

**Department for Regional Development Resource Accounts
for the year ended 31 March 2014**

*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

17 October 2014

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DEPARTMENT FOR REGIONAL DEVELOPMENT

Resource Accounts for the year ended 31 March 2014

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ANNUAL REPORT

The Department for Regional Development (DRD) presents its Annual Report and Accounts for the year ended 31 March 2014.

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 Permanent Secretary from 1 January 2013 to 30 June 2014. Barney McGahan was appointed interim Permanent Secretary with effect from 1 July 2014. 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. During 2013-14, the Board had 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 2014 and 2016, 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.
Deputy Secretary: Finance, Resources and Water Policy	- John McGrath (from 1 January 2014); and - <i>David Orr (to 31 August 2013); and</i> - <i>Deborah McNeilly (from 1 September 2013 to 31 December 2013).</i>
Deputy Secretary: Regional Planning and Transportation	- Barney McGahan.
TransportNI Chief Executive	- Andrew Murray.
Director of Human Resources and Organisational Change	- Michaela Glass.
Director of Finance	- Deborah McNeilly (from 1 April 2013 to 31 August 2013 and from 1 January 2014); and - <i>John McNeill (from 1 September 2013 to 31 December 2013).</i>
Non-executive Independent Board Member	- David Gray (from 1 January 2014); and - <i>Allen McCartney (to 31 December 2013).</i>
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 TransportNI.

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 included 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 projects and policy, transport legislation and certain responsibilities for air and sea ports.

TransportNI

This new Group, managed by a Deputy Secretary Chief Executive, was established with effect from 1 April 2013 by merging Roads Service (formerly an Executive Agency) and the Transport Finance and Governance Division (now known as Public Transport Services Division).

It was responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of the NI Transport Holding Company (NITHC) / Translink.

It was also responsible for ensuring that the public road network was managed, maintained and developed. TransportNI has a key responsibility in ensuring that measures are taken to implement the roads and public transport aspects of both the New Approach to Regional Transportation and the Investment Strategy for Northern Ireland 2011-21. It was responsible for just over 25,800 kilometres of public roads, approximately 9,800 kilometres of footways, 5,800 bridges, 275,500 street lights and 360 public car parks.

Entities Outside the Departmental Boundary

The following bodies are outside the Departmental resource accounting boundary:

- Northern Ireland Water; 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.

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 this 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 12 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 3** 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 2013-14 resulted in a notional audit fee of £106,000 and is included in the administration costs in the Statement of Comprehensive Net Expenditure.

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 International Accounting Standard (IAS) 37 in **note 23**, there are no remote contingent liabilities.

B.M. Gahan.

Accounting Officer

12 September 2014

MANAGEMENT COMMENTARY AND STRATEGIC REPORT

The management commentary and strategic report 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 2013-14 set out our vision and key objectives and targets for the year. It can be found on our website.

Our vision in 2013-14 was, "*A region with modern, safe and sustainable transport, roads and water services which improve the quality of life for all*".

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

- A) Supporting the economy by planning, developing and managing safe and sustainable transportation networks; setting the legislative and policy framework for harbour services; enhancing transport infrastructure links to airport and harbour gateways; 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. Although performance against the PfG is monitored directly by the Office of the First and Deputy First Minister, the Department's assessment of its 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 was completed ahead of schedule in March 2013. However, owing to a delay in the procurement process, “Phase 2” to provide new signalling and passing loops is not now scheduled for completion until mid to late 2016.

- **Invest over £500m to promote sustainable modes of travel (by 31 March 2015).**

A cumulative total of £390.75 million was invested by 31 March 2014. This represents the position at the end of the third year of a four year programme of expenditure. 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 Department launched an Active Schools Travel Programme in September 2013, jointly funded by the Public Health Agency. The three year programme aims to encourage and support more children to regularly walk and cycle to school by providing a co-ordinated programme of education, awareness and skills delivery. 180 schools are participating over the three year period with the first 60 completed in 2013-14.

