs relating to the Minister's role as MLA/MP.

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.

Pension Benefits [Audited]

Minister	Accrued pension at age 65 as at 31/3/08 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/08	CETV at 8/5/07	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Ms M Gildernew	0-5 (Note 2)	0-2.5	8	2	4	-

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2000 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a

Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Retail Prices Index. Ministers pay contributions of 6% of their Ministerial salary. There is also an employer contribution paid by the Consolidated Fund representing the balance of cost. This is currently 22.6% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Pension Entitlements [Audited]

Officials	Accrued pension at age 60 as at 31/3/08 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/08	CETV at 31/3/07 (Note 4)	Real increase in CETV (Note 3)	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr P T Toal Permanent Secretary 2A (To 17 April 2007)	55-60 plus lump sum of 165-170	0-2.5 plus lump sum of 0-2.5	1263	1249	1	-
Dr D M McKibbin Permanent Secretary 2A (Took up post 7 May 2007)	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 10-12.5	698	512	78	-
Mr G Lavery Deputy Secretary 3	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5	787	696	18	-
Mr R J McClenaghan Deputy Secretary 3	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 0-2.5	1148	1036	19	-
Mr R M Houston Deputy Secretary 3	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	547	478	17	-
Mr R J Jordan Deputy Secretary 3	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	946	855	14	-
Mr J F Smith Assistant Secretary 5 (Joined Board in September 2007)	0 - 5	0 - 2.5	43	24	10	-
Mr D G Trelford Assistant Secretary 5 (Joined Board in December 2007)	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 0-2.5	673	648	1	-

Notes to the above tables of remuneration and pension benefits

1. 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.

2. No distinction is made in the Assembly Members Pension Scheme between service as a Minister and service as any other Assembly Officeholder. Consequently, Ministers may accrue pension entitlement as either a Minister or as one of the Assembly's other Officeholders.

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

4. Due to certain factors being incorrect in the 2006/07 CETV calculator there may be a slight difference between CETV figures as at 31/3/07 stated above and the figures at 31/3/07 used in the calculation of the CETV at 31/3/08.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements 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 joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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
27 June 2008

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 which meet four times a year, all of which 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 regular 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 2008 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Department's approach to risk management is largely objective driven, with our aim and corporate objectives agreed at Ministerial level. These agreed aims and objectives then drive the critical aspects of the Department's activities. Last year, the Department reviewed the way in which we manage our corporate risks and a new approach was developed to further enhance our risk management process. In early 2008/09 we aim to have a Corporate Risk Register linked to the Corporate Scorecard. Each business area also completes a Risk Management Plan which is linked to its 2007/08 business plan and business performance targets. In this way risk management is a key function in managing business performance.

Training continues to be provided across the Department to further raise counter-fraud awareness. The Department's 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 Departmental Board (DB) has overall responsibility for the management of risks associated with the delivery of the Department's functions. During the year the DB used a variety of mechanisms to confirm that the Department's corporate and other risks were being managed effectively. The mechanisms used by DB included:

- Reports presented to the DB and to Top Management Group meetings,
- Assurances received from the Corporate Governance and Audit Committee, and
- The work undertaken by the Department's Internal Audit Branch.

To ensure that the Risk Management Process is integrated into all the Departments activities, risk registers are produced and monitored at Group and Divisional 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 implement counter fraud measures and controls over the period. Fraud is included as a risk area in the Department's risk registers 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 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. During the period 2007/08 a Departmental Risk Review Group was established to replace the Risk Management Forum. This Group was established to review the risk management process, the Corporate Risk Register format and operational reports from business areas on a regular basis. It is non-executive and reports to CGAC. Risk management training is being provided to ensure that risk management continues to be treated as a high priority activity within our operational activities. CGAC has met at interim and final accounts stages and has provided me with an assurance that it is appropriate to sign the Accounts.

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 2007-08 it confirms that the Unit is generally satisfied with the Department's 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 monitor implementation of these action plans to ensure that appropriate action has been taken to address internal and external findings raised throughout the year. Progress has been made on rectifying control weaknesses identified during 2007-08.

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 Review Group, 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 continue;

- the roll out of risk management training to all key members of staff;
- to develop the Department's Corporate Risk Register with a view to making further improvements to the process of risk management;
- to embed counter fraud awareness across the Department; and
- to improve financial management generally and the quality of financial information to DB.

6. Significant internal control problems

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

Agri-Food and Biosciences Institute (AFBI)

IAB provided a "weak" opinion, mainly due to the number of findings. The results of a follow-up review however resulted in a "satisfactory" opinion as the majority of recommendations were either implemented or were being addressed satisfactorily.

Agri-Environment Scheme – New Entrants

IAB provided a "weak" opinion, mainly due to the inadequacy of detail relating to rules and regulations within letters of offer. Concerns were also expressed relating to the poor uptake levels for the scheme and that scheme controls and procedures were still in the development phase.

A subsequent follow-up review resulted in a "satisfactory" opinion as the majority of recommendations had either been implemented or were in the process of being implemented.

Rural Development Council PEACE II & BSP

IAB provided a "weak" opinion for both reports and an "unacceptable" opinion for Peace II Measure 1.10b. IAB are currently performing a follow–up review to ensure that these have been effectively implemented. To date, no major areas of concern have been identified.

Rural Development Division Peace II (ERDF)

IAB provided an **'unacceptable'** overall opinion however this report continues to be at draft stage awaiting formal management responses.

BSP Measure 4.2 (Processing and Marketing Grant Scheme)

IAB previously reported concerns in relation to the administration of this measure due to the inadequacy of documentation, which was available to support tendering procedures. IAB is currently performing a further review of this area and fieldwork is nearing completion. Initial findings indicate continuing concerns relating to tendering procedures and IAB has consequently extended its test sample size to enable an informed opinion on a wider population.

