

**Department for Regional Development Resource Accounts
for the year ended 31 March 2010**

*The Accounting Officer authorised these
Financial statements for issue*

On

1 July 2010

*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*

On

2 July 2010

**Department for Regional Development Resource Accounts
for the year ended 31 March 2010**

*The Accounting Officer authorised these
Financial statements for issue*

On

1 July 2010

*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*

On

2 July 2010

© Crown Copyright 2010

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to the Office of Public Sector Information, Information Policy team, Kew, Richmond, Surrey, TW9 4DU e-mail: licensing@opsi.gov.uk.

DEPARTMENT FOR REGIONAL DEVELOPMENT

Resource Accounts for the year ended 31 March 2010

Contents	Page
Annual Report	
Directors' Report	2
Management Commentary	8
Remuneration Report	37
Statement of Accounting Officer's Responsibilities	46
Statement on Internal Control	47
The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly	58
Statement of Parliamentary Supply	61
Consolidated Operating Cost Statement	62
Consolidated Statement of Financial Position	63
Consolidated Statement of Cash Flows	64
Statement of Changes in Taxpayers' Equity	66
Consolidated Statement of Operating Costs by Departmental Strategic Objectives	70
Notes to the Financial Statements	71
Appendix A – Board Annual Report	121
Appendix B – Annual Report on the Departmental Audit Committee	131
Appendix C – Report by the Comptroller and Auditor General	137

ANNUAL REPORT

The Department for Regional Development presents its Annual Report and Accounts for the year ended 31 March 2010.

DIRECTORS' REPORT

The Department for Regional Development is one of 11¹ Northern Ireland Departments created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999.

The Minister

The Minister has overall political responsibility and accountability for all the Department's activities. Conor Murphy, MP, MLA, was appointed Minister for Regional Development on 8 May 2007.

The Permanent Secretary

Paul Priestly was appointed Permanent Secretary on 3 December 2007. The Permanent Secretary is the Minister's principal adviser on all aspects of the Department's responsibilities as well as the Accounting Officer for all Departmental expenditure.

The Departmental Board

The work of the Department is co-ordinated and monitored by the Departmental Board. The role of the Departmental Board is to provide corporate leadership within policies determined by Ministers.

The Permanent Secretary is the Principal Accounting Officer and the Agency Chief Executive is the Agency Accounting Officer. The Departmental Board operates in accordance with the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments. On 1 January 2007, two independent board members (IBMs) were appointed to the board for a period of two years.

As part of succession planning arrangements, in January 2009, the term of one of the IBMs was extended to 31 December 2009. After an open competition, two new IBMs were

¹ An additional Department, the Department for Justice was created on 12 April 2010 and was established by the Department of Justice Act (Northern Ireland) 2010.

selected and appointed to the Board with effect from 1 January 2009 and 1 January 2010 respectively.

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

Mr Paul Priestly	Permanent Secretary
Mrs Lian Patterson	Deputy Secretary – Senior Finance Director
Mrs Doreen Brown	Deputy Secretary – Regional Planning and Transportation
Mr Geoff Allister	Roads Service Chief Executive
Mr Barry Jordan	Director of Human Resources and Organisational Change (from 1 July 2009)
Mr Adrian Lickorish	Independent Board Member (to 31 December 2009)
Mr Allen McCartney	Independent Board Member
Mr Brian Carlin	Independent Board Member (from 1 January 2010)

Departmental Accounting Boundary

The Consolidated Resource Accounts for the Department have been prepared in accordance with the provisions of the Government Financial Reporting Manual (FRM).

The Department comprises two Core Groups and one Executive Agency. The Core Groups - Resources and Management Services, and Regional Planning and Transportation - are each managed by a Deputy Secretary. The Executive Agency - Roads Service - is managed by a Chief Executive.

Resources and Management Services:

Responsible for human resources, organisational change, strategic planning, information systems, finance, North/South, Equality and Policy coordination, internal audit, central claims, water policy and managing the Department's shareholder interests in Northern Ireland Water.

Regional Planning and Transportation:

Responsible for regional development and transport planning, transportation policy, public transport (including Rapid Transit) and ports.

Roads Service:

Responsible for ensuring that measures are taken to implement the roads aspects of the Regional Transportation Strategy for Northern Ireland 2002-2012 and ensuring that the public road network is managed, maintained and developed. Roads Service is responsible for approximately 25,000 km of public roads, 9,500 km of footways, 5,800 bridges, 270,000 street lights and 370 public car parks.

Entities Outside the Departmental Boundary

The following bodies are outside the Departmental Resource Accounting Boundary:

Northern Ireland Water Limited (NIW)

NIW is a Government Owned Company (the Department is the sole shareholder) and is the statutory water and sewerage undertaker for Northern Ireland, operating under licence and at arms length from central government structures. It is also an NDPB for public expenditure purposes. The Minister has responsibility for the policy and the legislative framework; sets strategic priorities through Social and Environmental Guidance; regulates drinking water quality through the Drinking Water Inspectorate; and pays customer subsidy to NIW on behalf of customers. The operational delivery of water and sewerage services is the responsibility of the Company, subject to regulation by the NI Authority for Utility Regulation and environmental regulators. The Chief Executive has been appointed as Accounting Officer and along with NIW Board is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored.

Northern Ireland Transport Holding Company (NITHC):

NITHC is a public corporation and the parent company of the publicly owned bus and rail companies in Northern Ireland (Northern Ireland Railways, Metro and Ulsterbus, all operating as Translink). The NITHC statutory duties are to manage public transport properties and to oversee the activities of Translink.

The Department provides financial assistance to Translink through the payment of grants and subsidies. The arrangements are governed and carried out within an agreed financial framework, which is subject to regular review. A Management Statement and Financial Memorandum operates.

The Department is responsible for setting specific targets for NITHC in line with its own objectives and monitoring the extent to which these targets are achieved. The Group Chief Executive has been appointed as an Accounting Officer and along with NITHC Board is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored.

Northern Ireland Trust Ports:

The Department is responsible for ports policy and the legislative framework within which ports operate in Northern Ireland.

There are five commercial ports in Northern Ireland – four Public Trust Ports (Belfast, Londonderry, Warrenpoint and Coleraine) and one in private ownership (Larne).

Public Trust Ports are autonomous, self-financing statutory bodies whose constitutions are set out in legislation. They operate on a commercial basis with the profit generated by their activities re-invested to improve their facilities.

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

The Trust Ports are currently classified by the Office for National Statistics as public corporations. Accordingly, all borrowings by the ports must come from the Department (albeit at commercial rates to avoid State Aid issues). In addition, the capital investment plans of the ports score against Departmental Annually Managed Expenditure.

Departmental Reporting Cycle

The Department's Corporate and Business Plan is approved annually by the Minister. It sets out the Department's overall vision, its objectives, associated budget allocation and key targets. Progress against Public Service Agreement (PSA) and Business Plan targets contained in the plan are reported to the Departmental Board and Minister on a quarterly basis.

The Department's Corporate Plan 2009-11 and Business Plan for 2009-10 and End-of-Year Performance Report on 2009-10 targets can be found on the Department's Publication Scheme at www.drdni.gov.uk.

The Department also produces a Main Estimate each year which sets out its detailed spending plans that underpin the resource and cash provision sought by the Department. A Supplementary Estimate is also produced to seek authority for additional resources and / or cash to that sought in the Main Estimate for that financial year. The Estimate is structured on an objective and function basis. The DRD Estimate is subdivided into two Requests for Resources (RFRs), each of which equates to a Departmental Objective.

The Statement of Parliamentary Supply provides a Summary of Resource Outturn for the financial year and compares outturn with Estimate.

Financial Instruments

Note 17 to the Financial Statements discloses details of the impact of financial instruments on the Department in accordance with International Financial Reporting Standard 7.

Pension Liabilities

Details on pension liabilities can be found in the Remuneration Report and in note 10 to the Financial Statements.

Company Directorships

There are no company directorships or other significant interests held by Departmental Board members which conflict with their management responsibilities. The Departmental Board Register of Interests is available at:

http://www.drdni.gov.uk/index/freedom_of_information/customer_information/cinformationtype-results.htm?signpost=Registers&informationType=Register+of+interests

Auditors

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

The audit of the financial statements for 2009-10 and the audit of the International Financial Reporting Standards Shadow Accounts resulted in a notional audit fee of £137k and is included in the administration costs in the Operating Cost Statement. Notional audit fees include an amount of £33k in relation to the audit of the International Financial Reporting Standards Shadow Accounts. There was no remuneration paid to auditors for non-audit work as there was no such work carried out in the year.

The Accounting Officer is content that there is no relevant audit information which the Department's auditors should be aware of. The Accounting Officer has taken all reasonable steps to ensure that both he and the Department's auditors are aware of all relevant audit information.

Contingent Liabilities

The Department had no significant remote contingent liabilities in 2009-10.

MANAGEMENT COMMENTARY

The management commentary has been prepared in accordance with the Government Financial Reporting Manual. The Department's Executive Agency has also prepared an Annual Report that provides details of Agency specific performance and arrangements, and is available through the Department's publication scheme accessed via www.drdni.gov.uk.

Operating Review

Objectives and Strategies

The Programme for Government (PfG) 2008-11, Budget 2008-11 and the Investment Strategy for Northern Ireland (ISNI) 2008-18 were agreed by the Executive on 21 January 2008. The Programme for Government and its supporting Public Service Agreement (PSA) framework set out the Executive's key strategic priorities and plans for the period 2008-2011. Together these three key documents demonstrate how the Executive plans to allocate resource and capital investment in support of these high level priorities. The Programme for Government is published on the website of the Office of the First Minister and Deputy First Minister at www.pfgbudgetni.gov.uk.

The vision of the Department is, *“a region with modern, safe and sustainable roads, transport and water services which improve the quality of life for all”*.

In support of the Department's vision, the Department has two strategic objectives which also form its Requests for Resources. They are:

- A) Supporting the economy by maintaining and developing safe and sustainable transportation networks; promoting airport and harbour services; addressing regional imbalance in infrastructure; and shaping the long-term future of the region; and
- B) Contributing to the health and wellbeing of the community and the protection of the environment by maintaining and developing the policy and regulatory environment which provides sustainable, high quality water and sewerage services.

The costs incurred against each objective are set out in the Consolidated Statement of Operating Costs by Departmental Aim and Objectives of the Accounts.

Performance

The Department's performance against targets for 2009-10 is set out in full in the End-of-Year Performance Report on the Department's website, www.drdni.gov.uk. A summary of performance against our PSA and Business Plan targets is provided below.

PSA Targets

In the Public Service Agreement (PSA) Framework 2008-11, DRD has 18 targets within four separate PSAs.

Progress against the 18 PSA targets at 31 March 2010 can be summarised as follows:

- 1 substantially achieved;
- 11 on track for achievement;
- 3 likely to be achieved but with some delay;
- 2 not likely to be achieved; and
- 1 not achieved.

The target 'not achieved' is:

PSA 15 Objective 3 *"Acceptable levels of compliance with EU requirements and other relevant standards and targets by 2010"* **Target:** "By 2009-10, the water industry ensures that 94% of the population equivalent, served by wastewater treatment works serving a population equivalent greater than 250, achieves compliance with Water Order consents."

This is due to the failure of Newry Waste Water Treatment Works, caused by an illegal trade effluent discharge. Investigations are on-going to control trade effluent discharges to the system. It should be noted that the measurement of this target is on a calendar basis. Measurement starts afresh from 1 January and it remains to be seen whether the target will be met by December 2010.

The targets 'not likely to be achieved' are:

PSA 13 Objective 2 *"Maintain the road infrastructure to keep it safe, effective and reliable through resurfacing, surface dressing and the timely repair of road defects"* **Target:** "Other roads in the network to receive resurfacing treatment of 30% of that recommended in Best

Practice Guidelines by March 2011.” Roads Service has reported that as a result of additional finance received during the last quarter of the 2009-10 financial year, the potential outcome in relation to this target is looking more promising. However until final 2010-11 allocations within Roads Service have been approved and targets have been agreed with Divisions, it is not possible to confirm a higher status to this target at this time.

PSA 15 Objective 2 *“Widespread acceptance of governance structures which ensures delivery of agreed water industry targets and promotes improved customer service by 2010”*

Target: “By 2009-10, water industry reduces percentage of households experiencing unplanned and un-warned interruptions in water supply in excess of 6 hours to 1%.” The achievement of this target has been impaired by the severe weather conditions which occurred during December 2009 and January 2010. The provisional outturn as reported at 31 March 2010 is 1.057% but this is subject to final determination.

The targets ‘likely to be achieved but with some delay’ are:

PSA 13 Objective 3 *“Promote increase in usage of public transport”* **Target:** “Commence work on first Rapid Transit line in Greater Belfast by 2011.” Rapid Transit Division is taking forward the required legislation which is due to enter the Assembly legislative process in June 2010. The revised target date to commence work on site for the CITI-route is end of 2012.

PSA 13 Objective 3 *“Promote increase in usage of public transport”* **Target:** “Support Translink to complete £40m of track improvements between Knockmore and Lurgan by March 2011.” Due to budget constraints and operational issues this project will slip beyond the current PSA period. A new time plan has been supplied with completion now planned for 2015.

PSA 13 Objective 4 *“Improve the governance and commercial competitiveness of trust ports”* **Target:** “By January 2009, have new primary legislation in place.” The Harbours (Northern Ireland) Bill has been drafted but confirmation is still awaited from the Office for National Statistics (ONS) on the “classification of trust ports”. In the absence of a HMT/ONS decision the Minister has considered options to take forward primary and secondary legislation and is proposing to proceed with the legislation as drafted, but making commencement of certain provisions subject to affirmative Orders to be made by the Assembly.

Business Plan Targets

Progress on the 79 Business Plan targets as at 31 March 2010 can be summarised as follows:

- 59 Business Plan targets have been achieved;
- 2 Business Plan targets have been substantially achieved;
- 1 Business Plan target on track for achievement; and
- 17 Business Plan targets are likely to be achieved but with some delay;

Key Outcomes

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

Roads Service:

Roads Service is currently delivering over £450 million of capital improvements through the use of the Design, Build, Finance and Operate (DBFO) form of contract. The DBFO approach is a form of Public Private Partnership where road improvements are designed, constructed and financed by a private sector consortium which then operates and maintains the road, whilst monitored by Roads Service, for up to 30 years for an agreed series of payments from Government.

DBFO Package 1 includes the M1/Westlink upgrade, M2 widening between Sandyknowes and Greencastle and the M2 Crosskennan slip roads at Antrim Hospital. The M2 widening was completed in August 2009. The project also includes the operation and maintenance of 60 km of the motorway and trunk road network.

DBFO Package 2 includes dualling the A1 between Beech Hill and Cloghogue Newry; improving the safety of junctions on the A1; dualling the A4 between Dungannon and Ballygawley; and improvements to the A4 at Annaghilla and A5 at Tullyvar. The four new grade separated junctions on the A1 were all made available to traffic in late 2009. Construction on the A4 Annaghilla and the A5 Tullyvar has progressed satisfactorily and were made available to traffic in February 2010. The A1 Beech Hill to Cloghogue scheme is progressing very well and is anticipated for completion in late summer 2010. The A4 between Dungannon and Ballygawley is progressing satisfactorily and is expected to be

completed in early 2011. This project also includes the operation and maintenance of 125 km of the motorway and trunk road network, which commenced in February 2008.

In 2009-10, Roads Service spent just over £85 million on structural maintenance. This allowed a significant programme of maintenance on both the Regional Strategic Transport Network and local roads with resurfacing of 858 lane km of the network. During the summer months we were also able to surface dress approximately 5.9 million square metres of the road network.

The winter of 2009-10 was the harshest winter in Northern Ireland for over 45 years with road surface temperatures falling below freezing on over 55 days since the start of October. The cold weather experienced in December and January formed part of the most extreme cold spell since early 1963. There was snowfall every day for the first two weeks of the year, reaching depths of 25cms in some areas with drifts significantly deeper. During this period, a fleet of 135 gritters and over 270 personnel were available to salt approximately 7,000 km of main roads, representing 28% of the network.

There were approximately 105 call-outs this year, using around 84,000 tonnes of salt. A further 11,000 tonnes of salt was also used for secondary salting and to fill salt boxes on roads not on the salted schedule.

Public Transport:

Northern Ireland Railways has signed a contract for the procurement of 20 new trains, costing over £105m, to replace the remaining old stock on the Larne line and to enable enhancements to services on the Derry line and the wider rail network. The first of the new trains is due to be delivered in 2011 and will be in passenger service by the end of that year. All 20 new trains will be delivered and in passenger service by 2013.

A major project costing some £12m to extend the life of the railway line between Ballymena and Derry was completed in February 2010. This project was co financed by the European Union Trans European Transport Network (TEN-T).

A new railway station in Newry, costing £14.6m was opened in September 2009. The new station provides a modern, attractive facility for passengers with many new amenities, including provision for 300 parking spaces for the use of rail passengers.

Translink's Bus Replacement programme resulted in orders being placed for 109 new Ulsterbuses during 2009-10.

The Department has taken forward work in connection with the reform of public transport. In parallel with the public consultation on reform proposals, it has made preparations for the introduction of the new organisational arrangements and has been developing the required legislation.

Transportation Policy Division

During the year several strands of work were undertaken to develop more sustainable transport arrangements including the publication of a baseline on greenhouse gas emissions. The paper sets out the 1990 baseline and 2007 position on greenhouse emissions from transport in the North and highlights a number of key trends impacting on transport emissions.

The Minister, with senior officials, visited Brussels where he addressed a Seminar on "the challenges faced by a peripheral region in delivering sustainable transport". The objectives of the visit were to share experiences in developing innovative and practical solutions to delivering sustainable transport in a peripheral region and to discuss with, and gain support from, EU officials for our vision of the future of transport on this part of the island.

During the year the Department established an Active Travel Forum, to research and provide recommendations on an Active Travel Strategy for Northern Ireland. The Forum is considering options for the facilitation and promotion of walking and cycling, including provision of infrastructure and behavioural change interventions. The Forum has representatives from the public, private and voluntary sectors and will take account of recent initiatives at both national and international level. The Forum aims to present its high-level recommendations for an Active Travel Strategy to the Department in autumn 2010.

Regional Planning:

Regional Development Strategy:

During the year the Department continued to carry out a major review of the Regional Development Strategy. The aim is to consult on a draft during 2010-11. A key objective is to ensure that the Strategy is up to date and takes forward the spatial planning aspects of the Programme for Government. In carrying out this review the Department is taking account of the changing economic situation and the need to adapt to climate change.

Regional Transportation Strategy:

On 14 September 2009, the Minister made an announcement in the Assembly of his intention to commence a review of the Regional Transportation Strategy. To assist in the Review, the Department prepared a Discussion Document outlining its thinking. Targeted consultation on the Discussion Document closed on 18 December 2009 and 38 responses were received. A draft Revised Regional Transportation Strategy is being prepared for full public consultation.

Accessible Transport Strategy Action Plan:

In January 2010 the Department published the Accessible Transport Strategy Action Plan 2009-2012 following endorsement from the Executive and the completion of an extensive public consultation process. This plan lists actions to be undertaken to improve the accessibility of people with disabilities and older people with mobility difficulties.

Rathlin Island:

The Minister announced on 2 March 2010 that the Executive had introduced a policy for Rathlin Island. The purpose of the Rathlin Policy, prepared by the Department on behalf of the Executive, is to develop a vibrant healthy Rathlin community and increase the involvement of Islanders in the development of policies and projects which improve conditions for all of the people of the Island while protecting its environment.

Water Policy Division:

Under Article 7 of the Water and Sewerage Services (Northern Ireland) Order 2006, the Department issued Draft Social and Environmental Guidance on the Executive's priorities for water and sewerage services for the next three years (2010/13). The draft guidance was

developed in conjunction with statutory partners (the Utility Regulator, the Consumer Council, NIW, DRD, the Drinking Water Inspectorate and the NI Environment Agency) and was also informed by extensive customer research carried out by the Consumer Council in 2008. There was a 10-week public consultation which ended on 8 May 2009. Final Guidance was laid before the Assembly on 21 April 2010. The key priorities in the guidance can be summarised as:

- *Service delivery and Improvement* – maintain current service levels and work towards improvements that provide customer benefits in areas such as sewer flooding and interruptions to water supply;
- *Affordability* – provide affordable cost effective services for customers;
- *EU Compliance* – meet our European legal obligations in relation to drinking water quality, waste water discharges into the environment, and contribute to flood risk management with other Agencies; and
- *Sustainability* - improve our infrastructure to reduce leakage, cut unsatisfactory sewerage discharges, lower energy consumption and allow for future growth.

The Department has worked closely with other lead Departments on the transposition and implementation of European legislation such as the Water Framework Directive, Floods Directive and the Marine Strategy Framework Directive. The Department has also provided input to various other cross-cutting policies and legislation which impact on the water and sewerage industry. This includes the Carbon Reduction Commitment Scheme, Strategic Energy Framework, Planning Reform, Offshore Renewable Energy Action Plan, Marine Policy Statement, NI Marine Bill, Sustainable Development Strategy, Shellfish Waters Directive designation and the NI Biodiversity Strategy.

Work is also underway with various stakeholders on a future policy framework for civil emergency and contingency measures within the water and sewerage industry. New **Civil Emergencies Measures Directions** will be brought forward, which will include guidance on preserving the security of buildings, pipes, installations as well as mitigating any risk of civil emergency.

A review of the policy on providing financial assistance to householders in properties not served by a water main is well underway. A comprehensive analysis of domestic properties throughout Northern Ireland was undertaken and a questionnaire was issued to around 3,800 properties which appeared to be not served. As a result, 1,200 properties have now been

identified where a water main extension would be required to provide mains water. It is planned that a consultation exercise on policy options will be carried out later in 2010.

During 2009-10, Water Policy Division introduced the following new legislation for the water industry:

- The **Water Supply (Domestic Distribution Systems) Regulations (Northern Ireland) 2010**. These joint regulations implement DRD/DOE aspects of the Drinking Water Directive (Council Directive 98/83/EC) which had previously not been fully transposed. Directive requirements will be met by placing a statutory obligation jointly on DRD and DOE to take remedial action in respect of water quality failures that are attributable to the domestic distribution system in premises where water is supplied to the public.
- The **Water Supply (Water Quality) (Amendment) Regulations (Northern Ireland) 2010** enhance the clarity of existing Water Supply (Water Quality) Regulations, and implement responsibilities under the Drinking Water Directive (Council Directive 98/83/EC) which had previously not been fully transposed.
- The **Water and Sewerage Services (Amendment) Act (Northern Ireland) 2010** amends Article 213 of the Water and Sewerage Services (Northern Ireland) Order 2006 to enable the Department to continue to make subsidy payments to Northern Ireland Water while domestic payments for water and sewerage services continue to be deferred.
- The **Water Supply (Water Fittings) Regulations (Northern Ireland) 2009** set out amended standards for water pipes, fittings and apparatus using water supplied by Northern Ireland Water. They also make provision for preventing contamination, waste, misuse and undue consumption of water supplied by NIW as well as increasing consumer protection and enhancing the integrity of the public water supply network.
- The **Water Supply (Water Quality) (Amendment) Regulations (Northern Ireland) 2009** make monitoring of raw water quality a legislative requirement following the repeal of the European Surface Water Abstraction Directive. The Regulations enable the introduction of wider catchment risk assessment and the introduction of water safety

plans. Additional enforcement powers are provided to deal with the risk of untreated water entering the public supply.