- **Maintain a high quality of drinking water and improve compliance with waste water standards by investing £668m in water and sewerage infrastructure (by 31 March 2015).**

The Department has invested a cumulative total of £515.2 million in water and sewerage services by 31 March 2014. This represents the position at the end of the third year of a four year programme of expenditure. NI Water has surpassed its targets for drinking water quality and waste water treatment.

Departmental Business Plan 2013-14

In addition to its six PfG commitments, to be delivered over the 2011-15 period, the Department had a further 26 business plan targets for delivery during 2013-14 as set out in its annual 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 23 targets were assessed as ‘Green’, 2 targets as ‘Green/Amber’ and 1 target had a ‘Red’ rating.

Departmental Business Plan Targets with a ‘Red’ Rating

Publish for consultation a review of the future connectivity and capacity of Northern Ireland’s gateways to support economic growth by 31 December 2013: The review has now been completed and will be available for publication in Autumn 2014.

Departmental Business Plan Targets with a ‘Green/Amber’ Rating

Produce a list of prioritised transport investment proposals by 31 March 2014: This target experienced some slippage with the draft Transport Delivery Plan, setting out a prioritised list of transport investment proposals, completed in June 2014. It has been agreed that this will now feed into a single Infrastructure Investment Plan for Water and Transport which will be submitted to the Minister in advance of publication in the Autumn.

Embed new organisational arrangements for TransportNI and manage transitional arrangements, including the development of a contract with Translink by 31 March 2014: The first part of the target has been achieved as revised arrangements came into effect on 1 April 2014. The development of the Service Contract with Translink has experienced some slippage. Although the service agreement and related schedules were agreed with Translink before 31 March 2014 they cannot be formally signed off until the subordinate legislation process (production of Regulations) has been completed. The Department is currently considering options to progress the Regulations. In the interim the Department may incorporate the operation of the service agreement into its existing governance arrangements on a voluntary basis.

Key Outcomes

Some of the Department's key achievements in 2013-14 included:

- investing over £100 million in more sustainable modes of travel - completing the transport enabling measures for the "Belfast on the Move" project, providing funding towards 79 new buses, and significantly increasing the number of Park and Ride spaces;
- continuing to develop electric vehicle public charging points so that there are now 336 public charge points across Northern Ireland;
- supporting Translink to carry over 80 million passenger journeys;
- supporting enhanced rail services, including an increase in frequency of services between Coleraine and Londonderry, completing the redevelopment of Portadown Railway Station, and the opening of a new integrated bus and railway centre in Antrim;
- completing the major scheme to upgrade the A32 Cherrymount Link, Enniskillen;
- continuing to progress, for completion ahead of schedule, work on major roads schemes on the A8 (Ballyclare to Larne) and the A2 at Greenisland;
- investing a record amount (some £130 million) on the structural maintenance of our road and footway networks. This allowed TransportNI to resurface 1,005 lane kilometres and surface dress approximately 8.78 million square meters of road network; and
- supporting significant capital investment by Northern Ireland Water to continue to deliver the highest levels of quality of drinking water and treatment of wastewater ever achieved here.

Complaints Handling

The Department is committed to providing a high quality service to the public and, as such, welcomes all feedback, both positive and negative, which is used to assist with the improvement of our services. Complaints to the Department are processed through four main channels depending on the nature of the complaint. The Department's website¹ outlines to the public how to make a complaint and our Complaints Procedure.

The Department's Complaints Procedure² confirms that it is not a substitute for a citizen's right to complain to the Ombudsman's Office. In addition, the Department's Complaints Procedure provides advice on how citizens can take such action.

In 2013-14, a total of 530 formal complaints were received. 514 of these complaints concerned roads related issues, 13 complaints related to information provided under the Freedom of Information Act / Environmental Information Regulations and 3 concerned equality issues.

