Department for Regional Development Resource Accounts for the year ended 31 March 2012

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On

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This document/publication is also available on our website at www.drdni.gov.uk

Any enquiries regarding this document/publication should be sent to us at Finance Division, Room 435, Department for Regional Development, Clarence Court, 10-18 Adelaide Street, Belfast, BT2 8GB.

DEPARTMENT FOR REGIONAL DEVELOPMENT

Resource Accounts for the year ended 31 March 2012

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ANNUAL REPORT

The Department for Regional Development (DRD) presents its Annual Report and Accounts for the year ended 31 March 2012.

DIRECTORS REPORT

DRD is one of 12 Northern Ireland Departments. 11 of these were created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999. The most recently established Department, the Department of Justice, was created under the Department of Justice Act (Northern Ireland) 2010.

The Minister

The Minster has overall political responsibility and accountability for all the Department's activities. The current Minister, Danny Kennedy, MLA, was appointed Minister for Regional Development on 16 May 2011. The previous Minister, Conor Murphy, MP, MLA, left office on 5 May 2011.

The Permanent Secretary

Dr Malcolm McKibbin was the Interim Permanent Secretary of the Department from August 2010 to 16 October 2011. His successor, David Orr, was appointed Interim Permanent Secretary on 17 October 2011. 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 Departmental Board supports the head of the Department by contributing to the corporate management of the Department within the strategic policy and resources framework set by the Minister and the Executive.

The Permanent Secretary is the Principal Accounting Officer and the Roads Service Chief Executive is the Agency Accounting Officer. The Departmental Board follows corporate governance best practice. The Board has six executive members and two non-executive independent board members. The appointment terms of the non-executive independent board members currently run to 31 December 2013 and 2014, respectively. The current composition of the Board is regarded as a reasonable balance of executive and independent board members.

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

Permanent Secretary	- David Orr (from 17 October 2011); and - *Malcolm McKibbin (to 16 October 2011).*
Deputy Secretary: Finance, Resources and Water Policy	- Barry Jordan (from 31 October 2011); - *David Orr (20 June-16 October 2011); and* - *Lian Patterson (to 19 June 2011 – was also Senior Finance Director).*
Deputy Secretary: Regional Planning and Transportation	- Barney McGahan (from 3 May 2011); and - *Doreen Brown (to 21 April 2011).*
Roads Service Chief Executive	- Geoff Allister.
Director of Human Resources and Organisational Change	- Michaela Glass (from 9 January 2012); and - *Barry Jordan (to 8 January 2012).*
Director of Finance	- Deborah McNeilly (from 10 October 2011); and - *Fiona Hamill (16 May-9 October 2011).*
Non-executive Independent Board Member	- Allen McCartney.
Non-executive Independent Board Member	- Brian Carlin.

Departmental Accounting Boundary

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

The Department comprised two Core Groups and one Executive Agency. The Core Groups - Finance, Resources and Water Policy; and Regional Planning and Transportation - were each managed by a Deputy Secretary. The Executive Agency - Roads Service - was managed by a Chief Executive.

Finance, Resources and Water Policy

Responsible for water policy, management of the Department's shareholder interest in Northern Ireland Water and a range of corporate services. This includes human resources, strategic planning, information systems, organisational change, finance, internal audit, central claims and coordination of European and equality issues.

Regional Planning and Transportation

Responsible for regional development and transport planning, sustainable transport, public transport, air and sea ports and public transport performance.

Roads Service

Responsible for ensuring that the public road network is managed, maintained and developed. Roads Service has a key responsibility in ensuring that measures are taken to implement the roads aspects of the Regional Transportation Strategy for Northern Ireland 2002-2012 and the Investment Strategy for Northern Ireland. During 2011-12, the Agency was responsible for just over 25,000 kilometres of public roads, approximately 9,700 kilometres of footways, 5,800 bridges, 271,000 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 (NIW); and
- Northern Ireland Transport Holding Company (NITHC).

Details of these bodies, including how the costs associated with them have been reflected in the Department's Resource Accounts can be found at Appendix A.

In addition, the Department has certain responsibilities in relation to Northern Ireland ports, mainly the appointment of Board members.

Further information on these entities can be found at Appendix A.

Departmental Reporting Cycle

The Department's Business Plan is approved annually by the Minister. The Business Plan sets out the Department's vision, objectives, associated budget allocation and key targets. Progress against targets is reported to the Departmental Board and Minister on a quarterly basis.

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

Financial Instruments

Note 15 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 9** 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 through the Publications Scheme on the Department's website.

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 and he and his staff are wholly independent of the Department and he reports his findings to the Assembly.

The audit of the financial statements for 2011-12 resulted in a notional audit fee of £109,000 and is included in the administration costs in the Statement of Comprehensive Net Expenditure. There was no remuneration paid to auditors for non-audit work in this financial 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

In addition to the contingent liabilities disclosed under IAS 37 in **note 26**, there are no remote contingent liabilities.

MANAGEMENT COMMENTARY

The management commentary has been prepared in accordance with FReM. The Department's Executive Agency, Roads Service, has also prepared an Annual Report that provides details of Agency specific performance and arrangements. This is available through the Department's website - www.drdni.gov.uk.

Operating Review

Key Objectives

The Department's Budget 2011-15 settlement together with our Savings Delivery Plan provides the funding framework for the delivery of our services. Details of these can be found on our website.

The Department's Business Plan for 2011-12 set out our vision and key objectives and targets for the year. It can be found on our website.

Our vision in 2011-12 was, ***"A region with modern, safe and sustainable roads, transport and water services which improve quality of life for all".***

In support of this vision, the Department had two strategic objectives:

A) Supporting the economy by planning, developing and maintaining 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 well being 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.

Performance

The Department's performance against targets for 2011-12 is set out in full in the End-of-Year Performance Report on the Department's website. Performance on the 50 Business Plan targets can be summarised as follows:

- 46 targets have been achieved (one with slight delay);
- 3 are likely to be achieved but with some delay; and
- 1 has not been achieved.

The target of managing sickness absence levels to meet a combined industrial / non-industrial staff target of 7.9 days in 2011-12 was not achieved. The latest available statistics suggest an outturn for the Department of 8.1 days lost (provisional) representing a continuation of the steady progress made in reducing sickness absence in recent years. The reduction of sickness absence levels represents a key commitment for the Department and we will continue to take proactive measures to deliver further reductions in this area. Official absence statistics will be published by the NI Statistics and Research Agency later this year.

Work continues on the three targets that are delayed (Implementation of Quality Bus Corridors in Londonderry, Confirmation of Legislative intentions in respect of ports and publication of the Active Travel Strategy) and targets have been included in our relevant plans for 2012-13.

Key Outcomes

Some of our key achievements in 2011-12 have included:

- an investment of £92 million in railway services, including trains, with 12 new trains being brought into service during the year;
- an investment of £12.7 million in a continued bus replacement programme with 79 new buses being part funded by the Department. They will be entering service in 2012-13;
- promotion of the move to more sustainable transport including the launch of the infrastructure that will support electric vehicles in Northern Ireland with over 40 charge-points now available;
- publication of a revised Regional Development Strategy, a long term plan which will influence the future distribution of development throughout Northern Ireland;
- publication of "Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation". At its core is a move towards greater sustainability which will contribute

positively to growing the economy, while improving the quality of life for all and reducing the transport impacts on the environment;

- an investment of £188 million in our water and wastewater infrastructure. This means we now enjoy our highest levels of drinking water quality and wastewater treatment compliance;
- working with NIW to substantially implement the short and medium term recommendations of the Utility Regulator's report on NIW's performance during the freeze/thaw incident in December 2010 / January 2011;
- commencement of construction of two road schemes on the A32 (Cherrymount Link and Shannaragh) which are due for completion in 2012-13 and will reduce congestion in and around Enniskillen and enhance access to the new Enniskillen Hospital;
- completion of public inquiries on the A5 and A8 which will allow work to commence on these major strategic road improvements during 2012-13; and
- securing a record £120 million expenditure on structural maintenance allowing Roads Service to resurface 1,230 lane kilometres and surface dress approximately 5.7 million square metres of the road network.

Trends and Strategic Direction

Going forward, the strategic context within which the Department will conduct its business in the coming years is set out in the Executive's **Programme for Government 2011-15** which sets out the Executive's plans and priorities for that period. The Department has specific responsibility for delivering six commitments and these will be fully integrated within our annual business plans. In addition, the **Economic Strategy 2030** aims to improve the economic competitiveness of the Northern Ireland economy and sets out how the Executive plans to grow a prosperous local economy over the short, medium and longer term.

Budget 2011-15

The Budget for 2011-15 includes substantial reductions to the Executive's budget as a consequence of the current economic downturn. This, together with additional cost pressures occurring in year, has provided the Department with considerable financial challenges.

The Department has achieved its Savings Delivery Plan target of £15.5 million of savings in current expenditure in 2011-12. However, delivery of increased savings is required across the remaining three years of the Budget (£27.1 million / £58.1 million / £58.4 million) to achieve a total of £159.1 million across the Budget period. The savings are being generated from a combination of reduced costs and increasing income streams. In developing these savings measures, we have sought to reduce the impact on front line services. Delivery of the level of savings required, particularly in the later two years of the Budget period, presents a considerable challenge for the Department. Nevertheless, the Department remains committed to delivering its Savings Delivery Plan targets.

The Department has a significant capital budget allocation in the 2012-15 period with over £1.2 billion available for capital investment. The table below provides an investment breakdown for the three financial years up to 31 March 2015.

Investment Allocations

Spending Area	**2012-13 £m**	**2013-14 £m**	**2014-15 £m**
Roads	169.5	268.0	222.1
Transport	47.7	18.1	31.6
Water and Sewerage	147.6	165.7	163.8
EU Structural Funds	0.1	0.1	0.3
Total	**364.9**	**451.9**	**417.8**

Regional Development Strategy and A New Approach to Regional Transportation

Our future work will also be shaped by these two overarching strategies which were published in March 2012.

The Regional Development Strategy complements the Programme for Government and is closely aligned with the Economic Strategy. It will steer regional development in Northern

Ireland up to the year 2035 by providing an overarching strategic planning framework to facilitate and guide the public and private sectors. It addresses key issues including government's approach to balanced regional growth, sustainable communities and the challenge of tackling climate change. It also sets out guidance for the preparation of development plans and policy, helping to drive urban regeneration.

"Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation" builds on what has been achieved through the Regional Transportation Strategy 2002-12. It takes account of the significant pressures on our transportation networks (caused by increases in population and vehicles) coupled with fiscal constraints and the need to reduce our environmental impacts. It sets the High Level Aims and Strategic Objectives for transportation in Northern Ireland which align closely with the Executive's priorities. The New Approach introduces a new prioritisation framework mechanism to assess the "policy fit" of what we do and help us reach better decisions on transportation investment by identifying those schemes which will best achieve our strategic objectives. This framework is being developed and will be used to influence our transportation investment from 2015 onwards.

Financial Review

Resources

As set out in the Statement of Assembly Supply, the Department was voted Resource Estimate Provision of £814,459,000 for 2011-12. 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 Assembly Supply):

Table 1

	Estimate (£000)	Outturn (£000)	Variance (£000)
Request for Resources A	608,329	600,501	7,828
Request for Resources B	206,130	205,340	790

Explanation of significant variances (over £500,000 and in excess of 10%) between Estimate and Outturn (net total resources):

Line	Variance Under/(Over) £000	Explanation
RfR A		
8 AME	1,132	Provisions in relation to public liability claims were less than anticipated.

Explanation of significant variances (over £500,000 and in excess of 10%) between estimate net cash requirement and outturn net cash requirement:

Line	Variance Under/(Over) £000	Explanation
Proceeds of property, plant and equipment disposals	1,042	Less work funded by Developers Contribution had to be completed so less income was recognised than anticipated.
Changes in working capital other than cash	37,143	Trade Receivables and other debtors were less than anticipated. Estimates of these figures were projected in line with prior year figures. There was an increase in Creditors due to slippage in a major Translink project, in particular new trains. There was also a higher than anticipated increase in VAT debtor which is variable in nature plus greater than anticipated reduction in accruals reflecting more efficient use of Account NI in procurement system.
Changes in payables falling due after more than one year	2,799	Loan payments were less than anticipated.
Use of provision	10,191	Less than anticipated payments for land provisions.

Movements in the Department's fixed assets during the year are shown in **notes 13 and 14** 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 Interreg IVA Programme.

Post Financial Year Events

The Fair Employment Tribunal has decided, in June 2012, against the Department in respect of an appointment to the NIW Board. The Department is considering the decision. The Statement on Internal Control and the contingent liabilities note 26 have both been updated accordingly.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	**805,841**
Adjustments:	
Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	(539)
Add exchange loss on CFER's	455
Less EU Capital Grant income	(284)
Net Operating Costs (Accounts)	**805,473**
Less Capital Grants paid to finance capital expenditure	(107,600)
Add profit/(loss) on disposal of fixed assets	-
Add EU income-CFER related	352
Remove exchange losses on CFER's	(455)
NIW AME Asset Impairment	2,403
Resource consumption of NIW	165,637
Voted expenditure outside budget	(204,070)
Remove inter-departmental notional charges	(12,328)
Resource Budget Outturn (Budget)	**649,412**
Of which:	
Departmental Expenditure Limits (DEL)	455,978
Annually Managed Expenditure (AME)	193,434

Financial Performance

The main features arising from the Department's financial performance in 2011-12 are as follows:

Transport

The Department paid Translink £77.1 million in revenue support (including concessionary fare reimbursement of £36.7 million) and £108.6 million in capital support (£92 million on railways, £16.6m million on buses, bus workshops and garages The Department remains NITHC/Translink's primary source of income.

Northern Ireland Water

During 2011-12, the Department paid NIW some £270 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.