The Department carried out strategic and oversight roles during 2009-10 working with stakeholders in the water sector including Northern Ireland Water, the Northern Ireland Authority for Utility Regulation, the Consumer Council for Northern Ireland, the Northern Ireland Environment Agency and the Drinking Water Inspectorate. This included responding to a series of consultation documents issued by the Utility Regulator including their Forward Work Programme, Social Action Plan and PC10 draft Determination and Consumer Council's Forward Work Programme. The Regulator published its Final Determination on 3 February 2010. Following discussions with stakeholders in the water sector, the Executive agreed the funding for NIW for 2010-11 taking account of the Regulator's recommendations. Discussions continue with the stakeholders concerning 2011-12 and 2012-13 to inform the Executive in its consideration of the forthcoming Spending Review.

During 2009-10, the Drinking Water Inspectorate (DWI) has carried out the Department's regulatory duties in respect of drinking water quality seeking to improve compliance for public water supplies. This included:

- undertaking an annual technical audit process,
- applying appropriate statutory mechanisms where necessary to ensure compliance,
- providing independent technical advice to the Department and the Regional Development Committee, and
- publishing the Annual Drinking Water Quality Report for Northern Ireland.

Water Shareholder Unit:

Investment in Northern Ireland's water and sewerage infrastructure is essential to meet key environmental standards and to deliver high quality services to customers.

Some £210 million of capital infrastructure projects were delivered by NIW during 2009-10. This included the continuation of projects previously started along with the commencement of new projects.

20 projects were commenced at high priority Wastewater Treatment Works. This will continue the ongoing work to ensure compliance with the appropriate EC Directives and meet the regulatory discharge consent standards.

Some of the major projects started by NIW during 2009-10 include:

- Dungiven Waste Water Treatment Works
- Cloughmills Waste Water Treatment Works
- Tardree Zone Watermain Improvements
- Ballygowan Zone Watermain Improvements
- Reservoir Rehabilitation Programme Phase 3
- Glenlough Service Reservoir
- Maghaberry Flood Alleviation Projects
- Belvoir Park Trunk Sewer

Major projects which were completed during 2009-10 include:

- Ballinrees Central Zone Watermain Improvements
- Mid Down Zone Watermain Improvements
- Saintfield Waste Water Treatment Works
- Hamiltonsbawn Waste Water Treatment Works
- Seagahan Water Treatment Works
- Ballyholme (Bangor) Drainage Area Programme Phase 1
- Ormeau Road Storm Separation

Improvements were made to the watermain infrastructure in a number of areas throughout Northern Ireland. Over 350km of new or replacement watermains were laid during 2009-10 as well as over 70km of sewers.

The Belfast Sewers Project has been in beneficial use since December 2009 when the sewerage overflows from Park Road, River Terrace and Tomb Street were connected to the stormwater tunnel. The remaining sewerage overflows were connected to the tunnel in April 2010, and the stormwater tunnel has been fully operational since that time. The official opening of the tunnel project took place on 19 May 2010.

The official opening of the Public Private Partnership drinking water project (Project Alpha) facilities in September 2009 celebrated the first anniversary of the full operation of the new

treatment plants, with the capacity to deliver up to 50% of NI Water's demand over the next 23 years.

The wastewater project (Project Omega) delivered a further four wastewater treatment facilities into operation through the course of the year, and by year end, the wastewater sludge disposal service element also entered operation, concluding the construction phase of this 25 year contract for wastewater services.

The financial performance of NIW during 2009-10 has been in line with many other businesses in Northern Ireland, in that NIW is affected by the current economic downturn and has experienced pressure on revenues as a consequence of lower consumption in the non-domestic sector. However, this pressure has been absorbed through reductions in costs throughout the business. In accordance with its governance arrangements NIW will declare a dividend during 2010-11 for the 2009-10 year.

Trends and Strategic Direction

Economic and Public Expenditure Context

The economic outlook for 2010-11 is very different to that which existed when the Programme for Government 2008-2011 was agreed by the Executive. The economic downturn and the austerity measures that have and are due to be announced by the newly elected government highlight the difficult financial environment that DRD and all departments will have to operate in during 2010-11 and the next Spending Review period to 2013-14. DRD will continue to work internally and with stakeholders throughout these years to ensure that the Department is ready to meet the challenges ahead.

NIW Governance arrangements

In response to an Independent Review Team Report on procurement governance issues within NI Water the Minister took firm action to implement the recommendations. As a result four non-executive directors of the Board were dismissed in March 2010. The Department now plans to appoint a number of new non-executive directors to the board of NIW on an interim basis, to strengthen the Board and provide a challenge function. This will ensure that the corporate governance arrangements comply with good corporate governance practice and the Combined Code.

A full public appointments process will be commenced in due course.

A joint action plan has been to take forward those of the report's recommendations that fall to the Department and the NI Water Chief Executive. The Department will work with the company and provide the Chief Executive with the necessary support to implement the action plan.

NIW Subsidy

During 2009-10 the Assembly voted through a Bill to extend provision for the payment of subsidy to NI Water to 2013 (by amending Article 213(3) of the Water & Sewerage Services (NI) Order 2006). The Executive agreed that additional household payments for water and sewerage services would not be introduced in 2010/11. Consequently DRD will continue to pay subsidy under Article 213 of the 2006 Order during 2010/11. The Executive has not yet decided on whether or not additional household payments for water and sewerage services would be introduced in subsequent years. The payment of subsidy will depend on such decisions. The subsidy paid in 2009-10 was £258m and is estimated to be £298m in 2010-11.

Structural Maintenance Funding

Insufficient funding for structural maintenance in Roads Service remains a key concern for the Department. Whilst the Department recognises the funding pressures facing the Executive, we remain concerned that the level of funding made available for structural maintenance on Roads is insufficient to maintain the network in a satisfactory condition on an ongoing basis.

An independent assessment of the funding required for the structural maintenance of the road network was conducted by Professor Martin Snaith, a leading authority in this field and his report highlights the case for a significantly enhanced level of investment to allow much needed maintenance repair work to be carried out.

Some 2.7% of the motorway network and around 43% of the trunk road network are at or below the national skidding resistance investigatory level. While such lengths are monitored and action taken in line with national standards, if there is a history of skidding collisions, such a high proportion of the upper road hierarchy with relatively low skidding resistance is a cause for concern.

On the non trunk road network the relatively low level of funding means that the good practice resurfacing frequency of once in 25 or 30 years is not achieved. Indeed, resurfacing frequencies on the non trunk network are often in excess of good practice e.g. the resurfacing

frequency for the U-class roads last year was 1 in 100 years. This means that significant lengths of the non trunk road network will be of irregular profile and/or below the desirable skid resistance level.

Review of Public Administration

In line with proposals for the Review of Public Administration (RPA), the Executive Sub-Committee agreed in September 2009 to transfer a refined suite of roads functions in 2011.

The revised functions that will transfer include:

- pedestrian permits'
- alley-gating;
- permitting local events to be held on roads;
- off-street parking; and
- on-street parking enforcement.

As a result, approximately 60 Roads Service staff could transfer to the new councils under these proposals. The Executive's decision also advised that Roads Service would implement structural arrangements to facilitate co-terminosity with the new council boundaries, and there would be formal and direct input by new councils to local roads decision making.

On 14 June 2010 the Executive decided to postpone the local government reform programme and to retain the existing 26 councils for the local council elections in 2011. Roads Service is working closely with officials from the Department of the Environment and local government, to clarify the impact of this decision.

Rapid Transit

The Department is progressing proposals for a bus based Rapid Transit network in Belfast and has recently completed a public consultation exercise on the policy proposals to inform new primary legislation. The Department is finalising the Consultation Report and progressing the required legislation with a view to introducing it to the Assembly in June 2010. Preliminary design for the various route alignment options are being prepared and these will, as part of the Outline Business Case process, form part of a public awareness exercise early in 2011. Rapid Transit is a key priority in the Programme for Government with a commitment to start work on the first scheme by 2011. Construction of the pilot network is scheduled to commence in 2012 (City centre to Titanic Quarter) with the connections between the city centre and East and West Belfast scheduled to commence in 2014.

Financial Review

Resources

As set out in the Statement of Parliamentary Supply, the Department was voted Resource Estimate Provision of £2,007,576k for 2009-10. Details of resource estimate and outturn for each Request for Resources are given in Table 1 below (full details are provided in the Statement of Parliamentary Supply):

Table 1

	Estimate	Outturn	Variance
	(£000)	(£000)	(£000)
Request for Resources A	1,749,470	1,618,016	131,454
Request for Resources B	258,106	257,525	581

Explanation of significant variances (over £500k and in excess of 10%) between Estimate and outturn (net total resources):

Line	Variance Under/(over) £000	Explanation
RfR A		
1	3,719	The depreciation requirement on the trunk road network within Roads was not as great as anticipated resulting in a surplus of some £3m.
2	9,164	Estimate included £9m to allow for the City of Derry Airport bid. This was not drawn upon.
3	(990)	Approval was sought and granted at February monitoring to move budget between Roads passenger services to railway services. Virement has been approved for this change.
5	676	Variance mainly relates to Cost of capital being lower than anticipated. This is due to Core debtors being less than anticipated and provisions being higher than anticipated.
7	117,043	Due to system and accounting policy changes the cost of capital budget was based on last years budget. Approx £100m less cost of

		<p>capital charged than anticipated.</p> <p>Depreciation under spend of approx £20m. The timing and complexity of the Coarse Visual Inspection (CVI) surveys is such that results were not obtained in time to adjust the AME depreciation budget.</p>
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Explanation of the variation between estimate net cash requirement and outturn net cash requirement: (each line has to be explained if the variance is over £500k and in excess of 10%)

Line	Variance Under/(over) £000	Explanation
Investments	20,000	The full year loan requirement was reduced by £20m to £170m. This was primarily due to the timing of payments in relation to the capital expenditure incurred in the last quarter of the year and lower than anticipated working capital requirements by NIW.
Proceeds of property, plant & equipment	(1,450)	Contractual delays in the disposal of land.
Non cash items	(127,561)	<p>Due to system and accounting policy changes the cost of capital budget was based on last years budget. Approx £100m less cost of capital charged than anticipated.</p> <p>Depreciation under spend of approx £20m. The timing and complexity of the Coarse Visual Inspection (CVI) surveys is such that results were not obtained in time to adjust the AME depreciation budget.</p> <p>There was also a £6m impairment of Roads assets mainly on land.</p>

Changes in working capital other than cash	74,895	Accounts payable and receivable were more than anticipated. Estimates of these were projected in line with prior year figures. There was also an increase in accruals due to goods received not invoiced.
Use of Provision	16,498	The cash paid against capital provisions was less than expected mostly in respect of land payments.

Details on resources consumed by Departmental aim and objectives are provided in the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives.

Movements in the Department's fixed assets during the year are shown in Notes 15 and 16 to the accounts. The overall movement reflects net capital expenditure incurred in the year, together with the impact of revaluation and depreciation.

The Department has received funding during the financial year under the Trans European Networks (TENS) Programme.

The Department's employees are an important resource. The Management Report provides details of the Department's policies in relation to equal opportunities, staff training and development, and employee involvement. Further details on agency specific arrangements are available in the Roads Service Agency Annual Report.

Post Financial Year Events

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

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	1,875,541
<i>Adjustments:</i>	
IFRS adjustments	(1,382)
Less Consolidated Fund Extra Receipts (CFERs) in the OCS	(687)
Exchange loss on CFER's	418
Add EU Capital grant income	-
Net Operating Costs (Accounts)	1,873,890
Less Capital Grants paid to finance capital expenditure	(51,956)
Add profit/(loss) on disposal of fixed assets	(12)
Add EU income-CFER related	(464)
Remove the release from the Government grant reserve (non-budget element)	4,803
Resource consumption of NDPB	238,095
Voted expenditure outside budget	(255,703)
Remove inter-departmental notional charges	(12,950)
Resource Budget Outturn (Budget)	1,795,703
<i>Of which:</i>	
Departmental Expenditure Limits (DEL)	421,541
Annually Managed Expenditure (AME)	1,374,162

Financial Performance

The main features arising from the Department's financial performance in 2009-10 are as follows:

Roads Service:

The Roads Service budget for the 2009-10 financial year was £1.8 billion. Of this, £1.4 billion represents notional cost of capital charges and the remaining £419 million is the Agency's operating budget. Roads Service fully expended this budget.

The main features arising from the Agency's financial performance in the year are as follows.

- Net resource outturn is 100% of the total budget of £162 million.
- Gross capital expenditure of some £257 million is on budget, representing 100% utilisation of the capital funds available.
- Capital charges were less than anticipated, (£121 million, 8.5%) mainly due to falls in the value of assets.
- The completion of the final Sandyknowes to Greencastle section marks the completion of construction of the £140 million DBFO1 project covering widening of the M1 at Westlink and widening of the M2. All sections of this project are now open to the public.
- The first phases of the £300 million DBFO 2 project were completed with the opening to the public of 4 grade separated junctions on the A1 and the opening of the A4 Annaghilla and A5 Tullyvar schemes.
- Just over £33 million of Local Transport and Safety Measures have been undertaken this year.
- Roads Service successfully migrated its accounting systems to the NICS common platform and completed the transition in-year to accounts based on International Financial Accounting Standards (IFRS).

Transport:

The Department paid Translink £71.6 million in revenue support (including concessionary fare reimbursement of £31.8 million) and £50.6 million in capital support (£36.4 million on railways and £14.2 million on buses). The Department remains Translink's primary source of income.

Part of the Translink monitoring process assesses performance against Key Performance Indicator (KPI) targets agreed for Metro, Ulsterbus and NIR. The KPIs cover four general areas; value for money, operating efficiency, quality of service and safety.

Translink bus and rail passenger journey numbers fell during the year compared to the previous year, but is still expected to meet the Government target of 77 million journeys. The downturn is most marked on Ulsterbus services. The Economic Downturn and the impact of Malahide bridge collapse on rail numbers are seen as key explanations. This resulted in cost per passenger targets being slightly overshot despite operating and overhead costs remaining close to budget. The independent monitoring surveys in spring and autumn indicated that the Passenger's Charter targets for punctuality and reliability had been met by all three companies. Customer satisfaction with Translink bus and rail services is at a generally high level. Metro average fleet age was below the 8 year target set out in the Regional Transportation Strategy (RTS) for 2012/13 and accessibility also met the 100% target. Ulsterbus also met the RTS average age target and with accessibility at just over 80% is on course to meet the 100% target by April 2013.

Northern Ireland Water

Subsidy – during 2009-10, the Department paid to the Company some £258 million of revenue subsidy as third party consideration on behalf of customers. This was NIW's main source of income because of the Executive's decision not to implement domestic charging during the year for water and sewerage services.

Capital Charge - during 2009-10 the Department incurred a cost of capital charge of £60m on its Investment in NIW.

Capital Grant Support – during 2009-10, the Department paid NIW a total of some £64k in respect of reasonable cost allowance for water main and sewer requisitions to existing properties.

Loan notes – during 2009-10, NIW issued some £170 million capital loan notes to the Department. The cumulative total of the capital loan notes issued since 1 April 2007 amounts to £627.6 million, which includes £150 million issued on the vesting of the company.

Dividend and Interest- In August 2009 NIW paid a dividend of £35 million to the Department relating to the 2008-09 financial year. The Department also received £27 million in Interest from NIW.

Corporate Governance

The Permanent Secretary of the Department, as Accounting Officer, is responsible for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives set by the Minister, whilst safeguarding the public funds and departmental assets in accordance with the responsibilities set out in Managing Public Money (NI). The Chief Executive in Roads Service has been designated as the Agency Accounting Officer.

A Departmental Board with Executive and Non-Executive members operates in accordance with the requirements of the Code of Good Practice on Corporate Governance in Central Government Departments.

The Departmental Board has carried out regular assessments of compliance with HM Treasury corporate governance requirements and agreed action to rectify any outstanding areas of concern. A review, carried out in May 2009, found that the Board and the Departmental Audit Committee (DAC) were now largely compliant with Corporate Governance Guidance. The emphasis has moved from compliance to the development of good Corporate Governance practice. A further review is planned in May 2010.

A wide-ranging review of the Board's operation in 2009-10 was carried out by independent consultants. The recommendations to help build departmental capability and improve the effectiveness of the Board will be taken forward in 2010-11.

The Department's Corporate Governance Framework (CGF) is regularly updated to reflect changes in board membership and the operation of board sub committees. The CGF, which was last updated in January 2010, can be found on the Department's Publication Scheme at www.drdni.gov.uk. The Annual Report on the Departmental Board and Audit Committee is attached at Annex A.

Work to develop a more strategic focus in the agendas of the Departmental Board continued in 2009-2010. Routine papers are now considered by correspondence in advance of Board

meetings. The Agenda also contains indicative timings for each item to help ensure a clear focus on the most important and strategic items.

As part of succession planning arrangements, in January 2009, the term of one of the IBMs was extended to 31 December 2009. After an open competition, two new IBMs were selected and were appointed to the Board with effect from 1 January 2009 and 1 January 2010 respectively. The Director of Human Resources and Organisational Change was appointed to the Board in July 2009.

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

- **Corporate** – High level risks for the Department managed by the Departmental Board;
- **Agency/Core Group** – key risks identified and managed by the Senior management team of the Department’s Executive Agency and Core Groups under Deputy Secretaries;
- **Division/Directorate Level** – key risks identified and managed by Directors and their management teams; and,
- **Branch/Functional Area** – key risks at this level are managed by the Head of Branch. These feed into the Agency/Divisional level risks as appropriate.

The risk management cycle is both a “top-down” and “bottom-up” exercise that allows risks to be identified and managed at all the levels outlined above and to be escalated as appropriate. The Corporate Risk Register for 2009-10 was agreed by the Departmental Board on 7 April 2009. During 2009-10 the Departmental Board received quarterly risk updates in May 2009, September 2009, November 2009 and February 2010. This process took place from Branch level up and involved a review of risks and their assessments, identification of new risks and progress updates on actions to improve management control. This provided the Board with an opportunity to discuss the key risks facing the Department and the work being undertaken to manage those risks.

The key departmental risks identified in 2009-10 include:

- **Water Charging** – Delays in policy agreement may result in insufficient funding for NIW and impact on the delivery of other corporate objectives;
- **Financial Management** – Executive re-prioritisation and budgetary pressure may reduce available resources resulting in a failure to achieve objectives.

- **NIW Reclassification** – Conflict between the legal status of NIW as a GoCo (Government-Owned, Contractor Operated) and its status as an NDPB for PE (Public Expenditure) control purposes may impact adversely on Departmental budgets leading to less effective governance of the water industry.
- **Rapid Transit** – Funding shortages may jeopardise the implementation of Rapid Transit resulting in the failure to achieve a key corporate objective.
- **Trust Ports** – Delays in the reclassification of trust port status creates delay in legislation and impacts on our ability to deliver a key reform objective.
- **NICS Reform** - Problems with the NICS Reform Programmes may prevent the Department from achieving its key objectives.
- **HR Management** - Insufficient capacity and capability may prevent the Department from delivering key objectives
- **Information Management** – Compromise of sensitive information may damage the Department’s reputation and may prevent programmes from being delivered.
- **Relationships** - Inadequate controls for managing relationships with Service Providers and Arms Length Bodies may result in sub-standard services and may result in a failure to achieve key objectives
- **Incident Planning** - Inadequate planning may lead to the Department providing an insufficient response to major incidents which could damage the Department’s reputation
- **Business Planning and Corporate Governance** – Non-compliance with Business Planning and Corporate Governance requirements may lead to a lack of strategic direction and result in failure to achieve key objectives

The Statement on Internal Control provides a summary of the risk management of significant internal control problems the Department faced in 2009-10.

The Department continues to review its oversight of the Northern Ireland Transport Holding Company (NITHC). The DRD/NITHC Management Statement and Financial Memorandum (MSFM) was revised in February 2008. Bi-annual performance review meetings between the Minister and NITHC took place in June and November 2009. The Department undertook detailed monitoring throughout the year in accordance with the governance framework set out in the MSFM and the Government’s Accounting procedures ‘Managing Public Money’. Statements of Assurance from the NITHC Accounting Officer were received during 2009-10.

During the course of the year monthly monitoring meetings took place between the NITHC Chief Executive and the Department's Public Transport Performance Division. An External Quality Assessment Framework Review of the NITHC Internal Audit function was published in May 2009 and made a number of recommendations including the appointment of a Head of Internal Audit (HIA). The HIA will take up post with effect from April 2010 and will be tasked with taking forward the recommendations. The NIAO have also been conducting a review of the NITHC / Translink Corporate Governance arrangements. Their report is awaited and this may have an impact on the current MSFM.

DRD has adopted a systematic approach to the application of corporate governance best practice in NIW. The basis of governance between the Department (as owner) and the Company (represented by the Board of Directors) is set out in a Governance Letter.

The Department's Shareholder Unit monitors NIW's business performance through monthly performance information and Quarterly Shareholder Meetings (QSMs). QSMs were held in July and November 2009 and in January 2010. NIW also published a Six Month Interim Report in March 2010, which provided a summary of progress achieved in relation to the Company's financial, non-financial and environmental Key Performance Indicators.

Key Relationships

The Department's Executive Agency, Roads Service, progressed a number of Public Private Partnership projects that will contribute towards the achievement of some of the Department's key objectives. Further details on these projects and the contractors appointed can be found in the Roads Service Annual Report.

In all of our cities and towns parking restrictions are in place to manage traffic, to reduce congestion and to improve road safety. Roads Service works in partnership with its service provider, NSL, to enforce parking restrictions and ensure compliance with on and off-street parking regulations.

The Inclusive Mobility and Transport Advisory Committee (IMTAC), a committee of disabled people and older people as well as others including key transport professionals, advises the Department and others in Northern Ireland on issues that affect the mobility of older people and disabled people.

The Integrated Transport Stakeholders group (ITSG) advises the Minister on issues arising from the implementation of the Regional Transportation Strategy (RTS) 2002-2012. This group also generates ideas and guidance on best practice in transport and helps promote a partnership approach to the implementation of the RTS. ITSG includes representatives from councils, businesses, the voluntary and community sectors, and departments and agencies.

