# Department for Regional Development Resource Accounts for the year ended 31 March 2013

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

*On*

*5 July 2013*

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This publication is also available to download from our website at www.drdni.gov.uk

**DEPARTMENT FOR REGIONAL DEVELOPMENT**

**Resource Accounts for the year ended 31 March 2013**

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## ANNUAL REPORT

The Department for Regional Development (DRD) presents its Annual Report and Accounts for the year ended 31 March 2013.

## 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 Minister 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 Permanent Secretary

Richard Pengelly was appointed Permanent Secretary from 1 January 2013. David Orr was the Interim Permanent Secretary of the Department from 17 October 2011 to 31 December 2012. 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 Permanent Secretary by contributing to the corporate management of the Department within the strategic policy and resources framework set by the Minister and the Executive.

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** | - Richard Pengelly (from 1 January 2013); and<br>- *David Orr (to 31 December 2012).* |
| **Deputy Secretary: Finance, Resources and Water Policy** | - David Orr (from 1 January 2013); and<br>- *Barry Jordan (to 31 December 2012).* |
| **Deputy Secretary: Regional Planning and Transportation** | - Barney McGahan. |
| **Roads Service Chief Executive** | - Andrew Murray (from 1 November 2012); and<br>- *Geoff Allister (to 31 October 2012).* |
| **Director of Human Resources and Organisational Change** | - Michaela Glass (to 31 December 2012 and from 4 February 2013); and<br>- *Barry Jordan (from 1 January 2013 to 3 February 2013).* |
| **Director of Finance** | - Deborah McNeilly. |
| **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 three Core Groups - Finance, Resources and Water Policy; Regional Planning and Transportation; and Roads Service.

Finance, Resources and Water Policy

Managed by a Deputy Secretary, the Group was responsible for water policy, management of the Department's shareholder interest in Northern Ireland Water and a range of corporate services. This includes support for the Minister, human resources, strategic planning, information systems, organisational development, finance, internal audit and equality issues.

Regional Planning and Transportation

Managed by a Deputy Secretary, the Group was responsible for regional development and transport planning, sustainable transport, public transport, air and sea ports and public transport performance.

Roads Service

Roads Service was an Executive Agency until 31 March 2012. Following de-agentisation from 1 April 2012, it became a Core Group managed by a Chief Executive; responsible for ensuring that the public road network is managed, maintained and developed. Roads Service had a key responsibility in ensuring that measures were taken to implement the roads aspects of the Regional Transportation Strategy for Northern Ireland and the Investment Strategy for Northern Ireland 2011-21. During 2012-13, it was responsible for just over 25,500 kilometres of public roads, approximately 9,700 kilometres of footways, 5,800 bridges, 271,000 street lights and 367 public car parks.

A new organisation, Transport NI, has been established with effect from 1 April 2013 by merging Roads Service and Transport Finance and Governance Division. In addition to the Roads Service functions above, it is responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of NITHC/Translink.

**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. This includes ports policy, the legislative framework within which ports operate and 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 sub-divided into two Requests for Resources (RFRs), each of which equates to a Departmental Strategic 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 2012-13 resulted in a notional audit fee of £107,000 and is included in the administration costs in the Statement of Comprehensive Net Expenditure. There was also £4,702 paid to auditors for work in relation to the National Fraud Initiative 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.

### 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 – www.drdni.gov.uk.

The Department's Business Plan for 2012-13 set out our vision and key objectives and targets for the year. It can be found on our website.

Our vision in 2012-13 was, ***"A region with modern, safe and sustainable transport, roads 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

Programme for Government 2011-15

The Department is responsible for the delivery of six Programme for Government (PfG) commitments. Performance against achievement of these commitments is as follows:

- **Progress the upgrade of key road projects and improve the overall road network to ensure that by March 2015 journey times on key transport corridors reduce by 2.5% - against the 2003 baseline.**

  This PfG period will see the fruition of a commitment to reduce journey times on the Strategic Road Network which reflects the implementation of the Strategic Road Improvement Programme (SRIP) over a 12 year period. While journey times initially increased, investment in recent years has contributed to a reduction in comparison to 2003. Further improvements are anticipated as more schemes from the SRIP are implemented.

- **For households, ensure no additional water charges during this Programme for Government.**

  The Department has budget cover in place to support the delivery of water and sewerage services in lieu of household charges.

- **Upgrade the Coleraine to Londonderry railway line.**

  'Phase 1' work to re-lay sections of the line and complete essential bridge works completed ahead of timetable. Preparation work for the next phase to provide new signalling and passing loops is ongoing.

- **Invest over £500m to promote sustainable modes of travel.**

  The planned investment for 2012-13 has been achieved. This included expenditure on subsidised travel for vulnerable groups, such as senior citizens and projects such as Belfast on the Move, Belfast Rapid Transit, ecar and Active Travel Demonstrations.

- **By 2015 create the conditions to facilitate at least 36% of primary school pupils and 22% of secondary school pupils to walk or cycle to school as their main mode of transport.**

  The procurement of an active school travel programme is underway which will encourage and support more children to regularly walk and cycle to school. The programme will provide delivery of a co-ordinated programme of education, awareness and skills delivery which will increase the opportunities for school pupils to regularly walk and cycle to school.

- **Maintain a high quality of drinking water and improve compliance with waste water standards by investing £668m in water and sewerage infrastructure.**
  During 2012-13 the Department invested some £160m in water and sewerage infrastructure. NIW is currently on track to achieve its annual water and wastewater compliance targets.

<u>Departmental Business Plan 2012-13</u>

In addition to its six PfG commitments, to be delivered over the 2011-15 period, the Department had a further twenty eight business plan targets for delivery during 2012-13 as set out in its 2012-13 Business Plan.

The Department applies the following ratings in assessing its Business Plan targets:

- **Green** - Achieved or on track for delivery;
- **Green/Amber** - Level of progress is broadly on track with easily redeemable deviations from plans and there is *justifiable* confidence of getting close to targeted outcomes;
- **Amber -** Rate of progress is less than planned and there is significant doubt around the achievement of targeted outcomes; and
- **Red** - Commitments not achieved or not expected to be achieved or delivery of the targeted outcome(s) will not be achieved.

In assessing year end performance twenty five targets were assessed as ‘Green’ and three targets had a ‘Red’ rating.

*<u>Departmental Business Plan Targets with a ‘Red’ Rating</u>*

**Agree a Passenger Charter for Translink by 31 October 2012:** The review of the Charter is almost complete with agreement now reached on the targets to be included; Translink is currently finalising the document. The working group involving the Department, Translink and the Consumer Council will formally sign off on the Charter at the end of the summer.

**Reduce sickness absence levels to meet a combined industrial / non-industrial staff target of 7.8 days lost in 2012-13:** The latest available statistics suggest an outturn (provisional) for the Department of 8.4 days (non-industrial 7.0 days and industrial 13.4 days). The Department will continue to take proactive measures to deliver reductions in this area. Official absence statistics will be published by the NI Statistics and Research Agency later this year.

**Put the Minister in a position to introduce measures to enable the withdrawal of £20 million value from the Belfast Harbour Commissioners:** The Budget Review Group agreed that the Department should focus on working collaboratively with the Belfast Harbour Commissioners on release of value projects. Following a meeting of the Budget Review Group on 27 September 2012 and between representatives of that Group and the Harbour Commissioners on 11 October 2012 it was agreed that the Commissioners would take forward, from within their resources, proposals for investment in Foreign Direct Investment (FDI) accommodation. The first phase worth £10m is in progress with a second £10m phase to follow. Other potential projects to the value of £23m have also been identified.

The Department's budget for 2013-14 and 2014-15 was set on the basis that in each year £20m would be secured from Belfast Harbour Commissioners. While the Commissioners have agreed to undertake £20m of FDI accommodation projects and have started to progress the first phase there is no means of crediting this investment to the Department's budget. The Department is therefore putting forward a technical bid to the Executive to obtain credit for the agreed Belfast Harbour Commissioner's investment.

The Department's performance against achievement of PfG commitments and 2012-13 Departmental Business Plan targets is set out in full in the End-of-Year Performance Report on the Department's website.

**Key Outcomes**

Some of our key achievements in 2012-13 have included the:

- completion, ahead of schedule, of a major upgrade of the Coleraine to Londonderry railway track;
- completion of a new train maintenance facility at Adelaide, Belfast and extension of railway platforms to accommodate 20 new trains, the last of which came into passenger service in August 2012;
- implementation of a new improved rail timetable following the introduction of the new trains;

- investment of over £140 million in more sustainable modes of travel. This included the procurement of over 90 new buses, provision of Park and Ride facilities and commencement of Belfast on the Move;
- continued engagement with Europe, which resulted in the award of some £11 million of EU funding this year;
- investment of some £160 million in our water and wastewater infrastructure to maintain our highest levels of drinking water quality and wastewater treatment compliance;
- commencement of construction of two major road schemes to provide dual carriageway on the A8 between Belfast and Larne and the A2 at Greenisland;
- opening of the A32 Shannaragh road realignment. The £8 million scheme is part of an improvement strategy to upgrade the trunk road between Omagh and Enniskillen;
- securing some £110 million expenditure on structural maintenance allowing Roads Service to resurface 1,013 lane kilometres and surface dress approximately 5.2 million square metres of the road network;
- roll-out of a new public charging infrastructure for electric vehicles alongside a consortium of public and private sector organisations; and
- the Department reorganised its business to combine roads and public transport planning and delivery functions within a single Departmental group called Transport NI. This will help ensure that the transportation needs of Northern Ireland are addressed holistically.

**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 continue to 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.

Also, the **Investment Strategy for Northern Ireland 2011-21** sets out the forward programme for investment in public infrastructure by providing the framework to create a sustainable 21st century infrastructure. It identifies priority areas for investment in the years ahead, including our transportation and water and sewerage infrastructure.

**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.

To supplement the financial allocation from the Executive, the Department has achieved its Savings Delivery Plan target of £26.1 million of savings in current expenditure in 2012-13. However, delivery of increased savings is required across the remaining two years of the Budget (£53.7 million and £50.8 million) to achieve a total of £146 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 2013-15 period with almost £870 million available for capital investment. The table below provides an investment breakdown for the two financial years up to 31 March 2015.

***Investment Allocations***

| **Spending Area** | **2013-14 £m** | **2014-15 £m** |
|---|---|---|
| Roads | 268.0 | 234.1 |
| Transport | 19.7 | 28.1 |
| Water and Sewerage | 165.7 | 151.8 |
| EU Structural Funds | 0.1 | 0.3 |
| Total | **453.5** | **414.3** |

While the Department's confirmed resource and capital budgets in 2013-14 and 2014-15 are substantial (at £908.1 million in 2013-14 and £866.8 million in 2014-15), over recent years the Department has been increasingly reliant on securing additional funding during in-year monitoring rounds to support key services; this reflects the strategic approach adopted by the Executive. While not ideal in terms of planning and delivery of services the Executive's in-year monitoring process provides a valuable opportunity for the Department to secure necessary additional funding, and we will continue to bid strongly as opportunities arise.