The amount of subsidy was based upon the NI Authority for Utility Regulation's (NIAUR) Price Control 2010 Final Determination of February 2010 as agreed between NIAUR and the Department and accepted by NIW.

In August 2011 NIW paid a dividend of £26 million to the Department relating to the 2010-11 financial year. The Department also received £39.3 million in interest from NIW during 2011-12.

In addition, NIW issued some £70 million capital loan notes to the Department during the year. The cumulative total of the capital loan notes issued since 1 April 2007 amounts to £807.6 million, which includes £150 million issued on the vesting of the company.

Roads Service

The main features of the Agency's financial performance are:

- net resource outturn is 100% of the total budget of £189 million;
- a record spend on structural maintenance of £120 million was achieved bringing maintenance spend up to the levels recommended in the Structural Maintenance Funding Plan;
- gross capital expenditure of some £174 million represents full utilisation of the capital budget; and

- depreciation and movement on provisions was slightly less than anticipated (£6 million) which in the main related to less than forecast impairments of our fixed assets.

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 Northern Ireland'. 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 carries out regular assessments to ensure compliance with DFP corporate governance requirements, including reviews of Board effectiveness. Reports on corporate governance are routinely submitted to the Departmental Audit Committee. The Audit Committee is properly constituted and its membership includes the Department's non-executive independent board members, one of whom chairs, and a Finance Director drawn from the wider public sector.

The Department's Corporate Governance Framework is regularly updated to reflect changes in best practice, board membership and the operation of board sub committees including the Departmental Audit Committee. In 2011-12, the Framework was considered by the Departmental Board in July 2011.

The Board carried out a review of Board effectiveness in 2011 using the Cabinet Office "Maximising Board Effectiveness" toolkit. This self assessment sought views on Board structures, procedures, communications and the role of the Chairman, non-executive independent board members, Board Secretary and Minister. Action points were agreed to review the Board's terms of reference and source training for Board Members as a whole.

As a result of changes at Permanent Secretary level, a new Chair joined the Board in October 2011. The term of both non-executive independent board members were extended until 31 December 2013 and 2014, respectively.

The Departmental Board's Annual Report and the Audit Committee's Annual Report are available on the Department's website, together with the Department's Corporate Governance Framework document.

Risk management has been incorporated into the business planning and decision-making processes of the Department. The Department has a Policy for Risk Management, which defines the framework and describes the process for identifying and managing risks. Further details on the Department's capacity to handle risk, the risk and control framework within which the Department operates, and a review of effectiveness of the Department's system of internal control are provided in the Statement on Internal Control.

The Department continues to review its oversight of NITHC. A performance review meeting between the Minister and NITHC took place in December 2011. The Department undertook detailed monitoring throughout the year in accordance with the governance framework set out in the Management Statement and Financial Memorandum (MSFM) and the requirements set out in "Managing Public Money Northern Ireland", which details the main principles for managing public resources. Statements of Assurance from the NITHC Accounting Officer were received during 2011-12. With effect from July 2010 the Department implemented an additional formal structure of meetings between the most senior DRD officials and the NITHC Board. These meetings are held on a tri-annual basis and are chaired by the Permanent Secretary.

During the course of the year, revised Terms of Reference for the various high level meetings between NITHC and the Department's sponsor division were agreed. Consequently the Transport Finance and Governance Division now hold nine monitoring meetings per annum with the NITHC Chief Executive. In addition, work is underway to update 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) since the establishment of the company was set out in a Governance Letter. The Governance Letter was replaced by a MSFM which was signed by the company and the Department on 30 March 2012. This will enable both the Department and the company to have more clarity in relation to the complex governance arrangements which have evolved since the company came into existence. Like any MSFM, it will be viewed as a "living document", subject to review if circumstances change.

The Department's Shareholder Unit monitors NIW's business performance through monthly performance information and Quarterly Shareholder Meetings. Meetings were held in May, July and October 2011 and in January 2012.

Key Relationships

The Department's Executive Agency, Roads Service has entered into two Public Private Partnership projects that contribute towards the achievement of some of the Department's key objectives.

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, 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 advises the Minister on issues arising from the implementation of the Regional Transportation Strategy 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 strategy. The Group includes representatives from councils, businesses, the voluntary and community sectors, and departments and agencies.

The Plugged in Places project is being progressed by a consortium of public and private sector interests jointly led by DRD and the Department of the Environment (DOE). Consortium members include Northern Ireland Electricity (NIE), NIE Energy, the South's Electric Supply Board, Donnellys Cars, SAP and Intel. The consortium also includes five local councils - Newry, Derry, Armagh, Larne and Fermanagh. The consortium is responsible to the Office for Low Emission Vehicles in London as they oversee the work of the various Plugged in Places projects. All of these organisations are vital partners in this project and the management of these relationships will be key to the project's success.

The All Island Freight Forum brings together representatives from government and industry to tackle issues faced by the freight and logistics sector. Key partners include DRD; DOE; the South's Department of Transport, Tourism and Sport; the Freight Transport Association; the Irish Exporters Association; the Irish Maritime Development Office; the Irish Business and Employers' Confederation; and Intertrade Ireland.

The Active Travel Forum brings together partners from central and local government, the Public Health Agency, Belfast Healthy Cities, the business sector and third sector interest groups in the preparation of the draft Active Travel Strategy. The Forum reported in December 2011 and a public consultation on the draft Strategy "Building an Active Travel Future for Northern Ireland" was held between 15 December 2011 and 9 March 2012.

Travelwise NI works in partnership with councils and sustainable charities to deliver local programmes of events and campaigns to promote walking and cycling.

Sustainability

The Department has continued to work to promote sustainability across its areas of responsibility. The Department has contributed to the Sustainable Development Implementation Plan 2011-2014. In addition, the Department has set out its commitment to sustainability in its Sustainable Development Champion's Sustainability Statement for DRD, which was endorsed by the Permanent Secretary.

Sustainable travel and transport measures have been promoted, with the continued operation of the Travelwise NI initiative, the establishment of an Active Travel Forum and the leadership of the Plugged in Places scheme. In addition, the Department continues to ensure that all its procurement activity meets the best practice levels set out in the Department of Finance and Personnel's guidance on Equality of Opportunity and Sustainable Development in Public Sector Procurement.

In relation to biodiversity, the Department and its arm's length bodies have prepared implementation plans to ensure that operations have regard to the need to further the conservation of biodiversity. We are also mindful of the need to reduce energy use and promote biodiversity within our office estate.

Our investment to improve the performance of water and sewage infrastructure will improve the quality of our inland and coastal waters. This will contribute to the Water Framework Directive's goal of achieving good ecological status in our waters and provide long term benefits for aquaculture, fish, wildlife and recreational use. NIW has been set targets to reduce leakage, achieve higher standards of wastewater treatment and reduce the number of pollution incidents.

NIW is achieving the highest levels of drinking water quality and wastewater treatment that we have ever enjoyed. But this means higher energy costs and NIW is already Northern Ireland's largest single consumer of electricity. We will continue to support the company's efforts to promote energy efficiency through sustainable drainage systems, catchment management plans, renewable energy deployment and pilot projects for demand management.

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.

In addition, 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.

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. Plans for fulfilment of these obligations are set out in the Department's Equality Scheme and Disability Action Plan.

A new Equality Scheme, for the period 2011 to 2016 was approved by the Equality Commission on 9 August 2011.

An Audit of Inequalities and Action Plan for the period 2011 to 2016 were developed alongside the Scheme.

In accordance with the new scheme:

- all new policies have been screened to assess impacts on equality of opportunity and good relations and were subject to a full equality impact assessment as necessary;
- quarterly Section 75 screening reports were published; and
- bi-annual progress reports on the implementation of the Department's Equality Scheme, Audit of Inequalities Action Plan and Disability Action Plan commitments were submitted to the Departmental Board.

An annual progress report for 2010-11 was submitted to the Equality Commission in August 2011.

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 2011-12, 98% of invoices for goods or services were paid within 30 days or contract terms, with 93% paid within 10 days (a significant improvement on the 2010-11 figures which were 91% and 77% respectively).

Employees

People and Change Strategy

The Department's People and Change Strategy 2009-12 provided a framework for the effective management of our people and our change management programme. Its aims were to:

- ensure that the Department's people have a clear sense of purpose and direction and are well led and managed in the pursuit of its business objectives; and
- ensure that the Department has the capability, capacity and organisational structure to allow it to be responsive and flexible and to deliver its business objectives.

During the People and Change Strategy period, the Department implemented a series of measures to improve induction, the management of investment in training and development, leadership and change management skills, the resolution of workplace issues and the health and wellbeing of staff.

A number of organisational efficiency reviews were also completed, ensuring the organisation and structure are fit for purpose; delivering savings to allocate to other business priorities; and meeting budget pressures.

The Department will develop a new People Strategy for the period 2012-15.

Equal Opportunities

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

- equality of opportunity and to the elimination of all forms of discrimination, harassment and victimisation; and
- 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 Department's NI Civil Service Dignity at Work Procedures if they believe that they have been subjected to harassment, 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 has appointed a Disability Liaison Officer who is available to provide advice and guidance for all staff. In addition the Department continues to provide placement opportunities for people with disabilities through the Employment Support Programme.

Staff Training and Development

The Department has retained its Investors in People accreditation since 2007. It was reassessed against the revised standard in June 2011 and again secured accreditation.

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 Department's in-house welfare service as well as to the NI Civil Service wide employee assistance programme 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. Working relationships at Whitley Council and Committees has continued to be positive and constructive throughout the year. The departmental intranet site helps to ensure that staff are kept up-to-date with on-going issues, and an in-house magazine provides an opportunity for staff to learn of the experiences of their peers both in the working environment and outside of it.

Health and Safety

The Department is committed to adhering to all existing legislation on Health and Safety at Work to ensure that staff enjoy the benefits of a safe working environment. Our policy is regularly updated to take account of any changes to Health and Safety legislation.

Sickness Absence Data

The Department in its 2011-12 business plan published a combined sickness absence targets of 7.9 working days lost for industrial staff and non-industrial staff. This Ministerial target was designed to set the Department on a trajectory to help achieve an overall NI Civil Service objective of 8.5 working days lost by March 2015. While the target was not achieved, the latest available statistics suggest an outturn for the Department of 8.1 days lost (provisional) representing a continuation of the steady progress made in reducing sickness absence in recent years. The reduction of sickness absence levels represents a key commitment for the Department and we will continue to take proactive measures to deliver further reductions in this area. Official absence statistics will be published by the NI Statistics and Research Agency later this year.

Information Management

Good information management practices remains a priority within the Department and adherence to all relevant statutory requirements and codes of practice is overseen by Information and Communications Branch. The Department complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Personal Data Related Incidents

The Department has had no reportable breaches of the Data Protection Act.

David Orr

Accounting Officer 29 June 2012

REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The DFP Minister approved a freeze on Senior Civil Service pay (including Permanent Secretaries) in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

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 civil servants 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 Ministers and most senior management of the Department.

Remuneration (this information is subject to audit)

Ministers	**2011-12**		**2010-11**	
	Salary **£**	**Benefits in kind** **(nearest £100)**	**Salary** **£**	**Benefits in kind** **(nearest £100)**
Danny Kennedy Minister *(From 16th May 2011)*	33,126	Nil	-	-
Conor Murphy Minister *(To 5th May 2011)*	3,658	Nil	37,801	Nil

Officials	**2011-12**			**2010-11**		
	Salary **£000**	**Bonus Payments** **£000**	**Benefits in kind** **(to nearest £100)**	**Salary** **£000**	**Bonus Payments** **£000**	**Benefits in kind** **(to nearest £100)**
David Orr Interim Permanent Secretary *(From 17/10/11)* Deputy Secretary – Finance, Resources & Water Policy *(From 20/06/11 to 16/10/11)*	70-75 *(95-100 full year equivalent)* *(85-90 full year equivalent)*	Nil	Nil	NA	NA	NA
Malcolm McKibbin Interim Permanent Secretary *(From 19/08/10 to 16/10/11)*	60-65 *(105-110 full year equivalent)*	Nil	Nil	60-65 *(105-110 full year equivalent)*	Nil	Nil
Paul Priestly Permanent Secretary	NA	NA	NA	100-105	Nil	Nil
Geoff Allister Chief Executive of Roads Service	85-90	Nil	Nil	85-90	Nil	Nil

Barney McGahan Deputy Secretary – Regional Planning & Transportation *(From 03/05/11)*	90-95 *(95-100 full year equivalent)*	Nil	Nil	NA	NA	NA
Doreen Brown Deputy Secretary *(To 21/04/11)*	10-15 *(100-105 full year equivalent)*	Nil	Nil	100-105	Nil	Nil
Barry Jordan Acting Deputy Secretary – Finance, Resources & Water Policy *(From 31/10/11)* Director of Human Resources and Organisational Change *(To 08/01/12)*	70-75 *(80-85 full year equivalent)* *(60-65 full year equivalent)*	Nil	Nil	60-65	Nil	Nil
Lian Patterson Senior Finance Director *(To 19/06/11)*	15-20 *(85-90 full year equivalent)*	Nil	Nil	65-70 *(85-90 full year equivalent)*	Nil	Nil
Deborah McNeilly Director of Finance *(From 10/10/11)*	25-30 *(55-60 full year equivalent)*	Nil	Nil	NA	NA	NA
Fiona Hamill Director of Finance *(From 16/05/11 to 09/10/11)*	20-25 *(55-60 full year equivalent)*	Nil	Nil	NA	NA	NA
Michaela Glass Acting Director of Human Resources and Organisational Change *(From 09/01/12)*	10-15 *(55-60 full year equivalent)*	Nil	Nil	NA	NA	NA

Allen McCartney Non-Executive Director	10-15	Nil	Nil	10-15	Nil	Nil
Brian Carlin Non- Executive Director	10-15	Nil	Nil	10-15	Nil	Nil

2011-12		**2010-11**	
Band of Highest Paid Director's Total Remuneration **£000**	Median Total Remuneration and Ratio	Band of Highest Paid Director's Total Remuneration **£000**	Median Total Remuneration and Ratio
	£26,085		**£24,657**
95-100	**3.7**	**105-110**	**4.4**

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in DRD in the financial year 2011-12 was £95,000-100,000 (2010-11, £105,000-110,000). This was 3.7 times (2010-11, 4.4) the median remuneration of the workforce, which was £26,085 (2010-11, £24,657).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Salary

'Salary' includes gross salary; 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 direction and control of the Minister. The current Minister, Danny Kennedy, MLA, was appointed Minister for Regional Development on 16 May 2011. The previous Minister, Conor Murphy, MP, MLA left office on 5 May 2011. Their salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. 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 and Customs as a taxable emolument.