Sustainability

The Department continued to work to deliver on the commitments in its Sustainable Development Action Plan and in the cross-Departmental Sustainable Development Implementation Plan. During 2009-10, the Department produced a Baseline Report on Greenhouse Gas Emissions from Transport which is informing action to develop further sustainable travel and transport measures. In addition, the Department's procurement was carried out in line with the central guidance on Equality of Opportunity and Sustainable Development in Public Sector Procurement.

Society and Community

Equality of Opportunity and Good Relations

In carrying out their functions, powers and duties relating to Northern Ireland, all Departments must have due regard to the need to promote equality of opportunity between certain specified groups, and also have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. The Department is committed to fulfilling its obligations under Section 75 and Schedule 9 of the Northern Ireland Act 1998 and has mainstreamed Section 75 across all business areas. All new policies are screened to assess impacts on equality of opportunity and good relations and subject to full equality impact assessment as necessary. Action has also been taken to improve the quality of Section 75 data collected for policies which have been subject to full EQIA to ensure that Section 75 monitoring is as comprehensive and effective as possible.

Quarterly progress reports on the implementation of the Department's Equality Scheme commitments were submitted to the Departmental Board in 2009-10. In addition, a progress Report for 2009-10 will be submitted to the Equality Commission by 31 August 2010.

The Disability Discrimination Act 1995 requires public authorities, when carrying out their functions, to have due regard to the need to promote positive attitudes towards disabled people and encourage the participation of disabled people in public life. A Disability Action

Plan covering the period 01 April 2007 –31 March 2010 detailing how the Department fulfils disability duties was submitted to the Equality Commission on 30 June 2007. A mid-term review of the plan was carried out and a revised Action Plan was submitted to the Equality Commission in January 2009. Updates on progress were included in the quarterly reports to the Board and will be included in the Annual Report to the Equality Commission issued in August 2009. Work has now commenced on a new plan for the period 1 April 2010 – 31 March 2013. This will issue for consultation in April 2010.

Corporate Social Responsibility Policy

The Department launched its Corporate Social Responsibility Policy on 26 October 2009, which sets out our commitment to be a socially and environmentally responsible organisation and a good employer. It focuses on the four key themes of Community; Environment; Workplace; and Responsible Procurement, setting out a series of measures we will take now and in the future. It also contains a further section on Charitable Partnerships which flows from the Community theme.

To supplement the policy, an annual Action Plan is produced to capture some of the “key programmes” that we are committing to.

Charitable Donations

The Department made no charitable donations during the year.

Prompt Payment of Suppliers

In accordance with the Late Payment of Commercial Debts (Interest) Act 1998, Late Payment of Commercial Debts Regulations 2002 and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions, the Department is committed to the prompt payment of bills for goods and services received. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on the presentation of a valid invoice, whichever is later. In November 2008, the Executive sought payments to be made within 10 days to help local businesses in the current economic climate.

In 2009-10, 84 % of invoices for goods or services were paid within 30 days or contract terms and 60% were paid within 10 days (In 2008-09 97.5 % of invoices for goods or services were paid within 30 days or contract terms and in the period 1 December 2008 to 31 March 2009, 77.9% were paid within 10 days). On 6th July 2009 the Department migrated its accounting functions to

Account NI. This included the payment of invoices. On migration and in common with other departments, there was a post implementation dip in performance as suppliers and staff got used to the new system and processes. This has been followed by a gradual improvement over time.

Employees

Equal Opportunities

The policy of the Northern Ireland Civil Service is that all eligible persons should have equality of opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. The Department is committed to

1. equality of opportunity and to the elimination of all forms of discrimination, harassment and victimisation; and
2. creating a working environment where individual differences are valued and respected enabling all staff to give their best.

This means that all staff are entitled to:

- fair and equal treatment irrespective of their gender, marital status, sexual orientation, religious belief, political opinion, race, age, disability or Trade Union activity;
- a harmonious working environment where no-one feels intimidated or threatened;
- make a complaint under the NICS Dignity at Work Procedures if they believe that they have been subjected to harassment, bullying, discrimination or victimisation; and
- have such a complaint dealt with fairly, thoroughly, sensitively and expeditiously.

The Dignity at Work Procedures have been in place since November 2007 and have been applied to the investigation and decision making in all cases.

Disabled Persons

The Department aims to ensure that people with a disability suffer no detriment in recruitment and advancement and that its policies and practices comply with the requirements of the Disability Discrimination Act 1995 and Disability Discrimination (Amendment) Regulations 2003. The consideration and implementation of reasonable adjustments help to ensure that staff with disabilities can fully utilise their skills and abilities. The Department also provides placement opportunities for people with disabilities through the Employment Support Programme.

Staff Training and Development

The Department is currently accredited with Investors in People (IiP) across all its business areas. The Core of the Department was reassessed against the revised IiP standard and was awarded full IIP recognition in November 2007. Roads Service was successfully reaccredited IiP status in December 2008.

To continue in its commitment to the principles of IiP, DRD Core will keep to its timetable and submit an application for reaccreditation in the summer of 2010. This assessment will be viewed not only as a check that the Department continues to meet the Standard but also in support of business requirements in the context of the impending merger of the approaches to IiP between the Core and Roads Service. In 2011, when Roads Service's reaccreditation expires, a unified approach will be taken and a submission for a corporate assessment will be sought.

Employee Involvement

The Department places considerable reliance on the involvement of its employees. It keeps staff informed of plans and developments through team briefings, circulars and publication of business and training plans. Staff have access to the NICS welfare service as well as to a confidential, independent counselling/support facility, and to trade union membership. The Department continues to use the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and is attended by both employer and trade union representatives. In this way staff views are represented and information for employees is promulgated.

Health and Safety

The Department is committed to adhering to the Health and Safety at Work (NI) Order 1978 and all subordinate legislation to ensure that staff enjoy the benefits of a safe environment. Health and Safety Risk Assessors continue to identify risks and recommend controls in their Business Units. A programme for monitoring Health and Safety compliance of Core Business Units is in place. An annual Core Health and Safety Report for 2009-10 will be prepared and presented to the Director of Human Resources and Organisational Change in June 2010.

Sickness Absence Data

Provisional outturn statistics indicate that amongst the Department's non-industrial staff, the average number of working days lost in 2009-10 due to sickness absence amounted to 6.8 days against a target of 8.5 days. The comparable figure for industrial staff is 13.0 days lost against an annual target of 13.4 days.

Information Management

There have been no instances where the Department has charged for value added information under the Re-Use of Public Sector Information Regulations. Any information charged for has been produced in published documents. The Department is aware of the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance and would adhere to it should the occasion arise.

Personal Data Related Incidents

There have been no reported Personal Data Related Incidents.

P. C. Aherly

Accounting Officer

1 July 2010

REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is approved by the Minister of Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at <http://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 normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service pay award in 2009/10 comprised a base pay uplift only, with individuals' awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' 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.

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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management of the department.

Remuneration (this information is subject to audit)

Ministers	2009-10		2008-09	
	Salary £	Benefits in kind (nearest £100)	Salary £	Benefits in kind (nearest £100)
Conor Murphy Minister	37,801	Nil	37,801	Nil

Officials	2009-10		2008-09	
	Salary £000	Benefits in kind (nearest £100)	Salary £000	Benefits in kind (nearest £100)
Paul Priestly Permanent Secretary	100-105	Nil	105-110	Nil
Geoff Allister Chief Executive of Roads Service	85-90	Nil	90-95	Nil
Doreen Brown Deputy Secretary	100-105	Nil	105-110	Nil
Lian Patterson Senior Finance Director <i>(From 26/08/08)</i>	85-90	Nil	50-55 <i>(80-85 full year equivalent)</i>	Nil
Barry Jordan Director of Human Resources and Organisational Change <i>(From 01/07/09)</i>	45-50 <i>(60-65 full year equivalent)</i>	Nil	N/A	N/A
Wendy Johnston Director of Personnel <i>(From 01/04/08 to 04/11/08)</i>	N/A	N/A	40-45 <i>(70-75 full year equivalent)</i>	Nil
Nigel McCormick Director of Finance <i>(From 01/04/08 to 04/02/09)</i>	N/A	N/A	50-55 <i>(60-65 full year equivalent)</i>	Nil

Colin McWhirter <i>(From 02/12/08 to 04/02/09)</i>	N/A	N/A	5-10 <i>(55-60 full year equivalent)</i>	Nil
Allen McCartney Non-Executive Director <i>(From 01/01/09)</i>	15-20	100	5-10	Nil
Adrian Lickorish Non-Executive Director <i>(From 01/01/07 to 31/12/09)</i>	10-15	2,500	10-15	2,100
Brian Carlin Non Executive Director <i>(From 01/01/10)</i>	5-10	Nil	N/A	N/A
Rosemary Day Non-Executive Director <i>(From 01/04/08 to 02/12/08)</i>	N/A	N/A	10-15	1,600

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 and any gratia payments.

The Department for Regional Development was under the control of Conor Murphy during the financial year. His 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 his Ministerial salary, allowances and other benefits are given above. These amounts do not include costs relating to the Minister’s role as MLA/MP which are disclosed elsewhere.

Benefits in kind

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

Pension Benefits (this information is subject to audit)

Ministers	Accrued pension at age 65 at 31 March 2010	Real increase in pension at age 65	CETV at 31 March 2010	CETV at 31 March 2009***	Real increase in CETV
	£000	£000	£000	£000	£000
Conor Murphy Minister	0-5	0-2.5	25	15	9

***The figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (AMPS). The scheme is made under Section 48 of the Northern Ireland Act 1998. As Ministers are 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 MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Retail Prices Index. Ministers pay contributions of either 6% or 11.5% of their Ministerial salary depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 23.3% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when he reaches 65 or immediately on ceasing to be an active member of the scheme if he is 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 in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 taken.

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 (this information is subject to audit)

Officials	Accrued pension at age 60 at 31 March 2010 or leaving date if earlier and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2010 or at date of leaving	CETV at 31 March 2009*** or at date of commencement	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	(nearest £100)
Paul Priestly Permanent Secretary	30-35 pension plus 90-95 lump sum	0-2.5 pension plus 5-7.5 lump sum	652	535	47	Nil
Geoff Allister Chief Executive of Roads Service	35-40 pension plus 110-115 lump sum	0-2.5 pension plus 5-7.5 lump sum	902	857	-51**	Nil
Doreen Brown Deputy Secretary	45-50 pension plus 135-140 lump sum	2.5-5 pension plus 7.5-10 lump sum	1083	920	60	Nil
Lian Patterson Senior Finance Director <i>(From 26/08/08)</i>	10-15 pension	0-2.5 pension	131	97	19	Nil
Barry Jordan Director of Human Resources and Organisational Change <i>(From 01/07/09)</i>	20-25 pension plus 70-75 lump sum	0-2.5 pension plus 5-7.5 lump sum	461	372	44	Nil
Wendy Johnston Director of Personnel <i>(From 01/04/08 to 04/11/08)</i>	N/A	N/A	N/A	408	N/A	Nil
Nigel McCormick Director of Finance <i>(From 01/04/08 to 04/02/09)</i>	N/A	N/A	N/A	180	N/A	Nil

Colin McWhirter Acting Director of Personnel (From 02/12/08 to 04/02/09)	N/A	N/A	N/A	555	N/A	Nil
--------------------------------------------------------------------------------------	-----	-----	-----	-----	-----	-----

** The Negative Real Increase in CETV reflects the fact that the salary figure used last year to calculate the CETV included bonus. The CETV at 31 March 10 is correct.

****The figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009*

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 (RPI). 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. However, in line with RPI for September 2009 being in the negative, there will be no other increase for any public sector pensions in 2010.

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 CSP arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment)

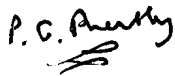
Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.

Compensation for loss of office

No compensation payments were made or are due to any of the senior management or Ministers of the Department for Regional Development under the Civil Service Compensation Scheme (Northern Ireland) in the year ending 31 March 2010.



Accounting Officer

1 July 2010

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, changes in taxpayer's equity, and cash flows for the financial year.

In preparing the accounts, the Principal 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 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.

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

STATEMENT ON INTERNAL CONTROL

1. **Scope of responsibility**

As Departmental Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Regional 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 Managing Public Money Northern Ireland.

The Minister approves objectives and targets in the Department's Corporate and Business Plans, which are derived from relevant Public Service Agreements (PSAs) in the Programme for Government. He is kept informed quarterly about departmental performance and of any significant deviation from the achievement of targets.

The Departmental Board supports the Minister by directing the work of the Department. As Permanent Secretary and Departmental Accounting Officer, I am chair of the Board. The other Board members in 2009-10 were: the Deputy Secretary - Regional Planning and Transportation; Deputy Secretary - Senior Finance Director; the Chief Executive of Roads Service; the Director of Human Resources and Organisational Change who joined the Board on 1 July 2009; and two Independent Non-Executive Members, one of whom joined the board on 1 January 2010.

Further checks and balances were provided by Internal and External Audit, by the Departmental Audit Committee, and through my role as Chairman of the Performance Review Group for Roads Service. Appropriate records of all such meetings are maintained.

The Department delivers water and public transport services through two associated arm's length bodies: Northern Ireland Water (NIW); and the Northern Ireland Transport Holding Company (Translink).

NIW's legal status is as a Government – Owned (GoCo), which is 100% owned by the Department as its sole shareholder. However since 1 April 2008 it has been reclassified for Public Expenditure purposes as an NDPB. As the departmental Accounting Officer I have responsibility for safeguarding the public funds which are

given to fund the GoCo. I am supported in this responsibility by the Chief Executive of NIW, Laurence MacKenzie, who is the Accounting Officer of NIW and who is responsible for the day-to-day running of the company and for ensuring regularity and propriety is adhered to within the company's operations.

NITHC/Translink's status is as a Public Corporation. The Chief Executive, Catherine Mason, is the Accounting officer of NITHC/Translink and is responsible for the day-to-day running of the company and for ensuring regularity and propriety is adhered to within the company's operations.

2. The purpose of the system of internal control

The system of internal control is designed to provide a governance structure for decision-making and provide proper controls to ensure the safeguarding of resources and the achievement of value for money. The system of internal control can manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Regional Development for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts. It accords with HM Treasury guidance.

Key elements of the Department's system of internal control include:

- The Departmental Board chaired by the Permanent Secretary and comprising Executive and Independent members;
- Weekly Business Review meeting chaired by the Permanent Secretary;
- A Departmental Audit Committee chaired by an Independent Board member;
- A Finance Sub-Committee of the Board chaired by the Permanent Secretary;
- A Relationships with Arms Length Bodies Sub-Committee of the Board chaired by an Independent Board member;

- An Internal Audit service operating in accordance with Government Internal Audit Standards; and
- Business Planning and Risk Management frameworks encompassing policies, strategies and procedures manuals as well as a quarterly monitoring process, the results of which are presented to the Departmental Board.
- Financial planning and management systems designed to ensure propriety and regularity of expenditure, fraud awareness and prevention and good value for public money.

All of this is detailed in the Department's Corporate Governance Framework which is available at

http://www.drds.gov.uk/corporate_governance_framework_-_january_2010.pdf

3. Capacity to handle risk

The risk management policy and strategy provide direction on current and future risk management activity across the Department. They provide a framework for the management of risk and promote a consistent approach across the Department. The documents also outline the key roles and responsibilities of groups involved in the risk management process. The risk management cycle in DRD encompasses both a "top-down" and "bottom-up" approach. The Departmental Board provide leadership and direction in managing the risk environment in which the Department operates. This approach allows risks to be identified and managed at all levels and to be escalated as appropriate.

Each branch or functional area has a nominated risk co-ordinator. Risk coordinators have attended risk management workshops to provide them with the knowledge and skills required to lead the risk management process in their business area. A Risk Management Procedures Manual has also been disseminated to all risk coordinators.

The Agency and each Core Division also has a Risk Coordinator representative on the Departmental Risk Coordinators Group. This group meets as required to review the risk management process in the Department, and discuss how that could evolve in light of changing business needs, HMT guidance and best practice.

4. The risk and control framework

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

- **Corporate** – High level risks for the Department managed by the Departmental Board;
- **Agency/Core Group** – key risks identified and managed by the Senior management team of the Department’s Executive Agency and Core Groups under Deputy Secretaries;
- **Division/Directorate Level** – key risks identified and managed by Directors and their management teams; and,
- **Branch/Functional Area** – key risks at this level are managed by the Head of Branch and feed into the Agency/Divisional level risks as appropriate.

The Department manages risk by:

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

The Corporate Risk Register identifies the key risks that may impact upon the achievement of the Department’s objectives. It evaluates the likelihood and impact of occurrence and also assesses the controls in place to manage those risks. The ‘Risk Appetite’, as outlined in the Risk Management Procedures Manual, has been

considered and further action to improve control has been agreed where appropriate. The ownership of each risk has been allocated to appropriate staff.

In 2009-10, the Departmental Board reviewed the Corporate Risk Register on a quarterly basis. This process took place from Branch level up and involved a review of risks and their assessments, identification of new risks and progress updates on actions to improve management control. This provided the Board with an opportunity to discuss the key risks facing the Department and the work being undertaken to manage those risks. The key Departmental risks requiring management at corporate level related to funding, the Department's relationship with third parties, information management, human resources, primary legislation and preparation for reform initiatives. Two key risks managed at corporate level during 2009/10 related to the funding and reclassification of Northern Ireland Water (NIW). These risks arose from decisions, substantial elements of which were outside the Department's control.

In 2009-10, the Departmental Board appointed a Senior Information Risk Owner (SIRO) and established a SIRO Council which meets quarterly to improve the management of information risk within the Department. In addition, 49 Information Asset Owners have been appointed across the Department and a number of information risk management projects have been initiated.

5. Review of effectiveness

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

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

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

Senior Managers are responsible for ensuring that assessments are undertaken, risks are identified and analysed and action plans taken forward. New risks are added to Risk Registers as they are identified and appropriate management actions put in place. As an example, the reclassification of NIW for Public Expenditure purposes led to the identification and management of a new key risk at a Corporate level. It is the responsibility of each Director, in conjunction with his/her management team, to implement the Risk Management strategy, to develop and promote risk management principles within his/her areas of responsibility and to ensure that robust systems are in place for the management of risk.

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

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the accounting policies, the accounts, and the annual report of the Department, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter (Report to those charged with Governance);
- assurance relating to the corporate governance requirements for the organisation;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the DAC will also periodically review its own effectiveness and report the results of that review to the Board.

The Department's Internal Audit Unit operates to Government Internal Audit Standards (GIAS). The work of the Unit is informed by an analysis of the risks to

which the Department is exposed, and annual internal audit plans take account of this analysis.

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

The Department also receives an inter-Departmental Assurance Statement from the Department of Finance and Personnel (DFP) covering all "Enterprise Shared Services (ESS)" provided by DFP to other Departments. This covers shared services such as HR Connect, IT Assist, the Centre for Applied Learning and Account NI.

In addition the Department also receives assurance statements from both Northern Ireland Water and the Northern Ireland Transport Holding Company on the management of risk and internal controls within those organisations.

6. Significant internal control problems

For 2009-10, Internal Audit Reports indicated satisfactory assurance, in overall terms, regarding the adequacy and effectiveness of the risk management, control and governance processes for both the Core Department and Roads Service.

I highlight however the following areas where significant internal control problems arose this year.

Procurement breaches in NIW

Significant breaches in procurement practices in NIW contracts were brought to the Department's attention on 18 January 2010. Jointly with the NIW Accounting Officer, I commissioned an independent review into these practices. The Independent Review Team's report was published on the DRD website on 12 March 2010. The review identified that significant exceptions had arisen in the procurement and

contract management framework of control, and in the application of the financial delegations framework. The system of internal control was shown to be inadequate in this area during the reporting period, and pointed towards a systemic failure going back as far as vesting in April 2007.

Further “deep dive” audit work has been carried out by NIW since then and the combined findings reflect non-compliance as follows:

- Single Tender Actions greater than £250K where DRD approval was not obtained contrary to NI Water’s delegation limits; and
- Potential OJEU Utilities Contract Regulation breaches.

In 2009-10 the expenditure relating to these areas amounted to £5.3 million. A further £9.2 million and £6.5 million was identified for 2008-09 and 2007-08 respectively. Further details of this expenditure are contained in the NIW Annual Report and Accounts for 2009-10.

A nine point NIW Action Plan (with target dates, deliverables etc) has been developed to significantly improve controls. The NIW CEO is pursuing the Action Plan as a matter of urgency and progress will be formally monitored by the DRD Shareholder Unit on an ongoing basis. In addition there were four recommendations relating to DRD and the Shareholder Unit which need to be addressed. The proposed actions to do this have been added to the Action Plan and monthly progress reports will be presented to the Department’s Senior Finance Director until they have been fully addressed.

Non-compliance with Combined Code of Corporate Governance

Following the Independent Review into procurement practices there have been a number of recent changes at NIW Board level. The NIW Annual Report will reflect the areas of non-compliance with the Code. The company is seeking to put additional controls in place to ensure independence and objectivity at Board level. A process is currently underway to ensure that, in compliance with the Code, interim non-executives are put in place as soon as possible. These are ministerial appointments.

Unstable funding framework

The adequacy of control of the majority of NIW funding remains open to wider

debate in present circumstances which are beyond DRD control. The NIW subsidy continues to be paid in accordance with agreed scheduling and in accordance with the requirements of Article 213(3) of the Water and Sewerage Services (NI) Order 2006. The vast majority of the subsidy continues to be paid as a customer subsidy, rather than in a way which would be appropriate for a grant to a NDPB. This reflects stated policy and legislation. The issue is highlighted by reclassification of NIW to NDPB status for public expenditure purposes. The position remains under review.

Public Accounts Committee/ Northern Ireland Audit Office Reports

The Department provided its formal response through Memorandum of Reply to the Public Accounts Committee (PAC) report on “Road Openings by Utilities” on 22 May 2009. A further update was provided to the Chair of the PAC on 2 November 2009 outlining progress made by Roads Service in implementing the PAC recommendations.

A Hearing of the Public Accounts Committee took place on 4 February 2010 into NIAO Reports on the Review of the Gateway Process and the Management of Personal Injury Claims. Following this the PAC made three recommendations specific to DRD on Personal Injury Claims which the Department has responded to through the Memorandum of Reply which issued on 22 June 2010.

Roads Service Stores Management

Roads Service Final Internal Audit Report for Stores Management (issued in April 2009) provided a “Limited” audit opinion. A follow-up took place to confirm that recommendations have been, or are in the process of, being implemented in accordance with the agreed action plan. As a result, the audit opinion has been raised to “Satisfactory”.

Revenue Grants within PPTD

The Final Internal Audit Report on Revenue Grants within PPTD (issued in March 2010) provided a “Limited” audit opinion. A follow-up review took place to confirm that recommendations have been implemented in accordance with the agreed action plan. As a result, the audit opinion has been raised to “Satisfactory”.

Departmental Review of Assets/ Equipment

The Final Internal Audit Report on the Departmental review of Assets/Equipment (issued in August 2009) provided a “Limited” audit opinion. A follow-up review is scheduled for June 2010 to confirm that recommendations (including those for which Roads Service is responsible) have been, or are in the process of, being implemented in accordance with the agreed action plan.