**Regional Development Strategy and A New Approach to Regional Transportation**

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

i. 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.

ii. "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 £743,236,000 for 2012-13. 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 | 528,536 | 525,585 | 2,951 |
| Request for Resources B | 214,700 | 214,076 | 624 |

**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 Line 2** | 569 | Largely the result of operating costs in relation to the Strangford ferry being less than expected. |
| **RfR A Line 8** | (1,555) | There were higher than expected public liability claims due to the poor weather at the end of March 2013. |

**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 |
|---|---|---|
| Acquisition of property, plant and equipment | 48,610 | The variance is as a result of the Judge's decision in April to quash orders relating to the A5. |
| Non cash items | (38,133) | The variance is as a result of the Judge's decision in April to quash orders relating to the A5. The Judge directed that the vesting orders be reversed with the result that land provisions previously provided for had to be reversed. |
| Changes in working capital other than cash | 19,589 | Interest payments are due from NI Water on or before 31 March each year. In order to manage the risk of an unavoidable delay in payment over financial year end the Department provides for non payment risk in assessing its changes in working capital other than cash. In 2012-13 the interest was received prior to 31st March. |
| Changes in payables falling due after more than one year | 4,307 | Retentions and deposits were less than anticipated. |
| Use of provision | 10,939 | Less than anticipated payments for land provisions as a result of the Judge's decision in relation to the A5. |

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 received funding for transport projects from the INTERREG IVA Programme and the European Sustainable Competitiveness Programme. Both of these programmes are co-financed by the European Regional Development Fund.

**Post Financial Year Events**

In April 2013 a High Court judgement halted progress on a strategic road improvement scheme, citing inappropriate assessment against the Habitats Directive. The accounts at 31 March 2013 reflect the return of land vested to landowners and provide for reinstatement works required.

## Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

| | **£000** |
|---|---|
| **Net Resource Outturn (Estimates)** | **739,661** |
| *Adjustments:* | |
| Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure | (1,027) |
| Add exchange loss on CFER's | 23 |
| Less EU Capital Grant income | - |
| **Net Operating Costs (Accounts)** | **738,657** |
| | |
| Less Capital Grants paid to finance capital expenditure | (58,744) |
| Add profit/(loss) on disposal of fixed assets | - |
| Add EU income-CFER related | 711 |
| Remove exchange losses on CFER's | (23) |
| Roads Interest on Deposits | (4) |
| Resource consumption of NI Water | 183,396 |
| Voted expenditure outside budget | (212,711) |
| Remove inter-departmental notional charges | (12,174) |
| **Resource Budget Outturn (Budget)** | **639,108** |
| *Of which:* | |
| Departmental Expenditure Limits (DEL) | 486,565 |
| Annually Managed Expenditure (AME) | 152,543 |

**Financial Performance**

The main features arising from the Department's financial performance in 2012-13 are as follows:

Transport

The Department paid NITHC £81.3 million in revenue support (including concessionary fare reimbursement of £38 million) and £65.9 million in capital support (£43.1 million on railways, £22.8 million on buses, bus workshops and garages). The Department remains NITHC's primary source of income.

Northern Ireland Water

During 2012-13, the Department paid NIW some £282 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 2012 NIW paid a dividend of £27 million to the Department relating to the 2011-12 financial year. The Department also received £42.1 million in interest from NIW during 2012-13.

In addition, NIW issued some £75 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 £882.6 million, which includes £150 million issued on the vesting of the company.

Roads Service

The main features of the financial performance are:

- net resource outturn is some 99.4% of the total budget of £188 million;
- spend on structural maintenance of some £110 million was achieved bringing maintenance spend close to the levels recommended in the Structural Maintenance Funding Plan;
- gross capital expenditure of some £164 million represents 99.6% utilisation of the capital budget; and

- depreciation and movement on provisions was less than anticipated (£30 million) which in the main related to the reversal of the vesting orders in relation to the A5 scheme following the Judge's decision on 8 April 2013 to quash the orders relating to this scheme.

**Corporate Governance**

Corporate Governance is the way in which an organisation is directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs – including the process through which the organisation's objectives are set – and provides the means of attaining those objectives, auditing and monitoring performance and assessing risk.

The Governance Statement on page 37 sets out the Department's approach to Corporate Governance.

**Key Relationships**

The Department's 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 Power NI, the ROI'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 Department established the Active Travel Forum in December 2010 which brings together partners from central and local government, the Public Health Agency, Belfast Healthy Cities, the business sector and third sector interest groups. The Forum was tasked to develop a high level strategy for Active Travel and "Building an Active Travel Future for Northern Ireland" was launched on 23 January 2013. An Active Travel Action Plan is currently under development. The Active Travel Forum will monitor progress on implementing the Strategy and its associated action plan.

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 Executive's Sustainable Development Strategy 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 ecar 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 continues to achieve the highest levels of drinking water quality and wastewater compliance continues to improve. 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, Audit of Inequalities Action Plan and Disability Action Plan (DAP).

In accordance with the Equality 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 DAP commitments were submitted to the Departmental Board.

An annual progress report for 2011-12 was submitted to the Equality Commission in August 2012. A new DAP has been developed with effect from April 2013. The plan was informed by a five year review of the progress in meeting the Disability Duties.

*Corporate Social Responsibility Policy*

The Department launched its Corporate Social Responsibility Policy on 26 October 2009. The policy sets out the Department's 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. To supplement the policy, an annual Action Plan is produced to capture some of the "key programmes" that we are committing to.

In September 2012, following a review, the Minister agreed to extend the policy for a further three years up to March 2016.

*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 2012-13, 98% of invoices for goods or services were paid within 30 days or contract terms, with 94% paid within 10 days (this compares favourably with 2011-12 figures which were 98% and 93% respectively).

**Employees**

*People and Change Strategy*

The Department's People Strategy 2012-15 builds on the foundations laid by the DRD People and Change Strategy 2009-12. The Strategy's key aim is *"To be a responsible employer and to ensure our people have the support, skills and motivation to effectively support the work of the Department"*.

The Strategy identifies five priority areas for development during the period 2012-15: Resourcing / Manpower Planning; Employee Engagement; Learning and Development; Attendance and Wellbeing; and Human Resources Support.

During the first year of the Strategy (ie 2012-13), a number of achievements were made. These included a review of the Department's approach to the development of its organisational skills and capabilities, the launch of an internal mediation service to help to improve workplace relationships and the development of a focused health and wellbeing programme for staff.

Outcomes will be reviewed and the Strategy regularly re-examined in order to ensure its continued alignment with business need.

*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 NI Civil Service-wide welfare service and employee assistance programme as well as 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 are 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 have 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 2012-13 business plan published a combined sickness absence targets of 7.8 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 8.4 days lost (provisional). The Department will continue to take proactive measures to deliver 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 remain a priority within the Department and adherence to all relevant statutory requirements and codes of practice is overseen by Information Management Unit. 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 one reportable breach of the Data Protection Act. Due attention has been given to the Information Commissioner's recommendation following the reporting of this incident.

Accounting Officer 28 June 2013

## REMUNERATION REPORT

### Remuneration policy

The remuneration of senior civil servants (SCS) is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a pay and grading review for SCS was the second phase of the equal pay settlement approved by the Executive.

### Service contracts

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

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

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

### Salary and pension entitlements

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

**Remuneration (this information is subject to audit)**

| Ministers | 2012-13 | | 2011-12 | |
|---|---|---|---|---|
| | **Salary** £ | **Benefits in kind** (nearest £100) | **Salary** £ | **Benefits in kind** (nearest £100) |
| Danny Kennedy<br>Minister<br>*(From 16th May 2011 )* | 37,800 | Nil | 33,126 | Nil |
| Conor Murphy<br>Minister<br>*(To 5th May 2011)* | Nil | Nil | 3,658 | Nil |

| Officials | 2012-13 | | | 2011-12 | | |
|---|---|---|---|---|---|---|
| | **Salary** £000 | **Bonus Payments** £000 | **Benefits in kind** (to nearest £100) | **Salary** £000 | **Bonus Payments** £000 | **Benefits in kind** (to nearest £100) |
| Richard Pengelly<br>Permanent Secretary<br>*(From 01/01/13)* | 25-30<br>*(100-105 full year equivalent)* | Nil | Nil | N/A | N/A | N/A |
| David Orr<br>Interim Permanent Secretary<br>*(From 17/10/11 to 31/12/12)*<br><br>Deputy Secretary – Finance, Resources & Water Policy<br>*(From 20/06/11 to 16/10/11) and (From 01/01/13)* | 95-100<br>*(100-105 full year equivalent)*<br><br>*(85-90 full year equivalent)* | Nil | Nil | 70-75<br>*(95-100 full year equivalent)*<br><br>*(85-90 full year equivalent)* | Nil | Nil |

| | | | | | | |
|---|---|---|---|---|---|---|
| Barney McGahan<br>Deputy Secretary – Regional Planning & Transportation<br>*(From 03/05/11)* | 95-100 | Nil | Nil | 90-95<br>*(95-100 full year equivalent)* | Nil | Nil |
| Dr Andrew Murray<br>Chief Executive of Roads Service<br>*(from 01/11/12)* | 35-40<br>*(80-85 full year equivalent)* | Nil | Nil | N/A | N/A | N/A |
| Geoff Allister<br>Chief Executive of Roads Service<br>*(to 31/10/12)* | 50-55<br>*(85-90 full year equivalent)* | Nil | Nil | 85-90 | Nil | Nil |
| Barry Jordan<br>Acting Deputy Secretary – Finance, Resources & Water Policy<br>*(From 31/10/11 to 31/12/12)*<br><br>Director of Human Resources and Organisational Change<br>*(From 01/04/11 to 30/10/11) and (From 01/01/13 to 3/02/13)* | *65-70*<br><br>*(80-85 full year equivalent)*<br><br>*(60-65 full year equivalent)* | Nil | Nil | 70-75<br><br>*(80-85 full year equivalent)*<br><br>*(60-65 full year equivalent)* | Nil | Nil |
| Deborah McNeilly<br>Director of Finance<br>*(From 10/10/11)* | 60-65 | Nil | Nil | 25-30<br>*(55-60 full year equivalent)* | Nil | Nil |
| Michaela Glass<br>Acting Director of Human Resources and Organisational Change<br>*(From 09/01/12 to 31/12/12 and from 04/02/13 to present*<br>*(Part time)* | *50-55*<br><br>*(60-65 full year, full time equivalent)* | Nil | Nil | 10-15<br><br>*(55-60 full year, full time equivalent)* | Nil | Nil |

| | | | | | | |
|---|---|---|---|---|---|---|
| Malcolm McKibbin<br>Interim Permanent Secretary<br>*(From 19/08/10 to 16/10/11)* | N/A | N/A | N/A | 60-65<br>*(105-110 full year equivalent)* | Nil | Nil |
| Doreen Brown<br>Deputy Secretary<br>*(To 21/04/11)* | N/A | N/A | N/A | 10-15<br>*(100-105 full year equivalent)* | Nil | Nil |
| Lian Patterson<br>Senior Finance Director<br>*(To 19/06/11)* | N/A | N/A | N/A | 15-20<br>*(85-90 full year equivalent)* | Nil | Nil |
| Fiona Hamill<br>Director of Finance<br>*(From 16/05/11 to 09/10/11)* | N/A | N/A | N/A | 20-25<br>*(55-60 full year equivalent)* | Nil | Nil |
| Allen McCartney<br>Non-Executive Director | 10-15 | Nil | Nil | 10-15 | Nil | Nil |
| Brian Carlin<br>Non- Executive Director | 10-15 | Nil | Nil | 10-15 | Nil | Nil |

*In line with the SCS pay award arrangements for 2012, staff who, after assimilation to the new pay scales, received less than 1% consolidated increase to their salary received a non-consolidated pensionable payment to bring them up to the equivalent value of 1%. 1 official received a non-consolidated pensionable payment in the pay band £0 - £5,000.*

| **2012-13** | | **2011-12** | |
|---|---|---|---|
| Band of Highest Paid Director's Total Remuneration<br>**£000** | Median Total Remuneration and Ratio | Band of Highest Paid Director's Total Remuneration<br>**£000** | Median Total Remuneration and Ratio |
| | **£26,638** | | **£26,085** |
| **100-105** | **3.8** | **95-100** | **3.7** |

**Off payroll payments**

The Department had no individuals engaged without PAYE, employer and employee NICs being deducted by the department as at 31st January 2012, whose cost per annum was over £58,200.