Bonuses

No bonuses were paid in 2011-12 or 2010-11.

Pension Benefits (this information is subject to audit)

Ministers	Accrued pension at age 65 at 31 March 2012 £000	Real increase in pension at age 65 £000	CETV at 31 March 2012 or leaving date £000	CETV at 31 March 2011 or start date* £000	Real increase in CETV £000
Danny Kennedy Minister *(From 16/05/2011)*	0-5	0-2.5	41	27	14
Conor Murphy Minister *(To 05/05/2011)*	0-5	0-2.5	38	36	2

**The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.*

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 will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate ($1/50^{th}$ or $1/40^{th}$) 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 Consumer 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 they reach 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 actuarial factors used in the CETV calculation were changed during 2011, due to changes in demographic assumptions. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

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 2012 or leaving date if earlier and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2012 or at date of leaving £000	CETV at 31 March 2011** or at date of commencement £000	Real increase in CETV £000	Employer contribution to partnership pension account (nearest £100)
David Orr Interim Permanent Secretary *(From 17/10/11)* Deputy Secretary – Finance, Resources & Water Policy *(From 20/06/11 to 16/10/11)*	40-45 pension plus 130-135 lump sum	0-2.5 pension plus 2.5-5 lump sum	952	858	31	Nil
Malcolm McKibbin Interim Permanent Secretary *(From 19/08/10 to 16/10/11)*	40-45 pension plus 130-135 lump sum	(0-2.5) pension plus (0-2.5) lump sum	843	829	(10)	Nil
Geoff Allister Chief Executive of Roads Service	40-45 pension plus 120-125 lump sum	(0-2.5) pension plus (2.5-5) lump sum	901	851	(22)	Nil
Barney McGahan Deputy Secretary – Regional Planning & Transportation *(From 03/05/11)*	40-45 pension plus 130-135 lump sum	(0-2.5) pension plus (2.5-5) lump sum	972	920	(22)	Nil
Doreen Brown Deputy Secretary *(To 21/04/11)*	45-50 pension plus 140 -145 lump sum	(0-2.5) pension plus (0-2.5) lump sum	1,028	1,026	(2)	Nil

Barry Jordan Acting Deputy Secretary – Finance, Resources & Water Policy *(From 31/10/11)* Director of Human Resources and Organisational Change *(To 08/01/12)*	25-30 pension plus 85-90 lump sum	2.5-5 pension plus 7.5-10 lump sum	534	448	48	Nil
Lian Patterson Senior Finance Director *(To 19/06/11)*	10-15 pension	0-2.5 pension	145	142	1	Nil
Deborah McNeilly Director of Finance *(From 10/10/11)*	15-20 pension plus 55-60 lump sum	(0-2.5) pension plus (0-2.5) lump sum	283	270	(2)	Nil
Fiona Hamill Director of Finance *(From 16/05/11 to 09/10/11)*	15-20 pension plus 45-50 lump sum	(0-2.5) pension plus (0-2.5) lump sum	232	221	(1)	Nil
Michaela Glass Acting Director of Human Resources and Organisational Change *(From 09/01/12)*	10-15 pension plus 40-45 lump sum	0-2.5 pension plus 0-2.5 lump sum	208	200	6	Nil

***The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.*

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 Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased 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 a 'Career Average Revalued Earnings' (CARE) 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%. CARE pension benefits are increased annually in line with increases in the CPI. For 2012, public service pensions will be increased by 5.2% with effect from 9 April.

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.dfpni.gov.uk/civilservicepensions-ni

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.

The actuarial factors that are used in the CETV calculation were changed during 2011, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate civil service pensions. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

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 2012.

David Orr

Accounting Officer 29 June 2012

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 Business Plan in line with our Programme for Government commitments. He is kept informed about departmental performance and of any significant deviation from the achievement of targets.

I was appointed interim Permanent Secretary and Departmental Accounting Officer for the Department for Regional Development on 17 October 2011. Prior to my appointment, Dr. Malcolm McKibbin was interim Permanent Secretary and Departmental Accounting Officer.

The Department has one Executive Agency, Roads Service, and control arrangements are set out in a framework document. The Minister has decided to de-agentise Roads Service from 1 April 2012. The Chief Executive of Roads Service will cease to be its Accounting Officer after the laying of the Agency accounts for 2011-12.

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 (NITHC). NIW's legal status is that of a company, with the Department being its sole shareholder. Since 1 April 2008 it has been reclassified for Public Expenditure purposes as a non departmental public body. NITHC's status is that of a Public Corporation. As the Departmental Accounting Officer I have responsibility for safeguarding the public funds which are given to fund both bodies. I am supported in this responsibility by the Chief Executive and Accounting Officer of each body. They are responsible for running their respective bodies and for ensuring regularity and propriety is adhered to within both NIW and NITHC'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;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

This system of internal control was in place in the Department for Regional Development for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts. It accords with Department of Finance and Personnel (DFP) guidance.

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

- the Departmental Board chaired by the Permanent Secretary and comprising executive and non-executive independent members;
- weekly Business Review and monthly Senior Management Team meetings chaired by the Permanent Secretary;
- a Departmental Audit Committee chaired by a non-executive independent board Member;
- a Sub-Committee of the Board which reviews the Department's Relationships with its arm's length bodies, chaired by a non-executive independent board member;
- an Internal Audit service operating in accordance with Government Internal Audit Standards;
- embedded Business Planning and Risk Management frameworks, supported by a quarterly monitoring programme, 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;

- a Governance and Control Framework that gathers key governance and control advice in one place on the Department's intranet site with links to more detailed guidance and key contacts; and
- information management systems, designed to support the proper handling of information, including the appointment of a Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO).

Details are set out in the Department's Corporate Governance Framework which is available on the Department's website (www.drdni.gov.uk). The Corporate Governance Framework is a key aspect of the Department's Governance and Control Framework.

3. Capacity to handle risk

The Department's capacity to manage risk derives from the experience and ability of managers to operate the risk management process which is fully documented. The Departmental Board provides 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. The Agency Chief Executive and the Deputy Secretaries provide leadership to the risk management process in their particular areas of responsibility as well as corporately through their involvement in the Departmental Board, the Departmental Audit Committee and local management meetings.

There is also a Risk Working Group in place which has Risk Coordinator representation from across the Department. This group meets as required to review the risk management process in the Department. Training in risk management was previously provided to coordinators. During 2011-12, the Department has reviewed its risk appetite and moved to a 5x5 risk scoring matrix (with revised likelihood/impact descriptors) in line with best practice outlined in the Northern Ireland Audit Office report on "Good Practice in Risk Management". The Departmental Board held a Business Planning and Risk Management Workshop to discuss the Department's 2012-13 Business Plan and its approach to risk management.

4. The risk and control framework

The system of internal control within the Department is based on an on-going risk management process which is aligned with the Department's Business Planning process. The Department's Risk Management 'Policy' and 'Procedures Manual' provide a framework for the management of risk and promote a consistent approach across the Department. In assessing risks, business areas are required to identify and review risks against objectives and targets and document the outcome in a Risk Register.

The Departmental Board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on:

- each business area prioritises risk against a standardised risk impact/likelihood descriptors to reduce subjectivity in assessing risk;

- key risks identified at corporate, agency, group and divisional level are documented in risk registers and are reviewed formally four times a year. Risk registers record risk owners, current controls and actions identified to improve control;

- the Corporate Risk Register is updated and reviewed quarterly by the Departmental Board and is a standing agenda item at its monthly meetings between the quarterly reviews. It is also circulated as a correspondence paper ahead of each meeting of the Departmental Audit Committee;

- the Department has a properly constituted Departmental Audit Committee;

- the Departmental Board has a sub Committee which reviews the Department's relationships with its arm's length bodies;

- the Agency Chief Executive and Deputy Secretaries complete assurance statements at both mid-year and the end of each financial year;

- the Accounting Officer holds bi-annual Performance Review Group meetings with the Roads Service Board to discuss performance against targets;

- the Departmental Board has and continues to focus on the effective management of information, with information risks reflected, as appropriate, within the Corporate Risk Register. The Department has appointed a SIRO at Deputy Secretary level, who is responsible for ensuring that information risk within the Department is managed appropriately. The Department also has a SIRO Council which meets quarterly to oversee and continually improve the management of information risk within the Department. IAOs have also been appointed within all of the Department's business areas;

- the Agency Chief Executive and Deputy Secretaries are required to provide assurance within their biannual assurance statements, that all information used for operational purposes has been handled appropriately;

- the DRD Anti Fraud Group (which includes representatives from Roads Service, NIW and NITHC) met quarterly during 2011-12. The Group shares best practice on anti fraud awareness and fraud risk assessments and its work is additionally informed by the Department's active participation in the DFP led Fraud Forum;

- in May 2011, the Department's revised Anti Fraud Strategy was issued to all staff and published on the Department's intranet and internet sites. The Strategy document outlines the Department's approach to tackling fraud and defines the responsibilities for action and reporting lines in the event of a suspected fraud, corruption or irregularity. It includes links to the DRD guidance on Whistle-blowing Arrangements, Gifts and Hospitality and Conflicts of Interest; and

- the Department and its arms length bodies continued to participate in the National Fraud Initiative counter fraud data matching exercise.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development, maintenance and operation 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.

The Department's Deputy Secretaries and the Roads Service Chief Executive provide me with biannual assurance statements commenting on the adequacy and effectiveness of the control environment. These are informed by assurance statements from senior managers who are responsible, in conjunction with their management teams, for implementing the Department's risk management system within their areas of responsibility.

The Departmental Board met 11 times during the 2011-12 year. The Board carried out a review of Board effectiveness in 2011 using the Cabinet Office "Maximising Board Effectiveness" toolkit. This self assessment sought views on Board structures, procedures, communications and the role of the Chairman, non-executive independent board members, Board Secretary and Minister. Action points were agreed to review the Board's terms of reference and source training for Board Members as a whole.

The Department has a properly constituted Departmental Audit Committee which met six times during the 2011-12 year. Its membership consists of the two non-executive independent board members, one of whom chairs, and a Finance Director drawn from the wider public sector. It supports the Board in its responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board's and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. The Committee carried out an annual review of its effectiveness in 2011. This concluded that the Committee continued to operate effectively and received appropriate secretariat support. An Action Plan has been drawn up to take forward minor best practice recommendations identified in the review.

The annual report of the Departmental Board, incorporating the annual report of the Departmental Audit Committee, is available on the Department's website.

The Departmental Board's sub committee on Relationships with Arm's Length Bodies continued to meet during the year to review and drive improvements in the Department's governance and assurance framework and practices in this area, providing advice to the Board as required.

The Department's Internal Audit branch operates to Government Internal Audit Standards (GIAS). It is independent from executive responsibilities and has direct access to the Accounting Officer and the independent chair of the Departmental Audit Committee. The work of the branch is informed by an analysis of the risks to which the Department is exposed and internal audit strategies and annual audit plans take account of this analysis.

The analysis of risk and the internal audit strategies and plans are endorsed by the Departmental Audit Committee and approved by me, in my capacity as Departmental Accounting Officer. The Head of Internal Audit provides me with written quarterly reports on internal audit activity within the Department in addition to interim oral updates. The Internal Audit Annual Reports and Opinions for the Core Department and Roads Service include 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 DFP covering services provided by DFP to other Departments. This includes 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 NIW and NITHC on the management of risk and internal controls within those organisations.

6. Significant internal control issues

For 2011-12, Internal Audit has provided a satisfactory audit opinion, in overall terms, regarding the adequacy and effectiveness of the risk management, control and governance processes for both the Core Department and Roads Service.

The majority of final Internal Audit reports completed in 2011-12 resulted in a satisfactory opinion with two assignments (both within Roads Service) receiving substantial opinion. However, Internal Audit provided a limited opinion for three areas within Roads Service (Development Control and Private Streets; Tendering and Letting of Term Contracts; and Business Continuity and Contingency Planning). Internal Audit has subsequently provided a satisfactory opinion in relation to two of these areas after follow-up reviews were carried out. In the other case (Development Control and Private Streets), all recommendations were accepted, and the majority of these have been implemented. The outstanding recommendations are largely in relation to the further development of procedures to bring increased clarity in terms of roles and responsibilities. These are being taken forward in liaison with third parties and will be completed by the autumn. An Internal Audit follow-up review is planned for later this year. In addition, a follow up report on the Roads Service Training Centre provided a satisfactory opinion.

Regularisation of NIW contracts

NIW's 2010-11 Annual Report and Accounts identified £4.7m of irregular spend incurred in the period as a result of non compliance with financial delegations and procurement regulations. As a result, NIW's external auditors gave the company a qualified opinion on regularity in 2010-11. In 2011-12, NIW has continued to take further measures aimed at regularising procurement expenditure, with the level of irregular expenditure identified reducing to £2.2m. NIW's external auditors have indicated that they will be providing an unqualified audit opinion on regularity on NIW's 2011-12 accounts. This is reflective of the significant progress made by NIW in ensuring compliance with delegations and procurement guidelines, and the substantial improvements which have been made to internal processes and control mechanisms.