HR Connect

The Department has received an inter-Departmental Assurance Report from DFP Internal Audit covering all services provided by DFP to other Departments. DFP Internal Audit carried out a programme of audits in HR Connect. Within HR Connect the Fujitsu and Capita review teams (the Contractor) had planned to undertake ten quality assurance reviews which, when combined with the direct audit work undertaken by Internal Audit, would facilitate the provision of an overall audit assurance. However, the contractor has only completed two of its ten planned reviews, and those are considered by DFP Internal Audit to lack rigour, breadth and depth. As such DFP Internal Audit was unable to provide additional assurance on those areas. Therefore, although satisfactory assurance was provided in six audits undertaken by DFP Internal Audit, a limited assurance rating was provided for HR Connect overall. DFP Internal Audit will now undertake all audits in HR Connect from 2010-11 onwards.

Internal Control Issues from Previous Statement on Internal Control:

In the 2008/09 I highlighted internal control issues in the following areas:

- **NIW Assurance Statements** – The 2008/09 NIW Assurance Statement included an internal audit opinion of “*requires immediate improvement*”. The Company continues to work on the issues raised and DRD as Shareholder will continue to monitor the risks through the Quarterly Shareholder Meetings. The Director of the Shareholder Unit in the department also now attends the NIW audit committee meetings.
- **Data Security/ Compliance** - Internal Audit provided an overall limited audit opinion on Data Security/Compliance within the Department in May 2009. The Departmental Board appointed a Senior Information Risk Owner (SIRO) and established a SIRO Council to improve the management of information

risk within the Department. Internal Audit has carried out a follow-up review. As a result, the audit opinion has been raised to “Satisfactory”.

- **Rathlin Ferry Service Procurement** – The Action Plan developed to address issues raised is now complete.

P. G. Aherly

Accounting Officer

1 July 2010

DEPARTMENT FOR REGIONAL DEVELOPMENT

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

I certify that I have audited the financial statements of the Department for Regional Development for the year ended 31 March 2010 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Qualified opinion on regularity arising from expenditure in Northern Ireland Water (a company in which the Department for Regional Development is sole shareholder) not conforming to the relevant Departmental financial delegations and European Union procurement regulations

Significant breaches in procurement practices in NI Water contracts were brought to the Department's attention on 18 January 2010. An independent review was commissioned into these practices, which identified that significant exceptions had arisen in the procurement and contract management framework of control, and in the application of the financial delegations framework. According to this review the system of internal control was shown to be inadequate in this area during the reporting period, and pointed towards a systemic failure going back as far as vesting in April 2007.

As a result of these initial findings further audit work was carried out since then and the combined findings reflected non-compliance with established procedures as follows:

- Single Tender Actions greater than £250,000 where the Department for Regional Development's shareholder approval was not obtained contrary to NI Water's delegation limits; and
- Potential Official Journal of the European Union Utilities Contract Regulation breaches.

This expenditure is therefore deemed to be irregular as it did not conform to the relevant financial delegations and procurement regulations. The level of the irregularities in respect of 2009-10 amounted to £5.3 million. A further £9.2 million and £6.5 million of irregularities were identified for 2008-09 and 2007-08 financial years respectively, giving a cumulative total of £21m.

In my opinion, except for the irregular expenditure incurred where proper approval was not obtained, 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.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, cash flows, changes in taxpayers' equity and net operating costs applied to departmental strategic objectives for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland); and
- the information given in Management Report and Management Commentary included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter: significant uncertainty on contractor claim

Without qualifying my opinion, I draw attention to note 23 to the financial statements. The Department for Regional Development has included a provision within their financial statements in relation to a contractor dispute at Road Service Agency. A reliable estimate of the provision, based on all the information available and a disclosure noting the significant uncertainty in relation to the outcome of this claim have been included. This claim is still in

draft form, the costs have not been fully analysed, and there are significant issues of dispute over the interpretation of the contract, for which a written legal opinion has not yet been obtained. Considering these complexities which have yet to be resolved, there is significant uncertainty as to the outcome of this claim which could have a material effect on the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Details of the qualification on irregular expenditure can be found in my report on the financial statements. I will continue to monitor developments in the contractual dispute.



*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

1 July 2010

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

		2009-10			2008-09				
		£000			£000				
		Estimate			Outturn			Outturn	
Request for Resources	Note	Gross Expenditure	AR	Net Total	Gross Expenditure	AR	Net Total	Net Total outturn compared with Estimate: saving/(excess)	Net Total
A	3	1,772,510	23,040	1,749,470	1,640,191	22,175	1,618,016	131,454	1,622,212
B	3	320,312	62,206	258,106	319,435	61,910	257,525	581	285,819
Total resources	4	2,092,822	85,246	2,007,576	1,959,626	84,085	1,875,541	132,035	1,908,031
Non-operating cost AR				8,451			7,001	1,450	9,670

The Statement of Parliamentary Supply for the year ended 31 March 2010 has been prepared in accordance with IFRS. Prior year comparatives are stated in accordance with UK GAAP. Given the indelible status of the Statement of Parliamentary Supply, the Department was unable to seek retrospective parliamentary approval to reflect changes in outturn as a result of moving from UK GAAP to IFRS.

Net cash requirement 2009-10

		2009-10		2008-09	
		£000		£000	
Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn	
Net cash requirement	5	976,200	860,002	116,198	814,149

Summary of income payable to the Consolidated Fund

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

		Forecast 2009-10		Outturn 2009-10	
		£000		£000	
Note	Income	Receipts	Income	Receipts	
Total	6	668	668	753	1,035

Explanations of significant variances between Estimate and Outturn are given in Note 3 and in the Management Commentary. A Key to Request for Resources is also given in Note 3.

The notes on pages 71 to 120 form part of the financial statements.

Consolidated Operating Cost Statement

For the year ended 31 March 2010

		2009-10					2008-09		
		£000					£000		
		Core Department			Consolidated		Core	Consolidated	
Note	Staff costs	Other Costs	Income	Staff costs	Other Costs	Income	Department	Consolidated	
Administration Costs:									
Staff costs	10	15,948	-	-	75,497	-	-	14,258	73,457
Other administration costs	11	-	7,605	-	-	28,218	-	6,720	26,517
Operating income	13	-	-	(133)	-	-	(133)	(226)	(206)
Programme Costs:									
Request for Resources A									
Staff costs	10	293	-	-	293	-	-	407	407
Programme costs	12	-	135,386	-	-	1,542,167	-	126,777	1,548,738
Income	13	-	-	(646)	-	-	(27,974)	(495)	(28,512)
Request for Resources B									
Staff costs	10	-	-	-	-	-	-	-	-
Programme costs	12	-	317,732	-	-	317,732	-	302,416	302,416
Income	13	-	-	(61,910)	-	-	(61,910)	(17,887)	(17,887)
Totals		16,241	460,723	(62,689)	75,790	1,888,117	(90,017)	431,970	1,904,930
Net Operating Cost	4(a)			414,275			1,873,890	431,970	1,904,930

The notes on pages 71 to 120 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 March 2010

		31 March 2010		31 March 2009		1 April 2008	
		£000		£000		£000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Non-current assets:							
Property, plant and equipment	15	3,550	30,559,364	3,092	32,837,129	134	35,520,740
Intangible assets	16	12	210	9	202	16	273
Financial assets	17	1,299,250	1,299,250	1,129,250	1,129,250	979,250	979,250
Total non-current assets		1,302,812	31,858,824	1,132,351	33,966,581	979,400	36,500,263
Current assets:							
Assets classified as held for sale	18	-	508	-	12,334	-	15,164
Inventories	19	-	1,348	-	1,359	-	1,282
Trade and other receivables	20	25,905	53,925	20,492	47,265	100,537	123,429
Cash and cash equivalents	21	-	14	360	371	2	32
Total current assets		25,905	55,795	20,852	61,329	100,539	139,907
Total assets		1,328,717	31,914,619	1,153,203	34,027,910	1,079,939	36,640,170
Current liabilities							
Trade and other payables	22	(47,655)	(143,217)	(50,768)	(115,965)	(122,430)	(181,678)
Total current liabilities		(47,655)	(143,217)	(50,768)	(115,965)	(122,430)	(181,678)
Non-current assets plus/less net current assets/liabilities		1,281,062	31,771,402	1,102,435	33,911,945	957,509	36,458,492
Non-current liabilities							
Provisions	23	(2,275)	(53,426)	(347)	(61,222)	(306)	(68,631)
Other payables	22	-	(163,738)	-	(103,126)	-	(35,697)
Total non-current liabilities		(2,275)	(217,164)	(347)	(164,348)	(306)	(104,328)
Assets less liabilities		1,278,787	31,554,238	1,102,088	33,747,597	957,203	36,354,164
Taxpayers' equity:							
General fund		1,278,786	14,363,420	1,102,090	13,982,879	957,196	13,689,151
Revaluation reserve		1	17,086,467	(2)	19,663,427	7	22,562,596
Grant Reserve		-	104,351	-	101,291	-	102,417
Total taxpayers' equity		1,278,787	31,554,238	1,102,088	33,747,597	957,203	36,354,164

P. G. Purdy

Accounting Officer

1 July 2010

The notes on pages 71 to 120 form part of the financial statements.

Consolidated Statement of Cash Flows

For year ended 31 March 2010

		2009-10 £000	2008-09 £000
	Note		
Cash flows from operating activities			
Net operating cost		(1,873,890)	(1,904,930)
Adjustments for non-cash transactions:	11	1,374,295	1,394,900
(Increase)/Decrease in trade and other receivables	20	(6,660)	76,164
<i>less movements in receivables relating to items not passing through the OCS</i>			
Increase /(decrease) in amounts due from Consolidated Fund		8,131	(50,905)
Consolidated Fund receivable written off		-	(7)
Increase/(decrease) in EU capital receivables		(237)	5,985
Increase in other capital receivables		-	(17)
Exchange gain/(loss) on EU capital receivables		399	(1,871)
Movement in provision for bad debt		483	(1,071)
(Increase)/Decrease in inventories		11	(77)
Increase/(Decrease) in trade and other payables	22	75,802	53,087
<i>less movements in payables relating to items not passing through the OCS</i>			
(Increase)/decrease in amounts due to Consolidated Fund		8,770	(12,202)
Decrease/(increase) in amounts due to capital retentions/accruals		(22,552)	2,116
Use of provisions:			
Use of bad debt provision	23	(1,833)	(179)
Use of other revenue provisions	23	(4,636)	(4,801)
Net cash outflow from operating activities		(441,917)	(443,808)
Cash flows from investing activities			
Purchase of property, plant and equipment	22 (d)	(250,034)	(234,126)
Purchase of intangible assets	22 (d)	(129)	(2)
Proceeds of disposal of property, plant and equipment	22 (d)	792	784
Proceeds of disposal of intangibles	22 (d)	-	-
Investment additions	22 (d)	(170,000)	(150,000)
Net cash outflow from investing activities		(419,371)	(383,344)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		843,021	805,300
From the Consolidated Fund (Supply) – prior year		8,850	59,755
From the Consolidated Fund (non-Supply)		-	-
From EU/TENS (non-Supply) – capital grant receipts		323	9,115

Developer Contributions		6,199	7,854
<i>Net financing</i>		858,393	882,024
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the consolidated fund		(2,895)	54,872
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(9,524)	(3,158)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund.		(12,419)	51,714
Cash and cash equivalents at the beginning of the period	21	(4,351)	(56,065)
Cash and cash equivalents at the end of the period	21	(16,770)	(4,351)

The notes on pages 71 to 120 form part of the financial statements.

Core Statement of Changes in Taxpayers' Equity

For year ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2008		958,227	7	958,234
Adjustment to Opening Balance		(1,031)	-	(1,031)
Changes in accounting policy		-	-	-
Restated balance at 1 April 2008		957,196	7	957,203
Changes in taxpayers' equity for 2008-09				
Net gain/(loss) on revaluation of property, plant and equipment		-	(6)	(6)
Accruing resource grant income		-	-	-
Release of reserves to the operating cost statement		-	-	-
Non-cash charges – notional costs	11	4,224	-	4,224
Non-cash charges – cost of capital	11,12	(1,078)	-	(1,078)
Non-cash charges – return on investment in NIW	12	50,812	-	50,812
Non-cash charges – auditor's remuneration		-	-	-
Transfers between reserves		3	(3)	-
Property, plant and equipment additions funded by non-cash contributions from developers		-	-	-
Net Operating cost for the year		(431,970)	-	(431,970)
Total recognised income and expense for 2008-09		579,187	(2)	579,185
Net Parliamentary Funding – drawn down		805,299	-	805,299
Supply receivable		8,850	-	8,850
Agency Funding		(289,698)	-	(289,698)
CFERs repayable to the Consolidated Fund – EU revenue grants claimed.		(495)	-	(495)
CFERs – other		(28)	-	(28)
CFERs repayable to the Consolidated Fund – Excess operating Accruing Resources.		(275)	-	(275)
CFERs – EU capital grants claimed		-	-	-
CFERs – Trans European Networks capital funding		-	-	-
CFERs – revenue exchange losses/gains		(750)	-	(750)
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed.		-	-	-
Balance at 31 March 2009		1,102,090	(2)	1,102,088

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2009		1,102,090	(2)	1,102,088
Adjustment to Opening Balance		(2)	-	(2)
Changes in accounting policy		-	-	-
Restated balance at 1 April 2009		1,102,088	(2)	1,102,086
Changes in taxpayers' equity for 2009-10				
Net gain/(loss) on revaluation of property, plant and equipment		-	1	1
Net gain/(loss) on revaluation of intangible assets		-	-	-
Net gain/(loss) on revaluation of investments		-	-	-
Receipt of donated assets		-	-	-
Release of reserves to the operating cost statement		-	-	-
Non-cash charges – Notional cost	10,11	4,015	-	4,015
Non-cash charges – cost of capital	12	(1,096)	-	(1,096)
Non-cash charges – re NIW	12	59,829	-	59,829
Non-cash charges – auditor's remuneration		-	-	-
Transfers between reserves		(2)	2	-
Property, plant and equipment additions funded by non-cash contributions from developers		-	-	-
Net Operating cost for the year		(414,275)	-	(414,275)
Total recognised income and expense for 2009-10		750,559	1	750,560
Net Parliamentary Funding – drawn down		843,021	-	843,021
Net Parliamentary Funding – deemed		-	-	-
Agency Funding		(331,957)	-	(331,957)
Supply payable/(receivable) adjustment		16,981	-	16,981
CFERs repayable to the Consolidated Fund – EU revenue grants claimed.		-	-	-
CFERs – other		(11)	-	(11)
CFERs repayable to the Consolidated Fund – Excess operating Accruing Resources.		-	-	-
CFERs – EU grants written off		45	-	45
CFERs – Trans European Networks capital funding		-	-	-
CFERs – non operating Excess Accruing Resources		-	-	-
CFERs – revenue exchange losses/gains		148	-	148
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed.		-	-	-
Balance at 31 March 2010		1,278,786	1	1,278,787

Consolidated Statement of Changes in Taxpayers' Equity

For year ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Grant Reserve £000	Total Reserves £000
Balance at 31 March 2008		13,689,151	22,562,596	102,417	36,354,164
Adjustment to Opening Balance		-	190	-	190
Changes in accounting policy		-	-	-	-
Restated balance at 1 April 2008		13,689,151	22,562,786	102,417	36,354,354
Changes in taxpayers' equity for 2008-09					
Net gain/(loss) on revaluation of property, plant and equipment		-	(2,867,151)	(9,069)	(2,876,220)
Accruing resource grant income		-	-	1,049	1,049
Release of reserves to the operating cost statement	13	-	-	(5,285)	(5,285)
Non-cash charges – notional costs	11	11,271	-	-	11,271
Non-cash charges – cost of capital	11,12	1,240,584	-	-	1,240,584
Non-cash charges – return on investment in NIW	12	50,812	-	-	50,812
Non-cash charges – auditor's remuneration		-	-	-	-
Transfers between reserves		32,208	(32,208)	-	-
Property, plant and equipment additions funded by non-cash contributions from developers		65,001	-	-	65,001
Net Operating cost for the year		(1,904,930)	-	-	(1,904,930)
Total recognised income and expense for 2008-09		(505,054)	(2,899,359)	(13,305)	(3,417,718)
Net Parliamentary Funding – drawn down		805,300	-	-	805,300
Supply receivable		8,850	-	-	8,850
CFERs repayable to the Consolidated Fund – EU revenue grants claimed.		(495)	-	-	(495)
CFERs – other		(588)	-	-	(588)
CFERs repayable to the Consolidated Fund – Excess operating Accruing Resources.		(275)	-	-	(275)
CFERs – EU capital grants claimed		-	-	-	-
CFERs – Trans European Networks capital funding		(12,179)	-	12,179	-
CFERs – revenue exchange losses/gains		(750)	-	-	(750)
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed.		(1,081)	-	-	(1,081)
Balance at 31 March 2009		13,982,879	19,663,427	101,291	33,747,597

	Note	General Fund	Revaluation Reserve	Grant Reserve	Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2009		13,982,879	19,663,427	101,291	33,747,597
Adjustment to Opening Balance		303	(8,617)	-	(8,314)
Changes in accounting policy		-	-	-	-
Restated balance at 1 April 2009		13,983,182	19,654,810	101,291	33,739,283
Changes in taxpayers' equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment		-	(2,488,046)	-	(2,488,046)
Net gain/(loss) on revaluation of intangible assets		-	8	-	8
Net gain/(loss) on revaluation of investments		-	-	-	-
Receipt of donated assets		-	-	-	-
Release of reserves to the operating cost statement	13	-	-	(5,245)	(5,245)
Non-cash charges – Notional cost	10,11	12,950	-	-	12,950
Non-cash charges – cost of capital	11,12	1,144,252	-	-	1,144,252
Non-cash charges – re NIW	12	59,829	-	-	59,829
Non-cash charges – auditor's remuneration		-	-	-	-
Transfers between reserves		72,485	(80,305)	7,820	-
Property, plant and equipment additions funded by non-cash contributions from developers		105,365	-	-	105,365
Net Operating cost for the year		(1,873,890)	-	-	(1,873,890)
Total recognised income and expense for 2009-10		(479,009)	(2,568,343)	2,575	(3,044,777)
Net Parliamentary Funding – drawn down		843,021	-	-	843,021
Net Parliamentary Funding – deemed		-	-	-	-
Supply payable/(receivable) adjustment		16,981	-	-	16,981
CFERs repayable to the Consolidated Fund – EU revenue grants claimed.		-	-	-	-
CFERs – other		(734)	-	-	(734)
CFERs repayable to the Consolidated Fund – Excess operating Accruing Resources.		-	-	-	-
CFERs – EU grants written off		45	-	-	45
CFERs – Trans European Networks capital funding		(485)	-	485	-
CFERs – non operating Excess Accruing Resources		-	-	-	-
CFERs – revenue exchange losses/gains		148	-	-	148
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed.		271	-	-	271
Balance at 31 March 2010		14,363,420	17,086,467	104,351	31,554,238

The notes on pages 71 to 120 form part of the financial statements.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives

For the year ended 31 March 2010

	2009-10			2008-09		
	Objective A	Objective B	Total	Objective A	Objective B	Total
Gross Expenditure	1,639,276	319,433	1,958,709	1,649,119	302,416	1,951,535
Income	(22,909)	(61,910)	(84,819)	(28,718)	(17,887)	(46,605)
Net Expenditure	1,616,367	257,523	1,873,890	1,620,401	284,529	1,904,930

Objective A:

Supporting the economy by maintaining and developing safe and sustainable transportation networks, promoting airport and harbour services, addressing regional imbalance in infrastructure and shaping the long term future of the region. This supports delivery of our targets under PSA 13 and the DRD elements of PSAs 1 and 14.

Objective B:

Contributing to the health and well being of the community and the protection of the environment by developing and maintaining the policy and regulatory environment which provides sustainable, high quality water and sewerage services. This supports delivery of our targets under PSA 15.

See Note 24

The notes on pages 71 to 120 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

In addition to the primary statements prepared under IFRS, 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 Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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

First-time adoption of International Financial Reporting Standards

As these financial statements represent the Department's first-time adoption of IFRS, an explanation of the effect of transition is given in Note 2 to these financial statements. Note 2 includes a reconciliation of the Department's equity as previously reported under UKGAAP as at the date of transition and as at the end of the current reporting period. It also shows a reconciliation of the Net Operating Cost for the previous accounting period under UKGAAP.

In accordance with IFRS 1 the Department has prepared an opening IFRS statement of financial position as at 31 March 2008. It has used the same accounting policies in the opening statement of financial position as in these financial statements.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Basis of consolidation

These accounts comprise a consolidation of the Core Department and the Roads Service - its supply financed agency. Transactions between entities within the departmental resource accounting boundary are eliminated on consolidation.

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

1.3 Property, plant and equipment

The minimum level for capitalisation of property, plant and equipment is £500 for IT equipment and £1,000 for all other assets, except for land for which there is no threshold, and car park additional works where the threshold is £5,000.

Maintenance which replaces or enhances the service potential of the road network is capitalised. This includes reconstruction and resurfacing costs, together with any other spend directly leading to the enhancement of the service potential of the road

surface. Staff costs directly attributable to these maintenance activities are capitalised.

On initial recognition property, plant and equipment is measured at historic cost including any costs, such as installation, directly attributable to bringing it into working condition. All property, plant and equipment is carried at fair value.

Property, plant and equipment, together with its valuation basis, comprises the following:

- Land and buildings are valued by Land and Property Services and are updated annually to reflect both subsequent expenditure and the movement in appropriate published indices;
- Car parks and buildings which have been valued by Land and Property Services at 31 March 2008 are updated annually to reflect both subsequent expenditure and, as above, the movement in appropriate published indices;
- The road surface is recognised as a single asset and is held at Depreciated Replacement Cost (DRC). The structures and communications are also held at DRC. The infrastructure asset's valuation has been prepared by in-house professionally qualified engineers, supported by external valuers. An annual revaluation is carried out by reference to the 'Baxter' index for construction in England, Wales and Northern Ireland. In 2009-10 Roads Service has applied a provisional index to 31 December 2009 as this was the most up to date at the statement of financial position date;
- Other operating assets are valued at depreciated replacement cost or at open market value where obtainable and restated for inflation by appropriate inflation indices;
- Office equipment, excluding computers and IT equipment, which is valued at depreciated replacement cost and restated for inflation by appropriate inflation indices;
- Computers and IT equipment. Due to technological advances an accelerated depreciation method is applied to write off their cost to a nil residual book value over their assumed useful economic life; and
- Donaghadee Harbour is classified as a non-operational heritage asset which (as is permissible under the FReM) has not been capitalised as the cost of obtaining a valuation would be greater than the benefit arising. Further details in respect of the harbour can be found at Note 15.