**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. His salary and allowances are paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. The amount does not include costs relating to the Minister's role as an MLA 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 2012-13 or 2011-12. The SCS pay settlement does not allow for bonuses.

**Pension Benefits (this information is subject to audit)**

| Ministers | Accrued pension at age 65 at 31 March 2013<br><br>£000 | Real increase in pension at age 65<br><br>£000 | CETV at 31 March 2013 or leaving date<br><br>£000 | CETV at 31 March 2012 or start date<br><br>£000 | Real increase in CETV<br><br>£000 |
|---|---|---|---|---|---|
| Danny Kennedy<br>Minister<br>*(From 16/05/2011)* | 0-5 | 0-2.5 | 52 | 37 | 8 |

**Ministerial pensions**

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50$^{th}$ 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 MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Price Index. Ministers pay contributions of either 7% or 12.5% 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 21.6% of the Ministerial salary.

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

**The Cash Equivalent Transfer Value (CETV)**

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**The real increase in the value of the CETV**

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

**Pension Entitlements (this information is subject to audit)**

| **Officials** | **Accrued pension at age 60 at 31 March 2013 or leaving date if earlier and related lump sum**<br>**£000** | **Real increase in pension and related lump sum at age 60**<br>**£000** | **CETV at 31 March 2013 or at date of leaving**<br>**£000** | **CETV at 31 March 2012** or at date of commencement**<br>**£000** | **Real increase in CETV**<br>**£000** | **Employer contribution to partnership pension account**<br>**(nearest £100)** |
|---|---|---|---|---|---|---|
| Richard Pengelly<br>Permanent Secretary<br>*(From 01/01/13)* | 30-35<br>pension plus 95-100 lump sum | 0-2.5<br>pension plus 2.5-5 lump sum | 470 | 445 | 21 | Nil |
| David Orr<br>Interim Permanent Secretary<br>*(From 17/10/11 to* | 45-50<br>pension plus 145-150 lump sum | 2.5-5<br>pension plus 12.5-15 lump sum | 1,105 | 943 | 108 | Nil |

| | | | | | | |
|---|---|---|---|---|---|---|
| *31/12/12)*<br>Deputy Secretary – Finance, Resources & Water Policy<br>*(From 01/01/13)* | | | | | | |
| Barney McGahan<br>Deputy Secretary – Regional Planning & Transportation | 45-50<br>pension plus 135-140 lump sum | 0-2.5<br>pension plus 2.5-5 lump sum | 1.039 | 972 | 12 | Nil |
| Dr Andrew Murray<br>Chief Executive of Roads Service<br>*(from 01/11/12)* | 30-35<br>pension plus<br>60-65 lump sum | 0-2.5<br>pension plus 2.5-5 lump sum | 621 | 555 | 41 | Nil |
| Geoff Allister<br>Chief Executive of Roads Service<br>*(to 31/10/12)* | 40-45<br>pension plus 120-125 lump sum | 0-2.5<br>pension plus 0-2.5 lump sum | 934 | 892 | 1 | Nil |
| Barry Jordan<br>Acting Deputy Secretary – Finance, Resources & Water Policy<br>*(From 31/10/11 to 31/12/12)*<br>Director of Human Resources and Organisational Change<br>*( From 01/04/11 to 31/10/11) and (From 01/01/13 to 3/02/13)* | 35-40<br>pension plus 105-110 lump sum | 5-7.5<br>pension plus 15-17.5 lump sum | 659 | 529 | 101 | Nil |
| Deborah McNeilly<br>Director of Finance | 20-25<br>pension plus 60-65 lump sum | 0-2.5<br>pension plus 2.5-5 lump sum | 322 | 282 | 23 | Nil |
| Michaela Glass<br>Acting Director of Human Resources and Organisational Change<br>*(From 09/01/12 to 31/12/12 and from 04/02/13)*<br>*(Part time)* | 15-20<br>pension plus<br>50-55 lump sum | 2.5-5<br>pension plus 7.5-10 lump sum | 263 | 207 | 43 | Nil |

***The actuarial factors used to calculate CETVs were changed in 2012-13. The CETVs at 31/03/12 and 31/03/13 have both been calculated using the new factors, for consistency. The CETV at 31/03/12 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 Parliament 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 2013, public service pensions will be increased by 2.2% with effect from 8 April 2013.

Employee contributions are determined by the level of pensionable earnings. The current rates are as follows:

Members of **classic**:

| Annual pensionable earnings (full-time equivalent basis) | New 2013 contribution rate before tax relief |
|---|---|
| Up to £15,000 | 1.50% |
| £15,001-£21,000 | 2.70% |
| £21,001-£30,000 | 3.88% |
| £30,001-£50,000 | 4.67% |
| £50,001-£60,000 | 5.46% |
| Over £60,000 | 6.25% |

Members of **premium, nuvos** and **classic plus**:

| Annual pensionable earnings (full-time equivalent basis) | New 2013 contribution rate before tax relief |
|---|---|
| Up to £15,000 | 3.50% |
| £15,001-£21,000 | 4.70% |
| £21,001-£30,000 | 5.88% |
| £30,001-£50,000 | 6.67% |
| £50,001-£60,000 | 7.46% |
| Over £60,000 | 8.25% |

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.

### 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 2013.

Accounting Officer 28 June 2013

## 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*.

## GOVERNANCE STATEMENT

### Accounting Officer's Introduction

1. I am pleased to present my Governance Statement for 2012-13. This sets out the Department's approach to Corporate Governance – the way in which the organisation is directed and controlled so as to ensure proper and effective financial and risk management.

2. I was appointed Permanent Secretary and Departmental Accounting Officer for the Department for Regional Development on 1 January 2013. Prior to my appointment, David Orr was interim Permanent Secretary and Departmental Accounting Officer.

3. As Permanent Secretary I act as principal adviser to the Minister who 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. The Minister is accountable to the Assembly, which has established the Committee for Regional Development to undertake a scrutiny role; to advise and assist in the formulation of policy and legislation; and to advise on departmental budgets.

4. 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.

5. The Department's Roads Service was an Executive Agency until 31 March 2012. It became a group within the Department with effect from 1 April 2012. However, the Agency Chief Executive retained his Accounting Officer duties until the Roads Service Annual Report and Accounts for 2011-12 were laid in the Assembly on 5 July 2012.

6. 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. As such, individual Governance Statements will be prepared by the Accounting Officer of each body and published through their annual report and accounts.

**Governance Structures**

7. The Department's 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. It is not possible to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. It 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.

8. This system of internal control was in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts. It accords with the HMT Corporate Governance in Government Departments: Code of Good practice 2005.

9. Key elements of the Department's system of internal control in 2012-13 included:

- the Departmental Board, which I and my predecessor chaired, comprising executive and non-executive independent members;
- weekly Business Review and monthly Senior Management Team meetings;
- a Departmental Audit Committee chaired by a non-executive independent board member;
- a Sub-Committee of the Board reviewing 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. It is independent from executive responsibilities and has direct access to the Accounting Officer and the independent chair of the Departmental Audit Committee;
- embedded Business Planning and Risk Management frameworks and procedures, supported by a quarterly monitoring programme, the results of which were 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 gathering 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).

10. The Department's Corporate Governance Framework is available on its website (www.drdni.gov.uk).

**Departmental Board Structure and Remit**

11. The Departmental Board plays a key role in terms of our corporate governance arrangements, providing corporate leadership to the Department and supporting me, as Accounting Officer, on all aspects of corporate governance. It is responsible for

the Department's performance within the strategic policy and resources framework set by the Minister and the Executive.

12. The Departmental Board followed 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 composition of the Board is regarded as a reasonable balance of executive and independent board members.

13. The composition of the Departmental Board during 2012-13 is provided within the Directors' Report at pages 2 and 3.

14. During 2012-13 the Board's work included scrutinising and advising on corporate performance, strategic direction, financial management, efficiency, organisational capability and development, risk, and audit. This included:

- monitoring Departmental performance against Programme for Government and Departmental Business Plan targets, including the progress and status of significant projects;
- development of the Department's Business Plan for 2013-14 guiding Departmental activity so as to achieve Ministerial objectives;
- development and approval of a revised Departmental Risk Management Framework, setting out the process for identifying and managing risk and describing the Department's risk appetite;
- development and monitoring of the Department's Corporate Risk Register, setting out risks to the delivery of Departmental objectives;
- financial planning and management, including allocation of resources to match delivery requirements; in-year monitoring and management of expenditure compared to budgets; cashflow and balance sheet movements; procurement plans; and register of direct award contracts;
- finance, human resources and IT strategies affecting long term capability of the Department; and
- corporate governance arrangements within the Department and with our Arm's Length Bodies.

15. The Board maintains a Register of Interests, and also considers how conflicts of interest will be dealt with if they arise. The Board Chair checks at each meeting for any members' potential conflicts of interest on agenda items. No conflicts of interest were recorded for the Board or any of its Sub Committees during 2012-13.

16. The Board is supported by a properly constituted **Departmental Audit Committee**, which is a sub-committee of the Board with no executive powers. It supports the Board in its responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. The Audit Committee's membership includes the Department's two non-executive independent board members and a further independent member. Audit Committee meetings are attended by the Head of Internal Audit and representatives from the NI Audit Office.

17. During the year, the Audit Committee considered a range of issues from an Internal Audit perspective. For example, the Committee considered the Internal Audit Annual Plan and monitored its progress through the year. It also considered the Head of Internal Audit's Annual Report and Opinion. In addition, the Committee routinely received updates on a number of issues, including fraud; DRD attendance at NIW and NITHC Audit Committee meetings; NI Audit Office Audits (both financial and value for money); and the Department's Corporate Risk Register. Advice was provided to the Departmental Board following each Audit Committee meeting.

18. The Board is also supported by its **Relationships with Arm's Length Bodies Sub Committee**. The Sub Committee reviewed and drove improvements in the Department's framework for governance and oversight of its arm's length bodies. It also scrutinised and provided assurance about the practice of Sponsor Divisions in overseeing and managing relationships with these bodies. Advice was provided to the Departmental Board following each Sub Committee meeting.

19. The Terms of Reference for the Departmental Board and each of its two sub-committees are set out in the Department's Corporate Governance Framework which is available on the Department's website (www.drdni.gov.uk).

20. Board Members' attendance at meetings, including sub-committees, is set out below.

| **Name of Board Member** | **Meetings Attended** (attendance / eligible to attend) | | |
|---|---|---|---|
| | **Departmental Board** | **Audit Committee** | **ALB Sub-Committee** |
| Richard Pengelly | 3/3 | 1/1** | N/A |
| David Orr | 9/11 | 5/6** | 1/1 |
| Barry Jordan | 8/9 | 5/5** | 1/1 |
| Barney McGahan | 8/11 | 4/6** | 2/2 |
| Andrew Murray | 5/5 | 2/2** | N/A |
| Geoff Allister | 5/6 | 1/4** | N/A |
| Michaela Glass | 10/10 | N/A | N/A |
| Deborah McNeilly | 11/11 | 6/6** | N/A |
| Allen McCartney* | 11/11 | 6/6 | 2/2 |
| Brian Carlin* | 11/11 | 5/6 | 2/2 |
| [redacted] | | | |
| Clark Bailie* | N/A | 5/6 | N/A |

* Audit Committee Member (Non-Executive / Independent).
** Not full members of the Audit Committee (attendees only).
Appropriate deputies attended each meeting that an Executive Board member was not available.