Foyle Carlingford and Irish Lights Commission (FCILC)

IAB provided an ‘unacceptable’ overall opinion based upon weaknesses in control in relation to contract management, purchasing and tendering procedures. One of the main concerns related to the Agency’s relationship with an Angling Instructors Network i.e. the member of staff with overall control of relations and payments previously held the position of project manager for this body.

Management however reacted positively to the audit findings and took immediate steps to address many of their concerns including the cessation of all services undertaken by the Network on the Agency’s behalf, contact being made with Central Procurement Directorate, and an evaluation being designed for all events that are carried out by the Agency.

IAB has scheduled a follow-up review in May 2008 to ensure that the recommendations have been implemented effectively.

Rivers Agency

IAB provided a “limited” opinion due to the number and significance of some findings in relation to Vehicle and plant maintenance, compliance with departmental tendering procedures and the management of Lough Erne estate.

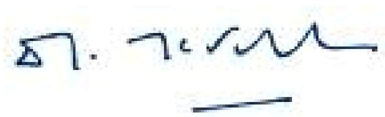
IAB acknowledged however that management had already identified several of the weaknesses/risks associated with the areas of vehicle and plant maintenance and the management of Lough Erne Estate; and that management were actively addressing some of these at the time of the review. The limited opinion in these areas related to the prevailing risks at the time of the review however IAB was satisfied with the actions taken and proposed by management to address these risks.

IAB has scheduled a follow-up review before June 2008 to ensure that the recommendations have been implemented effectively.

Veterinary Services Follow-up

IAB provided a “limited” opinion as 5 of the previous 8 audit recommendations had not been implemented effectively. Management have accepted all recommendations and provided assurances that these will be implemented quickly. IAB has scheduled a follow-up review within the next few months.

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 has 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
27 June 2008

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 2008 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, the information which comprises the Directors' Report and the Management Commentary, included in the Annual 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 Assembly 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. This other information comprises the unaudited part of the Remuneration Report and the reconciliation of resources expenditure between Estimates, Accounts and Budgets. 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 the Assembly 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

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 2008, 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 which comprises the Directors’ Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

1 July 2008

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2007-08

		2007-08 £'000							2006-07 £'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	597,298	(283,377)	313,921	570,587	(283,377)	287,210	26,711	269,309
Total resources	3	597,298	(283,377)	313,921	570,587	(283,377)	287,210	26,711	269,309
Non-operating accruing resources				3,254			3,254	-	3,582

Net cash requirement 2007-08

		2007-08 £'000			2006-07 £'000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	280,650	252,346	28,304	239,200

Summary of income payable to the Consolidated Fund

		Forecast 2007-08 £'000		Outturn 2007-08 £'000	
	Note	Income	*Receipts*	Income	*Receipts*
Total	5	1,200	*1,200*	11,517	*9,868*

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 2008

		2007-08 £'000						2006-07 £'000	
				Core Department			Consolidated	Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs:									
Staff Costs	9	66,356			82,661			65,972	81,643
Other administration Costs	10		23,774			26,309		24,075	26,815
Operating income	12			(10,691)			(11,735)	(10,960)	(11,991)
Sub-Total		66,356	23,774	(10,691)	82,661	26,309	(11,735)	79,087	96,467
Programme Costs:									
Staff Costs	9	9,707			9,707			9,606	9,606
Programme costs	11		411,281			451,910		419,944	456,264
Income	12			(274,950)			(283,092)	(287,606)	(295,564)
Sub-Total		9,707	411,281	(274,950)	9,707	451,910	(283,092)	141,944	170,306
Totals		76,063	435,055	(285,641)	92,368	478,219	(294,827)	221,031	266,773
Net Operating Cost	3, 13			225,477			275,760	221,031	266,773

All income and expenditure are derived from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2008

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Net (gain)/loss on revaluation of tangible assets	(22,812)	(46,675)	(17,821)	(88,994)
Net (gain)/loss on revaluation of intangible assets	(57)	(66)	(84)	(141)
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	(3)	(3)	(27)	(27)
Government grant amounts recognised in the OCS	38	38	47	47
Recognised gains and losses for the financial year	(22,827)	(46,699)	(17,878)	(89,108)

Notes 1 to 37 form part of these accounts

BALANCE SHEET
as at 31 March 2008

		2007-08 £'000		2006-07 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Fixed assets:					
Tangible assets	14	200,744	929,375	177,358	885,146
Intangible assets	15	1,572	2,047	1,824	2,342
Investments	16	21	21	32	32
		202,337	931,443	179,214	887,520
Debtors falling due after more than one year	18	300	300	320	320
Current assets:					
Stocks	17	1,325	1,982	1,470	2,062
Debtors	18	76,433	78,917	107,529	109,926
Cash at bank and in hand	19	368	410	882	924
		78,126	81,309	109,881	112,912
Creditors (amounts falling due within one year)	20	(85,997)	(89,674)	(123,746)	(127,447)
Net current liabilities		(7,871)	(8,365)	(13,865)	(14,535)
Total assets less current liabilities		194,766	923,378	165,669	873,305
Creditors (amounts falling due after more than one year)	20	-	-	-	-
Provisions for liabilities and charges	21	(6,834)	(7,196)	(6,644)	(6,928)
		187,932	916,182	159,025	866,377
Taxpayer's equity:					
General Fund	22	104,943	430,530	93,290	420,318
Revaluation reserve	23(a)	82,698	484,759	65,420	445,184
Donated asset reserve	23(b)	150	150	141	141
Government grant reserve	23(c)	141	743	174	734
		187,932	916,182	159,025	866,377

Dr Malcolm McKibbin
Accounting Officer
27 June 2008

Notes 1 to 37 form part of these accounts

CONSOLIDATED CASH FLOW STATEMENT
for year ended 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
Net cash outflow from operating activities	24(a)	(231,849)	(193,930)
Capital expenditure and financial investment	24(b)&(c)	(10,629)	(13,484)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(14,324)	(19,972)
Financing	24(d)	252,000	247,471
Increase/(decrease) in cash in the period	24(e)	(4,802)	20,085

CONSOLIDATED STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES
for year ended 31 March 2008

	2007-08 £'000 Gross	Income	Net	2006-07 £'000 Gross	Income	Net
Aim						
Objective 1	570,587	(294,827)	275,760	574,328	(307,555)	266,773
Net operating costs	570,587	(294,827)	275,760	574,328	(307,555)	266,773

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 ACCOUNTS

1. Statement of accounting policies

1.0 Introduction

These financial statements have been prepared in accordance with the 2007-08 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 Land and Property Services (LPS) 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 LPS (formerly 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 are provided for at the full assessed amount in each case.