Surpluses arising on revaluation are taken to the relevant reserve. Losses on revaluation are debited to the relevant reserve to the extent that revaluation gains have been recorded previously, otherwise they are debited to the operating cost statement. In accordance with International Accounting Standard (IAS) 16, staff costs directly attributable to capital schemes are included in additions to property, plant and equipment.

1.4 Depreciation

Property, plant and equipment is depreciated at rates calculated to write it down to estimated residual value on a straight-line basis over its estimated useful lives. Depreciation is charged in the month of acquisition. Payments on account and assets in the course of construction are depreciated from the point at which the asset is brought into use. No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life.

Depreciation is calculated as follows:

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

Buildings Excluding Dwellings	15-50 years
Transport Equipment	3-50 years
Plant and Machinery	3-15 years

- Vacant property and land which are surplus to requirements and are awaiting disposal, do not attract depreciation.
- IT equipment and computers are depreciated using the accelerated depreciation method to write off assets over three to ten years.
- Assets in the course of construction are not depreciated until they have been brought into use.
- Road infrastructure assets – depreciation is the value of the service potential replaced through the maintenance program. As the value of the network is enhanced by carrying out maintenance, the element being replaced is removed from the infrastructure value. The value of the replaced part is approximated to the value of the enhanced part and is written off as depreciation. The depreciation charge is adjusted by the output of an annual condition survey.

1.5 *Assets adopted from developers*

Assets adopted from developers do not meet the definition of a donated asset and do not qualify for the treatment set out in the FReM for donated assets. These assets are treated as normal property, plant and equipment in accordance with IAS 16. They are capitalised at their current value on receipt, and this value is credited to the General Fund. They are subject to cost of capital charges at the standard rate of 3.5%.

1.6 *Intangible assets*

Intangible assets are capitalised where expenditure of £1,000 or more is incurred.

(a) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Operating Cost Statement on a straight-line basis over their estimated useful lives.

Provided reliable evidence of current value can be readily ascertained, these are restated to current value each year in accordance with the movement in the RPI. Software licences are amortised over the term of the licence. Other intangible assets are amortised over three or five years.

(b) Internally-generated intangible assets

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Following recognition, internally-generated intangible assets valuation is the sum of subsequent directly attributable expenditure incurred to create, produce and prepare the asset so that it is capable of operating in the manner intended by management.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

1.7 *Impairment of tangible, intangible and financial assets*

At each statement of financial position date, a review is undertaken to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the impairment of an asset on an individual basis, the Department will estimate the impairment to the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Operating Cost Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease through the Revaluation Reserve to the extent of previous gains recognised in the reserve.

An impairment of an infrastructure asset is defined as the loss of service potential for more than one year.

In the case of the Department's shareholding and loan interests in NIW, a review of indications that assets may have suffered an impairment loss is carried out under IAS 36, particularly paragraph 12. As part of this review the Department considers the views of NIW on whether there is an indication that its assets may have suffered an impairment loss. The company's review includes consideration of its projected discounted cashflows.

1.8 *Non-current assets held for resale*

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.9 *Inventories*

Inventories are valued at the lower of cost or net realisable value. Cost includes labour, material, transport and an element of overheads, with the majority being valued on a first-in, first-out basis.

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

1.10 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition, i.e., it has transferred substantially all the risks and reward of the asset. A financial liability is derecognised when, and only when, it is extinguished.

The Department has the following financial instruments:

Trade Receivables

Trade receivables are recognised and carried at fair value less any provision for impairment. A provision for impairment is established when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances at commercial banks.

Trade payables

Trade payables are not interest bearing and are recognised initially at fair value.

Shareholding in Northern Ireland Water (NIW) and loans issued to NIW

In accordance with FReM the Department's shareholding in NIW and the loans issued to NIW are carried at historical cost, less any impairment.

Deeds of Guarantee

In accordance with IAS 39 the Department's deeds of guarantee in respect of PPP contracts held by Northern Ireland Water (NIW) are held at fair value.

1.11 Grant funding

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

1.12 Operating income

Operating income relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, but it also includes other

income such as that from investments. It includes both income appropriated-in-aid of the Estimate and income payable to the Consolidated Fund. Operating income is stated net of VAT.

1.13 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the most recent guidance on Estimates issued by DFP.

1.14 Capital charge

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

- (a) property, plant and equipment and intangible 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 statement of financial position (plus any subsequent capital expenditure prior to disposal);
 - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure); and
 - depreciation of tangible and amortisation of intangible assets.
- (b) donated assets;
- (c) amounts due from, or due to be surrendered to the Consolidated Fund;
- (d) cash balances within the centralised Northern Ireland Civil Service pool of accounts currently held at the Northern Bank; and
- (e) the Department's investment in Northern Ireland Water Limited (NIW), where the charge is equal to a return of 5.1% on the opening Regulatory Capital Value (RCV) and, in the case of additional loans being drawn down under the Subscription Agreement, at the rate of interest due from NIW in line with the terms of the Loan Note Instrument.

1.15 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. At the end of the reporting period monetary items are translated at the closing rate applicable at the statement of financial position date.

1.16 Employee benefits including pensions

Staff costs

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using average staff numbers and costs applied to the average untaken leave

balance determined from the results of a survey to ascertain leave balances as at 31 March 2008. It is not anticipated that the level of untaken leave will vary significantly from year to year.

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI) which is a defined benefit scheme and is unfunded and non-contributory except in respect of dependants' benefits. 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). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Early departure costs

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 2.2% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.18 Public Private Partnership (PPP) Transactions

PPP transactions relate to Roads Service and are accounted for in accordance with International Financial Reporting Interpretations Committee (IFRIC) 12 'Service Concession Arrangements'.

Where the balance of risks and rewards of ownership of the PPP property is borne by Roads Service, the property is recognised as a non-current asset and the liability to pay for it accounted for as an imputed loan, from the point at which the asset is available for use. Contract payments to the PPP provider are apportioned between the element associated with the repayment of the imputed loan and the level of service provided.

Where the balance of risks and rewards of ownership of the PPP property are borne by the PPP operator, the PPP payments are recorded as an operating cost. Where Roads Service has contributed assets, a prepayment for their fair value is recognised and subsequently charged as an operating cost over the life of the PPP contract. Where at the end of the PPP contract all or part of the property reverts to Roads Service, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

1.19 Grants and subsidies payable

The Department recognises such expenditure in the period in which the recipient carries out the activity which creates an entitlement to the grant support or subsidy, in so far as is practicable to do so.

1.20 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by Treasury (currently 2.2%).

1.21 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the NI Assembly in accordance with Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.22 Value Added Tax

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

1.23 EU income

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

1.24 *Funding from Assembly Supply*

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

1.25 *Notional costs*

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

1.26 *Vesting of property*

In certain instances the Department will vest property. In such circumstances the Department assumes ownership at the date of which the vesting order becomes operative and hence the property is capitalised.

1.27 *Estimation Techniques*

In the application of the accounting policies above, the Department is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The significant estimation techniques for the Department include the valuation of the road network and the estimation of useful life of property, plant and equipment.

2. First-time adoption of IFRS

IAS 16 Property, Plant and Equipment

In applying IAS16 Property, Plant and Equipment the Department's policy of 'renewals accounting' as applied under UK GAAP to account for the road infrastructure has been discontinued. Under the application of the IFRS the road surface will be recognised as a single asset and will be valued at depreciated replacement cost based on its service potential. All expenditure that has or will enhance the service potential will be capitalised, depreciation will be the value of the service potential replaced through the maintenance programme plus or minus the output from an annual condition survey.

An adjustment of £56,617,000 has been reflected in the opening statement of financial position being an increase in the value of the infrastructure asset (enhancement of service potential) and the opening accumulated depreciation balance (replacement through maintenance programme). The corresponding entries have been accounted for through Reserves giving a net effect of £Nil.

The adjustment for the year ended 31 March 2009 has been £40,555,000. This adjustment has been accounted for as additions to the road network, reversal of maintenance expenditure through the OCS, a charge to accumulated depreciation and an expense to the OCS for the equivalent amount for depreciation. The net effect of these adjustments is £nil through the OCS and £nil to the net book value of infrastructure assets.

IAS 38 Intangible assets

Items meeting the recognition criteria in IAS38, Intangible Assets, have been recognised as intangible assets. Following the application for the standard's criteria a number of qualifying assets were identified. The gross book value of this adjustment to the opening statement of financial position at 1 April 2008 was £257,000.

IAS 19 Employee Benefits

Following the adoption of IAS19 an adjustment was required to recognise untaken staff annual and flexi-leave balances. An adjustment of £1,551,000 was accounted for through the opening statement of financial position. A further £24,000 was adjusted to reflect the increase in staff salaries and numbers through the 31 March 2009 statement of financial position.

IFRS 5

Under UKGAAP £12,334,000 of land identified as surplus was accounted for as part of tangible fixed assets. Under IFRS5 these assets no longer meet the definition of a non-current asset. The surplus land has been classified as 'held for sale'. This adjustment is a statement of financial position reclassification only.

2(a) Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the date of transition 1 April 2008

	General Fund £000	Revaluation reserve £000	Grant reserve £000
Taxpayers' equity at 31 March 2008 under UK GAAP	13,690,445	22,562,596	102,417
<i>Adjustments for:</i>			
IAS 19 Employee Benefits	(1,551)	-	-
IAS 38 Intangible Assets	257	-	-
Taxpayers' equity at 1 April 2008 under IFRS	13,689,151	22,562,596	102,417

2(b) Reconciliation of GAAP reported taxpayers' equity to IFRS at the end of final UK GAAP reporting period 31 March 2009

	General Fund £000	Revaluation reserve £000	Grant reserve £000
Taxpayers' equity at 31 March 2009 under UK GAAP	13,984,261	19,663,427	101,291
<i>Adjustments for:</i>			
IAS 19 Employee Benefits	(1,575)	-	-
IAS 38 Intangible Assets	193	-	-
Taxpayers' equity at 1 April 2009 under IFRS	13,982,879	19,663,427	101,291

2(c) Reconciliation of UK GAAP reported net operating cost to IFRS for year ended 31 March 2009

	Core Department £000	Consolidated £000
Net operating cost for 2008-09 under UK GAAP	431,971	1,904,842
<i>Adjustments for:</i>		
IAS 38 Intangible Assets	-	64
IAS 19 Employee Benefits	(1)	24
Net operating cost for 2008-09 under IFRS	431,970	1,904,930

3. Analysis of net resource outturn by section

							2009-10 £000	
						Outturn	Estimate	
						Net Total	NET TOTAL	Net total outturn compared with Estimate
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total		
Request for Resources A:								
Departmental Expenditure in DEL								
1: Roads Service	74,895	135,854	-	210,749	(20,517)	190,232	193,951	3,719
2: Ferry services, air and sea ports	22	1,044	2,698	3,764	(889)	2,875	12,039	9,164
3: Railway services	-	31,641	36,400	68,041	(678)	67,363	66,373	(990)
4: Road passenger services	5,235	49,088	14,200	68,523	(8)	68,515	69,682	1,167
5: Services to other Departments	5,508	(748)	-	4,760	(83)	4,677	5,353	676
6: Settlement of NICS Equal pay claims	-	6,803	-	6,803	-	6,803	6,803	-
Annually Managed Expenditure (AME)								
7: Roads Service- Cost of Capital, release from Government Grant Reserve in respect of EU funded assets and Depreciation costs	3,132	1,257,894	-	1,261,026	-	1,261,026	1,378,069	117,043
8: Roads Service-RRI Cost of capital and Depreciation costs	-	6,997	-	6,997	-	6,997	7,514	517
Non-Budget								
9: Capital grants to statutory bodies and other expenditure	-	-	-	-	-	-	34	34
10: Release from Government Grant Reserve in respect of EU funded assets and other expenditure	-	(4,804)	-	(4,804)	-	(4,804)	(4,841)	(37)
11: IFRS Prior period adjustments	(6,031)	7,413	-	1,382	-	1,382	1,436	54
12: Notional Charges	12,950	-	-	12,950	-	12,950	13,057	107
Total	95,711	1,491,182	53,298	1,640,191	(22,175)	1,618,016	1,749,470	131,454
Request for Resources B:								
Departmental Expenditure in DEL								
1: Water Policy and Administration	1,701	52	-	1,753	-	1,753	2,110	357
2: Settlement of NICS equal pay claims	-	67	-	67	-	67	67	-
Non-Budget								
3. Financial support for Northern Ireland Water Limited	-	317,551	64	317,615	(61,910)	255,705	255,929	224
4. Northern Ireland Water Limited Classification	-	-	-	-	-	-	-	-
Total	1,701	317,670	64	319,435	(61,910)	257,525	258,106	581
Resource Outturn	97,412	1,808,852	53,362	1,959,626	(84,085)	1,875,541	2,007,576	132,035

						Outturn	Estimate	
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	NET TOTAL	Net Total	Net total outturn compared with Estimate
Request for Resources A:								
Departmental Expenditure in DEL								
1: Roads Service	77,303	142,143	-	219,446	(21,021)	198,425	202,745	4,320
2: Ferry services, air and sea ports	20	901	8,774	9,695	(939)	8,756	10,015	1,259
3: Railway services	-	29,347	36,050	65,397	-	65,397	66,550	1,153
4: Road passenger services	4,507	45,155	8,950	58,612	(12)	58,600	61,768	3,168
5: ERDF related expenditure and grants	-	-	-	-	-	-	-	-
6: EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-
7: EU Community Initiatives	-	-	-	-	-	-	-	-
8: Services to Other Departments	5,733	(75)	-	5,658	(123)	5,535	5,700	165
Annually Managed Expenditure (AME)								
9: Roads Service- Cost of Capital, release from Government Grant Reserve in respect of EU funded assets and Depreciation costs	3,108	1,268,382	-	1,271,490	-	1,271,490	1,354,601	83,111
10: Roads Service-RRR Cost of capital and Depreciation costs	-	7,514	-	7,514	-	7,514	7,514	-
Non-Budget								
11: ERDF-Grants to Statutory Bodies	-	-	-	-	-	-	-	-
12: Capital grants to statutory bodies and other expenditure	-	26	-	26	-	26	34	8
13: Release from Government Grant Reserve in respect of EU funded assets and other expenditure	-	(4,803)	-	(4,803)	-	(4,803)	(4,800)	3
14: Notional Charges	11,272	-	-	11,272	-	11,272	11,445	173
Total	101,943	1,488,590	53,774	1,644,307	(22,095)	1,622,212	1,715,572	93,360
Request for Resources B:								
Departmental Expenditure in DEL								
1: Financial support for Northern Ireland Water Limited	-	-	-	-	-	-	-	-
2: Water Policy and Administration	1,283	67	-	1,350	-	1,350	1,700	350
Non-Budget								
3: Northern Ireland Water Limited	-	301,270	1,086	302,356	(17,887)	284,469	285,038	569
4: Northern Ireland Water Limited Classification	-	-	-	-	-	-	400,000	400,000
Total	1,283	301,337	1,086	303,706	(17,887)	285,819	686,738	400,919
Resource Outturn	103,226	1,789,927	54,860	1,948,013	(39,982)	1,908,031	2,402,310	494,279

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

	Variance Under/(over) £000	Explanation
RfR A	131,454	Mainly due to accounting policy changes the cost of capital was difficult to predict and hence was £100m less than anticipated. AME Depreciation was also £20m less than anticipated (line 7).
RfR B	581	Slight underspend on various categories of expenditure consisting of £357k in respect of line 1 and £224k in respect of line 3.

Detailed explanations of significant variances are given in the Management Commentary.

Key to Request for Resources

RfR A

Supporting the economy by maintaining and developing safe and sustainable transportation networks, promoting airport and harbour services, addressing regional imbalance in infrastructure and shaping the long-term future of the region.

RfR B

Contributing to the health and well being of the community and the protection of the environment by developing and maintaining the policy and regulatory environment which provides sustainable, high quality water and sewerage services.

Analysis of net resource outturn by section for the year ended 31 March 2010 has been prepared in accordance with IFRS. Prior year comparatives are stated in accordance with UK GAAP.

4. Reconciliation of outturn to net operating cost and against Administration Budget

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

			2009-10 £000	2008-09 £000	
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	3	1,875,541	2,007,576	132,035	1,908,031
Non-supply income (CFERs)	6	(687)	(668)	19	(1,358)
IFRS adjustment		(1,382)	(1,436)	(54)	-
Exchange losses on CFER related EU Receivables		418	-	(418)	(1,831)
Prior period adjustment		-	-	-	88
Net IFRS operating cost	2(c)	1,873,890	2,005,472	131,582	1,904,930

4(b) Outturn against final Administration Budget

	2009-10 £000	2008-09 £000	
	Budget	Outturn	Outturn
Gross administration budget	88,597	87,361	88,846
Less Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	88,597	87,361	88,846

Reconciliation of outturn to net operating cost and against Administration Budget the year ended 31 March 2010 has been prepared in accordance with IFRS. Prior year comparatives are stated in accordance with UK GAAP.

5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	3	2,007,576	1,875,541	132,035
Capital				
Acquisition of property, plant and equipment	22 (d)	355,481	354,258	1,223
Investments	22 (d)	190,000	170,000	20,000
Non-operating Accruing Resources				
Proceeds of property, plant and equipment disposals	22 (d)	(8,451)	(7,001)	(1,450)
Accruals adjustments				
Non-cash items	10, 11,12	(1,506,680)	(1,379,119)	(127,561)
Prior Period Adjustments	3,22 (d)	(98,865)	(98,811)	(54)
Changes in working capital other than cash	22 (c)	53,452	(21,443)	74,895
Changes in payables falling due after more than one year	22	(60,000)	(60,612)	612
Use of provision	23	43,687	27,189	16,498
Excess cash receipts surrenderable to the Consolidated Fund	6	-	-	-
Net cash requirement		976,200	860,002	116,198

Explanations of the significant variances between Estimate Net Cash Requirement and Outturn Net Cash Requirement are given in the Management Commentary.

6. 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 2009-10 £000		Outturn 2009-10 £000	
	Note	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess Accruing Resources					
Other operating income and receipts not classified as Accruing Resources		668	<i>668</i>	687	<i>762</i>
Subtotal		668	<i>668</i>	687	<i>762</i>
Exchange Loss - Revenue		-	-	(148)	-
Exchange Loss - Capital		-	-	(271)	-
Non-operating income and receipts – excess Accruing Resources					
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Trans European Networks funding		-	-	485	<i>273</i>
Total income payable to the Consolidated Fund		668	<i>668</i>	753	<i>1,035</i>

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

		2009-10 £000	2008-09 £000
	Note		
Operating income	13	90,017	46,605
Adjustments for transactions between RfRs		-	20
Operating income netted off resource expenditure		(5,245)	(5,285)
Gross income		84,772	41,340
Income authorised to be used as Accruing Resources	3	(84,085)	(39,982)
Operating income payable to the Consolidated Fund	6	687	1,358

8. Non-operating income – Excess Accruing Resources

	2009-10 £000	2008-09 £000
Non-operating income – Excess Accruing Resources	-	-

9. Non-operating income not classified as Accruing Resources

	Income £000	Receipts £000
Non-operating income not classified as Accruing Resources	485	274

10. Staff numbers and related costs

Staff costs comprise:

	2009-10 £000		2008-09 £000		
	Total	Permanently employed staff	Others	Ministers	Total
Wages and salaries	68,982	67,521	1,423	38	65,968
Social security costs	4,607	4,602	-	5	4,628
Other pension costs	10,399	10,391	-	8	10,028
Sub Total	83,988	82,514	1,423	51	80,624
Less recoveries in respect of outward secondments	(10)	(10)	-	-	(45)
Total net costs	83,978	82,504	1,423	51	80,579
Analysed as:					
RfR A	82,796	81,322	1,423	51	79,446
RfR B	1,182	1,182	-	-	1,133
	83,978	82,504	1,423	51	80,579
Analysed as:					
Administration costs – continuing operations	75,446				73,406
Minister's costs (notional)	51				51
Per Operating Cost Statement	75,497				73,457
Programme costs – continuing operations	293				407
Capitalised	8,198				6,760
Less recoveries in respect of outward secondments	(10)				(45)
	83,978				80,579
Of which:					
Core department	16,231	15,950	230	51	14,620

Permanently employed staff includes the cost of the Department's Special Adviser, which falls within the pay band range £57,300 - £79,740.

The Principal Civil Service Pension Scheme (Northern Ireland) is an unfunded multi-employer defined benefit scheme which produces its own resource accounts, but the Department for Regional Development is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2009-10, employers' contributions of £10,360,535 were payable to the PCSPS(NI) (2008-09 £10,001,478) at one of four rates in the range 16.5% to 23.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2011). The contribution rates are set to meet the cost of benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £31,602 (2008-09 £27,024) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% (2008-09: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £1,469, 0.8% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the statement of financial position date were nil. Contributions prepaid at that date were nil.

7 people (2008-09:9 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £6,860 (2008-09 £14,040).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department including Roads Service and other bodies included within the consolidated departmental resource boundary:

Objective	2009-10				2008-09
	Total	Permanent staff	Others	Ministers	Number
A	2,219	2,149	69	1	2,505
B	21	21	-	-	29
Staff engaged on capital projects	256	256	-	-	120
Total	2,496	2,426	69	1	2,654
Of which:					
Core department	440	428	11	1	444

11 Other administration costs

		2009-10 £000		2008-09 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Other operating leases		24	24	30	129
Rent of land and buildings		-	174	-	294
Interest charges:					
Interest on government loans		-	-	-	-
Non-cash items					
<i>Notional charges:</i>					
Accommodation		2,733	7,043	2,528	6,437
DFP Recruitment Service		-	-	-	-
DFP Delivery Innovation Division		4	127	17	259
Central Procurement Directorate		-	-	-	-
Land and Property Service		-	513	2	656
NIAO auditors' remuneration **		60	137	42	101
Other		1,167	5,079	1,584	3,768
<i>Depreciation and amortisation of property, plant and equipment:</i>					
Property, Plant & Equipment		15	982	18	828
Intangible assets		9	131	10	10
Revaluation charge to OCS		-	27	-	-
Profit on disposal of property, plant and equipment.		-	-	-	-
Loss on disposal of property, plant and equipment.		-	-	-	-
Cost of capital charge		-	2,017	-	2,297
<i>Provisions:</i>					
Provided in year	23	(12)	615	238	(2,094)
Unwinding of discount on provisions	23	(3)	(3)	(3)	(3)
Release from Government Grant reserve		-	-	-	-
Profit /Loss on Exchange		-	268	-	-
Other expenditure		3,608	13,054	2,254	14,146
Less: Own work capitalised		-	(1,970)	-	(311)
Total		7,605	28,218	6,720	26,517

** Notional audit fees include an amount of £33k in relation to the audit of the International Financial Reporting Standards Shadow Accounts.