Progress on issues identified in the 2010-11 Statement on Internal Control

Roads Service land sale errors

DFP Supply approval has now been received to regularise the compensation payments made as a result of these land sale errors. Further information is provided in **note 27.2** to the accounts.

Public Accounts Committee (PAC) reports on Measuring the Performance of NI Water and Procurement and Governance in NI Water

Two PAC reports on NIW issues were published on 3 March 2011 and the Department contributed to the DFP Memorandum of Reply which was published and laid before the Assembly on 15 June 2011. Progress against the specific commitments given in the Memorandum of Reply is monitored by the Departmental Audit Committee and through DFP's Accountability Grid database. In terms of Procurement and Governance, the Department met its target to introduce a Management Statement and Financial Memorandum for NIW on 1 April 2012. On Measuring the Performance of NI Water, the company has continued to improve its performance in the areas highlighted in the PAC report. This includes achieving higher levels of drinking water quality and wastewater treatment compliance (2010 and 2011 saw the best ever results achieved in NI); higher bathing water quality compliance (where all designated beaches met EU standards in 2011); reduced leakage and risk of low pressure; improved customer service measures and meeting the Regulator's efficiency targets.

Legal action in relation to matters concerning NIW

Legal action has been initiated against the Department by a former non-executive Director of NIW. The case is ongoing and the Department continues to liaise with its legal advisors on this issue.

In a separate case the Fair Employment Tribunal has decided, in June 2012, against the Department in respect of an appointment to the NIW Board. The Department is currently considering the decision.

David Orr

Accounting Officer 29 June 2012

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 31st March 2012 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply 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 examine, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded.

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.

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31st March 2012 and shows that those totals have not been exceeded; and
- 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 31st March 2012 and of its net operating cost, cash flows and changes in taxpayers' equity 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) 2001; and
- the information given in the Director's 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.

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 and the part of the Remuneration Report to be audited 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.

Report

An update on irregular expenditure at NI Water can be found in my report on the financial statements at Appendix B.

K J Donnelly

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

2 July 2012

Statement of Assembly Supply

Summary of Resource Outturn 2011-12

								2011-12 £000	2010-11 £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	2	634,699	26,370	608,329	624,309	23,808	600,501	7,828	457,117
B	2	271,420	65,290	206,130	270,630	65,290	205,340	790	193,483
Total resources	3	906,119	91,660	814,459	894,939	89,098	**805,841**	**8,618**	**650,600**
Non-operating cost AR	21.2			4,550			3,508	1,042	2,479

Net cash requirement 2011-12

				2011-12 £000	2010-11 £000
	Note	**Estimate**	**Outturn**	**Net Total outturn compared with Estimate: saving/ (excess)**	Outturn
Net cash requirement	4	**907,643**	**859,788**	**47,855**	**761,315**

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 2011-12 £000		**Outturn 2011-12 £000**
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	5	**402**	*402*	**550**	*4,054*

Explanations of significant variances between Estimate and Outturn are given in **note 2** and in the Management Commentary. A Key to Request for Resources is also given in **note 2**.

The notes on pages 59 to 110 form part of the financial statements.

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

								Restated	
							2011-12 £000		2010-11 £000
				Core Department			Consolidated	Core Department	Consolidated
	Note	Staff costs	Other Costs	Income	Staff costs	Other Costs	Income		
Administration Costs:									
Staff costs	9	13,341	-	-	70,943			15,364	71,752
Other administration costs	10	-	6,771	-		24,074		6,825	24,823
Operating income	12	-	-	(59)			(59)	(71)	(71)
Programme Costs:									
Request for Resources A									
Staff costs	9	273	-	-	273			270	270
Programme costs	11	-	198,765	-		530,695		156,809	390,085
Income	12	-	-	(621)			(24,551)	(1,012)	(22,923)
Request for Resources B									
Staff costs	9	21	-	-	21			16	16
Programme costs	11	-	269,388	-		269,388		263,141	263,141
Income	12	-	-	(65,311)			(65,311)	(71,334)	(71,334)
Totals		13,635	474,924	(65,991)	71,237	824,157	(89,921)	370,008	655,759
Net Operating Cost for the year end 31 March 2012	3.1			**422,568**			**805,473**		

Other Comprehensive Expenditure

					Restated
			2011-12 £000		2010-11 £000
	Note	**Core Department**	**Consolidated**	Core Department	Consolidated
Net gain/(loss) on revaluation of Property Plant and Equipment	13	-	(64,230)	1	(851,801)
Net gain/(loss) on revaluation of Intangibles	14	-	9	-	10
Net gain/(loss) on revaluation of available for sales financial assets	-	-	-	-	-
Adjustment to Fixed Assets Opening Balance	13, 14	-	(105)	-	1,198
Developer’s Contribution	13, 21.2	-	55,771	-	44,468
Total Comprehensive Expenditure for the year ended 31 March 2012		**422,568**	**814,028**	**370,007**	**1,461,884**

The notes on pages 59 to 110 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 March 2012

	Note	31 March 2012 £000 Core Department	31 March 2012 £000 Consolidated	Restated 31 March 2011 £000 Core Department	Restated 31 March 2011 £000 Consolidated	Restated 1 April 2010 £000 Core Department	Restated 1 April 2010 £000 Consolidated
Non-current assets:							
Property, plant and equipment *	13	1,932	29,947,821	3,528	29,975,316	3,550	30,560,563
Intangible assets	14	3	325	5	301	12	210
Financial assets	15	1,479,250	1,479,250	1,409,250	1,409,250	1,299,250	1,299,250
Total non-current assets		1,481,185	31,427,396	1,412,783	31,384,867	1,302,812	31,860,023
Current assets:							
Assets classified as held for sale	16	-	405	-	931	-	508
Inventories	18	-	3,119	-	2,068	-	1,348
Trade and other receivables	19	12,346	26,210	9,191	22,195	25,905	53,925
Cash and cash equivalents	20	17,712	17,720	3,668	3,676	-	14
Total current assets		30,058	47,454	12,859	28,870	25,905	55,795
Total assets		1,511,243	31,474,850	1,425,642	31,413,737	1,328,717	31,915,818
Current liabilities:							
Trade and other payables	22	(94,915)	(189,946)	(59,714)	(165,255)	(47,655)	(143,217)
Provisions	23	(2)	(79)	(31)	(89)	(2,084)	(6,921)
Total current liabilities		(94,917)	(190,025)	(59,745)	(165,344)	(49,739)	(150,138)
Non-current assets plus/less net current assets/liabilities		1,416,326	31,284,825	1,365,897	31,248,393	1,278,978	31,765,680
Non-current liabilities:							
Provisions	23	-	(23,837)	(2)	(37,096)	(191)	(46,505)
Other payables	22	-	(338,398)	-	(345,854)	-	(163,738)
Total non-current liabilities		-	(362,235)	(2)	(382,950)	(191)	(210,243)
Assets less liabilities		1,416,326	30,922,590	1,365,895	30,865,443	1,278,787	31,555,437
Taxpayers' equity:							
General fund **		1,416,325	14,869,307	1,365,894	14,649,550	1,278,786	14,433,823
Revaluation reserve **		1	16,053,283	1	16,215,893	1	17,121,614
Grant reserve **		-	-	-	-	-	-
Total taxpayers' equity		1,416,326	30,922,590	1,365,895	30,865,443	1,278,787	31,555,437

* Details of the restatement are shown in the Property, Plant and Equipment **note 13**.
* *Details of the restatement are shown in the Changes to Taxpayers' Equity schedule.

Accounting Officer David Orr 29 June 2012

The notes on pages 59 to 110 form part of the financial statements.

Consolidated Statement of Cash Flows

For year ended 31 March 2012

	Note	2011-12 £000	Restated 2010-11 £000
Cash flows from operating activities			
Net operating cost		(805,473)	(655,759)
Adjustments for non-cash transactions	10.1	206,109	122,668
(Increase)/decrease in trade and other receivables	19	(4,015)	31,731
less movements in receivables relating to items not passing through the Net Operating Cost			
Increase /(decrease) in amounts due from Consolidated Fund		(1,460)	(15,339)
Non-cash developer contribution		(573)	573
Movement in provision for bad debt		(401)	(3,282)
Increase in other capital receivables		-	-
(Increase)/decrease in inventories		(1,051)	(720)
Increase/(decrease) in trade and other payables	22	15,230	215,774
less movements in payables relating to items not passing through the Net Operating Cost			
(Increase)/decrease in amounts due to Consolidated Fund		(7,074)	5,828
Decrease/(increase) in amounts due to capital retentions/accruals		19,343	23,105
Use of provisions:			
Use of bad debt provision	23	(418)	(1,275)
Use of other revenue provisions	23	(4,868)	(11,348)
Net cash outflow from operating activities		(584,651)	(288,044)
Cash flows from investing activities			
Purchase of property, plant and equipment	21.2	(204,627)	(359,239)
Purchase of intangible assets	21.2	(145)	(212)
Proceeds of disposal of property, plant and equipment	21.2	1,045	1,041
Proceeds of disposal of intangibles	21.2	-	-
Investment additions	21.2	(70,000)	(110,000)
Net cash outflow from investing activities		(273,727)	(468,410)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		870,456	759,674
From the Consolidated Fund (Supply) – prior year		1,642	16,981
From the Consolidated Fund (non-Supply)		-	-
From EU/TENS – capital grant receipts		-	-
Developer contributions		2,463	1,273
Net financing		874,561	777,928

Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		16,183	21,474
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(4,144)	(6,193)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund.		12,039	15,281
Cash and cash equivalents at the beginning of the period	20	(1,489)	(16,770)
Cash and cash equivalents at the end of the period	20	10,550	(1,489)

The notes on pages 59 to 110 form part of the financial statements.

Core Statement of Changes in Taxpayers' Equity

For year ended 31 March 2012

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2010		**1,278,786**	**1**	**1,278,787**
Adjustment to Opening Balance		-	-	-
Restated balance at 1 April 2010		1,278,786	1	1,278,787
Changes in taxpayers' equity for 2010-11				
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		-	-	-
Non-cash charges – notional costs	9,10,11	3,354	-	3,354
Non-cash charges – auditor's remuneration		45	-	45
Transfers between reserves		1	(1)	-
Property, plant and equipment additions funded by non-cash contributions from developers		-	-	-
Comprehensive net expenditure for the year		(370,008)	-	(370,008)
Total recognised income and expense for 2010-11		**912,178**	**1**	**912,179**
Net Parliamentary Funding – drawn down		759,674	-	759,674
Net Parliamentary Funding – Agency funding		(308,164)	-	(308,164)
Net Parliamentary Funding – deemed		-	-	-
Supply payable/(receivable) adjustment		1,642	-	1,642
CFERs repayable to the Consolidated Fund – EU revenue grants claimed		(300)	-	(300)
CFERs - EU capital grants		-	-	-
CFERs – other		(13)	-	(13)
CFERs– Excess Operating Accruing Resources		(7)	-	(7)
CFERs–Excess Non Operating Accruing Resources		-	-	-
CFERs – Trans European Networks capital funding		-	-	-
CFERs – revenue exchange losses/gains		884	-	884
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed		-	-	-
Balance at 31 March 2011		**1,365,894**	**1**	**1,365,895**

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	**£000**	**£000**
Balance at 31 March 2011		**1,365,894**	**1**	**1,365,895**
Adjustment to Opening Balance		-	-	-
Changes in accounting policy		-	-	-
Restated balance at 1 April 2011		1,365,894	1	1,365,895
Changes in taxpayers' equity for 2011-12				
Net gain/(loss) on revaluation of property, plant and equipment		-	-	-
Net gain/(loss) on revaluation of intangible assets		-	-	-
Net gain/(loss) on revaluation of investments		-	-	-
Non-cash charges – notional cost	9,10,11	3,508	-	3,508
Non-cash charges – auditor's remuneration		46	-	46
Transfers between reserves			-	-
Property, plant and equipment additions funded by non-cash contributions from developers		-	-	-
Comprehensive net expenditure for the year		(422,568)	-	(422,568)
Total recognised income and expense for 2011-12		**946,880**	**1**	**946,881**
Net Parliamentary Funding – drawn down		870,456	-	870,456
Net Parliamentary Funding – Agency funding		(390,439)	-	(390,439)
Net Parliamentary Funding – deemed		-	-	-
Supply (payable)/receivable adjustment		(10,668)	-	(10,668)
CFERs repayable to the Consolidated Fund – EU revenue grants claimed		(68)	-	(68)
CFERs - EU capital grants		-	-	-
CFERs – other		3	-	3
CFERs – Due from Consolidated Fund		182	-	182
CFERs – Excess Operating Accruing Resources		(21)	-	(21)
CFERs –Excess Non Operating Accruing Resources		-	-	-
CFERs – Trans European Networks capital funding		-	-	-
CFERs – revenue exchange losses/gains		-	-	-
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed		-	-	-
Balance at 31 March 2012		**1,416,325**	**1**	**1,416,326**