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. (See notes 31 and 32 to the accounts).

2. Analysis of net resource outturn by section

	Admin	Other current	Grants	Gross resource Expenditure	Accruing Resources	2007-08 £'000 Outturn Net Total	2007-08 £'000 Estimate Net Total	Net Total outturn compared with Estimate	2006-07 £'000 Outturn Prior-year outturn
Request for Resources A									
Departmental Expenditure in DEL:									
1: Service Delivery Group	29,332	43,838	22,116	95,286	(3,779)	91,507	107,812	16,305	56,339
2: Rural Development	4,062	1,480	9,454	14,996	(5,850)	9,146	10,491	1,345	8,875
3: Veterinary Service	35,493	414	-	35,907	(7,729)	28,178	28,844	666	30,271
4: Central Policy Group	8,820	36,631	1,356	46,807	(10,204)	36,603	39,324	2,721	47,502
5: Fisheries	2,497	606	3,278	6,381	(2,660)	3,721	4,163	442	3,033
6: The Loughs Agency of FCILC	-	-	2,647	2,647	-	2,647	2,853	206	1,421
7: Rivers Agency	13,094	2,985	-	16,079	(288)	15,791	15,575	(216)	14,535
8: Forest Service Agency	7,777	16,395	478	24,650	(7,021)	17,629	16,537	(1,092)	15,065
9: EU Programme for Peace & Reconciliation	-	851	1,558	2,409	(1,113)	1,296	1,960	664	3,916
10: EU Community Initiatives	-	-	4,464	4,464	(2,755)	1,709	2,429	720	3,686
11: Executive Programme Funds	528	532	1,451	2,511	-	2,511	3,037	526	17,827
12: Intregrated Development Fund	-	52	2,245	2,297	-	2,297	5,988	3,691	485
13: Common Agricultural Policy	-	245,873	605	246,478	(241,978)	4,500	-	(4,500)	-
Annually Managed Expenditure (AME):									
14: Flood Protection	38	20,315	-	20,353	-	20,353	21,030	677	18,350
Non-Budget:									
15: Agri-Food and Biosciences Institute	-	-	41,992	41,992	-	41,992	45,856	3,864	40,484
16: Fisheries - NIFHA	-	-	-	-	-	-	-	-	593
17: Payments to Agricultural Loans Fund	-	-	1	1	-	1	5	4	1
18: Executive Programme Funds	-	-	-	-	-	-	-	-	-
19: Notional Charges	7,329	-	-	7,329	-	7,329	8,017	688	6,926
Total:	108,970	369,972	91,645	570,587	(283,377)	287,210	313,921	26,711	269,309

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

The main reasons for the underspend of £26.7m are as follows:

(a) Service Delivery Group underspend of £16.3m is primarily in respect of the Farm Nutrient Management Scheme where farmers who had committed to the scheme were unable to complete their projects due to poor weather conditions and the unavailability of contractors.

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

(c) Veterinary Service underspend of £0.7m is mainly due to the transfer of staff and functions to Service Delivery Group.

(d) Central Policy underspend of £2.7m is mainly due to slippage in relation to Modulation Match Funding expenditure, partially offset by overspends on Animal Disease Compensation.

(e) Forest Service overspend of £1.1m mainly due to less work being capitalised and higher than anticipated other resource expenditure.

(f) EU Peace Programme underspend of £0.7m mainly due to project slippage.

(g) EU Community Initiatives underspend of £0.7m is due to grants projects progressing at a slower rate than expected.

(h) Executive Programme Funds underspend of £0.5m is mainly due to project slippage.

(i) Integrated Development Fund underspend of £3.7m is due to changes in delivery mechanisms, revised completion dates for projects, delays in scheme designs and awarding of contracts.

(j) Common Agricultural Policy overspend of £4.5m arising from an understated estimate of requirements. Income is limited to £242.0m, with the balance of income due being treated as Consolidated Fund Extra Receipts.

(k) Flood Protection underspend of £0.7m is due to lower than anticipated capital charges for infrastructure assets.

(l) AFBI grant in aid underspend of £3.9m due primarily to grant cover for potential ex-ARINI staff pensions not being drawn down in 2007-08.

(m) Notional Charges less than estimate by £0.7m is due to lower than anticipated charges mainly for accommodation, Departmental Solicitors Office, ICT and Telecommunications services, and valuation services, offset by charges for HRConnect.