11(a) Analysis of non-cash items for Cash Flow Statement and Statement of Parliamentary Supply

	2009-10	2008-09
	£000	£000
Staff costs (see Note 10)	51	51
Non-staff administration costs (see Note 11)	16,667	12,259
Programme costs – RfR A (see Note 12)	1,302,926	1,337,064
Programme costs – RfR B (see Note 12)	59,896	50,812
Adjust for capital grants written off	-	-
Release from Government Grant reserve (see Note 13)	(5,245)	(5,285)
Non-cash transactions (Cash Flow Statement)	1,374,295	1,394,901
Less interest paid to NI Consolidated Fund for RRI loans	-	-
Non cash proceeds of sale of assets	-	-
Adjust for capital provisions (see note 23)	4,824	30,229
Adjust for capital grants written off	-	-
Non-cash transactions (Statement of Parliamentary Supply)	1,379,119	1,425,130

12. Programme costs

		2009-10 £000		2008-09 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
RfR A					
Current grants and other current expenditure		134,530	228,336	127,820	*206,937
Rentals under operating leases		-	209	-	-
PPP service charge		-	3,610	-	*2,797
PPP Interest on loan		-	6,736	-	*1,940
Own work Capitalised		-	350	-	-
Non-cash expenditure:					
Depreciation and amortisation of property, plant & equipment		1	141,176	20	93,372
Impairment of property, plant & equipment		-	-	-	-
Revaluation charges to OCS		-	6,096	-	-
Loss on disposal of property, plant and equipment.		-	12	-	14
Profit on disposal of property, plant and equipment		-	-	-	-
Provision for bad debts		-	1,350	-	1,251
Provisions – provided in year	23	1,951	12,057	15	4,140
Cost of capital charge		(1,096)	1,142,235	(1,078)	1,238,287
Total programme costs – RfR A		135,386	1,542,167	126,777	1,548,738
RfR B					
Current grants and other current expenditure		257,836	257,836	251,604	251,604
Rentals under operating leases		-	-	-	-
PFI charges: off-statement of financial position contracts		-	-	-	-
Non-cash expenditure:					
Depreciation and amortisation of property, plant & equipment		-	-	-	-
Impairment of property, plant & equipment		-	-	-	-
Loss on sale of property, plant and equipment.		-	-	-	-
Profit on disposal of property, plant and equipment		-	-	-	-
Release from donated asset reserve		-	-	-	-
Release from government grant reserve		-	-	-	-
Provision for bad debts		-	-	-	-
Provisions – provided in year	23	67	67	-	-
Other notional costs		-	-	-	-
Cost of Capital Charge re Investment NIW		59,829	59,829	50,812	50,812
Cost of capital charge		-	-	-	-
Total programme costs – RfR B		317,732	317,732	302,416	302,416
Total programme costs		453,118	1,859,899	429,193	1,851,154

*The PPP Service charge and interest on loan have been disclosed separately in 2009-10. The 2008-09 amounts have also been restated.

13. Income

	2009-10					
	£000					
	Core Department			Consolidated		
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Continuing operations						
Car park receipts and PCN income	-	-	-	-	-	-
Recoverable works	-	-	-	-	-	-
EU grant income – CFER income	-	-	-	-	-	-
EU grant income – Accruing Resources income	-	-	-	-	-	-
Other	133	-	133	133	-	133
Administration income	133	-	133	133	-	133
Programme income						
Continuing operations						
Car park receipts and PCN income	-	-	-	15,759	-	15,759
Recoverable works	-	-	-	3,076	-	3,076
Dividend Income from NIW	-	35,006	35,006	-	35,006	35,006
Loan Interest from NIW	-	26,904	26,904	-	26,904	26,904
EU grant income – CFER income	(45)	-	(45)	(45)	-	(45)
EU grant income – Accruing Resources income	678	-	678	678	-	678
Release from Government Grant Reserve	-	-	-	5,245	-	5,245
Other	13	-	13	3,261	-	3,261
	646	61,910	62,556	27,974	61,910	89,884
Total income	779	61,910	62,689	28,107	61,910	90,017

Income

	2008-09					
	£000					
	Core Department			Consolidated		
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Continuing operations						
Car park receipts	-	-	-	-	-	-
Recoverable works	-	-	-	-	-	-
EU grant income – CFER income	-	-	-	-	-	-
EU grant income – Accruing						
Resources income	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Other	226	-	226	206	-	206
Administration income	226	-	226	206	-	206
Programme income						
Continuing operations						
Car park receipts	-	-	-	16,038	-	16,038
Recoverable works	-	-	-	3,683	-	3,683
Dividend Income from NIW	-	-	-	-	-	-
Loan Interest from NIW	-	17,887	17,887	-	17,887	17,887
EU grant income – CFER income	495	-	495	495	-	495
EU grant income – Accruing						
Resources income	-	-	-	-	-	-
Rental income	-	-	-	218	-	218
Release from Government Grant	-	-	-	5,285	-	5,285
Reserve *						
Other	-	-	-	2,793	-	2,793
Total Programme Income	495	17,887	18,382	28,512	17,887	46,399
Total income	721	17,887	18,608	28,718	17,887	46,605

* Release from Government Grant Reserve was previously classified within programme cost.

14. Analysis of net operating cost by spending body

	2009-10		2008-09
	£000		£000
	Estimate	Outturn	Outturn
Spending body:			
Ports and Public Transport Division	147,340	138,156	129,429
Other Core Department	21,640	19,054	16,756
Roads Service	1,579,046	1,459,616	1,472,960
Water Shareholder / Water Policy	257,446	257,064	285,785
	2,005,472	1,873,890	1,904,930

15. Property, plant and equipment

	Land & Buildings excluding Dwellings	Infrastructure Assets	Transport Equipment	Plant and Machinery	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2009	412,173	35,215,163	37,341	13,884	5,000	3,000	35,686,561
Opening balance adjustment	12,334	(9,332)	(459)	459	-	-	3,002
Additions	5,653	247,240	2,341	(6)	992	480	256,700
Developer Contributions	-	99,166	-	-	-	-	99,166
Disposals	(301)	-	(805)	(188)	-	-	(1,294)
Transfers	(983)	-	-	-	-	-	(983)
Revaluations	(45,522)	(2,624,937)	1,796	385	49	-	(2,668,229)
Reclassification	1	-	-	-	(21)	-	(20)
Revaluation charge to the OCS	(6,141)	-	-	-	-	-	(6,141)
At 31 March 2010	377,214	32,927,300	40,214	14,534	6,020	3,480	33,368,762
Depreciation							
At 1 April 2009	819	2,809,657	25,611	8,760	4,585	-	2,849,432
Opening balance adjustment	-	(1,018)	(212)	212	-	-	(1,018)
Charged in year	1,326	137,019	2,630	921	259	-	142,155
Disposals	-	-	(767)	(188)	-	-	(955)
Transfers	-	-	-	-	-	-	-
Backlog depreciation	(204)	(181,223)	922	292	32	-	(180,181)
Reclassification	-	-	-	-	(15)	-	(15)
Revaluation/ Indexation charge to the OCS	(20)	-	-	-	-	-	(20)
At 31 March 2010	1,921	2,764,435	28,184	9,997	4,861	-	2,809,398
Net book value at 31 March 2010	375,293	30,162,865	12,030	4,537	1,159	3,480	30,559,364
Net book value at 1 April 2009	411,354	32,405,506	11,730	5,124	415	3,000	32,837,129
Asset financing:							
Owned	375,293	30,005,146	12,030	4,537	1,159	3,480	30,401,645
On-statement of financial position PFI contracts	-	157,719	-	-	-	-	157,719
Net book value at 31 March 2010	375,293	30,162,865	12,030	4,537	1,159	3,480	30,559,364

Analysis of Property, plant and equipment

The net book value of Property, plant and equipment comprises:

Core department at 31 March 2010	-	-	-	66	4	3,480	3,550
Agency at 31 March 2010	375,293	30,162,865	12,030	4,471	1,155	-	30,555,814
Core department at 1 April 2009	-	-	-	87	5	3,000	3,092
Agencies at 1 April 2009	411,354	32,405,506	11,730	5,037	410	-	32,834,037
Core department at 1 April 2008	-	-	-	125	9	-	134
Agencies at 1 April 2008	594,004	34,909,308	12,348	4,374	572	-	35,520,606

Property, plant and equipment

	Land & Buildings excluding Dwellings	Infrastructure Assets	Transport Equipment	Plant and Machinery	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2008	594,005	37,376,328	34,886	12,117	5,252	-	38,022,588
Opening balance adjustment	-	(12,804)	-	-	(250)	-	(13,054)
Additions	29,827	191,599	1,099	1,233	92	3,000	226,850
Developer Contributions	-	57,147	-	-	-	-	57,147
Disposals	-	-	(1,245)	(673)	(94)	-	(2,012)
Transfers	(288)	288	-	-	-	-	-
Revaluations	(211,371)	(2,397,395)	2,601	1,207	-	-	(2,604,958)
Reclassification	-	-	-	-	-	-	-
At 31 March 2009	412,173	35,215,163	37,341	13,884	5,000	3,000	35,686,561
Depreciation							
At 1 April 2008	1	2,467,020	22,538	7,618	4,671	-	2,501,848
Opening balance adjustment	-	(12,994)	-	-	(251)	-	(13,245)
Charged in year	862	89,885	2,210	922	257	-	94,136
Disposals	-	-	(1,186)	(637)	(92)	-	(1,915)
Transfers	-	-	-	-	-	-	-
Revaluations	(44)	265,746	2,049	857	-	-	268,608
At 31 March 2009	819	2,809,657	25,611	8,760	4,585	-	2,849,432
Net book value at 31 March 2009	411,354	32,405,506	11,730	5,124	415	3,000	32,837,129
Net book value at 1 April 2008	594,004	34,909,308	12,348	4,499	581	-	32,520,740
Asset financing:							
Owned	411,354	32,309,620	11,730	5,124	415	3,000	32,741,243
On-statement of financial position PFI contracts	-	95,886	-	-	-	-	95,886
Net book value at 31 March 2009	411,354	32,405,506	11,730	5,124	415	3,000	32,837,129

The following valuers have been involved in valuing the property, plant and equipment at the dates specified:

	Asset category	Valuer name and qualifications	Date of last valuation	Valuation method in intervening years
Roads Service	Infrastructure Land	N/A	N/A	Indicative Land Indices (LPS)
	Land for scheme	Land & Property Services (LPS)	31 March 2006	Indicative Land Indices (LPS)
	Car Parks	Land & Property Services (LPS)	31 March 2008	Indicative Land Indices (LPS)
	Buildings	Land & Property Services (LPS)	31 March 2008	BCIS Index (LPS)
	Infrastructure Assets	EC Harris (Professional surveyors) and Professor MS Snaith FREng	31 March 2010	Baxter Index (Provisional)
	Transport Equipment-Ferry	Blyth Bridges (Marine Consultants)	31 March 2006	Index provided by Marine Consultants
	Transport Equipment-Vehicles	N/A	N/A	Adjusted National Statistics Office SIC92
	Surplus Assets	Land and Property Services (LPS)	31 March 2006	Property Market Indices (LPS)
	Plant and Machinery	N/A	N/A	Adjusted National Statistics Office SIC92

All property, plant and equipment is restated to fair value each year except for assets in the course of construction and IT & Office Equipment.

The Roads and Bridges Infrastructure valuation was performed on a depreciated replacement cost basis on 31 March 2010, utilising the ‘Baxter Index’ for construction in England, Wales and Northern Ireland. For 2009-10 a provisional index to 31 December 2009 was applied, as this was the most up to date available at the time of the production of the valuation.

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

The valuation of land for schemes has been indexed to 31 March 2010 using indicative land rates provided by Land and Property Services.

Condition Surveys for the Road Network

Renewals accounting as outlined in the Statement of Accounting Policies 1.4 requires that an annual condition survey be undertaken to inform the decision on whether depreciation should be charged and whether any adjustment is necessary in respect of the condition of the network.

On the motorway and trunk road network and the rest of the “A” class roads this condition survey is a machine based survey (Deflectograph) carried out as a three year rolling programme. On the non-trunk roads, the condition survey is a visual survey (Coarse Visual Inspection (CVI)) carried out as a rolling programme over two years on the “B” and “C” class roads and every four years on the “Unclassified” roads. An independent consulting engineer’s opinion is sought on the output from the survey and on the methodology used to calculate the condition assessment.

The CVI is the only physical survey currently suitable for the majority of non-trunk roads. However CVI is a visual as opposed to a machine based survey and is therefore subjective and has limited repeatability. To overcome this problem the results of each years survey are aggregated; 2 years for “B” and “C” class roads and 4 years for unclassified roads.

Until a machine based survey is fully developed, tested and implemented the CVI survey remains the only physical assessment of condition on this class of road.

Additional supply monies

During the year the Department benefited from additional supply monies of £Nil (2008-09 £Nil) which were made available through the Strategic Investment Programme. These monies were used to fund additions to property, plant and equipment above.

Donaghadee Harbour

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

16. Intangible assets

The Department's intangible assets comprise purchased software licences:

	Software	Total
	£000	£000
Cost or Valuation		
At 1 April 2009	335	335
Opening balance adjustment	6	6
Additions	129	129
Disposals	-	-
Reclassifications	20	20
Revaluation	14	14
At 31 March 2010	504	504
Amortisation		
At 1 April 2009	133	133
Opening balance adjustment	8	8
Charged in Year	131	131
Disposals	-	-
Reclassification	16	16
Revaluation	6	6
At 31 March 2010	294	294
Net Book Value at 31 March 2010	210	210
Net Book Value at 1 April 2009	202	202

Analysis of Intangible assets

The net book value of intangible assets comprises

	Software	Total
	£000	£000
Core Department at 31 March 2010	12	12
Agencies at 31 March 2010	198	198
Core Department at 1 April 2009	9	9
Agencies at 1 April 2009	193	193
Core Department at 1 April 2008	16	16
Agencies at 1 April 2008	257	257

Intangible assets

	Software	Total
	£000	£000
Cost or Valuation		
At 1 April 2008	361	361
Additions	2	2
Disposals	(28)	(28)
Reclassifications	-	-
Revaluation	-	-
At 31 March 2009	335	335
Amortisation		
At 1 April 2008	88	88
Charged in Year	74	74
Disposals	(28)	(28)
Revaluation	(1)	(1)
At 31 March 2009	133	133
Net Book Value at 31 March 2009	202	202
Net Book Value at 1 April 2008	273	273

17. Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk as the majority of Receivable balances are with other Government bodies. The Department manages its credit risk by ensuring regular review of receivables and prompt follow up of unpaid invoices. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the statement of financial position.

Liquidity risk

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

Currency Risk

The Department receives reimbursement of certain grant payments from the European Union. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The Department translates its EU Receivable balances at the relevant exchange rate at each year end.

The Department does not have the authority to manage currency risk through hedging.

Interest Rate Risk

All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

Gains/losses

The following table shows the net gains/losses recognised through the Operating Cost Statement by measurement category:

					2009-10	2008-09
	From Interest	At Fair Value	From Subsequent Measurement Currency Translation	Impairment/ Reversal of Impairment	Net gain/(loss)	Net gain/(loss)
	£000	£000	£000	£000	£000	£000
Loans and receivables	-	-	(419)	-	(419)	2,621
Total	-	-	(419)	-	(419)	2,621

The Department recognises the components of net gain/loss through the Operating Cost Statement. The net currency translation gains on financial assets classified as loans and receivables are attributable to monies due from the EU in respect of grant payments.

17(a) Investment in Northern Ireland Water

	Loan Stock & Ordinary Shares £000	Loan on vesting £000	Long-term loan £000	Total £000
Balance at 1 April 2008	671,690	150,000	157,560	979,250
Additions	-	-	150,000	150,000
Balance at 31 March 2009	671,690	150,000	307,560	1,129,250
Additions	-	-	170,000	170,000
Disposals	-	-	-	-
Repayments	-	-	-	-
Revaluations	-	-	-	-
Write off	-	-	-	-
Balance at 31 March 2010	671,690	150,000	477,560	1,299,250

On 1 April 2007 the responsibility for the provision of water and sewerage services transferred from Water Service, an executive agency of the Department, to Northern Ireland Water Limited, a private limited company wholly owned by the Department. As a consequence of the vesting in the company of the assets and liabilities of Water Service (value at 1 April 2007 £822 million), the Department was issued with £150 million of loan notes under the Subscription Agreement and maintained an equity interest of £672 million. In addition, the Subscription Agreement provides for the company to issue and the Department to subscribe in cash for additional loan notes. At the 31 March 2010 the company had issued further loan notes of £478 million. The interest rate on these and the initial loan note is 5.25%, fixed for the term of the loan.

The investment is shown at historical cost less any provision for impairment.

The Department's share of the net assets and results of NIW is summarised below.

	Northern Ireland Water £000
Net assets at 1 April 2009 (restated)	724,543
Turnover for year ended 31 March 2009	331,572
Surplus/profit for the year (before financing) (restated)	68,786
Net assets at 31 March 2010	717,573
Turnover for the year ended 31 March 2010	352,292
Surplus/profit for the year (before financing)	89,547

18. Assets held for sale

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
At 1 April 2009	12,334	12,334	15,164
Opening balance adjustment	(12,334)	-	-
Transfers In	983	-	-
Disposals	(475)	-	-
Total	508	12,334	15,164

Within the next year, the Department intends to dispose of a number of parcels of land it no longer requires. The land was previously held as part of the ongoing development of the road network. A search is underway for buyers.

19. Inventories

	31 March 2010 £000		31 March 2009 £000		1 April 2008 £000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Inventories	-	1,348	-	1,359	-	1,282
Work in progress	-	-	-	-	-	-
	-	1,348	-	1,359	-	1,282

20. Trade receivables and other current assets

20(a) Analysis by type

	31 March 2010		31 March 2009		1 April 2008	
	Core Dept.	Consolidated	Core Dept.	Consolidated	Core Dept.	Consolidated
		£000		£000		£000
Amounts falling due within one year:						
Trade receivables	3,344	7,097	224	3,182	34,207	38,095
Other receivables *	1,494	2,297	1,557	1,009	1,118	2,076
Due from other government departments in respect of supply	-	-	4,202	4,202	-	-
Prepayments and accrued income	147	3,175	437	4,846	174	2,916
EU grants receivable - CFER *	3,763	3,763	3,956	3,956	3,823	3,830
EU grants receivable – Accruing Resource	-	-	-	-	-	-
VAT	176	9,682	1,266	10,053	1,460	11,575
	8,924	26,014	11,642	27,248	40,782	58,492
Amounts due from the Consolidated Fund in respect of supply	16,981	16,981	8,850	8,850	59,755	59,755
EU grants receivable – capital – CFER*	-	7,797	-	7,856	-	1,967
EU grants receivable – capital - Accruing Resource	-	3,133	-	3,311	-	3,215
	25,905	53,925	20,492	47,265	100,537	123,429

*EU grants receivable of £11,560,000 (2008-09 £11,812,000) and £12,000 (2008-09 £40,000) of the Other receivables are to be surrendered to the Consolidated Fund when received.

20(b) Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	34,173	31,605	76,764	-	-	-
Balances with local authorities	1,326	554	118	-	-	-
Balances with NHS Trusts	15	42	24	-	-	-
Balances with public corporations and trading funds	1,882	1,271	36,283	-	-	-
Intra-government balances	37,396	33,472	113,189	-	-	-
Balances with bodies external to government	16,529	13,793	10,240	-	-	-
Total receivables at 31 March	53,925	47,265	123,429	-	-	-

21. Cash and cash equivalents

	Core Department			Consolidated		
	£000	£000	£000	£000	£000	£000
	Cash and bank balances	Bank Overdraft	Net	Cash and bank balances	Bank Overdraft	Net
Balance at 1 April 2008	2	(47,338)	(47,336)	32	(56,097)	(56,065)
Net change in cash and cash equivalents	358	47,338	47,696	339	51,375	51,714
Balance at 31 March 2009	360	-	360	371	(4,722)	(4,351)
Net change in cash and cash equivalents	(360)	(5,743)	(6,103)	(357)	(12,062)	(12,419)
Balance at 31 March 2010	-	(5,743)	(5,743)	14	(16,784)	(16,770)

	31 March 2010		31 March 2009		1 April 2008	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
The following balances were held at:						
Commercial banks and cash in hand	(5,743)	(16,770)	360	(4,351)	(47,336)	(56,065)
Total	(5,743)	(16,770)	360	(4,351)	(47,336)	(56,065)

The balance comprises:

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Cash held on behalf of other government departments;			
Inter-departmental payables (see Note 22b)	-	(4,202)	1,457
Cash due to be paid to the Consolidated Fund;			
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund (see Note 22a)	211	8,701	2,233
Cash due to be received from the Consolidated Fund;			
Amounts not issued by the Consolidated Fund for supply but spent at the year end (see Note 20a)	(16,981)	(8,850)	(59,755)
	(16,770)	(4,351)	(56,065)

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

Until 6 July 2009, receipts (including Parliamentary Supply) and expenditure in respect of the Department for Regional Development and the Department of the Environment were processed through a shared bank account.

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

From 6 July 2009 the Department of the Environment has its own bank account and at 31 March 2010 there is no Inter-Departmental balance.