## Departmental Board Performance and Effectiveness

21. The Board carried out an annual review of its effectiveness during 2012-13 in accordance with the HMT's Corporate Governance in Government Departments: Code of Code Practice 2005. The Cabinet Office Board Effectiveness Evaluation Questionnaire was used. This sought views on how the Board approached its work, including its contribution to strategy, risk and control, performance management and communications. The review found that, overall, the Board is effective and well-focused with members working well together as a team.

22. Board Members confirmed that that the information provided to them was relevant and well presented. Members also agreed that there was a strong and well presented approach to financial matters and risk management.

23. The Annual Report of the Departmental Board and its Sub Committees is available on the Department's website (www.drdni.gov.uk).

**Oversight of Arm's Length Bodies**

*NI Transport Holding Company (NITHC)*

24. In addition, the Department continues to review its oversight of NITHC. A performance review meeting between the Minister and NITHC took place in June 2012. 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 2012-13.

25. Tri-annual Accountability meetings (which are chaired by the Permanent Secretary) took place during the course of the year between senior DRD officials and the NITHC Board. The Sponsor Division also held regular monitoring meetings with the NITHC Chief Executive and Director of Finance. Additionally, an updated MSFM was also agreed between DRD and the NITHC Board and comes into effect from 1 April 2013.

*NI Water (NIW)*

26. 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 has enabled 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 is viewed as a "living document", subject to review if circumstances change.

27. The Department's Shareholder Unit monitors NIW's business performance through monthly performance information and Quarterly Shareholder Meetings. Meetings were held in April, July and October 2012 and in January 2013.

**Risk Management**

28. The Department aims to assess and manage effectively risk to the achievement of its business objectives. Its capacity to manage risk derives from the experience and ability of managers to operate its fully documented risk management process. During 2012-13, the Department reviewed its Risk Management Framework in line with best practice set out in the Northern Ireland Audit Office report on "Good Practice in Risk Management".

29. The Framework details the Department's approach to risk management, including, risk appetite; the hierarchy for managing risks; the risk identification and escalation process; and the roles and responsibilities of the various levels of management.

30. This approach allowed risks to be identified and managed at all levels and to be escalated as appropriate.

31. The Departmental Board provides leadership and direction in managing the risk environment in which the Department operates. The Chief Executive of Roads Service 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.

32. Each business area prioritises risk against standardised risk impact / likelihood descriptors to reduce subjectivity in assessing risk. Key risks identified at corporate, group and divisional level were documented in risk registers and reviewed formally four times during the year. The Corporate Risk Register was updated and reviewed quarterly by the Departmental Board and was a standing agenda item at its monthly

meetings between the quarterly reviews. It was also routinely provided to Departmental Audit Committee meetings.

33. Corporate Risks actively monitored and managed by the Departmental Board throughout 2012-13 included:

- **Readiness and Resilience for Major Incidents / Winter**
  The Department seeks to minimise the disruption caused to the people of Northern Ireland following major incidents (including severe freeze and flooding). Work continued on preparations and response to major incidents, including advance publicity; testing of existing emergency and contingency plans; road salt management plans; and staff training.

- **Water Structure and Governance**
  The Executive is considering future policy on long term governance and funding for water and sewerage services given the current sub-optimal arrangements. The majority of NI Water's funding is provided through public expenditure though its statutory position is based on self-funding. This means that NI Water must be treated as a non-departmental public body for public expenditure purposes which contrasts with its statutory position as a Companies Act regulated utility that is owned by government.

  The Department has continued its work to address this issue by providing support to the Executive's Budget Review Group who has been tasked to consider future funding and governance options. We are also actively managing the issue through:
  - a Memorandum of Understanding with the Utility Regulator aimed at making the regulatory / public expenditure systems work alongside each other;
  - the implementation of a Management Statement and Financial Memorandum for NI Water setting out governance arrangements; and
  - comprehensive monitoring and oversight of NI Water.

- **Information Assurance**

  The Department strives to ensure effective management of information. The Department's Senior Information Risk Owner (SIRO) at Deputy Secretary level was responsible for ensuring that information risk within the Department was managed appropriately. The Department's SIRO Council also met quarterly to oversee and continually improve the management of information risk within the Department. Information Asset Owners are also in place within all of the Department's business areas.

- **Long term funding issues**

  In recent years, the Department has been increasingly reliant on securing additional funding during in-year monitoring rounds to support the delivery of key services. While the Department will continue to bid strongly as opportunities arise, it is not an ideal situation in terms of planning and delivering services. The Department continues to manage various risks to the delivery of services arising from this issue.

34. Management assurance is a vital element in the internal control framework. It helps me, as Accounting Officer, supported by the Board, to identify potential areas of concern and focus resources to remedy these. The Chief Executive of Roads Service and Deputy Secretaries completed assurance statements at both mid-year and the end of 2012-13. I held bi-annual Performance Review Group meetings with the Roads Service Senior Management Team to discuss performance against targets.

**Fraud, Bribery and Whistleblowing**

35. The Department takes a zero tolerance approach to fraud. Fraud updates in respect of the Department and its arms length bodies are routinely provided to the Departmental Audit Committee.

36. The Department's Anti Fraud Strategy, policy and fraud response plan outlines its 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 Whistleblowing Arrangements, Gifts and Hospitality and Conflicts of Interest.

37. The DRD Anti Fraud Group (which includes representatives from Roads Service, NIW and NITHC) met twice during 2012-13. The Group shared best practice on anti fraud awareness and fraud risk assessments and its work was also informed by the Department's active participation in the DFP-led Fraud Forum.

38. The Department and its arms length bodies continue their participation in the National Fraud Initiative counter fraud data matching exercise.

39. During 2012-13, metal theft was the single largest area of fraud which affected the Department and its arm's length bodies. The theft of copper cabling from street lighting is a particular area of concern. The Department continues to put in place counter measures to try and prevent metal theft as far as practicable. For example, the Department now wraps the cable around the column below ground level making it more difficult for thieves to remove.

**Effectiveness of Internal Control**

40. For 2012-13, Internal Audit has provided a satisfactory audit opinion, in overall terms, in respect of the adequacy and effectiveness of the risk management, control and governance processes for the Department.

41. The majority of final Internal Audit reports completed in 2012-13 resulted in overall satisfactory opinions with six assignments receiving substantial opinion. However, Internal Audit provided an overall limited opinion for one audit, Public Transportation IS Programme, which is with management for response to the draft report. Key issues identified related to lack of co-ordination and understanding of the project interdependencies within the Programme.

42. The opinions for two audits which had previously received an overall limited or unacceptable opinion (Development Control and Private Streets, and DAO 06/05) were upgraded to satisfactory as a result of follow-up audits carried out during 2012-13.

43. The Department also relies on the Department of Finance and Personnel (DFP) Internal Audit to provide an inter-departmental opinion for the services provided by

DFP, including Account NI, IT Assist and HR Connect shared services. In 2012-13 an overall inter-departmental assurance of satisfactory has been provided.

44. In addition, the Department relies on the external auditors of NIW and NITHC to provide an opinion on each organisation's Regularity and Financial Statements. Both have delivered a clean opinion in relation to 2012-13. The Internal Audit units within NIW and NITHC have also provided satisfactory audit opinions, in overall terms, in respect of the adequacy and effectiveness of the risk management, control and governance processes within NIW and NITHC. In providing their overall satisfactory opinion, NITHC Internal Audit has referred to an unacceptable opinion which they provided, in one report, on contractor and third party management within a particular business area. Steps have already been taken to address key recommendations in the report and an action plan has been developed to ensure all recommendations are implemented on a timely basis. NITHC's response to the Internal Audit report and any associated risks will be closely monitored by the Department in light of the Action Plan agreed at the NITHC Audit Committee/Board.

45. The NI Audit Office acts as the Department's external auditor, providing financial and value for money audits. In addition to annual accounts audits, the Department was the subject of three NI Audit Office reports published during 2012-13. A summary report on the NITHC Governance Review was published through the Comptroller and Auditor General's 2012 General Report. The vast majority of recommendations have been addressed. The other two reports - Review of an Investigation of a Whistleblower Complaint (Roads Service) and NI Water's Response to a Suspected Fraud - are subject to further scrutiny by the Public Accounts Committee (a hearing is scheduled to take place in September 2013).

46. In addition, the NI Audit Office published numerous NI Civil Service wide reports. These reviews were in relation to common issues for all departments in areas, such as, Efficiency Delivery Programme; Collaborative Procurement and Aggregated Demand; and National Fraud Initiative. The Department will work with relevant lead Departments to address recommendations, as required.

**Significant Internal Control Issues**

47. A rail incident occurred on 28 June 2012 which may not have been reported properly. It is the subject of an investigation by the Rail Accident Investigation Branch, who have yet to report its findings. The incident was also subject to a Translink Internal Audit investigation which reviewed the process and paperwork used in reporting the incident. Actions identified through their review have been addressed.

<u>Progress on issues identified in the 2011-12 Statement on Internal Control</u>

*Regularisation of NI Water (NIW) contracts*

48. 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 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 provided an unqualified audit opinion on regularity on NIW's 2011-12 accounts. This reflected the significant progress made by NIW in ensuring compliance with delegations and procurement guidelines, and the substantial improvements to internal processes and control mechanisms. Work continued to address legacy procurement issues during 2012-13 which has resulted in no new irregular expenditure during 2012-13.

*Legal action in relation to matters concerning NIW*

49. Legal action was initiated against the Department in 2011 by a former non-executive Director of NIW. The case was settled in February 2013 with the Department issuing an apology to the claimant and agreeing to cover legal costs. No damages were paid.

50. In a separate case, the Fair Employment Tribunal decided against the Department in June 2012 in respect of an appointment to the NIW Board. A settlement was reached in November 2012.

Accounting Officer 28 June 2013

**DEPARTMENT FOR REGIONAL DEVELOPMENT**

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

I certify that I have audited the financial statements of the Department for Regional Development for the year ended 31st March 2013 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 Financial Reporting Council'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 recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements 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 2013 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 Directors' 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 Governance Statement 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*

*1 July 2013*

# Statement of Assembly Supply

## Summary of Resource Outturn 2012-13

| | | | | | | | | **2012-13 £000** | 2011-12 £000 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | **Estimate** | | | **Outturn** | | Outturn |
| **Request for Resources** | **Note** | **Gross Expenditure** | **Accruing Resources** | **Net Total** | **Gross Expenditure** | **Accruing Resources** | **Net Total** | **Net Total outturn compared with Estimate: saving/ (excess)** | Net Total |
| A | 2 | 561,870 | 33,334 | 528,536 | 557,065 | 31,480 | 525,585 | 2,951 | 600,501 |
| B | 2 | 283,811 | 69,111 | 214,700 | 283,187 | 69,111 | 214,076 | 624 | 205,340 |
| **Total resources** | 3 | 845,681 | 102,445 | 743,236 | 840,252 | 100,591 | **739,661** | **3,575** | **805,841** |
| Non-operating cost AR | 21.2 | | | 2,916 | | | 3,246 | 330 | 3,508 |

## Net cash requirement 2012-13

| | | | | **2012-13 £000** | 2011-12 £000 |
|---|---|---|---|---|---|
| | **Note** | **Estimate** | **Outturn** | **Net Total outturn compared with Estimate: saving/ (excess)** | Outturn |
| **Net cash requirement** | 4 | **912,865** | **863,648** | **49,217** | **859,788** |

## 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 2012-13 £000** | | **Outturn 2012-13 £000** |
|---|---|---|---|---|---|
| | **Note** | **Income** | **Receipts** | **Income** | **Receipts** |
| **Total** | 5 | **87** | *150* | **1,004** | *3,301* |

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 109 form part of the financial statements.