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

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

		2007-08 £'000			2006-07 £'000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	287,210	313,921	26,711	269,309
Prior Period Adjustments		-	-	-	-
Non-supply Income (CFERs)	5	(11,450)	-	11,450	(2,536)
Non-supply Expenditure		-	-	-	-
Net Operating Cost		275,760	313,921	38,161	266,773

3(b) Outturn against final Administration Budget

		2007-08 £'000		2006-07 £'000
	Note	Budget	Outturn	Outturn
Gross Administration Budget (DEL)		102,293	101,603	101,494
Income allowable against the Administration Budget	12	(10,535)	(10,431)	(10,842)
Net outturn against final Administration Budget		91,758	91,172	90,652

4. Reconciliation of resources to cash requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with estimate: saving/(excess) £'000
Resource Outturn	2	313,921	287,210	26,711
Capital				
Acquisition of fixed assets	14, 15	19,791	15,088	4,703
Investments		-		-
Non-operating accruing resources				
Proceeds of fixed asset disposals	24(b)	(3,254)	(3,318)	64
Receipt of capital grants	23(c)	-	(3)	3
Excess cash surrenderable to the Consolidated Fund			67	(67)
Accruals adjustments				
Non-cash items*		(54,308)	(53,868)	(440)
Changes in working capital other than cash		3,000	6,150	(3,150)
Changes in creditors falling due after more than one year	20	-	-	-
Use of provision	21	1,500	1,020	480
Net cash requirement		280,650	252,346	28,304

Non-cash items*	£'000
From Note 24(a):	
Staff costs (note 9a)	46
Other administration costs (note 10)	10,268
Programme costs (note 11)	43,554
	53,868

Explanation of the variation between Estimate and outturn

The main reasons for the variance of £28.3m are as follows:

(a) Net Resource underspend of £26.7m as detailed at note 2 and in the Financial Review

(b) Capital underspend of £4.7m due to delays in capital works across the AFBI estate and CAFRE facilities, together with lower than anticipated capitalisation of works by the Forest Service.

(c) The £3.2m variance on the movement in working capital due to a higher than anticipated increase in working capital.

(d) The £0.5m less cash required than anticipated in relation to use of provisions.

(e) The above offset by a £0.4m variance in relation to non-cash items.

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 2007-08 £'000		Outturn 2007-08 £'000	
	Note	Income	*Receipts*	Income	*Receipts*
Operating income and receipts - excess accruing resources		-	*-*	5,919	*5,919*
Other operating income and receipts not classified as accruing resources		1,200	*1,200*	5,531	*3,882*
Sub-Total of operating income and receipts		1,200	*1,200*	11,450	*9,801*
Non-operating income and receipts - excess accruing resources	7	-	*-*	67	*67*
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		1,200	*1,200*	11,517	*9,868*

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

	Note	2007-08 £'000	2006-07 £'000
Administration income	12	11,735	11,991
Programme income	12	283,092	295,564
Gross income		294,827	307,555
Income authorised to be accruing resources	2	(283,377)	(305,019)
Operating income payable to the Consolidated Fund	5	11,450	2,536

7. Non-operating income - Excess accruing resources

	2007-08 £'000	2006-07 £'000
Proceeds on disposal of fixed assets	64	-
Other	3	-
Non-operating income - excess accruing resources	67	-

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 2007-08. (2006-07: £nil)

9. Staff numbers and related costs

9(a) Staff costs:

	2007-08 £'000				2006-07 £'000
	Total	Permanently employed staff*	Others	Ministers	Total
Wages and salaries	76,362	74,632	1,696	34	74,958
Social security costs	5,428	5,304	120	4	5,375
Other pension costs	12,321	12,290	23	8	12,539
Sub-Total	94,111	92,226	1,839	46	92,872
Less recoveries in respect of outward secondments	(55)	(55)	-	-	(65)
Total net costs**	94,056	92,171	1,839	46	92,807

*Permanently employed staff includes the cost of the Department's special adviser who is paid in the pay band £56,100-£78,540
**Of the total £1,743,591 has been charged to capital.

Core Department

	2007-08 £'000				2006-07 £'000
	Wages & Salaries £'000	Social Security £'000	Other Pension Costs £'000	Total £'000	Total £'000
Administration (excluding Minister)	53,767	3,853	8,690	66,310	65,972
Notional Minister's Salary	34	4	8	46	-
Sub-Totals	53,801	3,857	8,698	66,356	65,972
Programme	7,816	562	1,329	9,707	9,606
Totals	61,617	4,419	10,027	76,063	75,578

Consolidated

	2007-08 £'000				2006-07 £'000
	Wages & Salaries £'000	Social Security £'000	Other Pension Costs £'000	Total £'000	Total £'000
Administration (excluding Minister)	66,769	4,862	10,984	82,615	81,643
Notional Minister's Salary	34	4	8	46	-
Sub-Totals	66,803	4,866	10,992	82,661	81,643
Programme	7,816	562	1,329	9,707	9,606
Sub-Totals	74,619	5,428	12,321	92,368	91,249
Rivers Agency Capitalisation	670	-	-	670	266
Forest Service Capitalisation	1,073	-	-	1,073	1,357
Totals	76,362	5,428	12,321	94,111	92,872

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 2007-08, employers' contributions of £12,296,914 were payable to the PCSPS(NI) (2006-07 : £12,510,258) 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 2008, 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 £23,863 (2006-07 : £28,150) 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 £1,512 (2006-07 : £1,550), 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.

18 persons (2006-07 : 26 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £17,782 (2006-07 : £28,251).

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.