Consolidated Statement of Changes in Taxpayers' Equity

For year ended 31 March 2012

	Note	Restated General Fund	Restated Revaluation Reserve	Restated Grant Reserve	Restated Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2010		**14,363,420**	**17,086,467**	**104,351**	**31,554,238**
Adjustment to Opening Balance		-	1,199	-	1,199
Change in Accounting policy		70,403	33,948	(104,351)	-
Restated balance at 1 April 2010		14,433,823	17,121,614	-	31,555,437
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment		-	(851,801)	-	(851,801)
Net gain/(loss) on revaluation of intangible assets		-	10	-	10
Net gain/(loss) on revaluation of investments		-	-	-	-
Non-cash charges – notional cost	9,10,11	12,036	-	-	12,036
Non-cash charges – auditor's remuneration		104	-	-	104
Transfers between reserves		53,930	(53,930)	-	-
Property, plant and equipment additions funded by non-cash contributions from developers		44,468	-	-	44,468
Restated comprehensive net expenditure for the year		(655,759)	-	-	(655,759)
Total recognised income and expense for 2010-11		**(545,221)**	**(905,721)**	**-**	**(1,450,942)**
Net Parliamentary Funding – drawn down		759,674	-	-	759,674
Net Parliamentary Funding – Agency funding		-	-	-	-
Net Parliamentary Funding – deemed		-	-	-	-
Supply payable/(receivable) adjustment		1,642	-	-	1,642
CFERs repayable to the Consolidated Fund – EU revenue grants claimed		(300)	-	-	(300)
CFERs -EU capital grants		(850)	-	-	(850)
CFERs – other		(378)	-	-	(378)
CFERs – Excess Operating Accruing Resources		(7)	-	-	(7)
CFERs –Excess Non Operating Accruing Resources					
CFERs – Trans European Networks capital funding		(5)	-	-	(5)
CFERs – revenue exchange losses/gains		883	-	-	883
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed		289	-	-	289
Balance at 31 March 2011		**14,649,550**	**16,215,893**	**-**	**30,865,443**

	Note	General Fund	Revaluation Reserve	Grant Reserve	Total Reserves
		£000	**£000**	**£000**	**£000**
Balance at 31 March 2011		**14,649,550**	**16,215,893**	**-**	**30,865,443**
Adjustment to Opening Balance		(626)	(51)	-	(677)
Restated balance at 1 April 2011		14,648,924	16,215,842	-	30,864,766
Changes in taxpayers' equity for 2011-12					
Net gain/(loss) on revaluation of property, plant and equipment		-	(64,230)	-	(64,230)
Net gain/(loss) on revaluation of intangible assets		-	9	-	9
Net gain/(loss) on revaluation of investments		-	-	-	-
Non-cash charges – notional cost	9,10,11	12,219	-	-	12,219
Non-cash charges – auditor's remuneration		109	-	-	109
Transfers between reserves		98,338	(98,338)	-	-
Property, plant and equipment additions funded by non-cash contributions from developers		55,771	-	-	55,771
Comprehensive net expenditure for the year		(805,473)	-	-	(805,473)
Total recognised income and expense for 2011-12		**(639,036)**	**(162,559)**	**-**	**(801,595)**
Net Parliamentary Funding – drawn down		870,456	-	-	870,456
Net Parliamentary Funding – Agency funding		-	-	-	-
Net Parliamentary Funding – deemed		-	-	-	-
Supply (payable)/receivable adjustment		(10,668)	-	-	(10,668)
CFERs repayable to the Consolidated Fund – EU revenue grants claimed		(68)	-	-	(68)
CFERs - EU capital grants		(284)	-	-	(284)
CFERs – other		(451)	-	-	(451)
CFERs due from the Consolidated Fund		182			182
CFERs – Excess Operating Accruing Resources		(21)	-	-	(21)
CFERs –Excess Non Operating Accruing Resources		-	-	-	-
CFERs – Trans European Networks capital funding		-	-	-	-
CFERs – revenue exchange losses/gains		-	-	-	-
CFERs – Exchange losses on EU/Trans European Networks capital grants claimed		273	-	-	273
Balance at 31 March 2012		**14,869,307**	**16,053,283**	**-**	**30,922,590**

The notes on pages 59 to 110 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 2011-12 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 one additional primary statement. The Statement of Assembly Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

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. Where, in exceptional circumstances, the Department concludes that compliance with a requirement in the FReM would be so misleading that it would conflict with the objective of the financial statements set out in the International Accounting Standards Board (IASB) Framework it will depart from that requirement following the principles set out at paragraphs 20-24 of IAS 1.

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 29**.

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. With the exception of items under construction, 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 2011-12 Roads Service has applied a provisional index to 31 December 2011 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 13**.

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 networked 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.

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 Statement of Comprehensive Net Expenditure 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 Retail Price Index. 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 Statement of Comprehensive Net Expenditure, 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.

However, any impairments resulting from the consumption of economic benefit will be charged to the Statement of Comprehensive Net Expenditure.

An impairment of a networked 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 (including EU funding)*

Unconditional Grants received are treated as income and credited to the Statement of Comprehensive Net Expenditure in year received.

Conditional Grants will be treated as Deferred Income and credited to Statement of Comprehensive Net Expenditure when all conditions have been met.

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 Statement of Comprehensive Net Expenditure 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 *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.

1.15 *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 staff salaries at March 2012 applied to the untaken leave balance at 31 March 2012 as recorded in the payroll system.

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 2.8% 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.

1.16 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.17 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.

1.18 *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.

1.19 *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%).

1.20 *Contingent liabilities*

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Assembly 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.

1.21 *Value Added Tax*

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

1.22 *Funding from Assembly Supply*

Supply funding is not treated as income on the face of the Statement of Comprehensive Net Expenditure, but is credited to the General Fund.

1.23 *Notional costs*

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

1.24 *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.

1.25 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 land acquisition for schemes values.

For the road network valuation a condition survey is undertaken. For the motorway and trunk road network and the rest of the ‘A’ class roads a machine based survey (deflectograph) is carried out as a rolling 3 year programme. On the trunk roads a Coarse Visual Inspection survey (CVI) is carried out as a rolling programme over 2 years on the ‘B’ and ‘C’ class roads and every 4 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.

Land acquisition values are provided for when it is probable that a future payment will be made. This will be when the vesting order becomes operative. Advice on the value of the claim is obtained from professional valuers within Land and Property Services.

1.26 Prior period Adjustment

In line with DFP advice, Prior Period Adjustments (PPAs) arising from the change in treatment of non-exchange transactions including the removal of the Government Grant Reserve were not included in Spring Supplementary Estimates for 2011-12, other than as a note. The impact of these accounting policy changes on Supply outturn in respect of 2010-11 are shown below. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

The removal of the Government Grant Reserve has the following effect on Resource outturn in 2010-11. The Statement of Assembly Supply and related notes have not been restated for this effect.

	2010-11 £000
Net Resource Outturn (Statement of Assembly Supply)	650,600
Removal of the Government Grant Reserve	5,524
Adjusted Net Resource Outturn	656,124

1.27 Impending application of newly issued accounting standards not yet effective

The IASB have issued new and amended standards (IFRS 10, IFRS 11 and IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards have an effective date of January 2013, but have not yet been EU adopted. The application of these IFRS changes is subject to further review by Treasury and the other relevant authorities before due process consultation.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on Office for National Statistics control criteria, as designated by Treasury. A review of the NI financial process is currently under discussion with the Executive, which will bring NI departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of Non Departmental Public Bodies (NDPB's) and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10), and where joint arrangements need reassessing.

2. Analysis of net resource outturn by section

								2011-12 £000
						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	71,253	155,008	-	226,261	(20,819)	205,442	206,273	831
2: Ferry services, air and sea ports	29	1,322	692	2,043	(882)	1,161	1,069	(92)
3: Railway services	-	34,170	92,062	126,232	-	126,232	126,666	434
4: Road passenger services	4,996	52,484	17,542	75,022	(540)	74,482	74,577	95
5:Services to other Departments	4,426	293	-	4,719	(60)	4,659	4,921	262
6: EU Interreg IV	-	-	-	-	(1,507)	(1,507)	(1,489)	18
Annually Managed Expenditure (AME)								
7: Roads Service- Release from Government Grant Reserve in respect of EU funded assets and Depreciation costs	880	172,536	-	173,416	-	173,416	178,050	4,634
8: Provisions	(116)	4,404	-	4,288	-	4,288	5,420	1,132
Non-Budget								
9: Interest paid on Deposits	-	-	-	-	-	-	34	34
10: Release from Government Grant Reserve in respect of EU funded assets and other expenditure	-	-	-	-	-	-		-
11:Notional charges	12,328	-	-	12,328	-	12,328	12,808	480
Total	**93,796**	**420,217**	**110,296**	**624,309**	**(23,808)**	**600,501**	**608,329**	**7,828**
Request for Resources B:								
Departmental Expenditure in DEL								
1: Water Policy and Administration	1,221	28	-	1,249	-	1,249	1,320	71
Non-Budget								
2. Financial support for Northern Ireland Water Limited	-	269,381	-	269,381	(65,290)	204,091	204,810	719
Total	**1,221**	**269,409**	**-**	**270,630**	**(65,290)**	**205,340**	**206,130**	**790**
Resource Outturn	**95,017**	**689,626**	**110,296**	**894,939**	**(89,098)**	**805,841**	**814,459**	**8,618**

								2010-11 £000
						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	71,638	146,591	-	218,229	(19,703)	198,526	198,803	277
2: Ferry services, air and sea ports	20	869	9,295	10,184	(837)	9,347	7,426	(1,921)
3: Railway services	-	31,449	54,096	85,545	(700)	84,845	84,991	146
4: Road passenger services	5,065	53,092	8,165	66,322	-	66,322	64,349	(1,973)
5:Services to other Departments	4,579	304	-	4,883	(58)	4,825	5,444	619
6: EU Interreg IV	-	-	-	-	-	-	-	-
Annually Managed Expenditure (AME)								
7: Roads Service- Release from Government Grant Reserve in respect of EU funded assets and Depreciation costs	940	75,837	-	76,777	-	76,777	142,015	65,238
8: Provisions	539	9,250	-	9,789	-	9,789	10,600	811
9: Settlement of NICS Equal Pay claims		(655)	-	(655)	-	(655)	(660)	(5)
Non-Budget								
10: Interest paid on Deposits	-	3	-	3	-	3	34	31
11: Release from Government Grant Reserve in respect of EU funded assets and other expenditure	-	(4,802)	-	(4,802)	-	(4,802)	(4,803)	(1)
12:Notional charges	12,140	-	-	12,140	-	12,140	12,803	663
Total	**94,921**	**311,938**	**71,556**	**478,415**	**(21,298)**	**457,117**	**521,002**	**63,885**
Request for Resources B:								
Departmental Expenditure in DEL								
1: Water Policy and Administration	1,654	39	2	1,695	-	1,695	2,457	762
2: Settlement of NICS equal pay claims	-	-	-	-	-	-	3	3
Non-Budget								
3. Financial support for Northern Ireland Water Limited	-	263,115	-	263,115	(71,327)	191,788	194,623	2,835
Total	**1,654**	**263,154**	**2**	**264,810**	**(71,327)**	**193,483**	**197,083**	**3,600**
Resource Outturn	**96,575**	**575,092**	**71,558**	**743,225**	**(92,625)**	**650,600**	**718,085**	**67,485**

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

	Variance Under/(over) £000	Explanation
RfR A	7,828	£5.8m of the under spend relates to annually managed expenditure (AME). By definition this covers areas of expenditure that are more volatile, with £3.1m of the AME under spend relating to impairments and £1.5m to depreciation. There were also less than anticipated public liability claims.
RfR B	790	The NIW subsidy includes a number of elements which are subject to fluctuations in eligible customer numbers and volume usage. As such it can be difficult to estimate those elements to a high level of accuracy.

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

Key to Request for Resources

RfR A

Supporting the economy by planning, developing and maintaining 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

RfR B

Contributing to the health and well being 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.

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

3.1 Reconciliation of net resource outturn to net operating cost

Restated

		2011-12			2010-11
		£000			£000
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	Outturn
Net Resource Outturn	2	**805,841**	**814,459**	**8,618**	**650,600**
Non-supply income (CFERs)	5	(823)	-	823	(684)
Exchange losses on CFER related EU Receivables	5	273	-	(273)	1,174
Other CFER payable		182	-	(182)	-
Prior period adjustment – Government Grant Reserve		-	-	-	5,524
Net Operating Cost		**805,473**	**814,459**	**8,986**	**656,614**

3.2 Outturn against final Administration Budget

	2011-12		2010-11
	£000		£000
	Budget	**Outturn**	Outturn
Gross administration budget	84,573	82,412	83,544
Less Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	84,573	**82,412**	83,544

4. 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	2	**814,459**	**805,841**	**8,618**
Capital				
Acquisition of property, plant and equipment	21.2	175,389	173,559	1,830
Investments	21.2	70,000	70,000	-
Non-operating Accruing Resources				
Proceeds of property, plant and equipment disposals	21.2	(4,550)	(3,508)	(1,042)
Accruals adjustments				
Non-cash items	10.1	(218,066)	(206,382)	(11,684)
Changes in working capital other than cash	21.1	32,538	(4,605)	37,143
Changes in payables falling due after more than one year	22.1	10,255	7,456	2,799
Use of provision	23	27,618	17,427	10,191
Excess cash receipts surrenderable to the Consolidated Fund	5			
Net cash requirement		**907,643**	**859,788**	**47,855**

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

5. Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2011-12 £000		Outturn 2011-12 £000	
		Income	*Receipts*	Income	*Receipts*
Operating income and receipts – excess Accruing Resources		-	-	21	*21*
Other operating income and receipts not classified as Accruing Resources		402	*402*	802	*4,033*
Subtotal		402	*402*	823	*4,054*
Exchange Loss - Revenue		-	-	-	-
Exchange Loss - Capital		-	-	(273)	-
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		-	-	-	-
EU capital grant income and receipts		-	-	-	-
Trans European Networks (TENS) funding		-	-	-	-
Total income payable to the Consolidated Fund		**402**	***402***	**550**	***4,054***

5.2 Consolidated Fund Income

The Department did not collect any amounts acting as agent for the Consolidated Fund in 2011-12 or 2010-11.

6. Reconciliation of income recorded within the Consolidated Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2011-12 £000	Restated 2010-11 £000
Operating income	12	89,921	94,328
Operating income netted off resource expenditure		-	-
Gross income		**89,921**	**94,328**
Income authorised to be used as Accruing Resources	2	89,098	93,644
Operating income payable to the Consolidated Fund	5	**823**	**684**

7. Non-operating income – Excess Accruing Resources

	2011-12 £000	2010-11 £000
Non-operating income – Excess Accruing Resources	**-**	-

8. Statement of Operating Costs by Operating Segment

The Department's operating segments reflect the basis of monthly financial reporting to the Departmental Board.