In respect of roads related complaints, the Department has a target to respond to all formal complaints within 15 working days. In 2013-14 the Department issued responses to 93% of formal complaints within 15 working days. In addition, senior managers are provided with monitoring reports³ on a quarterly basis, which detail the numbers and types of complaints received.

The outcomes of complaints about the handling of information access requests are reported to the Departmental Board and to OFMDFM on a quarterly basis. The information provided to OFMDFM is published on its website⁴.

The Department's Equality Unit provides biannual reports to the Departmental Board, the Minister and the Committee for Regional Development to apprise of progress on fulfilment of our statutory obligations on equality of opportunity and good relations. This report includes details of Section 75 complaints received and how they were dealt with.

The Department learns, on an ongoing basis, from the complaints it receives and considers lessons learnt to improve its procedures and the services that it delivers. For example, recent improvements have been made to how business areas handle information requests in order to distinguish between requests that

¹ <http://www.drdni.gov.uk/index/complaints-procedure.htm>

² http://www.drdni.gov.uk/index/complaints-procedure/other_drd_functions_complaints.htm

³ Reports available via information access requests to Department as indicated on the Department's Publication Scheme.

⁴ http://www.ofmdfmi.gov.uk/index/making-government-work/information_management_and_central_advisory_branch.htm

should be handled under the Freedom of Information Act and the Environmental Information Regulations. Another example is the use of clearer language on the Department's website to provide clarity on where members of the public should direct their complaints.

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** which sets out the Executive's plans and priorities over the period 2011-15. This is currently subject to a mid-term review which may also extend the length of the current Programme for Government to include the 2015-16 financial year in light of the extended Assembly mandate.

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 included 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 £53.7 million of savings in current expenditure in 2013-14. However, delivery of savings is also required in the last year of the Budget (£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 last year of the Budget period, presents a considerable challenge for the Department. Nevertheless, the Department remains committed to delivering its Savings Delivery Plan targets.

The table below provides an investment breakdown at the commencement of the 2014-15 financial year.

Investment Allocations

Spending Area	2014-15 £m
Roads	179.1
Transport	48.2
Water and Sewerage	163.8
EU Structural Funds	0.3
Total	391.4

While the Department’s opening resource and capital budgets for 2014-15 are substantial (£844.3 million), 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 has provided a valuable opportunity for the Department to secure necessary additional funding, and we will continue to bid strongly as opportunities arise. However, it is evident that the Executive faces significant resource pressures in 2014-15 with less funding available for re-allocation and the application of a 4.4%, £15 million, reduction to the Department’s running costs budget at in-year monitoring. The Department is currently examining the impact of these increasing funding constraints on its ambitions as set out in its 2014-15 Business Plan.

The outlook for 2015-16 is expected to be increasingly constrained, particularly in respect of resource funding. Although the Executive has yet to agree an approach to Budget 2015-16, the Department has commenced work to assess funding and infrastructure requirements against the backdrop of significant funding constraints.

Regional Development Strategy, A New Approach to Regional Transportation and Long Term Water Strategy

DRD’s future work will also be shaped by these three strategies.

- i. The Regional Development Strategy which was published in March 2012, 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" also published in March 2012 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. A new prioritisation mechanism has been developed 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. Taking account of the policy prioritisation framework, the Department is currently identifying options for investment in Northern Ireland's transport infrastructure for the budget period 2015-16 to 2018-19.
- iii. DRD's work will also be developed by the current consultation on a "Long Term Water Strategy", which sets out strategic priorities for the period 2015-2021, and by the NI Utility Regulator's price determination covering the years 2015-2021. Consultation on the Long Term Water Strategy commenced in June 2014 and the Regulator's final determination will be published in December 2014 (with the draft determination published in July 2014). One of the key issues for future planning will be the adequacy of capital funding for strategic infrastructure, where one of the issues will be that the level of investment may be inadequate to support future economic growth, and fully protect and address significant flood risks already identified. To address this the Department plans to develop a strategic drainage infrastructure plan to identify future priorities, working with the Department of Agriculture and Rural Development and the Department of Environment in view of their direct interests in this work.