				2007-08	2006-07
Objective	Total	Permanent staff	Others	Ministers	Total
Request for Resource A	3,082	2,978	103	1	3,198
Of which: core department	2,412				2,499

10. Other Administration Costs

		2007-08 £'000		2006-07 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Travel and subsistence		2,694	3,429	3,001	3,735
Training and development		480	587	446	580
Operating leases		228	228	231	231
Accommodation costs:					
Rates		61	261	39	236
Utilities		283	563	182	344
Repairs & maintenance		4,158	4,177	4,204	4,218
Communications		627	745	662	802
Computer charges		1,237	1,237	1,304	1,304
Postage, stationery & printing		1,045	1,070	1,491	1,500
Other Office Services		253	298	252	302
Contracted Out Services		777	898	638	754
Other expenses		2,437	2,548	2,444	2,553
Sub-Total		14,280	16,041	14,894	16,559
Non-cash items:					
Depreciation of tangible fixed assets		2,112	2,275	1,998	2,150
Amortisation of intangible fixed assets		552	632	476	536
Permanent diminution of fixed assets		71	76	157	172
Profit on disposal of fixed assets		-	-	(1)	(1)
Loss on disposal of fixed assets		91	94	114	115
Cost of capital		(997)	(1,000)	(855)	(827)
Provisions	21	1,042	908	1,047	1,185
Notional charges:					
Accommodation		5,074	5,582	5,081	5,587
Auditors' remuneration & expenses		95	129	90	127
Others		1,454	1,572	1,074	1,212
Sub-Total		9,494	10,268	9,181	10,256
Total		23,774	26,309	24,075	26,815

11. Programme Costs

		2007-08 £'000		2006-07 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Current expenditure:					
Operating leases		190	391	199	252
Rates		431	431	430	430
Utilities		682	682	670	670
Repairs & maintenance - buildings		202	227	510	518
Repairs & maintenance - other		140	929	128	1,598
Contracted Out Services		668	2,185	609	1,881
Private Veterinary Practitioners fees & expenses		6,381	6,381	6,887	6,887
Exchange rate losses/gains		(1,489)	(1,489)	84	84
Materials		1,128	3,593	1,484	3,663
Disease testing programmes		5,818	5,818	6,936	6,936
Disease compensation		16,386	16,386	13,549	13,549
Livestock and Aquatic Costs		1,223	1,223	1,164	1,164
Non-capital plant & equipment purchases		690	1,006	404	480
Weather Aid		36	36	108	108
Other expenses		7,569	8,964	8,405	9,157
Sub-Total		40,055	46,763	41,567	47,377
Common Agriculture Policy:					
EU funded element		245,884	246,478	250,204	251,465
National match funded element		23,536	24,744	17,623	18,365
Sub-Total		269,420	271,222	267,827	269,830
Grants:					
Grant-in-aid		44,639	44,639	41,905	41,905
Capital grants		35,988	35,988	37,297	37,297
Current grants		9,744	9,744	19,416	19,469
Sub-Total		90,371	90,371	98,618	98,671
Non-cash items:					
Depreciation of tangible fixed assets		4,269	8,872	3,999	8,129
Permanent diminution of fixed assets		223	2,677	30	2,126
Release from donated assets reserve		(7)	(7)	(7)	(7)
Release from government grant reserve		(38)	(38)	(47)	(47)
Profit on sale of fixed assets		(5)	(54)	(9)	(669)
Loss on sale of fixed assets		1	17	13	433
Cost of capital		6,842	31,707	6,542	28,941
Provisions	21	150	380	1,411	1,480
Sub-Total		11,435	43,554	11,932	40,386
Total		411,281	451,910	419,944	456,264

12. Income

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
ADMINISTRATIVE INCOME				
Fees and charges:				
To Food Standards Agency	7,891	7,891	7,942	7,942
To AFBI	947	947	1,012	1,012
To other departments	1,128	1,348	1,386	1,650
Other income	245	245	238	238
Sub-Total	10,211	10,431	10,578	10,842
To external customers	480	1,304	382	1,149
Total administration income	10,691	11,735	10,960	11,991
PROGRAMME INCOME				
EU income				
Common Agriculture Policy	245,884	246,478	250,204	251,465
Other	17,545	17,545	25,717	25,717
Sub-Total	263,429	264,023	275,921	277,182
Other income				
Seconded Staff	55	55	65	65
Timber & other forest produce	-	6,877	-	5,998
BR/TB Salvage Revenue	1,319	1,319	1,385	1,385
AFBI	6,951	6,951	6,720	6,720
Other	3,196	3,867	3,515	4,214
Sub-Total	11,521	19,069	11,685	18,382
Total programme income	274,950	283,092	287,606	295,564
Total income	285,641	294,827	298,566	307,555

13. Analysis of net operating cost by spending body

	2007-08 £'000		2006-07 £'000
	Estimate	Outturn	Outturn
Spending body:			
Core department	214,923	181,945	178,452
Rivers Agency	36,605	35,840	32,645
Forest Service Agency	16,537	15,983	14,599
AFBI	45,856	41,992	40,484
NIFHA	-	-	593
Net operating cost	313,921	275,760	266,773

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 2007	338,060	13,075	6,391	14,237	476,373	142,051	19,613	1,009,800
Additions	1,524	1,301	297	2,140	3,552	1,989	3,954	14,757
Donations	-	-	-	-	-	-	-	-
Disposals	(796)	(379)	(472)	(1,567)	-	(2,384)	-	(5,598)
Reclassifications	9,984	13	25	-	6,673	-	(16,695)	-
Revaluations	28,605	(165)	(133)	256	19,181	3,190	-	50,934
Impairments	(564)	(7)	-	(215)	-	-	-	(786)
At 31 March 2008	376,813	13,838	6,108	14,851	505,779	144,846	6,872	1,069,107
Depreciation								
At 1 April 2007	5,455	7,266	3,853	6,721	101,359	-	-	124,654
Charged in year	4,550	1,161	616	2,256	2,565	-	-	11,148
Disposals	(2)	(336)	(426)	(1,532)	-	-	-	(2,296)
Reclassifications	-	(22)	22	-	-	-	-	-
Revaluations	1,016	(155)	(130)	76	3,452	-	-	4,259
Impairments	(150)	(2)	-	(158)	2,277	-	-	1,967
At 31 March 2008	10,869	7,912	3,935	7,363	109,653	-	-	139,732
Net book value at 31 March 2008	365,944	5,926	2,173	7,488	396,126	144,846	6,872	929,375
Net book value at 31 March 2007	332,605	5,809	2,538	7,516	375,014	142,051	19,613	885,146
Asset financing:								
Owned	365,275	5,926	2,173	7,488	396,126	144,846	6,872	928,706
Land at Baronscourt	669	-	-	-	-	-	-	669
Net book value at 31 March 2008	365,944	5,926	2,173	7,488	396,126	144,846	6,872	929,375
Analysis of tangible fixed assets								
The net book value of tangible fixed assets comprise:								
At 31 March 2008								
Core department	186,680	2,034	422	7,185	-	-	4,423	200,744
Agencies	179,264	3,892	1,751	303	396,126	144,846	2,449	728,631
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

Notes:

(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, LPS (formerly 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 2008 for these accounts.