The financial information presented to the Board is based on the outturn at budget category level. There are some differences between this budget outturn and the Statement of Comprehensive Net Expenditure. This is reconciled in the Financial Review section of the Annual Report.

The main objective of each segment is as follows:

Transport
Promote more sustainable travel and transport and encourage modal shift from the private car.

Water
Promote the delivery of sustainable water and sewerage services.

Roads
Maintain, manage and improve the road network to keep it safe, effective and reliable.

The Core overheads include such functions as: support for the Minister, human resources, strategic planning, information systems, organisational development, finance, European co-ordination, internal audit and equality issues.

				2011-12 £000				2010-11 £000
	Transport	**Water**	**Roads**	**Total**	**Transport**	**Water**	**Roads**	**Total**
Gross Expenditure	202,911	270,630	407,852	881,393	161,464	264,322	310,060	735,846
Income	(620)	(65,311)	(23,930)	(89,861)	(1,012)	(71,334)	(21,911)	(94,257)
Net Expenditure	**202,291**	**205,319**	**383,922**	**791,532**	**160,452**	**192,988**	**288,149**	**641,589**

Note 8.1

Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

				2011-12 £000				2010-11 £000
	Transport	**Water**	**Roads**	**Total**	**Transport**	**Water**	**Roads**	**Total**
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	202,291	205,319	383,922	791,532	160,452	192,988	288,149	641,589
Core Overheads				13,941				14,170
Total net expenditure per Statement of Comprehensive Net Expenditure				**805,473**				**655,759**

Note 8.2

Reconciliation between Operating Segments and Note 2

				2011-12 £000				2010-11 £000
	Transport	**Water**	**Roads**	**Total**	**Transport**	**Water**	**Roads**	**Total**
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	202,291	205,319	383,922	791,532	160,452	192,988	288,149	641,589
Core Overheads				13,941				14,170
CFER Income				368				(490)
Prior year adjustment				-				(4,669)
Total net expenditure per Statement of Comprehensive Net Expenditure				**805,841**				**650,600**

9. Staff numbers and related costs

Staff costs comprise:

	2011-12 £000				2010-11 £000
	Total	**Permanent staff**	**Others**	**Minister**	Total
Wages and salaries	62,855	62,458	360	37	64,070
Social security costs	4,786	4,782		4	4,491
Other pension costs	11,407	11,399	-	8	11,313
Total net costs	**79,048**	**78,639**	**360**	**49**	**79,874**
Analysed as:					
RfR A	77,921	77,512	360	49	78,736
RfR B	1,127	1,127	-	-	1,138
	79,048	78,639	360	49	79,874
Analysed as:					
Administration costs – continuing operations	70,894				71,701
Minister's costs (notional)	49				51
Per Consolidated Statement of Comprehensive Net Expenditure	70,943				71,752
Programme costs – continuing operations	294				286
Capitalised	7,811				7,836
	79,048				79,874
Of which:					
Core department	13,635	13,492	94	49	15,650

Permanently employed staff includes the cost of the Department's Special Advisor, which falls within the pay band range £57,300-£82,531.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI) is an unfunded multi-employer defined benefit scheme, but the Department for Regional Development is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS(NI) resource accounts.

For 2011-12, employers' contributions of £11,373,294 were payable to the PCSPS (2010-11 £11,396,000) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions following a full scheme valuation. The rates remain in the range of 18-25% for 2012-13. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £33,488 (2010-11 £27,625) 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% (2010-11: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £2,110.53, 0.8% (2010-11 £626.51, 0.8%) of pensionable pay, were payable to the PCSPS 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 reporting period date were £nil. Contributions prepaid at that date were £nil.

11 people (2010-11:17 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,230 (2010-11 £38,108).

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 account boundary:

				2011-12	2010-11
Objective	**Total**	**Permanent staff**	**Others**	**Minister**	Total
A	**2,099**	2,081	17	1	2,202
B	**25**	25	-	-	23
Staff engaged on capital projects	**234**	234	-	-	240
Total	**2,358**	**2,340**	**17**	**1**	2,465
Of which:					
Core department	**377**	**371**	**5**	**1**	433

Reporting of Civil Service and other compensation schemes and exit packages for all staff 2011-12

	2011-12			2011-12		
	Core Department			**Core Department and Agency**		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	-	1	1	-	3	3
£10,000 - £25,000	-	-	-	-	1	1
£25,000 - £50,000	-	-	-	-	3	3
Total number of exit packages	**-**	**1**	**1**	**-**	**7**	**7**
Total resource cost /£	**-**	**2,143**	**2,143**	**-**	**130,397**	**130,397**

	2010-11			2010-11		
	Core Department			**Core Department and Agency**		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	1	1	-	5	5
Total number of exit packages	**-**	**1**	**1**	**-**	**5**	**5**
Total resource cost /£	**-**	**46,711**	**46,711**	**-**	**179,191**	**179,191**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

10. Other administration costs

	Note	2011-12 £000 Core Department	2011-12 £000 Consolidated	2010-11 £000 Core Department	2010-11 £000 Consolidated
Rentals under operating leases:					
Other operating leases		30	116	32	119
Rent of land and buildings		-	52	-	35
Interest charges:					
Interest on government loans		-	-	-	-
Non-cash items					
Notional charges:					
Accommodation		1,901	5,662	2,085	6,174
DFP Information Strategy and Innovation Division		5	5	4	4
Land and Property Services		5	513	-	574
NIAO auditors' remuneration		46	109	45	104
Other		1,548	5,990	1,214	5,233
Depreciation and amortisation of property, plant and equipment::					
Property, Plant and Equipment		12	765	15	785
Intangible assets		7	130	7	131
Revaluation charge to Statement of Comprehensive Net Expenditure		-	4	-	46
Provisions:					
Provided in year	23	-	(116)	(190)	537
Borrowing costs (unwinding of discount on provisions)	23	-	-	1	1
Bad debts expense		2	2	8	8
Profit/loss on exchange rates		-	-	-	-
Other expenditure		3,215	12,716	3,604	12,955
Less: Own work capitalised			(1,874)	-	(1,883)
Total		**6,771**	**24,074**	**6,825**	**24,823**

10.1 Analysis of non-cash items for Statement of Cash Flows and Statement of Assembly Supply

		Restated
	2011-12	2010-11
	£000	£000
Staff costs (see Note 9)	49	51
Non-staff administration costs (see Note 10)	13,063	13,589
Programme costs – RfR A (see Note 11)	192,997	109,028
Programme costs – RfR B (see Note 11)	-	-
Non-cash transactions (Statement of Cash Flows)	**206,109**	**122,668**
Adjust for capital provisions (see note 21.2)	273	(1,600)
Prior Period Adjustment	**-**	(5,688)
Non-cash transactions (Statement of Assembly Supply)	**206,382**	**115,380**

11. Programme costs

	Note	2011-12 £000 Core Department	2011-12 £000 Consolidated	2010-11 £000 Core Department	2010-11 £000 Consolidated
RfR A					
Current grants and other current expenditure		196,992	301,007	157,079	259,415
Rentals under operating leases		-	311	-	230
Exchange loss		182	403	-	-
PPP service charge		-	12,630	-	4,294
PPP interest on loan		-	23,347	-	17,119
Own work capitalised		-	-	-	-
Non-cash expenditure:					
Depreciation and amortisation of property, plant and equipment		1	179,706	1	88,596
Impairment of property, plant and equipment		-	-	-	-
Revaluation charges to Statement of Comprehensive Net Expenditure		1,600	8,888	-	12,466
Loss on disposal of property, plant and equipment		-	-	-	-
Profit on disposal of property, plant and equipment		-	-	-	-
Provision for bad debts		-	819	-	4,557
Provisions – provided in year	23	(10)	3,584	(271)	3,408
Total programme costs – RfR A		**198,765**	**530,695**	**156,809**	**390,085**
RfR B					
Current grants and other current expenditure		269,388	269,388	263,141	263,141
Rentals under operating leases		-	-	-	-
PFI charges: off-statement of financial position contracts		-	-	-	-
Non-cash expenditure		-	-	-	-
Total programme costs – RfR B		**269,388**	**269,388**	**263,141**	**263,141**
Total programme costs		**468,153**	**800,083**	**419,950**	**653,226**

12. Income

	2011-12 £000					
			Core Department			Consolidated
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Other	59	-	59	59	-	59
	59	-	59	59	-	59
Programme income						
Car park receipts and penalty charge notices income	-	-	-	15,990	-	15,990
Recoverable works	-	-	-	2,850	-	2,850
Dividend Income from NIW	-	25,964	25,964	-	25,964	25,964
Loan Interest from NIW	-	39,347	39,347	-	39,347	39,347
EU grant income – CFER income	68	-	68	352	-	352
EU grant income – Accruing Resources income	-	-	-	1,507	-	1,507
Other Grant Income	500	-	500	500	-	500
Other	53	-	53	3,352	-	3,352
	621	**65,311**	**65,932**	**24,551**	**65,311**	**89,862**
Total income	**680**	**65,311**	**65,991**	**24,610**	**65,311**	**89,921**

Income

Restated

	2010-11 £000					
	Core Department			Consolidated		
	RfR A	**RfR B**	**Total**	**RfR A**	**RfR B**	**Total**
Administration income						
Continuing operations						
Other	71	-	71	71	-	71
Administration income	**71**	**-**	**71**	**71**	**-**	**71**
Programme income						
Continuing operations						
Car park receipts and penalty charge notices income	-	-	-	15,167	-	15,167
Recoverable works	-	-	-	3,145	-	3,145
Dividend Income from NIW	-	36,028	36,028	-	36,028	36,028
Loan Interest from NIW	-	35,306	35,306	-	35,306	35,306
EU grant income – CFER income	300	-	300	1,155	-	1,155
EU grant income – Accruing Resources income	-	-	-	164	-	164
Other	712	-	712	3,292	-	3,292
	1,012	**71,334**	**72,346**	**22,923**	**71,334**	**94,257**
Total income	**1,083**	**71,334**	**72,417**	**22,994**	**71,334**	**94,328**

13. Property, plant and equipment

	Land & Buildings excluding Dwellings	Network 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 2011	**322,767**	**32,556,691**	**41,310**	**15,826**	**6,066**	**3,465**	**32,946,125**
Opening revaluation adjustment	-	(3,653)	-	-	-	-	(3,653)
Additions	6,925	163,142	(48)	4,271	(876)	-	173,414
Developer Contributions	-	53,308	-	-	-	-	53,308
Disposals	-	-	-	(45)	(234)	-	(279)
Transfers	(516)	-	-	-	-	-	(516)
Revaluations	(17,250)	48,329	893	2,828	(9)	-	34,791
Reclassification	5,008	109	(35,361)	33,491	(247)	(3,000)	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(8,871)	-	-	1	(4)	-	(8,874)
At 31 March 2012	**308,063**	**32,817,926**	**6,794**	**56,372**	**4,696**	**465**	**33,194,316**
Depreciation							
At 1 April 2011	**3,173**	**2,921,113**	**28,619**	**12,919**	**4,985**	**-**	**2,970,809**
Opening revaluation adjustment	-	(3,548)	-	-	-	-	(3,548)
Charged in year	1,276	176,803	205	2,123	64	-	180,471
Disposals	-	-	-	(43)	(233)	-	(276)
Transfers	580	-	-	(328)	(252)	-	-
Backlog depreciation	165	96,292	245	2,326	(7)	-	99,021
Reclassification	-	-	(26,385)	26,385	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	18	-	-	-	-	-	18
At 31 March 2012	**5,212**	**3,190,660**	**2,684**	**43,382**	**4,557**	**-**	**3,246,495**
Carrying Amount at 31 March 2012	**302,851**	**29,627,266**	**4,110**	**12,990**	**139**	**465**	**29,947,821**
Carrying Amount at 1 April 2011	**319,594**	**29,635,578**	**12,691**	**2,907**	**1,081**	**3,465**	**29,975,316**
Asset financing:							
Owned	302,851	29,284,925	4,110	12,990	139	465	29,605,480
On-statement of financial position PFI contracts	-	342,341	-	-	-	-	342,341
Carrying Amount at 31 March 2012	**302,851**	**29,627,266**	**4,110**	**12,990**	**139**	**465**	**29,947,821**

Analysis of property, plant and equipment

	Land & Buildings excluding Dwellings	Network Assets	Transport Equipment	Plant and Machinery	Information Technology	Payments on Account and Assets under Construction	Total
The Carrying Amount of property, plant and equipment comprises:							
Core department at 31 March 2012	**1,400**	**-**	**-**	**61**	**6**	**465**	**1,932**
Agency at 31 March 2012	**301,451**	**29,627,266**	**4,110**	**12,929**	**133**	**-**	**29,945,889**
Core department at 1 April 2011	-	-	-	56	7	3,465	3,528
Agency at 1 April 2011	319,594	29,635,579	12,691	2,851	1,074	-	29,971,789
Core department at 1 April 2010	-	-	-	66	4	3,480	3,550
Agency at 1 April 2010	375,293	30,162,865	12,030	4,471	1,155	-	30,555,814