# Statement of Comprehensive Net Expenditure

## For the year ended 31 March 2013

| | | | | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|---|---|
| | Note | Staff costs | Other Costs | Income | Total |
| **Administration Costs:** | | | | | |
| Staff costs | 9 | 69,568 | | | 70,943 |
| Other administration costs | 10 | | 23,222 | | 24,074 |
| Operating income | 12 | | | (59) | (59) |
| **Programme Costs:** | | | | | |
| **Request for Resources A** | | | | | |
| Staff costs | 9 | 221 | | | 273 |
| Programme costs | 11 | | 465,266 | | 530,695 |
| Income | 12 | | | (32,447) | (24,551) |
| **Request for Resources B** | | | | | |
| Staff costs | 9 | | | | 21 |
| Programme costs | 11 | | 281,998 | | 269,388 |
| Income | 12 | | | (69,112) | (65,311) |
| **Totals** | | 69,789 | 770,486 | (101,618) | 805,473 |
| **Net Operating Cost for the year end 31 March 2013** | 3.1 | | | **738,657** | |

# Other Comprehensive Net Expenditure

| | Note | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|
| Net gain/(loss) on revaluation of Property Plant and Equipment | 13 | (755,011) | (64,230) |
| Net gain/(loss) on revaluation of Intangibles | 14 | 14 | 9 |
| Net gain/(loss) on revaluation of available for sales financial assets | - | - | - |
| Adjustment to Fixed Assets Opening Balance | 13, 14 | (9,250) | (105) |
| Developer's Contribution | 13, 21.2 | 42,667 | 55,771 |
| **Total Comprehensive Net Expenditure for the year ended 31 March 2013** | | **1,460,237** | **814,028** |

From 1 April 2012 Roads Service is no longer an agency of the Department. There are, therefore, no separate Core figures to disclose.

The notes on pages 59 to 109 form part of the financial statements.

# Statement of Financial Position

## As at 31 March 2013

| | Note | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Property, plant and equipment | 13 | 29,255,127 | 29,947,821 |
| Intangible assets | 14 | 959 | 325 |
| Financial assets | 15 | 1,554,250 | 1,479,250 |
| ***Total non-current assets*** | | 30,810,336 | 31,427,396 |
| **Current assets:** | | | |
| Assets classified as held for sale | 16 | 317 | 405 |
| Inventories | 18 | 3,109 | 3,119 |
| Trade and other receivables | 19 | 31,199 | 26,210 |
| Cash and cash equivalents | 20 | 13,805 | 17,720 |
| ***Total current assets*** | | 48,430 | 47,454 |
| **Total assets** | | 30,858,766 | 31,474,850 |
| **Current liabilities:** | | | |
| Trade and other payables | 22 | (141,209) | (189,946) |
| Provisions | 23 | - | (79) |
| ***Total current liabilities*** | | (141,209) | (190,025) |
| **Non-current assets plus/less net current assets/liabilities** | | 30,717,557 | 31,284,825 |
| **Non-current liabilities:** | | | |
| Provisions | 23 | (46,495) | (23,837) |
| Other payables | 22 | (334,075) | (338,398) |
| ***Total non-current liabilities*** | | (380,570) | (362,235) |
| **Assets less liabilities** | | 30,336,987 | 30,922,590 |
| **Taxpayers' equity:** | | | |
| General fund | | 15,118,140 | 14,869,307 |
| Revaluation reserve | | 15,218,847 | 16,053,283 |
| Total taxpayers' equity | | 30,336,987 | 30,922,590 |

Accounting Officer 28 June 2013

The notes on pages 59 to 109 form part of the financial statements.

# Statement of Cash Flows

## For year ended 31 March 2013

| | Note | **2012-13 £000** | 2011-12 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net operating cost | | (738,657) | (805,473) |
| Adjustments for non-cash transactions | 10.1 | 178,326 | 206,109 |
| (Increase)/decrease in trade and other receivables | 19 | (4,989) | (4,015) |
| ***less movements in receivables relating to items not passing through the Net Operating Cost*** | | | |
| Increase /(decrease) in amounts due from Consolidated Fund | | (182) | (1,460) |
| Non-cash developer contribution | | - | (573) |
| Movement in provision for bad debt | | (706) | (401) |
| Increase in other capital receivables | | | - |
| (Increase)/decrease in inventories | | 10 | (1,051) |
| Increase/(decrease) in trade and other payables | 22 | (57,354) | 15,230 |
| ***less movements in payables relating to items not passing through the Net Operating Cost*** | | | |
| (Increase)/decrease in amounts due to Consolidated Fund | | 10,689 | (7,074) |
| Decrease/(increase) in amounts due to capital retentions/accruals | | (1,363) | 19,343 |
| Use of provisions: | | | |
| Use of bad debt provision | 23 | (719) | (418) |
| Use of other revenue provisions | 23 | (4,849) | (4,868) |
| ***Net cash outflow from operating activities*** | | (619,794) | (584,651) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 21.2 | (167,935) | (204,627) |
| Purchase of intangible assets | 21.2 | (682) | (145) |
| Proceeds of disposal of property, plant and equipment | 21.2 | 1,873 | 1,045 |
| Proceeds of disposal of intangibles | 21.2 | - | - |
| Investment additions | 21.2 | (75,000) | (70,000) |
| ***Net cash outflow from investing activities*** | | (241,744) | (273,727) |
| **Cash flows from financing activities** | | | |
| From the Consolidated Fund (Supply) – current year | | 854,413 | 870,456 |
| From the Consolidated Fund (Supply) – prior year | | - | 1,642 |
| From the Consolidated Fund (non-Supply) | | - | - |
| From EU/TENS – capital grant receipts | | - | - |
| Developer contributions | | 1,373 | 2,463 |
| ***Net financing*** | | 855,786 | 874,561 |

| | | | |
|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund** | | (5,752) | 16,183 |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities | | - | - |
| Payments of amounts due to the Consolidated Fund | | (2,457) | (4,144) |
| **Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund.** | | (8,209) | 12,039 |
| **Cash and cash equivalents at the beginning of the period** | 20 | 10,550 | (1,489) |
| **Cash and cash equivalents at the end of the period** | 20 | 2,341 | 10,550 |

The notes on pages 59 to 109 form part of the financial statements.

# Statement of Changes in Taxpayers' Equity

## For year ended 31 March 2013

| | Note | General Fund | Revaluation Reserve | Total Reserves |
|---|---|---|---|---|
| | | **£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 | 12,219 | - | 12,219 |
| Non-cash charges - auditor's remuneration | 10 | 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 |
| Restated 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 - 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** |

| | Note | General Fund | Revaluation Reserve | Total Reserves |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| **Balance at 31 March 2012** | | **14,869,307** | **16,053,283** | **30,922,590** |
| Adjustment to Opening Balance | | (182) | (9,250) | (9,432) |
| Restated balance at 1 April 2012 | | 14,869,125 | 16,044,033 | 30,913,158 |
| **Changes in taxpayers' equity for 2012-13** | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | | - | (755,013) | (755,013) |
| Net gain/(loss) on revaluation of intangible assets | | - | 14 | 14 |
| Net gain/(loss) on revaluation of investments | | - | - | - |
| Non-cash charges - notional cost | 9,10 | 12,067 | - | 12,067 |
| Non-cash charges - auditor's remuneration | 10 | 107 | - | 107 |
| Transfers between reserves | | 70,187 | (70,187) | - |
| Property, plant and equipment additions funded by non-cash contributions from developers | | 42,667 | - | 42,667 |
| Comprehensive net expenditure for the year | | (738,657) | - | (738,657) |
| ***Total recognised income and expense for 2012-13*** | | **(613,629)** | **(825,186)** | **(1,438,815)** |
| Net Parliamentary Funding - drawn down | | 854,413 | - | 854,413 |
| Net Parliamentary Funding - deemed | | 10,668 | - | 10,668 |
| Supply (payable)/receivable | | (1,433) | - | (1,433) |
| CFERs repayable to the Consolidated Fund - EU revenue grants claimed | | (711) | - | (711) |
| CFERs - EU capital grants | | - | - | - |
| CFERs -other | | (316) | - | (316) |
| CFERs due from the Consolidated Fund | | - | - | - |
| CFERs - Excess Operating Accruing Resources | | - | - | - |
| 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 | | 23 | - | 23 |
| **Balance at 31 March 2013** | | **15,118,140** | **15,218,847** | **30,336,987** |

The notes on pages 59 to 109 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 2012-13 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, inventories and certain financial assets and liabilities.

### *1.2 Basis of consolidation*

Roads Service was an Executive Agency of the Department until 31st March 2012. It became a group within the Department from 1st April 2012.

There are no other entities within the Departmental boundary.

### *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 2013. These will then be 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 2012-13 Roads Service has applied a provisional index to 31 December 2012 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*

The 2012-13 FReM has been amended to state that loans and investments in public bodies outside the departmental boundary should be reported in line with IAS 39. However, in accordance with DFP guidance the Department’s shareholding in NIW and the loans issued to NIW continue to be 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 2013 applied to the untaken leave balance at 31 March 2013 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 2.35% 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 date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by Treasury.

There are 3 new discount rates to be applied:

- short term (-1.8% applied to cash flows of general provisions between 0 and 5 years)
- medium term (-1% after 5 and up to 10 years)
- long term (2.2% exceeding 10 years).

The new short and medium-term discount rates will be applied in this financial year. The new long term rate will not apply until the next Spending Review and so will continue to be discounted using the 2.2% rate.

## 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 an accruals 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 Impending application of newly issued accounting standards not yet effective*

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. With the exception of the following, management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

The International Accounting Standards Board (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.

The designation on NI Water within the departmental accounting boundary will be subject to future consideration.

## 2. Analysis of net resource outturn by section

| | | | | | | | | | 2012-13 £000 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Outturn | | | Estimate |
| | Admin | Other current | Grants | Gross resource expenditure | Accruing Resources | Net Total | NET TOTAL | Net total outturn compared with Estimate | Net total outturn compared with Estimate adjusted for virements |
| **Request for Resources A:** | | | | | | | | | |
| **Departmental Expenditure in DEL** | | | | | | | | | |
| 1: Roads Service | 68,707 | 163,371 | - | 232,078 | (21,832) | 210,246 | 212,165 | 1,919 | 960 |
| 2: Ferry services, air and sea ports | 24 | 870 | 556 | 1,450 | (891) | 559 | 1,128 | 569 | 569 |
| 3: Railway services | - | 35,706 | 41,279 | 76,985 | (642) | 76,343 | 76,880 | 537 | 537 |
| 4: Road passenger services | 4,657 | 55,144 | 24,301 | 84,102 | (6,652) | 77,450 | 77,204 | (246) | - |
| 5:Services to other Departments | 5,106 | 237 | - | 5,343 | (57) | 5,286 | 5,399 | 113 | 113 |
| 6: EU Interreg IV | - | - | 1,875 | 1,875 | (1,406) | 469 | 410 | (59) | - |
| **Annually Managed Expenditure (AME)** | | | | | | | | | |
| 7: Depreciation and Impairment costs | 942 | 135,257 | - | 136,199 | - | 136,199 | 137,100 | 901 | - |
| 8: Provisions | (10) | 6,865 | - | 6,855 | - | 6,855 | 5,300 | (1,555) | - |
| **Non-Budget** | | | | | | | | | |
| 9: Interest paid on Deposits | - | 4 | - | 4 | - | 4 | 15 | 11 | 11 |
| 10: Notional charges | 12,174 | - | - | 12,174 | - | 12,174 | 12,935 | 761 | 761 |
| **Total** | **91,600** | **397,454** | **68,011** | **557,065** | **(31,480)** | **525,585** | **528,536** | **2,951** | **2,951** |
| **Request for Resources B:** | | | | | | | | | |
| **Departmental Expenditure in DEL** | | | | | | | | | |
| 1: Water Policy and Administration | 1,190 | 154 | - | 1,344 | - | 1,344 | 1,389 | 45 | 45 |
| **Non-Budget** | | | | | | | | | |
| 2. Northern Ireland Water Limited | - | 281,822 | 21 | 281,843 | (69,111) | 212,732 | 213,311 | 579 | 579 |
| **Total** | **1,190** | **281,976** | **21** | **283,187** | **(69,111)** | **214,076** | **214,700** | **624** | **624** |
| **Resource Outturn** | **92,790** | **679,430** | **68,032** | **840,252** | **(100,591)** | **739,661** | **743,236** | **3,575** | **3,575** |

| | | | | | | | | 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** |

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

| | Variance Under/(over) £000 | Explanation |
|---|---|---|
| **RfR A** | 2,951 | The variance relates mainly to an underspend on depreciation on the trunk road network. This is a difficult figure to predict. In addition notional accommodation and legal fees were less than anticipated. |
| **RfR B** | 624 | 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

| | | 2012-13 £000 | | | 2011-12 £000 |
|---|---|---|---|---|---|
| | **Note** | **Outturn** | **Supply Estimate** | **Outturn compared with Estimate** | Outturn |
| **Net Resource Outturn** | 2 | **739,661** | **743,236** | **3,575** | **805,841** |
| Non-supply income (CFERs) | 5 | (1,027) | - | 1,027 | (823) |
| Exchange losses on CFER related EU Receivables | 5 | 23 | - | (23) | 273 |
| Other CFER payable | | - | - | - | 182 |
| **Net Operating Cost** | | **738,657** | **743,236** | **4,579** | **805,473** |