The Rivers Agency hydrometric network was previously valued at zero with costs written off annually. This strategy was revised during the financial year and the network was valued at £2.544m.

Other tangible assets were revalued using the latest available indices.

(c) There were no donated asset additions during the 2007-08 financial year.

15. Intangible fixed assets

	Forest Land Rights £'000	Software Licences £'000	Total £'000
Cost or valuation			
At 1 April 2007	212	3,676	3,888
Additions	-	331	331
Donations	-	-	-
Disposals	-	(327)	(327)
Reclassifications	-	-	-
Revaluations	-	138	138
Impairments	-	-	-
At 31 March 2008	212	3,818	4,030
Amortisation			
At 1 April 2007	-	1,546	1,546
Charged in year	-	632	632
Disposals	-	(267)	(267)
Reclassifications	-	-	-
Revaluations	-	72	72
Impairments	-	-	-
At 31 March 2008	-	1,983	1,983
Net book value at 31 March 2008	212	1,835	2,047
Net book value at 31 March 2007	212	2,130	2,342
Land rights held by Forest Service relate to shooting and turbary rights. They are valued at 5-yearly intervals by the LPS (formerly 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 2008			
Core department	-	1,572	1,572
Agencies	212	263	475
At 31 March 2007			
Core department	-	1,824	1,824
Agencies	212	306	518

16. Investments

	Held by CAFRE £'000	Former ARINI £'000	Total £'000
Balance at 1 April 2007	20	12	32
Additions	1	-	1
Disposals	-	(12)	(12)
Balance at 31 March 2008	21	-	21

CAFRE hold £20,000 ordinary shares and £470 Convertible Loan Stock 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 additions were in respect of bonus shares received.

17. Stocks

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	1,325	1,982	1,470	2,062

18. Debtors

18 (a) Analysis by type

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
VAT	176	371	1,090	1,606
Trade debtors	5,323	7,058	8,524	10,102
Other debtors	6,650	6,652	6,773	6,775
Prepayments & accrued income	2,576	2,979	1,031	1,154
Amounts due from RPA in relation to the Common Agriculture Policy (CAP)	21,218	21,367	51,315	51,415
EU grants receivable (excluding the CAP)	26,744	26,744	25,396	25,474
	62,687	65,171	94,129	96,526
Amounts due from the Consolidated Fund in respect of supply	13,746	13,746	13,400	13,400
Total at 31 March due within one year	76,433	78,917	107,529	109,926
Amounts falling due after more than one year:				
Prepayments	300	300	320	320
Total at 31 March due after more than one year	300	300	320	320

Note: Included in debtors is an amount of £3,767,152.11 (2006-07 £2,119,000) that is to be remitted to the Consolidated Fund when received.

18 (b) Intra-Government Balances

		Amounts falling due within one year		Amounts falling due after more than one year
	£'000	£'000	£'000	£'000
	2007-08	2006-07	2007-08	2006-07
Balances with other central government bodies	39,050	73,738	-	-
Balances with local authorities	2	7	300	320
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Sub-Total: intra-government balances	39,052	73,745	300	320
Balances with bodies external to government	39,865	36,181	-	-
Total debtors at 31 March	78,917	109,926	300	320

19. Cash at bank and in hand

		2007-08 £'000		2006-07 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		882	924	(19,213)	(19,161)
Net change in cash balances	24 (e)	(4,802)	(4,802)	20,095	20,085
Balance at 31 March		(3,920)	(3,878)	882	924
The following balances at 31 March were held at:					
Commercial banks and cash in hand		368	410	882	924
Balance at 31 March		368	410	882	924
The balance comprises:					
Cash & bank		368	410	882	924
Bank overdraft		(4,288)	(4,288)	-	-

20. Creditors

20 (a) Analysis by type

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Bank overdraft (net of uncashed payable orders)	4,288	4,288	-	-
Other amounts falling due within one year:				
Taxation and Social Security	65	125	39	237
Trade creditors	2,121	2,410	3,633	4,568
Other creditors	30,067	30,385	35,706	36,084
Accruals and deferred income	9,810	12,629	7,809	9,836
EU grant creditors - Common Agriculture Policy	21,218	21,367	51,315	51,415
EU grant creditors - Other	4,835	4,835	8,811	8,864
Sub-Total	68,116	71,751	107,313	111,004
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	3,594	3,594	13,406	13,407
Received - Other	6,232	6,274	908	917
Receivable - EU	3,491	3,491	1,918	1,918
Receivable - Other	276	276	201	201
Sub-Total	13,593	13,635	16,433	16,443
Total at 31 March due within one year	85,997	89,674	123,746	127,447
Amounts falling due after more than one year:	-	-	-	-

20(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£'000	£'000	£'000	£'000
	2007-08	2006-07	2007-08	2006-07
Balances with other central government bodies	17,142	19,065	-	-
Balances with local authorities	215	42	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Sub-Total: intra-government balances	17,357	19,107	-	-
Balances with bodies external to government	72,317	108,340	-	-
Total creditors at 31 March	89,674	127,447	-	-

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 2007	324	1,895	4,425	6,644	360	2,143	4,425	6,928
Provided in the year	121	1,110	927	2,158	118	1,363	927	2,408
Provisions not required written back	-	(188)	(778)	(966)	-	(342)	(778)	(1,120)
Provisions utilised in the year	(205)	(439)	(358)	(1,002)	(208)	(454)	(358)	(1,020)
Balance at 31 March 2008	240	2,378	4,216	6,834	270	2,710	4,216	7,196

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, mainly relating to animals, and associated legal costs.