Financial Review

Resources

As set out in the Statement of Assembly Supply, the Department was voted Resource Estimate Provision of £717,308,000 for 2013-14. 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	Outturn	Variance
	(£000)	(£000)	(£000)
Request for Resources A	510,231	458,659	51,572
Request for Resources B	207,077	205,984	1,093

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

Line	Variance Under/(Over) £000	Explanation
RfR A Line 7	50,734	<p>The variance relates to an under-spend on depreciation and impairment on the non trunk road network.</p> <p>The AME depreciation on the non-trunk road network is derived from the output of the Coarse Visual Inspection (CVI).</p> <p>To estimate the depreciation the Department uses the CVI data before it has been quality assured and applies predictions of the rates and the index that are likely to be used. However even small changes in these variables can have a significant financial impact due to the size of the network.</p>
RfR A Line 8	(2,293)	There were higher than anticipated public liability claims. The bad debt provision was also higher than anticipated.

Explanation of significant variances (over £500,000 and in excess of 10%) between Estimate Net Cash Requirement and Outturn Net Cash Requirement:

The variance between the Estimate Net Cash Requirement and Outturn Net Cash requirement is £50,354,000. The main reasons for the variance are as follows:

Line	Variance Under/(Over) £000	Explanation
Investments	8,000	NI Water required fewer loan draw downs due to lower than forecast capital and operating cost cash payments (including provisions) at year-end and higher than anticipated income receipts.
Changes in working capital	34,509	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 the financial year end the Department provides for non payment risk in assessing its changes in working capital. In 2013-14 the interest was received prior to 31 st March. Also creditors were more than anticipated due to timing of payments. Due to the large scale projects within the Department this figure can fluctuate year on year.
Use of provision	5,026	Less than anticipated payments for land provisions partly due to a vesting order on a large scheme happening later than planned.

Movements in the Department's fixed assets during the year are shown in **notes 7 and 8** to the accounts. The overall movement reflects net capital expenditure incurred in the year, together with the impact of revaluation and depreciation.

During the year 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. TEN-T funding was also received.

Post Financial Year Events

No important events affecting the Department have occurred since the financial year-end.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	664,643
<i>Adjustments:</i>	
Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	(2,877)
Add 'outside the vote' exchange loss	82
Less EU Capital Grant income	-
Net Operating Costs (Accounts)	661,848
Less capital grants paid to finance capital expenditure	(20,605)
Add capital grant income	8,644
Remove non budget exchange losses	(82)
Developers contributions	1,442
Resource consumption of NI Water	146,947
Voted expenditure outside budget	(204,917)
Remove inter-departmental notional charges	(12,117)
Resource Budget Outturn (Budget)	581,160
<i>Of which:</i>	
Departmental Expenditure Limits (DEL)	453,001
Annually Managed Expenditure (AME)	128,159

Financial Performance

The main features arising from the Department's financial performance in 2013-14 are as follows:

Public Transport

The Department paid NITHC/Translink almost £74 million in revenue support (including concessionary fare reimbursement of £41 million) and £30.8 million in capital support (£16.4 million on railways, £14.4 million on buses, bus workshops and garages), of which, approximately £5.4 million of bus purchases were funded as a result of a successful application for EU funding. Assets disposals of almost £0.2million were realised by Translink. The Department remains NITHC/Translink's primary source of income.

Water and Sewerage

During 2013-14, the Department paid NI Water some £278 million of revenue subsidy as third party consideration on behalf of customers. This was NI Water'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 2013 Final Determination of December 2013 which was accepted by NI Water.