### 3.2 Outturn against final Administration Budget

| | 2012-13 £000 | | 2011-12 £000 |
|---|---|---|---|
| | **Budget** | **Outturn** | Outturn |
| Gross administration budget | 82,606 | 79,991 | 82,412 |
| Less Income allowable against the Administration Budget | - | - | - |
| **Net outturn against final Administration Budget** | 82,606 | **79,991** | **82,412** |

## 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 | **743,236** | **739,661** | **3,575** |
| **Capital** | | | | |
| Acquisition of property, plant and equipment | 21.2 | 240,587 | 191,977 | 48,610 |
| Investments | 21.2 | 75,000 | 75,000 | - |
| **Non-operating Accruing Resources** | | | | |
| Proceeds of property, plant and equipment disposals | 21.2 | (2,916) | (3,246) | 330 |
| **Accruals adjustments** | | | | |
| Non-cash items | 10.1 | (247,697) | (209,564) | (38,133) |
| Changes in working capital other than cash | 21.1 | 70,095 | 50,506 | 19,589 |
| Changes in payables falling due after more than one year | 22.1 | 8,630 | 4,323 | 4,307 |
| Use of provision | 23 | 25,930 | 14,991 | 10,939 |
| Excess cash receipts surrenderable to the Consolidated Fund | 5 | - | - | - |
| **Net cash requirement** | | **912,865** | **863,648** | **49,217** |

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):

| | | Forecast 2012-13 £000 | | Outturn 2012-13 £000 | |
|---|---|---|---|---|---|
| | **Note** | **Income** | ***Receipts*** | **Income** | ***Receipts*** |
| Operating income and receipts – excess Accruing Resources | | 150 | *150* | - | - |
| Other operating income and receipts not classified as Accruing Resources | | (63) | - | 316 | *316* |
| EU capital grant income and receipts | | - | - | 711 | *2,946* |
| **Subtotal** | | 87 | *150* | 1,027 | *3,262* |
| Exchange Gain | | - | - | 39 | *39* |
| Exchange Loss - Capital | | - | - | (62) | - |
| Non-operating income and receipts – excess Accruing Resources | | - | - | - | - |
| Other non-operating income and receipts not classified as Accruing Resources | | - | - | - | - |
| Other amounts collectable on behalf of the Consolidated Fund | | - | - | - | - |
| Trans European Networks (TENS) funding | | - | - | - | - |
| **Total income payable to the Consolidated Fund** | | **87** | ***150*** | **1,004** | ***3,301*** |

### 5.2 Consolidated Fund Income

The Department did not collect any amounts acting as agent for the Consolidated Fund in 2012-13 or 2011-12.

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

| | Note | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|
| Operating income | 12 | 101,618 | 89,921 |
| Operating income netted off resource expenditure | | - | - |
| **Gross income** | | **101,618** | **89,921** |
| Income authorised to be used as Accruing Resources | 2 | 100,591 | 89,098 |
| **Operating income payable to the Consolidated Fund** | 5 | **1,027** | **823** |

## 7. Non-operating income – Excess Accruing Resources

| | 2012-13 £000 | 2011-12 £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.

| | 2012-13 £000 | | | | 2011-12 £000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Transport** | **Water** | **Roads** | **Total** | **Transport** | **Water** | **Roads** | **Total** |
| Gross Expenditure | 163,568 | 283,187 | 369,955 | 816,710 | 202,911 | 270,630 | 407,852 | 881,393 |
| Income | (9,419) | (69,111) | (23,028) | (101,558) | (620) | (65,311) | (23,930) | (89,861) |
| Net Expenditure | **154,149** | **214,076** | **346,927** | **715,152** | **202,291** | **205,319** | **383,922** | **791,532** |

## Note 8.1

## Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

| | | | | **2012-13 £000** | | | | 2011-12 £000 |
|---|---|---|---|---|---|---|---|---|
| | **Transport** | **Water** | **Roads** | **Total** | **Transport** | **Water** | **Roads** | **Total** |
| Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment | 154,149 | 214,076 | 346,927 | 715,152 | 202,291 | 205,319 | 383,922 | 791,532 |
| Core Overheads | | | | 23,505 | | | | 13,941 |
| Total net expenditure per Statement of Comprehensive Net Expenditure | | | | **738,657** | | | | **805,473** |

## 9. Staff numbers and related costs

Staff costs comprise:

| | | | | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|---|---|
| | **Permanent staff** | **Others** | **Minister** | **Total** | Total |
| Wages and salaries | 62,323 | 482 | 38 | 62,843 | 62,855 |
| Social security costs | 4,569 | - | 4 | 4,573 | 4,786 |
| Other pension costs | 11,167 | - | 8 | 11,175 | 11,407 |
| **Total net costs** | **78,059** | **482** | **50** | **78,591** | **79,048** |
| Analysed as: | | | | | |
| RfR A | 76,375 | 482 | 50 | 76,907 | 77,921 |
| RfR B | 1,684 | - | - | 1,684 | 1,127 |
| | **78,059** | **482** | **50** | **78,591** | **79,048** |

| | | |
|---|---|---|
| Analysed as: | | |
| Administration costs – continuing operations | 69,518 | 70,894 |
| Minister's costs (notional) | 50 | 49 |
| **Per Consolidated Statement of Comprehensive Net Expenditure** | 69,568 | 70,943 |
| Programme costs – continuing operations | 221 | 294 |
| Capitalised | 8,802 | 7,811 |
| | **78,591** | **79,048** |

Permanently employed staff includes the cost of the Department's Special Advisor, which falls within the pay band range £57,873 - £90,900.

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. The most up to date actuarial valuation was carried out as at 31 March 2010 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2012-13, employers' contributions of £11,133,862 were payable to the PCSPS (2011-12 £11,373,294) 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 every four years following a full scheme valuation. However HM Treasury has instructed the scheme to cease further work on the March 2010 valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2013-14, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £30,360 (2011-12 £33,488) 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% (2011-12: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £1,933, 0.8% (2011-12 £2,110, 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.

12 people (2011-12: 11 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £14,029 (2011-12 £5,230).

**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.

| | | | | **2012-13** | 2011-12 |
|---|---|---|---|---|---|
| **Objective** | **Total** | **Permanent staff** | **Others** | **Minister** | Total |
| A | **2,036** | 2,014 | 21 | 1 | **2,099** |
| B | **14** | 14 | - | - | **25** |
| Staff engaged on capital projects | **266** | 266 | - | - | **234** |
| **Total** | **2,316** | **2,294** | **21** | **1** | **2,358** |

## Reporting of Civil Service and other compensation schemes and exit packages for all staff

| | 2012-13 | | | 2011-12 | | |
|---|---|---|---|---|---|---|
| **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 | - | 2 | 2 | - | 3 | 3 |
| £10,000 - £25,000 | - | - | - | - | 1 | 1 |
| £25,000 - £50,000 | - | 2 | 2 | - | 3 | 3 |
| £50,000 - £100,000 | - | 1 | 1 | - | - | - |
| **Total number of exit packages** | **-** | **5** | **5** | **-** | **7** | **7** |
| **Total resource cost £** | **-** | **141,990** | **141,990** | **-** | **130,397** | **130,397** |

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 | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|
| Rentals under operating leases: | | | |
| Other operating leases | | 111 | 116 |
| Rent of land and buildings | | 52 | 52 |
| Interest charges: | | | |
| Interest on government loans | | - | - |
| Non-cash items | | | |
| *Notional charges:* | | | |
| Accommodation | | 5,498 | 5,662 |
| DFP Information Strategy and Innovation Division | | - | 5 |
| Land and Property Services | | 564 | 513 |
| NIAO auditors' remuneration | | 107 | 109 |
| Other | | 5,954 | 5,990 |
| *Depreciation and amortisation of property, plant and equipment:* | | | |
| Property, Plant and Equipment | | 940 | 765 |
| Intangible assets | | 11 | 130 |
| Revaluation charge to Statement of Comprehensive Net Expenditure | | 43 | 4 |
| *Provisions:* | | | |
| Provided in year | 23 | (10) | (116) |
| Borrowing costs (unwinding of discount on provisions) | 23 | - | - |
| Bad debts expense | | - | 2 |
| Profit/loss on exchange rates | | 3 | - |
| Other expenditure* | | 12,006 | 12,716 |
| Less: Own work capitalised | | (2,057) | (1,874) |
| **Total** | | **23,222** | **24,074** |

** There was £4,702 paid to auditors for work in relation to the National Fraud Initiative in this financial year.*

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

| | 2012-13<br>£000 | 2011-12<br>£000 |
|---|---|---|
| Staff costs (see Note 9) | 50 | 49 |
| Non-staff administration costs (see Note 10) | 13,107 | 13,063 |
| Programme costs – RfR A (see Note 11) | 165,169 | 192,997 |
| Programme costs – RfR B (see Note 11) | - | - |
| **Non-cash transactions (Statement of Cash Flows)** | **178,326** | **206,109** |
| Adjust for capital provisions (see note 21.2) | 31,420 | 273 |
| Adjust for Consolidated fund debtor written off | (182) | **-** |
| **Non-cash transactions (Statement of Assembly Supply)** | **209,564** | **206,382** |

## 11. Programme costs

| | Note | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|
| **RfR A** | | | |
| Current grants and other current expenditure | | 262,604 | 301,007 |
| Rentals under operating leases | | 293 | 311 |
| Exchange loss/(gain) | | 44 | 403 |
| PPP service charge | | 14,160 | 12,630 |
| PPP interest on loan | | 22,996 | 23,347 |
| Own work capitalised | | - | - |
| Non-cash expenditure: | | | |
| Depreciation and amortisation of property, plant and equipment | | 124,014 | 179,706 |
| Impairment of property, plant and equipment | | - | - |
| Revaluation charges to Statement of Comprehensive Net Expenditure | | 34,284 | 8,888 |
| Loss on disposal of property, plant and equipment | | 6 | - |
| Profit on disposal of property, plant and equipment | | - | - |
| Provision for bad debts | | 1,425 | 819 |
| Provisions – provided in year | 23 | 5,440 | 3,584 |
| **Total programme costs – RfR A** | | **465,266** | **530,695** |
| **RfR B** | | | |
| Current grants and other current expenditure | | 281,998 | 269,388 |
| Rentals under operating leases | | - | - |
| PFI charges: off-statement of financial position contracts | | - | - |
| Non-cash expenditure | | - | - |
| **Total programme costs – RfR B** | | **281,998** | **269,388** |
| **Total programme costs** | | **747,264** | **800,083** |