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.

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(93,290)	(420,318)	(86,115)	(410,986)
Net Parliamentary Funding:				
Drawn down	(216,813)	(238,600)	(201,571)	(225,800)
Year end adjustment:				
Supply Creditor/(Debtor)	(13,746)	(13,746)	(13,400)	(13,400)
Net transfer from operating activities:				
Net operating cost	225,477	275,760	221,031	266,773
CFERs repayable to Consolidated Fund	11,517	11,517	2,536	2,536
Non-cash costs:				
Notional costs	(6,669)	(7,329)	(6,245)	(6,926)
Cost of capital	(5,845)	(30,707)	(5,687)	(28,114)
Transfer from Revaluation Reserve	(5,573)	(7,106)	(3,995)	(4,557)
Transfer of Assets to/from AFBI	-	-	157	157
Investment additions	(1)	(1)	(1)	(1)
Balance at 31 March	(104,943)	(430,530)	(93,290)	(420,318)

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).

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(65,420)	(445,184)	(51,531)	(360,680)
Arising on revaluation during the year	(22,869)	(46,741)	(17,905)	(89,135)
Transfer to General Fund of realised element	5,573	7,106	3,995	4,557
Transfer to donated asset reserve	16	16	10	10
Transfer to Government Grant Reserve	2	44	11	64
Balance at 31 March	(82,698)	(484,759)	(65,420)	(445,184)

23(b) Donated Asset Reserve

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

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(141)	(141)	(138)	(138)
Additions during the year	-	-	-	-
Release to the operating cost statement	7	7	7	7
Transfer from Revaluation Reserve	(16)	(16)	(10)	(10)
Balance at 31 March	(150)	(150)	(141)	(141)

23(c) Government Grant Reserve

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

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(174)	(734)	(183)	(690)
Additions during the year	(3)	(3)	(27)	(27)
Release to the operating cost statement	38	38	47	47
Transfer from Revaluation Reserve	(2)	(44)	(11)	(64)
Balance at 31 March	(141)	(743)	(174)	(734)

24. Notes to the Consolidated Cash Flow Statement

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

	Note	2007-08 £'000	2006-07 £'000
Net operating cost		(275,760)	(266,773)
Adjustments for non-cash transactions:			
Staff costs	9	46	54
Other Admin costs	10	10,268	10,256
Programme costs	11	43,554	40,386
Movements in working capital other than cash:			
(Increase)/Decrease in Stock		80	65
(Increase)/Decrease in Debtors		31,029	46,647
less movements in debtors relating to items not passing through the OCS		346	(8,271)
Adjustment for investments		-	-
Increase/(Decrease) in creditors - excluding overdraft		(42,061)	(33,379)
less movements in creditors relating to items not passing through the OCS:			
- Capital expenditure accruals		(1,138)	333
- Consolidated Fund Extra Receipts		2,807	17,436
Use of provisions	21	(1,020)	(684)
Net cash outflow from operating activities		(231,849)	(193,930)

24(b) Analysis of capital expenditure and financial investment

	Note	2007-08 £'000	2006-07 £'000
Tangible fixed asset additions	14	(14,757)	(15,534)
Settlement of ARINI capital creditor		-	(157)
Adjustment for capital creditors & accruals		1,138	(333)
Government grants received for fixed assets acquisition		3	27
Intangible fixed asset additions	15	(331)	(1,042)
Proceeds of disposal of fixed assets		3,318	3,555
Net cash outflow from investing activities		(10,629)	(13,484)

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	15,088	-	(3,321)	11,767
Net movement in debtors/creditors	(1,138)	-	-	(1,138)
	13,950	-	(3,321)	10,629

24(d) Analysis of financing

	Note	2007-08 £'000	2006-07 £'000
From the Consolidated Fund (Supply) - current year	22	238,600	225,800
From the Consolidated Fund (Supply) - prior year		13,400	21,671
From the Consolidated Fund (non-Supply)		-	-
Net financing		252,000	247,471

Note:
During the year the Department benefited from additional supply monies of £956,000 (2006-07: £559,000), 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	2007-08 £'000	2006-07 £'000
Net cash requirement		(252,346)	(239,200)
From the Consolidated Fund (Supply) - current year	24(d)	238,600	225,800
From the Consolidated Fund (Supply) - prior year	24(d)	13,400	21,671
Amounts due to the Consolidated Fund:			
Received in a prior year and paid over		(14,324)	(2,510)
Received and not paid over		9,868	14,324
Increase/(decrease) in cash	19	(4,802)	20,085

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

	2007-08 £'000		Restated 2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made:	114	3,771	896	1,904

The consolidated figure for 2006-07 was restated due to an error in the Forest Service figure included for 2006-07.

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.

	2007-08 £'000		2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Land and buildings:				
Expiry within 1 year	76	76	59	59
Expiry after 1 year but not more than 5 years	11	11	66	66
Expiry thereafter	5	5	5	5
	92	92	130	130
Other:				
Expiry within 1 year	63	63	-	-
Expiry after 1 year but not more than 5 years	97	97	156	156
Expiry thereafter	-	-	-	-
	160	160	156	156

27.2 Finance leases
The Department had no finance leases during 2007-08 or 2006-07.

28. Commitments under PFI contracts
The Department had no PFI contracts during 2007-08 or 2006-07, so there are no commitments at 31 March 2008.

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 2008. The payments to which the Department and its agencies are committed during 2007-08 are shown in the following table.