In August 2013 NI Water paid a dividend of £29 million to the Department relating to the 2012-13 financial year. The Department also received £43.7 million in interest from NI Water during 2013-14.

In addition, NI Water issued some £29 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 £911.6 million, which includes £150 million issued on the vesting of the company. Asset disposals of £0.9 million were realised by NI Water.

Roads

The main features of the financial performance are:

- Net Cash Resource Outturn is some 100% of the total budget of £180 million;
 - spend on structural maintenance of some £130 million was achieved bringing maintenance spend close to the levels recommended in the Structural Maintenance Funding Plan;
 - gross capital expenditure of some £205 million represents 99.8% utilisation of the capital budget;
- and

- asset disposals of £2.3 million were realised.

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 38 sets out the Department’s approach to Corporate Governance.

Key Relationships

The Department, through TransportNI, 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. TransportNI 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 strategy “Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation”. 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 ecar Phase 1 project was 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 Republic of Ireland’s Electric Supply Board, Donnelly’s Cars, the Strategic Investment Board and 20 local councils. 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 ecar project is now moving from Phase 1 to Phase 2 – ecar Commercialisation, Operation and Innovation. The large ecar Consortium no longer exists in Phase 2, however, they remain as interested stakeholders in the project. Phase 2 consists of DRD, DoE, Power NI, the Republic of Ireland's Electric Supply Board and other representatives from the electricity and motor sectors.

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. The Forum has developed an Active Travel Action Plan and monitors progress on implementing it.

The Department's Cycling Unit works in partnership with councils and sustainable charities to deliver local programmes of events and campaigns to promote walking and cycling. In addition, the Cycling Unit is part of the Belfast Active Travel Task and Finish Group which is led by the Public Health Agency and includes Belfast City Council, Translink, TransportNI, Department for Social Development and Sustrans. This group aims to promote cycling and walking and looks to improve and maximise the infrastructure which in turn will impact positively on lifestyles, connect communities, create a vibrant city and enhance the opportunities for those wishing to cycle and walk for everyday reasons.

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 and on Integrating Social Considerations into Contracts.

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 sewerage 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. NI Water has been set targets to reduce leakage, achieve higher standards of wastewater treatment and reduce the number of pollution incidents.

NI Water continues to achieve the highest levels of drinking water quality and wastewater compliance continues to improve. But this means higher energy costs and NI Water 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 2012-13 was submitted to the Equality Commission in August 2013. A new DAP was developed and took effect from April 2013. The DAP was informed by a five year review of the Department's 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 2013-14, 98% of invoices for goods or services were paid within 30 days or contract terms, with 92% paid within 10 days.

The 10 day performance was impacted by an upgrade to the financial accounting system in September 2013. The average for the unaffected months was 98% of invoices paid within 30 days or contact terms, with 94% paid within 10 days. These figures would be consistent with 2012-13 figures (also 98% and 94% respectively).

Employees

People 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 second year of the Strategy (i.e. 2013-14), a number of achievements were made. These included continued engagement with staff to deliver the Department's Corporate Communications Improvement Plan; a comprehensive assessment of the Department's investment in training and development during 2012-13 and the delivery of a focused health and wellbeing programme, including training designed to target the particular challenges faced by the Department's industrial staff.

Outcomes from the final year of the Strategy (i.e. 2014-15) will be reviewed in due course with a view to developing a new Departmental People Strategy for 2015-18.

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 and will complete a further reaccreditation process by 31 December 2014.

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

In 2013-14, the Department's combined sickness absence target for industrial staff and non-industrial staff was 7.6 working days lost. 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 8.6 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. The incident was reported to the Information Commissioner who decided not to take formal regulatory action.

B.M. Gahan.

Accounting Officer

12 September 2014

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 Minister and most senior management of the Department.