Property, plant and equipment

	Land & Buildings excluding Dwellings	Network 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 2010	**377,214**	**32,927,300**	**40,214**	**14,534**	**6,020**	**3,480**	**33,368,762**
Opening balance adjustment	-	1,047	-	-	-	-	1,047
Additions	7,167	319,153	52	896	39	(15)	327,292
Developer Contributions	-	42,619	-	-	-	-	42,619
Disposals	-	-	-	(9)	(4)	-	(13)
Transfers	(1,465)	-	-	-	1	-	(1,464)
Revaluations	(47,631)	(733,428)	1,044	406	10	-	(779,599)
Reclassification	-	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(12,518)	-	-	(1)	-	-	(12,519)
At 31 March 2011	**322,767**	**32,556,691**	**41,310**	**15,826**	**6,066**	**3,465**	**32,946,125**
Depreciation							
At 1 April 2010	**1,921**	**2,764,435**	**28,184**	**9,997**	**4,861**	**-**	**2,809,398**
Opening balance adjustment	-	(151)	-	-	-	-	(151)
Charged in year	1,215	85,206	174	2,661	123	-	89,379
Disposals	-	-	-	(9)	(4)	-	(13)
Transfers	-	-	-	-	-	-	-
Backlog depreciation	44	71,623	261	270	5	-	72,203
Reclassification	-	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(7)	-	-	-	-	-	(7)
At 31 March 2011	**3,173**	**2,921,113**	**28,619**	**12,919**	**4,985**	**-**	**2,970,809**
Carrying Amount at 31 March 2011	**319,594**	**29,635,578**	**12,691**	**2,907**	**1,081**	**3,465**	**29,975,316**
Carrying Amount at 1 April 2010	**375,293**	**30,162,865**	**12,030**	**4,537**	**1,159**	**3,480**	**30,559,364**
Asset financing:							
Owned	319,594	29,293,237	12,691	2,907	1,081	3,465	29,632,975
On-statement of financial position PFI contracts	-	342,341	-	-	-	-	342,341
Carrying Amount at 31 March 2011	**319,594**	**29,635,578**	**12,691**	**2,907**	**1,081**	**3,465**	**29,975,316**

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
Network Assets - Land	N/A	N/A	Indicative Land Indices (LPS)
Land for schemes	Land & Property Services (LPS)	31 March 2011	Indicative Land Indices (LPS)
Car Parks	Land & Property Services (LPS)	31 March 2008	BCIS Index (LPS)
Buildings	Land & Property Services (LPS)	31 March 2008	BCIS Index (LPS)
Networked Assets	Atkins (Professional Surveyors) and Professor MS Snaith FREng	31 March 2010	Baxter Index (Provisional)
Plant and Machinery - Ferry	Blyth Bridges (Marine Consultants)	31 March 2010	Index provided by Marine Consultants
Plant and Machinery - Vehicles	N/A	N/A	Adjusted National Statistics Office SIC 2007
Plant and Machinery - General	N/A	N/A	Adjusted National Statistics Office SIC 2007
Furniture and Fittings	N/A	N/A	Retail Price Index

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

The roads and bridges infrastructure valuation was performed on a depreciated replacement cost basis on 31 March 2012, using the ‘Baxter Index’ for construction in England, Wales and Northern Ireland. For 2011-12 a provisional index to 31 December 2011 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, car parks, buildings, plant and machinery and furniture and fittings has been indexed to 31 December 2011 using the appropriate indices as outlined in the above table.

Condition Surveys for the Road Network

Depreciated replacement cost accounting as outlined in the Statement of Accounting Policies 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.

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.

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.

14. Intangible assets

	Software Licences	Externally Developed software	Total
	£000	**£000**	**£000**
Cost or valuation			
At 1 April 2011	**724**	**-**	**724**
Additions	136	9	145
Disposals	(1)	-	(1)
Transfers	-	-	-
Revaluations	16	-	16
Reclassification	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-
At 31 March 2012	**875**	**9**	**884**
Depreciation			
At 1 April 2011	**423**	**-**	**423**
Charged in year	130	-	130
Disposals	(1)	-	(1)
Transfers	-	-	-
Backlog depreciation	7	-	7
Reclassification	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-
At 31 March 2012	**559**	**-**	**559**
Carrying Amount at 31 March 2012	**316**	**9**	**325**
Carrying Amount at 1 April 2011	**301**	**-**	**301**
Asset financing:			
Owned	316	9	325
On-statement of financial position PFI contracts	-	-	-
Carrying Amount at 31 March 2012	**316**	**9**	**325**

Analysis of Intangible Assets

The Carrying Amount of intangible assets comprises:

Core department at 31 March 2012	**3**	**3**
Agency at 31 March 2012	**322**	**322**
Core department at 1 April 2011	5	5
Agency at 1 April 2011	296	296
Core department at 1 April 2010	12	12
Agency at 1 April 2010	198	198

Intangible Assets

	Software Licences	Externally Developed software	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	**504**	**-**	**504**
Additions	212	-	212
Disposals	(15)	-	(15)
Transfers	-	-	-
Revaluations	23	-	23
Reclassification	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-
At 31 March 2011	**724**	**-**	**724**
Depreciation			
At 1 April 2010	**294**	**-**	**294**
Charged in year	131	-	131
Disposals	(15)	-	(15)
Transfers	-	-	-
Backlog depreciation	-	-	-
Reclassification	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	13	-	13
At 31 March 2011	**423**	**-**	**423**
Carrying Amount at 31 March 2011	**301**	**-**	**301**
Carrying Amount at 1 April 2010	**210**	**-**	**210**
Asset financing:			
Owned	301	-	301
On-statement of financial position PFI contracts	-	-	-
Carrying Amount at 31 March 2011	**301**	**-**	**301**

15. 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
The interest rate on loan notes issued after 31 March 2010 to NIW is 0.85% per annum above the Reference Gilt rate on the relevant issue date, such rate priced from the yield to maturity published on such date by the UK Government Debt Management Office. All of the Department's other financial assets and liabilities carry nil or fixed rates of interest.

Gains/losses
The following table shows the net gains/losses recognised through the Consolidated Statement of Comprehensive Net Expenditure by measurement category:

					2011-12	2010-11
		From Subsequent Measurement				
	From Interest	**At Fair Value**	**Currency Translation**	**Impairment/ Reversal of Impairment**	**Net gain/(loss)**	Net gain/(loss)
	£000	**£000**	**£000**	**£000**	**£000**	£000
Loans and receivables	-	-	(585)	(819)	(1,404)	(1,807)
Total	-	-	(585)	(819)	(1,404)	(1,807)

The Department recognises the components of net gain/loss through the Consolidated Statement of Comprehensive Net Expenditure. 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.

The impairment/reversal of impairment relates to bad debts written off or provided through the Statement of Comprehensive Net Expenditure.

15.1 Investment in Northern Ireland Water

	Loan Stock & Ordinary Shares	Loan on vesting	Long-term loan	Total
	£000	£000	£000	£000
Balance at 1 April 2010	671,690	150,000	477,560	1,299,250
Additions	-	-	110,000	110,000
Balance at 31 March 2011	**671,690**	**150,000**	**587,560**	**1,409,250**
Balance at 1 April 2011	**671,690**	**150,000**	**587,560**	**1,409,250**
Additions	-	-	70,000	70,000
Balance at 31 March 2012	**671,690**	**150,000**	**657,560**	**1,479,250**

All investments are held within the Core Department.

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 2012 the company had issued further loan notes of £658 million. The interest rate on loan notes issued up to 31 March 2010 and the initial loan notes is 5.25%, fixed for the term of the loan. The interest rate on loan notes issued after 31 March 2010 is 0.85% per annum above the Reference Gilt rate on the relevant issue date, such rate priced from the yield to maturity published on such date by the UK Government Debt Management Office.

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 2011	826,586
Turnover for year ended 31 March 2011	403,151
Surplus/profit for the year (before financing)	168,396
Net assets at 31 March 2012	916,663
Turnover for the year ended 31 March 2012	413,355
Surplus/profit for the year (before financing)	192,033

16. Assets held for sale

	31 March 2012 £000	31 March 2011 £000
At 1 April 2011	931	508
Transfers in	1,164	1,477
Transfers out	(647)	(13)
Disposals	(1,043)	(1,041)
Total	**405**	**931**

Roads Service intends to dispose of, within the next year, 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 a buyer. No impairment loss was recognised on reclassification of the land as held for sale at 31 March 2012.

17. Impairments

No impairment expenses have been accounted for through the Statement of Comprehensive Net Expenditure.

18. Inventories

	31 March 2012 £000		31 March 2011 £000	
	Core Department	**Consolidated**	Core Department	Consolidated
Inventories	-	3,119	-	2,068
Work in progress	-	-	-	-
	-	**3,119**	**-**	2,068

19. Trade receivables and other current assets

19.1 Analysis by type

	31 March 2012 £000		31 March 2011 £000	
	Core Dept.	**Consolidated**	Core Dept.	Consolidated
Amounts falling due within one year:				
Trade receivables	602	3,165	870	2,714
Other receivables	11,273	3,147	6,040	1,035
Prepayments and accrued income	185	3,665	222	3,816
EU grants receivable - CFER *	-	-	300	300
EU grants receivable - Accruing Resource	-	-	-	-
VAT	104	12,079	117	7,019
	12,164	22,056	7,549	14,884
Amounts due from the Consolidated Fund in respect of Supply	-	-	1,642	1,642
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund	182	182	-	-
EU grants receivable – capital – CFER*	-	2,298	-	5,502
EU grants receivable – capital - Accruing Resource	-	1,674	-	167
	12,346	**26,210**	**9,191**	**22,195**

*EU grants receivable of £2,298,000 (2010-11 £5,802,000) are to be surrendered to the Consolidated Fund when received.

The following table shows the provision for bad debt included in trade receivables in the table above at the period end:

	2012 £000		2011 £000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Balance at 1 April	-	5,530	-	2,248
Increase in provision	-	819	-	4,557
Use of provision	-	(418)	-	(1,275)
Balance at 31 March	-	5,931	-	5,530

In determining the recoverability of a trade receivable, the Department considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

No interest is charged on the trade receivables. The Department has provided fully for all receivables where there is evidence to suggest the debt is not recoverable.

19.2 Intra-government balances

	Amounts falling due within one year		**Amounts falling due after more than one year**	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Balances with other central government bodies	17,812	15,330	-	-
Balances with local authorities	813	122	-	-
Balances with NHS Trusts	25	37	-	-
Balances with public corporations and trading funds	1,242	1,601	-	-
Intra-government balances	19,892	17,090	-	-
Balances with bodies external to government	6,318	5,105	-	-
Total receivables at 31 March	**26,210**	**22,195**	**-**	**-**

20. Cash and cash equivalents

	Core Department			Consolidated		
	Cash and bank balances	**Bank Overdraft**	**Net**	**Cash and bank balances**	**Bank Overdraft**	**Net**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	**3,668**	**-**	**3,668**	**3,676**	**(5,165)**	**(1,489)**
Net change in cash and cash equivalents	14,044	-	14,044	14,044	(2,005)	12,039
Balance at 31 March 2012	**17,712**	**-**	**17,712**	**17,720**	**(7,170)**	**10,550**

	31 March 2012		31 March 2011	
	£000	**£000**	£000	£000
	Core Department	**Consolidated**	Core Department	Consolidated
The following balances were held at:				
Commercial banks and cash in hand	**17,712**	**10,550**	3,668	(1,489)
Total	**17,712**	**10,550**	3,668	(1,489)

The balance comprises:	**31 March 2012**	31 March 2011
	£000	£000
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 22.1)	64	153
Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 22.1)	10,668	-
Cash due to be received from the Consolidated Fund:		
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund (see Note 19.1)	(182)	-
Amounts not issued by the Consolidated Fund for supply but spent at the year end (see Note 19.1)	-	(1,642)
	10,550	**(1,489)**

21. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	31 March 2012 £000	31 March 2011 £000
Net cash requirement	(859,788)	(761,315)
From the Consolidated Fund (Supply) - current year	870,456	759,674
From the Consolidated Fund (Supply) - prior year	1,642	16,981
Amounts due to the Consolidated Fund received and not paid over	64	154
Amounts due to the Consolidated Fund received in a prior year and paid over	(153)	(213)
CFER Amounts received and paid to other government departments	(182)	-
Increase/(decrease) in cash	**12,039**	**15,281**

21.1 Movements in working capital used in the Reconciliation of Resources to Net Cash Requirement (Note 4)

	Note	**2011-12 £000**
(Increase)/decrease in inventories	18	(1,051)
(Increase)/decrease in receivables	19.1	(4,015)
Adjustments to movements in receivables		
Increase/(decrease) in amounts due from Consolidated Fund	19.1	(1,460)
Consolidated Fund Receivable written off	19.1	-
Movement in CFER related Receivables	19.1	(3,504)
Movement in provision for bad debts		(404)
Remove non-cash developer contribution		(573)
Increase/(decrease) in payables less than 1 year	22.1	24,691
Adjustments to movements in payables less than 1 year		
Movement in bank	20	(2,005)
(Increase)/decrease in amounts due to the Consolidated Fund	22.1	(7,074)
Net (increase)/decrease in working capital other than cash recognised in Statement of Assembly Supply		**4,605**

21.2 Analysis of cashflows from investing activities

	Note	Capital expenditure £000	Loans, etc. £000	Accruing Resources £000	2011-12 Net total £000
Cash out/in flow from fixed assets		**204,772**	**70,000**	**(1,045)**	**273,727**
Movement in receivables/payables					
Capital provisions made	23	273	-	-	273
Capital provisions utilised	23	(12,142)	-	-	(12,142)
Movement in capital creditors		(19,344)	-	-	(19,344)
Total 2011-12		**173,559**	**70,000**	**(1,045)**	**242,514**
Non-operating Accruing Resources (Statement of Assembly Supply)					
Net book value of assets disposed	13,14,16			(1,045)	(1,045)
Cash proceeds from developers				(2,463)	(2,463)
Loss on disposal	10,11			-	-
Excess non operating Accruing Resources	7			-	-
Non-operating Accruing Resources (Statement of Assembly Supply)				**(3,508)**	**(3,508)**