		2007-08 £'000	Restated	2006-07 £'000
	Core Department	Consolidated	Core Department	Consolidated
EU Grants/Schemes:				
Environmentally Sensitive Areas (ESA's)	448	448	1,355	1,355
New Environmentally Sensitive Areas (NESA's)	55,632	55,632	61,083	61,083
Countryside Management Scheme (CMS)	129,541	129,541	146,415	146,415
Minor Agri-Environment Schemes	216	216		
Building Sustainable Prosperity (BSP) – Rural Development	6,043	6,043	13,321	13,321
Building Sustainable Prosperity (BSP) – Fisheries	4,699	4,699	6,546	6,546
Building Sustainable Prosperity (BSP) – Other	4,489	4,489	8,968	8,968
Leader+	1,064	1,064	3,789	3,789
PEACE II-Natural Resource Rural Tourism Initiative	-	-	231	231
PEACE II-Other	-	-	9,711	9,711
Interreg IIIA-Rural Development	1,214	1,214	2,857	2,857
Interreg IIIA – Fisheries	181	181	848	848
Forestry	-	11,972	-	11,225
Total EU Grants/Schemes*	203,527	215,499	255,124	266,349
Farm Nutrient Management Scheme	27,405	27,405	7,525	7,525
National Grants/Schemes**	3,265	3,265	1,546	1,546
Student Awards	778	778	760	760
Other financial commitments	-	-	5	5
GRAND TOTAL	234,975	246,947	264,960	276,185

*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 £215.5m is EU £120.8m (56%) and DARD £94.7m (44%).

**The National Grants/Schemes figure for 2006-07 of 9,071 was restated as this figure included the Farm Nutrient Management Scheme figure.

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 2007/08 DARD made some £3.6m 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 2007-08 the Department made exchange gains amounting to £1.5m.

Fair values

The book values and fair values of the Department's financial assets and liabilities at March 2008 are not considered materially different.

31. Contingent liabilities disclosed under FRS 12

It is possible that a claim may be brought against the Department in respect of charges made for meat plant inspection assistants.

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.

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 £18,000 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

	2007-08 £'000	2006-07 £'000
Total of 47 cases (2006-07: 164)	145	354

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

	2007-08 £'000	2006-07 £'000
Total of 284 cases (2006-07: 211)	565	460

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 2006-07 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:

Two officers by virtue of their employment were each members of two of the following bodies:

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

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

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

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 31/03/08 £	Market Value at 31/03/07 £
DARD Moore Memorial Fund	96	909.37	992.04
DARD Thomson Memorial Account	990	9,377.87	10,230.36
DARD Thompson Bequest Account	11,763	111,426.19	121,555.31
Vaughan Charity	181,395	1,718,282.28	1,874,481.51
Vaughan Charity – Fermanagh Pig Project	1,099	10,410.39	11,356.74
DARD Drainage Trusts	3,008	28,493.58	31,083.77
Totals	198,351	1,878,899.68	2,049,699.73

Government Stocks Description	Nominal Value £	Market Value at 31/03/08 £	Market Value at 31/03/07 £
DARD Drainage Trusts:			
2.5% Treasury Stock	119	67	66
8.5% Treasury Stock	-	-	1,170
Totals	119	67	1,236

Third-party account balances At 31 March	Bank Accounts 2008 £	Bank Accounts 2007 £	Consolidated Fund 2008 £	Consolidated Fund 2007 £
DARD Pig Production Development	107,543.75	30,602.89		
DARD Horse Racing Fund Account	45.64	1,199.43	166,242.00	115,342.00
Enniskillen College of Agriculture (ECA) Sport and Tuck Shop	5,985.43	1,633.24		
ECA Equine and Business	1,312.00	1,612.00		
ECA Show Jumping Club	157.18	146.61		
ECA Travel Fund	12,762.90	353.48		
ECA – Flo Milling Award	3,925.25	3,925.28		
ECA Vaughan Charity – current account	16,450.99	40,831.23		
ECA Vaughan Charity – deposit account	33,873.46	26,631.94		
Greenmount College Floristry Club	2,763.57	1,143.56		
Greenmount College Sports Fund	14,937.05	2,120.23		
Greenmount College Sports and Recreation Club	2,208.40	13,702.56		
GCR Enterprise Management	4,070.51	2,126.94		
Greenmount Travel – Current	3,816.51	19,795.61		
Greenmount Travel – Business Reserve	8,543.68	8,405.25		
Greenmount – Projects	18,041.51	18,754.27		
Greenmount – Cream Advisory	23,724.37	22,950.14		
Greenmount College Rugby Club	592.97	126.45		
Greenmount College Football Club	110.27	76.12		
Greenmount College Golf Society	255.92	343.02		
Greenmount College Gaelic Club	607.28	1,086.31		
Greenmount Horse Riding Club	332.25	340.74		
Greenmount Hockey Club	210.35	210.35		
Loughry Student Affiliation Account	5,076.06	6,489.18		
Drainage Trust Investment Accounts	59,528.43	56,482.33		
DARD Land Purchase Annuities	1.77	0.73		
DARD Moore Memorial Fund	75.13	60.56	1,400.00	1,300.00
DARD Thomson Memorial Account	499.91	509.02	9,070.00	8,170.00
DARD Thompson Bequest Account	5,787.62	66.80	-	860.00
Totals	333,240.16	261,726.27	176,712.00	125,672.00

36. Entities within the Departmental boundary

The entities within the boundary during 2007-08 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

Since the balance sheet date, the former Minister for Finance and Personnel announced measures to address equal pay issues in the Northern Ireland Civil Service. This is likely to involve the payment of back pay in excess of £100m to some 9,000 civil servants across Northern Ireland Civil Service Departments and their agencies. Details of the final settlement will be progressed over the coming months and an exact figure will not be available until this process has concluded.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 1st July 2008.

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