22. Trade payables and other current liabilities

22(a) Analysis by type

	31 March 2010		31 March 2009		1 April 2008	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
		£000		£000		£000
Amounts falling due within one year:						
Bank overdraft (Note 21)	5,743	16,784	-	4,722	47,338	56,097
Trade payables	579	1,485	1,875	7,483	3,926	10,658
Accruals and deferred income	37,328	69,897	42,600	49,913	61,730	68,985
Other taxation and social security	-	-	608	908	1,175	1,544
Due to other government departments in respect of Supply	-	-	-	-	1,457	1,457
Other payables	242	43,267	553	32,386	789	34,586
Government loans	-	-	-	-	-	-
Capital retentions	-	-	-	-	-	-
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants						
– Received	-	119	901	8,273	874	874
– Receivable	3,763	11,559	3,956	11,812	3,823	5,798
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other						
– Received	-	94	275	428	1,038	1,359
– Receivable	-	12	-	40	280	320
	47,655	143,217	50,768	115,965	122,430	181,678
Amounts falling due after more than one year:						
Other Payables	-	7,836	-	7,240	-	8,118
Imputed loan on PPP Contracts	-	155,902	-	95,886	-	27,579
	-	163,738	-	103,126	-	35,697

22(b) Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	14,079	22,187	11,517	-	-	-
Balances with local authorities	1,704	2,966	4,325	-	-	-
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	31,908	36,698	58,449	-	-	-
Intra-government balances	47,691	61,851	74,291	-	-	-
Balances with bodies external to government	95,526	54,114	107,387	163,738	103,126	35,697
Total	143,217	115,965	181,678	163,738	103,126	35,697

22(c) Movements in working capital used in the Reconciliation of Resources to Net Cash Requirement (Note 5)

	2009-10 £000	
	Note	
(Increase)/decrease in inventories	19	11
(Increase)/decrease in receivables	20	(6,660)
Adjustments to movements in receivables		
Increase / (decrease) in amounts due from consolidated fund	20(a)	8,131
Consolidated Fund Receivable written off		-
Movement in CFER related Receivables	20(a)	(280)
Movement in provision for bad debts		483
Increase/ (decrease) in payables less than 1 year	22(a)	27,253
Adjustments to movements in payables less than 1 year		
Movement in bank	22(a)	(12,062)
(Increase)/ decrease in amounts due to the Consolidated Fund	22(a)	8,769
Movement in Inter-company balances	20(a)	(4,202)
Net (increase)/ decrease in working capital other than cash recognised in Statement of Parliamentary Supply		21,443

22 (d) Analysis of cashflows from investing activities

		Capital expenditure £000	Loans, etc. £000	Accruing Resources £000	Net total £000
	Note				
Cash out/in flow from fixed assets		250,163	170,000	(792)	419,371
Movement in receivables/payables					
Capital provisions made	23	4,824	-	-	4,824
Capital provisions utilised	23	(20,720)	-	-	(20,720)
Movement in capital retentions		22,562	-	-	22,562
Other capital movements in creditors		-	-	(10)	(10)
(Loss) on disposal		-	-	(12)	(12)
Prior Period Adjustments re: IFRS		97,429	-	-	97,429
Total 2009-10		354,258	170,000	(814)	523,444
Non-operating Accruing Resources (Statement of Parliamentary Supply)					
Net Book value of assets disposed	15,16&18			(814)	
Cash proceeds from Developers				(6,199)	
Loss on disposal	11&12			12	
Excess non operating accruing resources	8			-	
Accruing Resource Capital Grants				-	
Non-operating Accruing Resources (Statement of Parliamentary Supply)				(7,001)	

23. Provisions for liabilities and charges

	Core Department				
	Land Acquisition for Schemes £000	Equal pay £000	Early Retirement Provisions £000	Legal Claims £000	Total £000
Balance 1 April 2009	-	-	332	15	347
Provided in year	-	2,018	-	-	2,018
Provisions not required written back	-	-	(12)	-	(12)
Provisions utilised in year*	-	-	(75)	-	(75)
Unwinding of discount	-	-	(3)	-	(3)
Balance 31 March 2010	-	2,018	242	15	2,275

	Consolidated Department					
	Land Acquisition for Schemes £000	Equal pay £000	Early Retirement Provisions £000	Legal Claims £000	Contractors Claims £000	Total £000
Balance 1 April 2009	57,543	-	332	3,347	-	61,222
Provided in year	(3,776)	6,870	-	5,831	8,650	17,575
Provisions not required written back	-	-	(12)	-	-	(12)
Provisions utilised in year *	(20,720)	-	(75)	(4,561)	-	(25,356)
Unwinding of discount	-	-	(3)	-	-	(3)
Balance 31 March 2010	33,047	6,870	242	4,617	8,650	53,426

Analysis of expected timing of discounted flows

	Core Department				
	Land Acquisition for Schemes £000	Equal pay £000	Early Retirement Provisions £000	Legal Claims £000	Total £000
In the remainder of the Spending Review period (to 2011)	-	2,018	51	15	2,084
Between 2012 and 2016	-	-	108	-	108
Between 2017 and 2021	-	-	83	-	83

	Consolidated Department					
	Land Acquisition for Schemes £000	Equal pay £000	Early Retirement Provisions £000	Legal Claims £000	Contractors Claims £000	Total £000
In the remainder of the Spending Review period (to 2011)	-	6,870	51	-	-	6,921
Between 2012 and 2016	33,047	-	108	4,617	8,650	46,422
Between 2017 and 2021	-	-	83	-	-	83

There are no amounts expected to be called until after 2021.

*In addition to the above provisions there was £1,833k of bad debt provisions utilised.

23.1 Land Acquisition for Schemes

The provision is for land being acquired for future Road Schemes. The provision reflects all known claims where legal advice indicates that it is more than 50 per cent probable that the claim will be successful and the amount of the claim can be reasonably estimated. The amount provided is on a percentage expected probability basis.

23.2 Early Retirement Provisions

The Department meets the additional costs of benefits beyond the normal benefits in respect of employees who retire early by paying the required amounts annually over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms.

23.3 Legal Claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of five years. The provision is based on the estimated cash flows discounted by the Treasury discount rate of 2.2% in real terms. No reimbursement will be received in respect of any of these claims. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 30.

23.4 Equal Pay

This provision represents the Department's/Agency's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal pay.

As over 13,000 staff are affected, each with their own personal circumstances, implementation of the settlement will be a major administrative exercise and will take several months to fully complete. The exact amount to be paid will depend on a number of factors, including the number of staff who agree the settlement and the amount that HMRC calculate is due from departments to discharge taxation obligations.

23.5 Contractors Claims

Included within the provision is an amount in respect of a contractor dispute. The figure is a reliable estimate, based on all information available, but there remains significant uncertainty as to the outcome of this claim.

24. Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

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

	2009-10 £000	2008-09 £000
Objective A	1,542,458	1,543,453
Objective B	317,734	302,416
	1,860,192	1,845,869

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

Capital Employed by Departmental Strategic Objectives at 31 March 2010.

	2009-10 £000	2008-09 £000
Objective A	30,255,276	32,618,673
Objective B	1,298,962	1,128,924
	31,554,238	33,747,597

25. Capital commitments

	31 March 2010		31 March 2009		1 April 2008	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	-	49,912	-	84,430	-	33,180

26. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31 March 2010		31 March 2009		1 April 2008	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:			-	-	-	-
Land & Buildings:	-	-	-	-	-	-
Not later than one year	-	11	-	-	-	-
Later than one year and not later than five years	-	61	-	89	-	-
Later than five years	-	-	-	-	-	-
Total	-	72	-	89	-	-
Office Equipment:			-	-	-	-
Not later than one year	2	105	17	151	25	147
Later than one year and not later than five years	5	88	26	132	9	184
Later than five years	-	66	-	36	-	58
Total	7	259	43	319	34	389

27. Commitments under PPP contracts

The Department has entered into the following on-statement of financial position PPP contract for the Design, Build, Finance and Operations of sections of the Road Network:

PPP Package 1:

- M1/Westlink upgrade
- Grosvenor Road
- M2 Crosskennan slip roads at Antrim Hospital
- M2 widening between Sandyknowes and Greencastle
- Operation and maintenance of 65km of the motorway/trunk roads network.

PPP Package 1 commenced on 3 February 2006 and was completed on 28 November 2009. The estimated capital value of this PPP Package 1 is £118,219k.

PPP Package 2:

- A1 dualling between Beech Hill and Cloghogue
- Improving the safety junctions on the A1
- A4 dualling between Dungannon and Ballygawley
- Improving A4 Annaghilla and A5 at Tullyvar
- Operation and maintenance of 125km of the motorway/trunk roads network.

PPP Package 2 commenced on 16 November 2007 and is due to be completed on 28 March 2011. The estimated capital value of PPP Package 2 is £226,000k.

27(a) On Statement of Financial Position

PPP Package 1 and Package 2

Under IFRIC 12, these assets are treated as assets of the Department. The substance of the contract is that the Department has two finance leases. Payments to the PPP providers comprise two elements – imputed finance lease charges and service charges.

Total obligations under on Statement of Financial Position PFI contracts for the following periods comprise:

	31 March 2010		31 March 2009		1 April 2008	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Not later than one year	-	10,965	-	8,948	-	2,360
Later than one year and not later than five years	-	116,114	-	102,387	-	82,636
Later than five years	-	629,553	-	653,260	-	681,809
	-	756,632	-	764,595	-	766,805
Less interest element	-	404,265	-	(412,983)	-	(415,193)
Total	-	352,367	-	351,612	-	351,612

27(b) Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of the service element of on-Statement of Financial Position PPP transactions was £3,610,216 (2008-09: £2,797,133); and the payments to which the Department and its agencies are committed, analysed by the period during which the commitment expires is as follows:

	31 March 2010		31 March 2009		1 April 2008	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Not later than one year	-	4,496	-	3,010	-	2,608
Later than one year and not later than five years	-	61,884	-	49,359	-	82,637
Later than five years	-	765,464	-	781,898	-	681,809
	-	831,844	-	834,267	-	767,054

27(c) Off Statement of Financial Position

The Department has no off Statement of Financial Position PPP contracts.

28. Other financial commitments

The Department has entered into a number of debt facilities with Northern Ireland Water Limited (NIW).

The Capital loan notes have been issued under the instrument constituting £1,280,200,000 Fixed Coupon Unsecured loan notes 2027. Until 31 March 2014 NIW is entitled to issue further loan notes up to this amount. The actual amounts issued are determined by the progress of NIW's capital programme and its cash requirement. The loans are due to be redeemed in 2027 (or earlier if refinanced). To date NIW has issued loan notes with a value of £627.56m (31 March 2009: £457.56m) including the £150m issued at vesting (note 17).

The Department has also entered into a commitment to provide credit facilities to NIW to ensure that NIW is adequately resourced. There are two credit facilities available to NIW. The Revolving Credit Facility A for £55m is for funding for additional unforeseen expenditure by NIW which is envisaged to be recovered through the regulatory mechanism. The Revolving Credit Facility B (up to the limit of the unused element of the £55m) is for additional unforeseen expenditure which is not envisaged to be recovered through the regulatory mechanism. Any amounts drawn down on these two facilities would first have to be approved by DRD to ensure that the expenditure falls within the agreed parameters set out in the agreements. The current facility ends on 31 March 2014. To date NIW have not called upon this facility.

28(a) Financial Guarantees

The Department has entered into two separate deeds of guarantee in respect of the 'Alpha' water PPP contract and the 'Omega' wastewater PPP contract held by Northern Ireland Water.

The deeds for both projects guarantee the financial obligations payable under the relevant contract in the event of Northern Ireland Water Limited becoming insolvent.

In the absence of a mature market for the underlying risk, the fair value attributed by the Department has to reflect the likely impact on the public sector. In this case the Department considers the risk of the guarantee being called upon as so small that the value attributable to the guarantee should be nil.

The Department provides financial support to Rathlin Island Ferry Limited in order to provide a road ferry service to link Ballycastle and Rathlin. Rathlin Island Ferry Limited has a six year lease on the vessel used to provide this service. The Department has guaranteed the payments of the lease to the lessor in the event of the lease for the vessel having to be terminated because of any unforeseen change in the (maritime) regulations which would require the vessel to be upgraded at an unreasonable cost.

The Department considers the risk of the guarantee being called upon as so small that the value attributable to the guarantee should be nil.

29 Subsidy payments to Northern Ireland Water

Under Article 213 (30) of the Water and Sewerage services (Northern Ireland) Order 2006, the Department is required to make grants to NIW appearing to it to be equal to the amount of discounts provided by NIW for charges payable to them in, or in respect of the initial period of three years from 1 April 2007 – 31 March 2010. The initial period was amended from three years to six years by the Water and Sewerage Services (Amendment) Act (Northern Ireland) 2010. During the year the Executive agreed that additional household payments for water and sewerage services would not be introduced in 2010-11. Consequently DRD will continue to pay subsidy under this article to Northern Ireland Water during 2010-11. This is estimated to be £298m. The Executive has not yet decided on whether or not additional household payments for Water and sewerage services would be introduced in subsequent years. The payment of subsidy will depend on such decisions.

30. Contingent liabilities disclosed under IAS 37

At 31 March 2010 there were unsettled public and employer liability cases in which the Department are disputing liability but which could lead to a loss. A review of outstanding cases by the Central Claims unit, which are considered unlikely to succeed, has indicated possible liabilities estimated at £10m. There were unsettled cases in relation to Contractors Claims for which a possible liability of £23m is estimated, and possible dismissal compensation payments of £50k.

Land highlighted for future schemes to the value of £1.2m is also estimated.

All of the above relate to Roads Service. There are no Contingent Liabilities in the Core Department.

30 (a) Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

Such contingent liabilities, whether quantifiable or unquantifiable, arise through specific guarantees, indemnities or by the giving of letters of comfort. None of these are contingent liabilities within the meaning of IAS 37 since the likelihood of transfer of economic benefits in settlement is too remote.

The Department has no such contingent liabilities.

31. Losses and special payments

31(a) Losses Statement

	2009-10		2008-09	
	Number of cases	£000	Number of cases	£000
Stores and plant losses	13	46	23	32
Abandoned claims	4	1,831	-	-
Administrative write- offs	-	-	-	-
Fruitless Payments	1	-	-	-
Foreign exchange losses	-	-	1	14
Constructive losses	1	15	-	-
Other cash losses	23	193	94	194
	42	2,085	118	240

31(b) Special Payments

	2009-10		2008-09	
	Number of cases	£000	Number of cases	£000
	17	459	25	843

Details of cases over £250,000

Roads incurred losses relating to Penalty Charge Notice (PCN) debt of £1,830,694 during the financial year. The penalty charge notices were all more than 6 years old and all steps possible to recover the debt were taken. The loss was categorised as 'claims waived or abandoned' in accordance with Managing Public Money (NI).

32. Related-party transactions

DRD is the parent department of the Roads Service Agency. It is the sponsor of the Northern Ireland Transport Holding Company Limited, which is a Public Corporation. DRD is also the sponsor department of the Northern Ireland Trust Ports.

Northern Ireland Water (NIW) is wholly owned by the Department, and it raises finance through income from customers and loan finance from the Department. It is also subject to economic regulation by the Northern Ireland Authority for Utility Regulation.

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

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

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

Neither the Minister nor any of the board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

33. Entities within the departmental boundary

The entities within the boundary during 2009-10 were as follows:

- (a) Supply-financed executive agency: Roads Service
- (b) Other entities: None

The annual reports and accounts of Roads Service are published separately.

34. Business activities attracting fees and charges.

Roads Service

	2009-10			2008-09
	£000			£000
	Income	Cost	Surplus/(deficit)	Surplus/(deficit)
Car Parks	(15,760)	25,295	(9,535)	(9,031)
Strangford Ferry	(915)	2,015	(1,100)	(956)
Total	(16,675)	27,310	(10,635)	(9,987)

This note is provided for fees and charges purposes and not for IFRS 8 purposes.

The financial target for car parking services in 2009-10 is 70% recovery of the full cost of providing, updating and maintaining the service. The actual percentage recovery achieved was 62%.

The target was not achieved in 2009-10 due to a reduction in the number of penalty charge notices issued as enforcement becomes more effective. Costs have increased due to the full introduction of clamping and removal.

The financial target for the ferry service in 2009-2010 is 50% recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 45%.

The target was not achieved in 2009-10 due to a reduction in the number of ferry users (including commercial users) given the current economic climate. Fuel and maintenance costs have increased and additional costs have been incurred with premises rental due to the refurbishment of the ferry terminal.

DEPARTMENTAL BOARD

ANNUAL REPORT – 2009-10

Introduction

1. The Code of Good Practice on Corporate Governance in Government Departments, (the “Code”), requires Departments to report annually on the operation of their Board and Audit Committees. The report forms part of the material accompanying the Annual Report and Resource Accounts. This is the report of the Departmental Board for the Department for Regional Development Board for 2009/2010.

Background

2. This report outlines how the Board, which meets monthly, operated from April 2009 to March 2010.

Board Terms of Reference

3. The Board Terms of Reference (TORs) set out the objectives, membership, responsibilities and support arrangements. The TORs were revised in the course of the year to reflect adjustments in membership and minor changes to operational arrangements.
4. The TORs are incorporated in a Corporate Governance Framework which sets out the arrangements established to ensure proper and effective management of the Department’s affairs. The Framework is published on the Department’s internet and intranet sites and was updated in June 2009 and January 2010.
5. The TORs require the Board collectively to provide leadership to the Department and:
 - take forward the Department’s strategic aims and objectives;
 - determine the strategic allocation of financial and human resources to achieve those aims;
 - strategically manage overall Departmental resources, and monitor and take action to ensure the achievement of objectives;
 - set the Department’s standards and values;

- maintain a transparent system of prudent and effective controls (including internal controls);
 - assess and manage strategic risk; and
 - lead and oversee organisational development, encouraging innovation and, where appropriate, enterprise, to enhance the Department's capacity to discharge its functions efficiently and effectively.
6. The TORs indicate that members should take decisions both corporately and objectively, acting in the public interest in keeping with the Nolan principles of public life. A Register of Interests and of hospitality offered by and to Board members is maintained, and the Board is required to consider how conflicts of interest will be dealt with if they arise. No relationships or interests which would call the Independent Board Members' (IBMs) independence into question were identified.

Board Membership

7. The Board is chaired by the Permanent Secretary. At 31 March 2010 Executive members were: the Chief Executive of Roads Service; the Senior Finance Director; the Senior Director of Regional Planning and Transportation; and the Director of Human Resources and Organisational Change. Membership also included two IBMs. The current composition is regarded as a reasonable balance of executive and independent board members.
8. All new members were formally appointed to the Board by the Chairman and received appropriate induction.

IBMs

9. Two IBMs were appointed to the Board in January 2007, for a period of two years, until 31 December 2008. As part of succession planning arrangements, in January 2009, the term of one of the IBMs was extended to 31 December 2009. After an open competition, two new IBMs were selected and were appointed to the Board with effect from 1 January 2009 and 1 January 2010 respectively.
10. IBMs are paid a fee of £480 per day and the Department also reimburses all reasonable expenses (including travel, subsistence and other expenses).

11. The IBMs have met periodically and separately with the Permanent Secretary to discuss the work of the Board. They have been offered training opportunities regularly and participated fully in the strategic planning sessions held by the Board. Appraisal of the IBMs' performance was conducted by the Board Chairman in December 2009. The IBM who joined the Board in January 2010 was given a comprehensive induction pack and attended a series of meetings with Executive members to gain familiarity with the workings of the Board and the Department.

Meetings

12. In the financial year 2009/2010, 11 Board meetings took place, normally on the first Tuesday of the month and lasting about three hours. This allowed adequate time for discussion and debate on all agenda items. The Board held two Strategic Planning Sessions to review the strategic challenges and opportunities facing the Department. The Board also held a Business Planning Workshop to discuss the draft 2010/11 Business Plan, the 2010/11 Balanced Scorecard and the draft 2010/11 Corporate Risk Register. Board Members, including IBMs, also participated in two Strategic Planning sessions with Directors and Heads of Division, and a management conference with the Grade 6/7 group.

Types of Decisions Taken by the Board

13. The issues reserved for Board decision were agreed by the Board and reflected in its schedule of business. The schedule for 2009/2010 is attached at Annex A. A note of the Key Board Outcomes is circulated to staff by the Board Chairman shortly after each meeting. Minutes are published on the Department's internet and intranet when agreed. A schedule showing the Freedom of Information (FOI) status of all Departmental Board papers is published with copies of the papers suitable for release.

Procedures

14. A set of standing orders for the Board have been agreed. Issues are discussed and agreed without formal votes, and the outcomes recorded in the minutes.

Ministerial Meetings

15. The Minister has formally agreed the arrangements for the operation of the Board. The Minister holds regular business review meetings with the Executive members of the Board, and met with the full Board as part of the 5 May 2009 Strategic Planning Session.

Secretariat

16. Central Management Branch provides a Board secretariat which is responsible for ensuring compliance with Board procedures, maintenance of the Register of Interests and the publication of papers. The Board has a designated secretary.

Evaluation

17. A wide-ranging review of the Board's operation in 2009/2010 was carried out by independent consultants. The recommendations, to help build departmental capability and improve the effectiveness of the Board, will be taken forward in 2010/2011 as part of a leadership and change management programme.
18. The Departmental Board has carried out regular assessments of compliance with HM Treasury corporate governance requirements and agreed action to rectify any outstanding areas of concern. A review carried out in May 2009 found that the Board and the Departmental Audit Committee (DAC) were now largely compliant with Corporate Governance guidance. The emphasis has moved from compliance to the development of good Corporate Governance practice. A further review is planned in May 2010.

Relationships with Arm's Length Bodies

19. As part of the agreed governance arrangements in place Northern Ireland Transport Holding Company (NITHC) produces a rolling three year Corporate Plan, including a focus on the financial plan for the year ahead, for consultation with key stakeholders and agreement by the Minister. Implementation of the financial plan for 2009/2010 and development of the next three year plan, focusing on the financial plan for 2010/2011, have been monitored closely by the Department. DRD commissioned PriceWaterhouseCooper to review these plans and to consider aspects of the longer term plans being developed. The process of agreeing all elements of the plan with the DRD Minister is underway. As part of this process, DRD agrees with NITHC a range of Key Performance Indicators linked to the Corporate Plan. These are subject to review on an ongoing basis and are reported on within the NITHC Annual Report and Accounts. On capital, the focus of attention was on the completion of the Ballymena to Derry Tracklife Extension at a cost of £12.5m and the purchase of further new buses at a cost of £12m. On governance, the Group Chief Executive, as Accounting Officer now provides the Department with a biannual Assurance Statement. An External Quality Assessment

Framework Review of the NITHC Internal Audit function was published in May 2009 and made a number of recommendations including the appointment of a Head of Internal Audit (HIA). The HIA will take up post with effect from April 2010 and will be tasked with taking forward the recommendations. During the course of this year the Northern Ireland Audit Office (NIAO) have also been conducting a review of the NITHC/Translink Corporate Governance arrangements. Their report is awaited.

20. In January 2008 DRD secured the agreement of the Executive to prepare legislation that would give the trust ports a greater range of commercial powers and which would be aimed at removing the trust ports from public corporation status for public expenditure purposes. Confirmation is currently being sought from the Office for National Statistics that proposed legislative changes developed by DRD would have the intended effect. In the meantime the Department has set up a programme of six-monthly meetings between the chairs of the trust ports and the Minister to review performance and plans.
21. Since its establishment as a government-owned company in April 2007, Northern Ireland Water (NIW) has continued to make progress in meeting Key Performance Indicators (KPIs) set by the Department as the sole shareholder in the Company. Efficiencies have been achieved in terms of staff costs and capital works and progress has been made on reducing leakage. The Company was able to announce that it had achieved the best ever water quality levels in Northern Ireland.
22. At present, the organisation is funded through a combination of income from non-domestic customers (approximately 20%) and public subsidy via DRD (approximately 80%). The Executive commissioned an Independent Review in 2007 which considered funding arrangements for water and sewerage and subsequently agreed to introduce additional payments for households in 2009-10. However, subsequent to this, the Executive further deferred the introduction of domestic charges for both 2009-10 and 2010-11.
23. A new Chief Executive was appointed in July 2009. Shortly after taking up the position the Chief Executive commissioned a review by NI Water Internal Audit into the approval of contracts to external consultants. In response to the findings of this review, in January 2010, acting in his role as Sub-Accounting Officer, he drew the DRD Accounting Officer's attention to serious procurement governance failures within the company. An Independent Review Team was established and, within a month, it concluded that the failings

represented a serious breakdown in the governance and control framework of NI Water. As a result, the Minister removed four of the five non-executive directors, including the Chair. A new appointments process is currently being taken forward in an effort to have a reconstituted Board in operation again as soon as possible.