22. Trade payables and other current liabilities

22.1 Analysis by type

	31 March 2012 £000		31 March 2011 £000	
	Core Department	**Consolidated**	Core Department	Consolidated
Amounts falling due within one year:				
Bank overdraft (Note 20)	-	7,170	-	5,165
Trade payables	5,288	6,541	8,609	8,994
Accruals and deferred income	78,680	161,972	49,531	123,540
Other taxation and social security	-	-	-	-
Other payables	258	1,233	1,266	21,600
Amounts issued from the Consolidated Fund for Supply but not spent at year end	10,668	10,668	-	-
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants				
– Received	-	-	-	-
– Receivable	-	2,298	300	5,802
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other				
– Received	21	64	8	154
– Receivable	-	-	-	-
	94,915	**189,946**	**59,714**	**165,255**
Amounts falling due after more than one year:				
Other payables	-	3,297	-	5,529
Imputed loan on PPP contracts	-	335,101	-	340,325
	-	**338,398**	**-**	**345,854**

22.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Balances with other central government bodies	14,593	7,568	-	-
Balances with local authorities	3,443	10,325	4	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	82,292	43,839	1	-
Intra-government balances	100,328	61,732	5	-
Balances with bodies external to government	89,618	103,523	338,393	345,854
Total	**189,946**	**165,255**	**338,398**	**345,854**

23. Provisions for liabilities and charges

Core Department

	Land Acquisition for Schemes	Equal pay	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000	£000
Balance 1 April 2011	-	10	23	-	33
Provided in year	-	-	-	-	-
Provisions not required written back	-	(10)	-	-	(10)
Provisions utilised in year*	-	-	(21)	-	(21)
Balance 31 March 2012	-	-	2	-	2

Consolidated Department

	Land Acquisition for Schemes	Equal pay	Early Retirement Provisions	Legal Claims	Contractors Claims	Total
	£000	£000	£000	£000	£000	£000
Balance 1 April 2011	32,806	10	89	4,280	-	37,185
Opening Balance Adjustment	33	-	-	-	-	33
Provided in year	16,555	-	62	3,916	-	20,533
Provisions not required written back	(16,315)	(10)	-	(501)	-	(16,826)
Provisions utilised in year *	(12,142)	-	(72)	(4,795)	-	(17,009)
Balance 31 March 2012	20,937	-	79	2,900	-	23,916

Analysis of expected timing of discounted flows

Core Department

	Land Acquisition for Schemes	Equal pay	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000	£000
Not later than one year	-	-	2	-	2
Later than one year and not later than five years	-	-	-	-	-
Later than five years	-	-	-	-	-

Consolidated Department

	Land Acquisition for Schemes	Equal pay	Early Retirement Provisions	Legal Claims	Contractors Claims	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	-	-	79	-	-	79
Later than one year and not later that five years	20,937	-	-	2,900	-	23,837
Later than five years	-	-	-	-	-	-

*In addition to the above provisions there was £418,000 of bad debt provisions utilised.

23.1 Land Acquisition for Schemes

Land acquisition values are provided for when it is probable that a future payment will be made. This will be when the vesting order becomes operative. Advice on the value of the claim is obtained from professional valuers within Land and Property Services.

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 2.8% 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 26**.

The legal claims provision includes unsettled public/employer (£2,875,791), early departure (£77,025) and unfair dismissal liability (£24,637) at the year end.

23.4 Contractors Claims

The contractors claims provision relates to all known legal claims made against the Roads Service by contractors. In 2010-11 one of the provisions utilised relates to a contractors dispute which was settled in July 2011 for £17,220,000 (excluding VAT).

24. Capital and other commitments

24.1 Capital commitments

	31 March 2012		31 March 2011	
	£000	£000	£000	£000
	Core Department	**Consolidated**	Core Department	Consolidated
Contracted capital commitments at 31 March not otherwise included in these financial statements	-	505,295	-	39,820

24.2 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 2012		31 March 2011	
	£000	£000	£000	£000
	Core Department	**Consolidated**	Core Department	Consolidated
Obligations under operating leases comprise:				
Land & Buildings:				
Not later than one year	-	12	-	12
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**12**	**-**	**12**
Office Equipment:				
Not later than one year	24	209	23	223
Later than one year and not later than five years	5	377	20	513
Later than five years	-	167	-	227
Total	**29**	**753**	**43**	**963**

24.3 Commitments under PPP contracts

24.3.1 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 capital value of this PPP Package 1 is £118,219,000.

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 was completed on 5 May 2011. The capital value of PPP Package 2 is £224,123,000.

24.3.2 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 PPP contracts for the following periods comprise:

		31 March 2012		31 March 2011
	£000	**£000**	£000	£000
	Core Department	**Consolidated**	Core Department	Consolidated
Not later than one year	-	28,572	-	28,562
Later than one year and not later than five years	-	114,287	-	114,249
Later than five years	-	567,057	-	590,731
	-	**709,916**	**-**	**733,542**
Less interest element	-	(374,815)	-	(393,216)
Total	**-**	**335,101**	**-**	**340,326**

24.3.3 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of the service element of on Statement of Financial Position PPP transactions was £12,630,043 (2010-11: £3,294,958); 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 2012		31 March 2011	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Not later than one year	-	16,571	-	14,660
Later than one year and not later than five years	-	70,572	-	66,069
Later than five years	-	721,317	-	740,633
	-	**808,460**	-	**821,362**

24.3.4 Off Statement of Financial Position

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

24.4 Other financial commitments

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

Capital loan notes are 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 £807.56 million (31 March 2011: £737.56 million) including the £150 million issued at vesting (note 15).

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 £55 million 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 £55 million) 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.

25. Financial guarantees

25.1 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 NIW.

The deeds for both projects guarantee the financial obligations payable under the relevant contract in the event of NIW 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.

25.2 Subsidy payments to Northern Ireland Water

Under Article 213 (3) 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. The Executive's Budget for the period 2011-12 – 2014-15 which was published in February 2011 was based on the proposal that no separate household water and sewerage charges will be introduced during the Budget period. Consequently DRD will continue to pay subsidy under this Article to NIW. During 2012-13 this is estimated to be £282m.

26. Contingent liabilities disclosed under IAS 37

At 31 March 2012 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 £7,507,359.

There is also a possible liability of £374,000 in relation to solicitors fees which the Roads Service are disputing liability but could lead to a loss.

There is also a possible contingent liability of £1,880,000 in relation to contractor legal cases which are pending.

There is a possible contingent liability of £10,700,000 in relation to land for schemes.

Legal action has been initiated against the Department by a former non-executive Director of NIW. The case is ongoing and the Department continues to liaise with its legal advisors on this issue.

There are two ongoing employment tribunal cases. In one of the cases the Fair Employment Tribunal has decided, in June 2012, against the Department in relation to an appointment to the NIW Board. The Department is currently considering the decision. The Department is continuing to defend the actions taken in respect of the other case.

26.1 Contingent liabilities not required to be disclosed under IAS 37 but included for Assembly 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.

There are no contingent liabilities that are not required to be disclosed under IAS 37 but are required to be disclosed for Assembly reporting and accounting purposes.

27. Losses and special payments

27.1 Losses Statement

	2011-12		2010-11	
	Number of cases	**£000**	Number of cases	£000
Stores and plant losses	8	1	19	7
Abandoned claims	10	437	46	1,284
Fruitless payments	4	1	5	180
Foreign exchange losses	2	663	2	1,806
Constructive loss	1	250	-	-
Other cash losses	15	9	23	9
	40	**1,361**	**95**	**3,286**

27.2 Special Payments

2011-12		**Restated** 2010-11	
Number of cases	**£000**	Number of cases	£000
17	**851**	**22**	**1,958**

Details of cases over £250,000

Roads Service incurred losses relating to penalty charge notice debt of £410,858 (2010-11 £1,139,084) during the financial year. The penalty charge notices were all more than 6 months 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).

Foreign exchange losses of £663k were incurred as a result of an adverse movement in the Euro exchange rate in the period since EU eligible expenditure was incurred and the balance sheet date of 31 March 2012.

Special payments include the settlement of a duplicate land sale claim for £75,000 plus plaintiff costs (under negotiation).

28. 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.

Northern Ireland Water (NIW) is a government owned company, the Department being the sole shareholder. The Department provides NIW with subsidy and loan finance. For public expenditure purposes NIW is defined as a non departmental public body and its expenditure directly impacts on the Department's budget.

DRD is also responsible for ports policy and the legislative framework within which ports operate.

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, recruitment, land and property services and legal services 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.

29. Entities within the departmental boundary

The entities within the boundary during 2011-12 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.

30. Business activities attracting fees and charges

Roads Service

			2011-12 £000	2010-11 £000
	Income	**Cost**	**Surplus/(deficit)**	Surplus/(deficit)
Car Parks	(15,990)	23,283	(7,293)	(6,447)
Strangford Ferry	(911)	2,628	(1,717)	(1,312)
Total	**(16,901)**	**25,911**	**(9,010)**	(7,759)

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

The financial target for car parking services in 2011-12 was 70% recovery of the full cost of providing, updating and maintaining the service. The actual percentage recovery achieved was 69%.

The financial target for the ferry service in 2011-12 was 40% recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 35%.

During 2011-12 exceptional maintenance charges were incurred to the value of £425k. Had these costs not been incurred, the percentage cost recovery for the ferry service would have been 41%.

31. Analysis of net operating cost by spending body

		2011-12 £000	Restated 2010-11 £000
	Estimate	**Outturn**	Outturn
Ports and Public Transport	201,050	202,291	160,452
Northern Ireland Water	206,032	205,319	192,988
Roads Service	388,736	383,922	288,149
Other Core Department	18,239	13,941	14,170
Total	**814,057**	**805,473**	655,759

32. Prior Period Adjustment

	2011-12 £000	Restated 2010-11 £000
Opening balance – Government Grant reserve	-	104,351
Change in Accounting policy	-	(104,351)
Restated Opening balance – Government Grant reserve	**-**	**-**
Opening Balance – Revaluation reserve	16,215,893	17,086,467
Adjustment to Opening balance	(51)	1,199
Change in Accounting policy	-	33,948
Restated Opening Balance – Revaluation reserve	**16,215,842**	**17,121,614**
Opening balance – General fund	14,649,550	14,363,420
Adjustment to Opening balance	(626)	-
Change in Accounting policy	-	70,403
Restated Opening balance – General fund	**14,648,924**	**14,433,823**
SoCNI – Income adjustment due to change in accounting policy	-	(4,669)
SoCNE – Net Operating cost adjustment due to change in accounting policy	-	(4,669)

33. The Accounting Officer authorised these financial statements for issue on 2 July 2012.

Appendix A

Entities outside the Departmental Boundary

The Department's Arm's Length Bodies

Northern Ireland Water (NIW)
NIW is a company, with the Department being its sole shareholder. It is appointed as the statutory water and sewerage undertaker, operating under licence and at arm's length from central government structures. It is also a non-departmental public body for public expenditure purposes. The Minister is responsible for the policy and legislative framework and sets strategic objectives. The delivery of water and sewerage services is the responsibility of the company, subject to regulatory oversight by the NI Authority for Utility Regulation and environmental regulators. As Accounting Officer, the Chief Executive, along with the NIW Board, is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored.

The Department monitors NIW's business performance and outlook and engages with the company Board, Chair and Executive Team on strategic and shareholder matters. In keeping with the company's Articles of Association the Department is responsible for making appointments to the Board of NIW. We are also responsible for making loans and paying subsidy to the company and this expenditure is reflected within the Department's Resource Accounts.

Northern Ireland Transport Holding Company (NITHC)
NITHC is a public corporation and the parent company of the publicly owned bus and rail companies in the region. These companies, Northern Ireland Railways, Ulsterbus and Citybus (trading as Metro) operate under the brand name of Translink. NITHC's statutory duties are to manage public transport properties and to oversee the activities of Translink.

The Department is also responsible for setting specific targets for NITHC and monitoring the extent to which these targets are achieved. Furthermore, we are also responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored. The Minister is responsible for appointing the Chair and members of the NITHC Board. The arrangements are governed and carried out within an agreed financial framework, which is subject to regular review. A Management Statement and Financial Memorandum (MSFM) operates.

The Department provides financial assistance to Translink as part of the Executive's investment in public transport here and this expenditure is reflected within the Department's Resource Accounts.

Northern Ireland Trust Ports
The Department also has responsiblity 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.

We appoint the Chair and members of the trust ports at Belfast, Londonderry and Warrenpoint. We also appoint 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.

Report by the Comptroller and Auditor General

Department for Regional Development Resource Account 2011-12

1. Introduction

This report provides an update on my previous reports on the irregular expenditure incurred by 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 DRD Accounting Officer holds ultimate responsibility for DRD's shareholding in NI Water. Funding from DRD to NI Water is in the form of revenue subsidy (NI Water's main source of income); capital grant support and the issue of capital loan notes.

2.2 In 2009-10, the DRD resource accounts were qualified as a result of a total of £21 million of irregular expenditure incurred by NI Water in 2009-10, 2008-09 and 2007-08. Multiple instances were identified 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 technical breaches.

In 2010-11, the opinion on regularity provided by NI Water's external auditors in respect of the statutory accounts was qualified due to irregular expenditure of £4.7 million and the DRD Resource Account was also qualified.

3. Irregular expenditure in the current year

3.1 Irregular expenditure of £2.2 million was incurred, arising from extensions of an existing irregular contract with a single supplier, which was a breach of NI Water's delegated financial limits. NI Water confirmed that this contract has ended and that there will be no further expenditure incurred in relation to this contract, or any extensions associated with it, from 1 April 2012. DRD has informed me that contracts for all expenditure included within NI Water's regularisation project will have been put in place by 31 December 2012.

3.2 NI Water's external auditors issued an unqualified opinion on regularity on 2 July 2012.

4. Conclusion

4.1 £2.2 million of irregular expenditure was incurred by NI Water in 2011-12, a decrease from £4.7 million in 2011-12.

4.2 I have not qualified my opinion on the 2011-12 Financial Statements on the basis that the level of irregular expenditure has decreased to £2.2 million.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General

2 July 2012