## 12. Income

| | 2012-13 £000 | | | 2011-12 £000 | | |
|---|---|---|---|---|---|---|
| | **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 | 17,129 | - | 17,129 | 15,990 | - | 15,990 |
| Recoverable works | 2,852 | - | 2,852 | 2,850 | - | 2,850 |
| Dividend Income from NIW | - | 26,965 | 26,965 | - | 25,964 | 25,964 |
| Loan Interest from NIW | - | 42,147 | 42,147 | - | 39,347 | 39,347 |
| EU grant income – CFER income | 711 | - | 711 | 352 | - | 352 |
| EU grant income – Accruing Resources income | 7,848 | - | 7,848 | 1,507 | - | 1,507 |
| Other Grant Income | 852 | - | 852 | 500 | - | 500 |
| Other | 3,055 | - | 3,055 | 3,352 | - | 3,352 |
| | **32,447** | **69,112** | **101,559** | **24,551** | **65,311** | **89,862** |
| **Total income** | **32,506** | **69,112** | **101,618** | **24,610** | **65,311** | **89,921** |

# 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 2012 | **308,063** | **32,817,926** | **6,794** | **56,372** | **4,696** | **465** | **33,194,316** |
| Opening revaluation adjustment | - | (10,861) | - | - | - | - | (10,861) |
| Additions | 35,849 | 153,305 | 2 | 2,134 | 5 | - | 191,295 |
| Developer Contributions | - | 41,294 | - | - | - | - | 41,294 |
| Disposals | - | - | - | (116) | (37) | - | (153) |
| Transfers | - | - | - | - | - | - | - |
| Revaluations | (68,258) | (720,088) | 999 | 743 | 11 | - | (786,593) |
| Reclassification | (40,767) | 38,771 | - | 211 | - | - | (1,785) |
| Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure | (34,690) | - | - | (2) | 4 | - | (34,688) |
| **At 31 March 2013** | **200,197** | **32,320,347** | **7,795** | **59,342** | **4,679** | **465** | **32,592,825** |
| **Depreciation** | | | | | | | |
| At 1 April 2012 | **5,212** | **3,190,660** | **2,684** | **43,382** | **4,557** | **-** | **3,246,495** |
| Opening revaluation adjustment | - | (1,611) | - | - | - | - | (1,611) |
| Charged in year | 1,367 | 120,046 | 209 | 3,222 | 59 | - | 124,903 |
| Disposals | - | - | - | (110) | (37) | - | (147) |
| Transfers | - | - | - | - | - | - | - |
| Backlog depreciation | | | | | | | |
| Reclassification | (92) | - | - | 92 | - | - | - |
| Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure | (360) | - | - | (2) | 2 | - | (360) |
| Revaluation | (2,294) | (30,173) | 275 | 606 | 4 | - | (31,582) |
| **At 31 March 2013** | **3,833** | **3,278,922** | **3,168** | **47,190** | **4,585** | **-** | **3,337,698** |
| **Carrying Amount at 31 March 2013** | **196,364** | **29,041,425** | **4,627** | **12,152** | **94** | **465** | **29,255,127** |
| Carrying Amount at 1 April 2012 | **302,851** | **29,627,266** | **4,110** | **12,990** | **139** | **465** | **29,947,821** |
| **Asset financing:** | | | | | | | |
| Owned | 196,364 | 28,699,084 | 4,627 | 12,152 | 94 | 465 | **28,912,786** |
| On-statement of financial position of PFI contracts | - | 342,341 | - | - | - | - | **342,341** |
| **Carrying Amount at 31 March 2013** | **196,364** | **29,041,425** | **4,627** | **12,152** | **94** | **465** | **29,255,127** |

# 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** |

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 2013 | BCIS Index (LPS) |
| Buildings | Land & Property Services (LPS) | 31 March 2013 | BCIS Index (LPS) |
| Networked Assets | Atkins (Asset management Consultants) 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 2013, using the 'Baxter Index' for construction in England, Wales and Northern Ireland. For 2012-13 a provisional index to 31 December 2012 was applied, as this was the most up to date available at the time of the production of the valuation.

Car parks and buildings have been valued by Land and Property Services (LPS) at 31st March 2013.

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

The valuation of land, plant and machinery and furniture and fittings has been indexed to 31 December 2012 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 CVI 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 | Internally Developed Software | Total |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Cost or valuation** | | | | |
| At 1 April 2012 | **875** | **9** | **-** | **884** |
| Additions | 103 | 20 | 559 | 682 |
| Disposals | (27) | - | - | (27) |
| Transfers | - | - | - | - |
| Revaluations | 16 | 1 | | 17 |
| Reclassification | - | - | - | - |
| Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure | - | - | - | - |
| **At 31 March 2013** | **967** | **30** | **559** | **1,556** |
| **Depreciation** | | | | |
| At 1 April 2012 | **(559)** | **-** | **-** | **(559)** |
| Charged in year | (59) | (3) | - | (62) |
| Disposals | 27 | - | - | 27 |
| Transfers | - | - | - | - |
| Backlog depreciation | - | - | - | - |
| Reclassification | - | - | - | - |
| Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure | (3) | - | - | (3) |
| **At 31 March 2013** | **(594)** | **(3)** | **-** | **(597)** |
| **Carrying Amount at 31 March 2013** | **373** | **27** | **559** | **959** |
| Carrying Amount at 1 April 2012 | **316** | **9** | **-** | **325** |
| **Asset financing:** | | | | |
| Owned | 373 | 27 | 559 | 959 |
| On-statement of financial position PFI contracts | - | - | - | - |
| **Carrying Amount at 31 March 2013** | **373** | **27** | **559** | **959** |

# 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** |

## 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 Statement of Comprehensive Net Expenditure by measurement category:

| | | | | | 2012-13 | 2011-12 |
|---|---|---|---|---|---|---|
| | | 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 | - | - | (44) | (1,425) | (1,469) | (1,404) |
| **Total** | **-** | **-** | **(44)** | **(1,425)** | **(1,469)** | **(1,404)** |

The Department recognises the components of net gain/loss through the 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 2012 | 671,690 | 150,000 | 657,560 | 1,479,250 |
| Additions | - | - | 75,000 | 75,000 |
| **Balance at 31 March 2013** | **671,690** | **150,000** | **732,560** | **1,554,250** |

All investments are held within the 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 2013 the company had issued further loan notes of £733 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 2012 | 916,663 |
| Turnover for year ended 31 March 2012 | 413,355 |
| Surplus/profit for the year (before financing) | 192,033 |
| Net assets at 31 March 2013 | 988,361 |
| Turnover for the year ended 31 March 2013 | 425,599 |
| Surplus/profit for the year (before financing) | 196,582 |

## 16. Assets held for sale

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| At 1 April 2012 | 405 | 931 |
| Transfers in | 2,132 | 1,164 |
| Transfers out | (347) | (647) |
| Disposals | (1,873) | (1,043) |
| **Total** | **317** | **405** |

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 2013.

## 17. Impairments

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

## 18. Inventories

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Inventories | 3,109 | 3,119 |
| Work in progress | - | - |
| | **3,109** | **3,119** |

## 19. Trade receivables and other current assets

### 19.1 Analysis by type

| | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | 3,807 | 3,165 |
| Other receivables | 4,959 | 3,147 |
| Prepayments and accrued income | 4,683 | 3,665 |
| VAT | 11,012 | 12,079 |
| EU grants receivable - Accruing Resource | 6,734 | - |
| EU grants receivable - CFER * | - | - |
| | 31,195 | 22,056 |
| Amounts due from the Consolidated Fund in respect of Supply | - | - |
| Consolidated Fund Extra Receipts prepaid to the Consolidated Fund | - | 182 |
| EU capital grants receivable - CFER* | - | 2,298 |
| EU capital grants receivable - Accruing Resource | 4 | 1,674 |
| | **31,199** | **26,210** |

*EU grants receivable nil (2011-12 £2,298,000) 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:

| | **2013 £000** | **2012 £000** |
|---|---|---|
| **Balance at 1 April** | 5,932 | 5,531 |
| Increase in provision | 1,425 | 819 |
| Use of provision | (719) | (418) |
| **Balance at 31 March** | 6,638 | 5,932 |

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 2013 £000** | 31 March 2012 £000 | **31 March 2013 £000** | 31 March 2012 £000 |
| Balances with other central government bodies | 12,990 | 17,812 | - | - |
| Balances with local authorities | 531 | 813 | - | - |
| Balances with NHS Trusts | 51 | 25 | - | - |
| Balances with public corporations and trading funds | 1,137 | 1,242 | - | - |
| Intra-government balances | 14,709 | 19,892 | - | - |
| Balances with bodies external to government | 16,490 | 6,318 | - | - |
| **Total receivables at 31 March** | **31,199** | **26,210** | **-** | **-** |

## 20. Cash and cash equivalents

| | Cash and bank balances | Bank Overdraft | Net |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Balance at 1 April 2012 | **17,720** | **(7,170)** | **10,550** |
| Net change in cash and cash equivalents | (3,915) | (4,294) | (8,209) |
| Balance at 31 March 2013 | **13,805** | **(11,464)** | **2,341** |

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| The following balances were held at: | | |
| Commercial banks and cash in hand | **2,341** | 10,550 |
| **Total** | **2,341** | 10,550 |

| The balance comprises: | 31 March 2013 | 31 March 2012 |
|---|---|---|
| | **£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) | 908 | 64 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 22.1) | 1,433 | 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) | - | - |
| | **2,341** | **10,550** |

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

| | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|
| Net cash requirement | (863,648) | (859,788) |
| From the Consolidated Fund (Supply) - current year | 854,413 | 870,456 |
| From the Consolidated Fund (Supply) - prior year | - | 1,642 |
| Amounts due to the Consolidated Fund received and not paid over | 908 | 64 |
| Amounts due to the Consolidated Fund received in a prior year and paid over | (64) | (153) |
| CFER Amounts received and paid to other government departments | - | (182) |
| Amount due from Consolidated Fund written off | 182 | - |
| Increase/(decrease) in cash | **(8,209)** | **12,039** |

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

| | **Note** | **2012-13** £000 |
|---|---|---|
| (Increase)/decrease in inventories | 18 | 10 |
| (Increase)/decrease in receivables | 19.1 | (4,989) |
| **Adjustments to movements in receivables** | | |
| Increase/(decrease) in amounts due from Consolidated Fund | 19.1 | (2,298) |
| Consolidated Fund Receivable written off | 19.1 | (182) |
| Movement in CFER related Receivables | 19.1 | - |
| Movement in provision for bad debts | | (706) |
| Increase/(decrease) in payables less than 1 year | 22.1 | (48,736) |
| **Adjustments to movements in payables less than 1 year** | | |
| Movement in bank | 20 | (4,294) |
| (Increase)/decrease in amounts due to the Consolidated Fund | 22.1 | 10,689 |
| **Net (increase)/decrease in working capital other than cash recognised in Statement of Assembly Supply** | | **(50,506)** |