Committees of the Board

24. The Board has an Audit Committee which reports formally to the Board after each meeting. An annual report on its work is set out at Annex B.
25. The Departmental Board has established two Sub Committees: the Relationships with Arm's Length Bodies (ALBs) Sub Committee; and the Finance Sub Committee. The Relationships with Arm's Length Bodies Sub Committee, which is chaired by an IBM and has representatives from all relevant business areas, is to review and drive improvements in the Department's governance and assurance framework and practices in its relationships with ALBs and to make recommendations to the Departmental Board. It will ensure that arrangements are kept under review, taking into account changing circumstances, best practice and emerging corporate governance requirements.
26. The Sub Committee meets quarterly, or more frequently if required, and reports directly to the Departmental Board at least quarterly. It will also bring any significant issues relating to the regularity and propriety of expenditure and/or value for money to the immediate attention of the Accounting Officer and the Departmental Audit Committee.
27. During 2009-10 the Sub Committee provided guidance and assurance to the Departmental Board on the following topics:
 - The Department's position in respect of PAC recommendations on the governance of Arms Length Bodies;
 - An analysis and comparison of the governance processes in place in respect of NIW and NITHC; and
 - The Department's current position in respect of governance arrangements for Ports.

28. The Sub Committee also progressed work during the year in a number of areas including:
- The Department's governance position in respect of Rural Transport Partnerships;
 - The development and monitoring of a Corporate Governance database for ALBs;
 - A review of the External Quality Assessment of Audit Arrangements in NITHC; and
 - Analysis of the NIAO Checklist of Governance for ALBs and its implications for governance of NIW and NITHC.
29. The role of the Finance Sub Committee, which is chaired by the Permanent Secretary, the Chairman of the Board, and has representatives from all business areas, is to discuss and consider key strategic finance issues impacting on the Department and, through this process, to assist and enhance strategic financial management and decision making. The Sub- Committee meets a minimum of four times a year, and reports directly to the Departmental Board after each meeting.
30. Issues discussed in detail throughout the year include: the monitoring rounds; provisional and final outturn; the internal budget exercise; manpower planning model; and financial contingency planning. Updates are regularly provided on the progress of Account NI; International Financial Reporting Standards (IFRS); Use of Consultants; and Efficiency Work.

DRD DEPARTMENTAL BOARD WORK PROGRAMME**Schedule of papers submitted to the Board for meetings in
April 2009 to March 2010**

Date of Meeting	Paper
7 April 2009	<ul style="list-style-type: none"> - Presentation on Healthy Cities Belfast - Presentation on Rapid Transit - Monthly Finance Business - Relationships with ALBs Sub Committee Report - Roads Service – Strategic Road Improvement (SRI) Programme - Sustainable Development - Relocation of Core Department Staff to Clarence Court - Freedom of Information Quarterly Report - Equality Unit Quarterly Report - Training Priorities in 2009-10 - Departmental Whistle Blowing Arrangements Compliance with Best Practice - “Taking Stock” – Review of Board Effectiveness – Report on Stakeholder Review
5 May 2009	<ul style="list-style-type: none"> - SRI Update Presentation - Monthly Finance Business - 2009-10 Internal Budget Exercise - PSA/Business Plan End-Year Report for 2008-09 - Final Quarter 2008-09 Corporate Risk Register Report - Annual Report of the Departmental Board and Audit Committee 2008-9 - DRD & NI Direct - DAC Chairman’s Report - Legislation Update - Governance and Financial Control of Rural Transport Fund and Urban Door-to-Door Transport Scheme
2 June 2009	<ul style="list-style-type: none"> Update on Regional Development Strategy and Regional Transportation Strategy - Roads Service & RPA Emerging Findings - Monthly Finance Business and Provisional Financial Out-turn Report - Fraud Update Report - Finance Sub Committee Report - Annual Report on DRD Contingency Planning - Use of Consultant Compliance Report 2008-09 - Corporate Reform and RPA Update - Gifts and Hospitality Registers - Review of Corporate Governance Framework/Compliance with Corporate Governance - PSA/Business Plan End Year Report 2008-09

7 July 2009	<ul style="list-style-type: none"> - Presentation on Training and Development - Quarterly HR Report - Monthly Finance Business - Report on Effective Relationships Between the Department and ALBs - Relationships with ALBs Sub Committee Report - DAC Chairman's Report - NITHC and the use of Consultants - Protective Security Regime - Freedom of Information Quarterly Report - Equality Unit Quarterly Report - Overdue Annual Reports <ul style="list-style-type: none"> - Managing Attendance Report
1 September 2009	<ul style="list-style-type: none"> - Monthly Finance Business - Finance Sub Committee Report - HR and Organisational Change Strategy – 2009-10 Training Plan and Progress Report - First Quarter Monitoring Report on Public Service Agreement and Business Plan Targets for 2009-10 - First Quarter Assurance and Corporate Risk Register Report - Progress Report on PAC Report and MOR on Road Opening by Utilities - DRD Compliance with PAC Report on Good Governance (Revised Paper) - Corporate Reform and RPA Update - Update on Data Security - Progress on the Department's Change and Improvement (3Cs) Programme - Update on Audit of Roads Service Stores - Roads Service 2012 Update
14 October 2009	<ul style="list-style-type: none"> - Roads and Public Transport Arrangements in Central Belfast - Monthly Finance Business - HR and Organisational Change Strategy - Relationships with ALBs Sub Committee Report - DAC Chairman's Report - Freedom of Information Quarterly Update - Equality Unit Quarterly Update
2 November 2009	<ul style="list-style-type: none"> - Strategic Roads Improvement Programme - Monthly Finance Business - PSA/Business Plan Second Quarter Report - Second Quarter Corporate Risk Register Report - HR and Organisational Change Report - Training and Development Report 2008/09 and Training and Development Plan 2009-10 - Legislation Update <ul style="list-style-type: none"> - Use of Consultants
2-3 November 2009	<ul style="list-style-type: none"> - Strategic Planning Session
1 December 2009	<ul style="list-style-type: none"> - Board Open Forum
1 December 2009	<ul style="list-style-type: none"> - Update on the Work by the SIRO Council - Monthly Finance Business

	<ul style="list-style-type: none"> - Finance Sub Committee Report - Revised Departmental Business Continuity Plan - Gifts and Hospitality Registers - Corporate Reform and RPA Update - Managing Attendance Progress Report - Physical Security and Review of DRD Estate - Data Security - List of Board Dates for 2010
12 January 2010	<ul style="list-style-type: none"> - Presentation on Shared Services - Review of Board Effectiveness Report - Monthly Finance Business including Paper on Financial Management - Training and Development Unit – Report on the Way Forward - Preparation of Clarence Court Workplace Travel Plan - DAC Chairman’s Report - Freedom of Information Quarterly Report - Equality Unit Quarterly Report Follow Up to Second Quarter Corporate Governance Report
25 January 2010	<ul style="list-style-type: none"> - Strategic Planning Day
2 February 2010	<ul style="list-style-type: none"> - Monthly Finance Business - Finance Sub Committee Report - Second Draft Business Plan 2010/11 - PSA/Business Plan Third Quarter Report 2009-10 - Third Quarter Corporate Governance Report 2009-10 - Roads Service 2012 – Update - Carbon Reduction Commitment – Energy Efficiency Scheme (CRC Scheme) - Update on 3Cs Projects
2 March 2010	<ul style="list-style-type: none"> - Presentation on Door-to-Door Scheme, Rural Transport Partnerships, Dial-a-Lift, Concessionary Fares Scheme - Monthly Finance Business - NITHC/Translink Corporate Plan - Final Draft Business Plan 2010/11 - Draft Corporate Risk Register - Progress Report on PAC Report – “Road Openings by Utilities” - Quarterly HROC Report - DRD Performances in Staff Survey - Relationships with ALBs Sub Committee Report - Update on Corporate Reform/RPA
30 March 2010	<ul style="list-style-type: none"> - Senior Management Conference

**DEPARTMENTAL AUDIT COMMITTEE
ANNUAL REPORT 2009 – 10**

1. Introduction

- 1.1. The Board is required to establish an Audit Committee, which should function in accordance with the Audit Committee Handbook.
- 1.2. The Audit Committee is required to report publicly, annually, on its work and how it has discharged its responsibilities. The report should explain any non-compliance with the principles of the Audit Committee Handbook, taking account of supporting good practice guidance.

2. Background

- 2.1 The role of the Departmental Audit Committee (DAC) is to support the Departmental Board (the Board) and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

3. Membership

- 3.1 Adrian Lickorish, an independent non-executive member of the Board, chaired the DAC until the expiry of his appointment on the 31 December 2009. Brian Carlin, who was appointed to the Board as an independent non-executive member on 1 January 2010 for a period of two years, was also appointed Chair of the DAC for two years from the same date.
- 3.2 Allen McCartney was appointed for a period of 2 years as an independent non-executive member of the Board, and a member of the DAC from 1 January 2009.
- 3.3 Clark Bailie, Director of Finance for the Northern Ireland Housing Executive (NIHE), was appointed to the DAC as an independent member for a term of two years from 1 April 2008. His appointment has been extended to 31 March 2012.
- 3.4 Attendees at DAC meetings included the Permanent Secretary, Senior Director of Finance, Senior Director of Regional Planning & Transportation, Chief Executive of Roads Service and representatives from Internal Audit (IA) and the Northern Ireland Audit Office (NIAO).

4. Secretariat, Meetings and Attendance

- 4.1 Central Management Branch (CMB) provided the secretariat for the Audit Committee. A staff officer in CMB is the designated secretary.
- 4.2 The Audit Committee held four meetings relating to Departmental matters for the 2009-10 year. All members attended the four meetings.
- 4.3 In addition, bilateral meetings were held between the DAC Chairman and the Accounting Officer; the Head of IA; and NIAO in November 2009. Discussions were also held between DAC and officials when finalising the accounts.

5. Agenda

- 5.1 The agenda and programme of work followed the suggested structure in the Audit Committee Handbook, suitably amended to reflect Northern Ireland financial reporting arrangements.

6. Summary of DAC Work 2009/2010

- 6.1 Each meeting considered reports from IA, External Audit, updates on corporate governance and risk management and a number of other specific issues.
- 6.2 The main specific items discussed were:
 - the draft Statement on Internal Control and the draft Annual Report and Accounts 2009-10;
 - emerging findings from the ongoing work of Internal Audit;
 - the NIAO's 'Report to those charged with Governance Audit results' for 2009-10 financial year;
 - work undertaken by NIAO's Value for Money (VFM) team;
 - progress on the implementation of audit recommendations;
 - corporate governance and risk management;
 - International Financial Reporting Standards (IFRS);
 - the external quality assurance review of IA;
 - NIAO Client Liaison Schedule and Detailed Audit Plan;
 - liaison between the DAC and the Audit Committees of the Department's Arm's Length Bodies (ALBs);
 - accounting policies; and
 - data security.

6.3 Written reports of DAC proceedings were made to the Departmental Board meeting on the month following each DAC meeting, by the DAC Chairman, and copied to the Head of IA and NIAO.

7. General Long Term Issues

7.1 The DAC is aware of a number of long term issues which, in many cases, are not, or not wholly, within the control of the Department. They may, however, give rise to material adverse consequences for the Department's performance.

7.2 The Northern Ireland Civil Service (NICS) Reform Programme

The NICS reform programme is now largely implemented and emphasis has moved from planning for implementation to ensuring that new systems operate to full potential. Key improvements to HR Connect services include the need for improved management information in relation to absence management, performance appraisals, and the management of training and development. There is also a need to further refine new processes and arrangements in the light of experience.

7.3 Arm's Length Bodies (ALBs)

The Departmental Board established the "Relationships with Arm's Length Bodies (ALBs) Sub Committee" in October 2008. The role of the Sub committee, which is chaired by an Independent Board Member (IBM) and has representatives from all relevant business areas, is to review and drive improvements in the Department's governance and assurance framework and practices in its relationships with ALBs, and to make recommendations to the Departmental Board.

The Sub Committee will continue to bring any significant issues relating to the regularity and propriety of expenditure and/or value for money to the attention of the Accounting Officer and the Departmental Audit Committee. It is also aware of the need to allow ALBs operational freedom and find a balance between intervention and appropriate governance.

7.4 Water Reform and Governance of NIW

Water and sewerage services are vital to all consumers across Northern Ireland. Such services need to be funded. The question is - through what means? At the time of establishing NI Water as a Government-owned company in April 2007, full customer charging was anticipated. At present, however, only non-domestic customer charging is in place. In the relatively near future either steps will have to be initiated for

household customer charging, or other stable sources of long-term funding need to be identified. Further delay in making and implementing a decision on this significant issue is likely to have an adverse effect on the provision of water and sewerage services and compliance with EU regulations.

The findings of a recent independent review (commissioned by the Department for Regional Development (DRD) and NIW Accounting Officers) into NIW procurement governance failures led to the Minister removing four of the five NIW non-executive directors (including the Chair) on 11 March 2010. The Department aims to have interim non-executives in place as urgently as possible while a full appointments process is run (this could take between 6 and 12 months). The independent review team recommended that a number of actions be taken forward by the NIW Chief Executive Officer (CEO) and DRD to ensure that existing governance arrangements are fully adhered to moving forward and to improve governance and accountability in the future. For example, NIW will be appointing a Procurement Compliance Manager and the Director of the Shareholder Unit will attend future NIW Audit Committee meetings. A joint Action Plan has been agreed with clear timelines and deliverables. Adherence to the plan will be monitored by the DRD Shareholder Unit with ongoing concerns being highlighted to the DAC, as required. The Action Plan will also directly impact on future NIW Audit Plans.

7.5 Northern Ireland Transport Holding Company (NITHC)

NITHC is a major Arm's Length Body. Public investment in its operations is very large. Public concern with the effectiveness of its operations is naturally high. Its investment programme is long term. The Department and NITHC have worked hard on establishing an effective working relationship. This is based on a flow of accurate and timely information, prompt consultation and agreed planning. This is a major ongoing area of work. Much has been achieved but the process still needs further development. Achieving an effective process will be important to ensure effective relationships and, ultimately, effective operations.

7.6 International Financial Reporting Standards (IFRS)

The 2008/09 IFRS Shadow Accounts were prepared and audited during the year. The main change for the Department is in relation to the treatment of Roads Structural Maintenance. There were no major issues arising out of the audit. The budgetary consequences have been met for both the Core and Roads. NIW have agreed to

convert to IFRS in the 2010/11 year. Treasury approval on their budget is being sought.

8. Audit Committee Opinion

8.1 The DAC was largely satisfied with the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and the reliability and integrity of those assurances.

8.2 Overall, the DAC considered that the assurance available was sufficient to support the Board and the Accounting Officer in their decision taking and their accountability obligations and that it raised no implications on the overall management of risk.

8.3 The DAC is content that all significant internal control issues have been identified in the Statement on Internal Control (SIC).

9. Compliance with the Audit Committee Handbook

9.1 The DAC was reconstituted to make the membership fully independent with the revised Terms of Reference agreed in April 2008. Membership of the DAC comprises an officer from the NIHE and the two IBMs.

9.2 A Review of the compliance with the Code and the Audit Committee Handbook 2007 was carried out in June 2009. This highlighted that the DAC complied substantially with the Code and the Handbook.

9.3 An outstanding issue was the need to agree and document the inter-relationship between the DAC and the Audit Committees of ALBs. This was documented and agreed by the DAC and the Departmental Board in September 2009.

9.4 Relationships between the DAC and ALB Audit Committees have been established and will be maintained through a series of corporate governance seminars. Where appropriate, representatives from Sponsor Divisions now attend the Audit Committees of ALBs.

10. Effectiveness of DAC

10.1 DAC carried out an annual review of its effectiveness in November 2009, which affirmed that the Committee continued to operate well and received appropriate secretariat support. The Terms of Reference of the DAC were considered suitable for purpose.

10.2 An Action Plan has been drawn up to take forward any recommendations arising from the review. These include further benchmarking with another Department's DAC; updating the Audit Committee Guide for Members; and arrangements for closer liaison with NIAO and officials.

BRIAN CARLIN
Chairman of the DAC

**Report by the Comptroller and Auditor General
Department for Regional Development Resource Account 2009-10**

1. Introduction

1.1 This report explains the basis of the qualified audit opinion I have placed on the 2009-10 Resource Accounts for the Department for Regional Development.

1.2 My opinion was qualified due to the irregular expenditure incurred as a result of significant breaches in governance and controls over procurement in Northern Ireland Water Limited (NI Water). The resource accounts for the Department for Regional Development (DRD) include expenditure in respect of NI Water.

2. Background

2.1 NI Water was established on 1 April 2007 as a Government owned company (“GoCo”) with DRD as the sole shareholder. The GoCo is subject to companies’ legislation. NI Water was appointed under the Water and Sewerage Services (Northern Ireland) Order 2006 as the provider of water and sewerage services in Northern Ireland, operating under licence from the Northern Ireland Authority for Utility Regulation.

2.2 In addition to the requirements of companies’ legislation, DRD established particular governance arrangements for the GoCO which allowed the Department to act in accordance with the Shareholder Executive² approach for public sector shareholdings. The DRD Accounting Officer holds ultimate responsibility for DRD’s shareholding in NI Water. In meeting this responsibility, governance arrangements were agreed with NI Water setting out how DRD would act as shareholder. This included financial delegations where limits were set for certain transactions above which shareholder approval was required.

² Shareholder Executive model aims to implement a systematic approach to the application of corporate governance best practice addressing the Shareholder Executive’s four shareholding principles of clarity, value, transparency and professionalism.

2.3 Funding from DRD to NI Water is in the form of revenue subsidy (NI Water's main source of income), some seventy-five per cent of its income; capital grant support and the issue of capital loan notes. In 2009-10 DRD's subsidy to NI Water was £258 million, capital loan notes of some £170 million were issued as well as capital grant support of some £64,000.

3. Irregular expenditure incurred in respect of NI Water contracts

3.1 In October 2009 the Chief Executive of NI Water³ (who had been appointed as a subsidiary Accounting Officer in September 2009) became aware of irregularities in the award of a contract in April 2007. This Single Tender Action contract had not obtained the appropriate internal and shareholder approvals in breach of NIW's delegated limits set by DRD. The delegated limit for Single Tender Actions is £250,000 and any over that amount require shareholder approval. The Chief Executive commissioned a wider review of contracts (the Contracts Approvals Internal Audit Review, published in January 2010). The Review found that, from April 2007, £10.1 million had been spent by NI Water on contracts which had not been appropriately approved as Single Tender Actions or which had potentially breached the requirement of the Utilities Contract Regulations 2006 to tender via the Official Journal of the European Union (OJEU).

3.2 Due to the significance of the issues emerging the Chief Executive and DRD Accounting Officer commissioned a further review of contracts not examined in the Contract Approvals Internal Audit Review (the 'deep dive' audits). At the same time the Accounting Officers jointly commissioned an independent review team (IRT) to undertake a review of procurement governance issues within NI Water. The IRT report of February 2010 found that the failures identified by internal audit were of a significant nature and represented a serious breakdown (in terms of the quantum of cases and monetary value) in the governance and control framework of NI Water.

3.3 In light of the IRT report's findings, the Chairman and three non-Executive Directors of NI Water were dismissed by the Minister for Regional Development in March 2010.

3.4 The 'deep dive' audits, completed in April 2010, identified further significant exceptions in the procurement and contract management framework of control and in the application

³ The current Chief Executive was appointed in July 2009; the contracts in question were awarded prior to his appointment.

of the financial delegations framework. Taken together, the Contracts Approvals Internal Audit Review and the further 'deep dive' audits have identified multiple instances of:

- Single Tender Actions greater than £250,000 where DRD shareholder approval was not obtained contrary to NI Water's delegation limits; and
- Potential Official Journal of the European Union (OJEU) Utilities Contract Regulation breaches.

In 2009-10 total expenditure relating to these instances of non-compliance amounted to £5.3 million. A further £9.2 million in 2008-09 and £6.5 million in 2007-08 were also non-compliant. In total £21 million of expenditure did not conform to the relevant financial delegations and procurement regulations.

3.5 There were many further instances of Single Tender Actions under £250,000 which required the approval of the Chief Executive (but not DRD approval) but which were not sought. The overall value of unapproved Single Tender Actions under £250,000 was £7.5 million.

3.6 The exceptions in procurement and contract management control noted above are disclosed in NI Water's audited financial statements within the Statement on Internal Control and have been noted in DRD's own Statement on Internal Control (see page 53 of the financial statements). I am not responsible for the external audit of NI Water, which is audited by a private sector firm of auditors. I am therefore reliant on the financial information contained in the audited accounts of NI Water in terms of the amounts disclosed in paragraphs 3.1 and 3.4 above. The auditors of NI Water provided an unqualified opinion on the 2009-10 financial statements. As a limited company, the auditors of NI Water are not required to provide an opinion on the regularity of its expenditure, notwithstanding that it is largely funded by public money. I would strongly recommend that DRD, in consultation with DFP, ensures that, in future, NI Water, and any other public bodies that do not obtain this assurance, receives and publishes an opinion from the external auditors on the regularity of income and expenditure.

3.7 DRD has informed me that a joint DRD/NI Water Action Plan has been developed to significantly improve controls. The Chief Executive is pursuing implementation of the Plan as a matter of urgency and progress is being formally monitored by DRD. As part of

the Action Plan a procurement manual has been produced; a training programme for all managers and staff involved in procurement has been developed and is being rolled forward; and the selection process for the appointment of a Procurement Compliance Officer is underway. In addition, DRD is progressing the four recommendations of the IRT Report which relate to its role as shareholder and monthly progress will be presented to the Department's Senior Finance Director. I will continue to monitor developments and the action taken to improve governance arrangements.

3.8 I asked DRD if it had come to a view on whether there were conflicts of interest in the award of these contracts and whether there is evidence of fraud. DRD told me that there was no evidence of fraud or conflicts of interest in relation to the expenditure which did not conform to relevant financial delegations and procurement regulations as set out in paragraph 3.4.

3.9 Given the seriousness of these matters, the Northern Ireland Assembly's Public Accounts Committee will take evidence on the governance of NI Water on 1 July 2010 and will report on its findings in the autumn of 2010.

4. Conclusion

In forming my opinion on the DRD 2009-10 resource accounts, I am required to confirm whether, in all material aspects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial statements conform to the authorities that govern them. On the basis of my findings above, expenditure of £5,342,223 incurred by NI Water in 2009-10 which failed to conform to the relevant financial delegations set by DRD and procurement regulations is irregular. My audit opinion has been qualified as a result. On the same basis, expenditure of £9,188,771 in 2008-09 and £6,455,630 in 2007-08 was also irregular.



KJ Donnelly

Comptroller and Auditor General

1 July 2010

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
PC 2788 08/10



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-337-09643-3