## 21.2 Analysis of cashflows from investing activities

| | Note | Capital expenditure £000 | Loans, etc. £000 | Accruing Resources £000 | 2012-13 Net total £000 |
|---|---|---|---|---|---|
| **Cash out/in flow from fixed assets** | | **168,617** | **75,000** | **(1,873)** | **241,744** |
| **Movement in receivables/payables** | | | | | |
| Capital provisions made | 23 | 31,420 | - | - | 31,420 |
| Capital provisions utilised | 23 | (9,423) | - | - | (9,423) |
| Movement in capital creditors | | 1,363 | - | - | 1,363 |
| Profit on disposal of fixed asset | | - | - | (6) | (6) |
| **Total 2012-13** | | **191,977** | **75,000** | **(1,879)** | **265,098** |
| **Non-operating Accruing Resources (Statement of Assembly Supply)** | | | | | |
| Net book value of assets disposed | 13,14,16 | | | | (1,879) |
| Cash proceeds from developers | | | | | (1,373) |
| Loss on disposal | 10,11 | | | | 6 |
| Excess non operating Accruing Resources | 7 | | | | - |
| **Non-operating Accruing Resources (Statement of Assembly Supply)** | | | | | **(3,246)** |

## 22. Trade payables and other current liabilities

### 22.1 Analysis by type

| | **31 March 2013** **£000** | 31 March 2012 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Bank overdraft (Note 20) | 11,464 | 7,170 |
| Trade payables | 7,680 | 6,541 |
| Accruals and deferred income | 116,489 | 161,972 |
| Other taxation and social security | - | - |
| Other payables | 3,235 | 1,233 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end | 1,433 | 10,668 |
| Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants | | |
| – Received | 751 | - |
| – Receivable | - | 2,298 |
| Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other | | |
| – Received | 157 | 64 |
| – Receivable | - | - |
| | **141,209** | **189,946** |
| **Amounts falling due after more than one year:** | | |
| Other payables | 4,554 | 3,297 |
| Imputed loan on PPP contracts | 329,521 | 335,101 |
| | **334,075** | **338,398** |

## 22.2 Intra-Government Balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|---|---|---|---|
| | **31 March 2013** | 31 March 2012 | **31 March 2013** | 31 March 2012 |
| | **£000** | £000 | **£000** | £000 |
| Balances with other central government bodies | 6,865 | 14,593 | - | - |
| Balances with local authorities | 2,009 | 3,443 | - | 4 |
| Balances with NHS Trusts | - | - | - | - |
| Balances with public corporations and trading funds | 49,042 | 82,292 | - | 1 |
| Intra-government balances | 57,916 | 100,328 | - | 5 |
| Balances with bodies external to government | 83,293 | 89,618 | 334,075 | 338,393 |
| **Total** | **141,209** | **189,946** | **334,075** | **338,398** |

## 23. Provisions for liabilities and charges

| | **Land Acquisition for Schemes** | **Equal Pay** | **Early Retirement Provisions** | **Legal Claims** | **Total** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance 1 April 2012 | 20,937 | - | 79 | 2,900 | 23,916 |
| Provided in year | 75,568 | - | 1 | 5,430 | 80,999 |
| Provisions not required written back | (44,148) | - | - | - | (44,148) |
| Provisions utilised in year * | (9,423) | - | (33) | (4,816) | (14,272) |
| Balance 31 March 2013 | 42,934 | - | 47 | 3,514 | 46,495 |

*Analysis of expected timing of discounted flows*

| | **Land Acquisition for Schemes** | **Equal Pay** | **Early Retirement Provisions** | **Legal Claims** | **Total** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Not later than one year | - | - | - | - | - |
| Later than one year and not later than five years | 42,934 | - | 47 | 3,514 | 46,495 |
| Later than five years | - | - | - | - | - |
| Balance 31 March 2013 | 42,934 | | 47 | 3,514 | 46,495 |

*In addition to the above provisions there was £719,000 of bad debt provisions utilised.

| | Land Acquisition for Schemes | Equal pay | Early Retirement Provisions | Legal Claims | Total |
|---|---|---|---|---|---|
| | **£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*

| | Land Acquisition for Schemes | Equal pay | Early Retirement Provisions | Legal Claims | Total |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Not later than one year | - | - | 79 | - | 79 |
| Later than one year and not later than five years | 20,937 | - | - | 2,900 | 23,837 |
| Later than five years | - | - | - | - | - |
| Balance 31 March 2012 | 20,937 | - | 79 | 2,900 | 23,916 |

*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.

Included in the provision in 2012-13 is £3,000,000 in relation to the A5 scheme. £1,600,000 of this relates to re-instatement works and £1,400,000 is provided for repeat works following the recent High Court judgement on this scheme.

*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 2.35% 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 rates. 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 claims (£3,504,387) and unfair dismissal claims (£10,033) at the year end.

*23.4 Contractors Claims*

Claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 26.

## 24. Capital and other commitments

### 24.1. Capital commitments

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Contracted capital commitments at 31 March not otherwise included in these financial statements | 149,456 | 505,295 |

### 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 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| **Obligations under operating leases comprise:** | | |
| **Land & Buildings:** | | |
| Not later than one year | - | 12 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| Total | **-** | **12** |
| **Office Equipment:** | | |
| Not later than one year | 196 | 209 |
| Later than one year and not later than five years | 329 | 377 |
| Later than five years | 186 | 167 |
| Total | **711** | **753** |

## 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 2013** | | 31 March 2012 |
|---|---|---|---|
| | **£000** | | £000 |
| Not later than one year | 28,572 | - | 28,572 |
| Later than one year and not later than five years | 114,287 | - | 114,287 |
| Later than five years | 538,485 | - | 567,057 |
| | **681,344** | - | **709,916** |
| *Less* interest element | (351,823) | - | (374,815) |
| Total | **329,521** | - | **335,101** |

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

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on Statement of Financial Position PPP transactions was £14,610,163 (2011-12: £12,630,043); 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 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Not later than one year | 18,052 | 16,571 |
| Later than one year and not later than five years | 75,193 | 70,572 |
| Later than five years | 700,750 | 721,317 |
| | **793,995** | **808,460** |

### 24.3.4 Off Statement of Financial Position PPP contracts

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 Department is taking steps to extend this arrangement to 2016 in line with Executive policy. 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 £882.56 million (31 March 2012: £807.56 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. Further legislation has now extended the provision of subsidy to 2016. The Executive's PfG (March 2012) commits to no additional household charges during the current PfG period. Consequently DRD will continue to pay subsidy under this legislation. During 2013-14 this is estimated to be £277m.

## 26. Contingent liabilities disclosed under IAS 37

At 31 March 2013 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 £12,284,822.

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

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

There is a possible contingent liability of £7,765,000 in relation to land for schemes.

There is an ongoing employment tribunal case and the Department is continuing to defend the actions it has taken.

## 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

| | **2012-13** | | 2011-12 | |
|---|---|---|---|---|
| | **Number of cases** | **£000** | Number of cases | £000 |
| Stores and plant losses | 11 | 8 | 8 | 1 |
| Abandoned claims | 12 | 719 | 10 | 437 |
| Fruitless payments | 2 | 1 | 4 | 1 |
| Foreign exchange losses | 1 | 110 | 2 | 663 |
| Constructive loss | - | - | 1 | 250 |
| Other cash losses | 4 | 2 | 15 | 9 |
| | **30** | **840** | **40** | **1,361** |

### 27.2 Special Payments

| **2012-13** | | 2011-12 | |
|---|---|---|---|
| **Number of cases** | **£000** | Number of cases | £000 |
| **16** | **492** | **17** | **851** |

**Details of cases over £250,000**

Roads Service incurred losses relating to penalty charge notice debt of £630,005 (2011-12 £410,858) 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).

## 28. Related-party transactions

The Department's Roads Service was an Executive Agency until 31 March 2012. It became a group within the Department with effect from 1 April 2012.

DRD 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

There are no other entities within the departmental boundary in 2012-13. Roads Service became a group within the Department from 1 April 2012.

## 30. Business activities attracting fees and charges

| | | | 2012-13 £000 | 2011-12 £000 |
|---|---|---|---|---|
| | **Income** | **Cost** | **Surplus/(deficit)** | Surplus/(deficit) |
| Car Parks | (17,129) | 20,626 | (3,497) | (7,293) |
| Strangford Ferry | (1,011) | 2,316 | (1,305) | (1,717) |
| Total | **(18,140)** | **22,942** | **4,802** | **(9,010)** |

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

The financial target for car parking services in 2012-13 was 70% recovery of the full cost of providing, updating and maintaining the service. The actual percentage recovery achieved was 83% (2011-12:69%).

The cost recovery has increased through a combination of increased income and lower notional costs. Additional income was received from the 2011-12 car park tariff review plus parking penalties were increased in 2012-13. Car parks were also significantly revalued downwards by Land and Property Services which has effectively reduced the depreciation charge by some £2.1m.

The financial target for the ferry service in 2012-13 was 40% recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 44%.

## 31. Local Government Reform

On the 11th April 2013 the Executive agreed that the functions to transfer from DRD to District Councils under Local Government Reform proposals would be off-street parking and Donaghadee harbour and the management of these functions.

Subject to specific conditions on the management of those car parks and including the provision that the Department should not be any worse off financially, these assets will transfer to District Councils from April 2015.

The Department will also implement structural arrangements to facilitate coterminosity with the new Council boundaries, and there will be formal and direct input by new Councils to local roads decision making.

The details of the transfer of Donaghadee harbour have yet to be agreed with Ards Borough Council (or the successor council).

## 32. Events after the Reporting Period

In April 2013 a High Court judgement halted progress on a strategic road improvement scheme, citing inappropriate assessment against the Habitats Directive. The accounts at 31 March 2013 reflect the return of land vested to landowners and provide for reinstatement works required.

## 33. Prior Period Adjustment

| | 2012-13 £000 | 2011-12 £000 |
|---|---|---|
| Opening balance – Government Grant reserve | - | - |
| Change in Accounting policy | - | - |
| **Restated Opening Balance – Government Grant reserve** | **-** | **-** |
| | | |
| Opening Balance – Revaluation reserve | - | 16,215,893 |
| Adjustment to Opening balance | - | (51) |
| Change in Accounting policy | - | - |
| **Restated Opening Balance – Revaluation reserve** | **-** | **16,215,842** |
| | | |
| Opening balance – General fund | - | 14,649,550 |
| Adjustment to Opening balance | - | (626) |
| Change in Accounting policy | - | - |
| **Restated Opening Balance – General fund** | **-** | **14,648,924** |
| | | |
| SoCNI – Income adjustment due to change in accounting policy | - | - |
| SoCNE – Net Operating cost adjustment due to change in accounting policy | - | - |

**34.** The Accounting Officer authorised these financial statements for issue on 1 July 2013.

**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 responsibility 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.

**APPENDIX B**

**Report by the Comptroller and Auditor General**
**Department for Regional Development Resource Account 2012-13**

**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.

Irregular expenditure of £2.2 million was incurred in 2011-12, arising from extensions of an existing irregular contract with a single supplier, which was a breach of NI Water's delegated financial limits. This contract ended in the 2011-12 year. NI Water's external auditors issued an unqualified opinion on regularity on 2 July 2012.

**3. Current year**

3.1 NI Water's external auditors have concluded that there was no irregular expenditure in 2012/13. They issued an unqualified opinion on regularity on 26th June 2013. DRD has informed me that, where appropriate, contracts for all expenditure included within NI Water's regularisation project were put in place by 31 December 2012.

## 4. Conclusion

4.1 The cumulative amount of irregular expenditure incurred by NI Water since my first report in 2009-10 was £27.9 million. In 2012-13, there has been no irregular expenditure recorded. I note that the contracts are now in place for the previously reported irregularities. I expect this to be my final report on this matter.

**KJ Donnelly**
**Comptroller and Auditor General**

**1 July 2013**