Remuneration (this information is subject to audit)

Minister	2013-14				2012-13			
	Salary £	Benefits in kind (nearest £100)	Pension Benefits * (nearest £1000)	Total (nearest £1000)	Salary £	Benefits in kind (nearest £100)	Pension Benefits (nearest £1000)	Total (nearest £1000)
Danny Kennedy Minister	38,000	<i>Nil</i>	21,000	59,000	37,800	<i>Nil</i>	13,000	51,000

Officials	2013-14				2012-13			
	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits * £000	Total £000	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits £000	Total £000
Richard Pengelly Permanent Secretary <i>(From 01/01/13)</i>	<i>105-110</i>	<i>Nil</i>	114	220-225	<i>25-30</i> <i>(100-105</i> <i>full year</i> <i>equivalent)</i>	<i>Nil</i>	114	140-145
David Orr Deputy Secretary – Finance, Resources & Water Policy <i>(From 01/01/13 to</i> <i>30/09/13)</i> Interim Permanent Secretary <i>(From 17/10/11 to</i> <i>31/12/12)</i>	<i>40-45</i> <i>(90-95 full</i> <i>year</i> <i>equivalent)</i>	<i>Nil</i>	(98)	(50-55)	<i>95-100</i> <i>(85-90 full</i> <i>year</i> <i>equivalent)</i> <i>(100-105</i> <i>full year</i> <i>equivalent)</i>	<i>Nil</i>	111	205-210
John McGrath Deputy Secretary – Finance, Resources & Water Policy <i>(From 01/01/14)</i>	<i>20-25</i> <i>(90-95 full</i> <i>year</i> <i>equivalent)</i>	<i>Nil</i>	6	25-30	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits * £000	Total £000	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits £000	Total £000
Barney McGahan Deputy Secretary – Regional Planning & Transportation	95-100	Nil	(3)	95-100	95-100	Nil	13	110-115
Dr Andrew Murray Chief Executive of TransportNI	80-85	Nil	118	200-205	35-40 (80-85 full year equivalent)	Nil	48	80-85
Deborah McNeilly Acting Deputy Secretary – Finance, Resources & Water Policy (From 01/09/13 to 31/12/13) Departmental Director of Finance (From 10/10/11 to 31/08/13 and from 01/01/14)	70-75 (80-85 full year equivalent)	Nil	55	125-130	60-65	Nil	35	95-100
Michaela Glass Director of Human Resources and Organisational Change Acting Director of Human Resources and Organisational Change (From 09/01/12 to 31/12/12 and from 04/02/13 to 31/03/13) (Part time)	55-60 (65-70 full year, full time equivalent)	Nil	17	70-75	50-55 (60-65 full year, full time equivalent)	Nil	69	115-120

In line with the SCS pay award arrangements for 2013, 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.

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

2013-14		2012-13	
Band of Highest Paid Director's Total Remuneration £000	Median Total Remuneration and Ratio	Band of Highest Paid Director's Total Remuneration £000	Median Total Remuneration and Ratio
105-110	£27,271 3.9	100-105	£26,638 3.8

Off payroll payments

The Department had no individuals engaged without PAYE, employer and employee NICs being deducted by the Department at a cost of over £58,200 during the year.

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 Danny Kennedy, MLA during the financial year. 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 2013-14 or 2012-13. The SCS pay settlement does not allow for bonuses.

Pension Benefits (this information is subject to audit)

Ministers	Accrued pension as at 31 March 14	Real increase in pension at pension age	CETV at 31 March 14	CETV at 31 March 13	Real increase in CETV
	£000	£000	£000	£000	£000
Danny Kennedy Minister	0-5	0-2.5	74	53	14

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 ($1/50^{\text{th}}$ or $1/40^{\text{th}}$) 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 pension age as at 31 March 2014 or leaving date if earlier and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014 or at date of leaving	CETV at 31 March 2013 or at date of commencement	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	(nearest £100)
Richard Pengelly Permanent Secretary	35-40 pension plus 110-115 lump sum	5-7.5 pension plus 15-17.5 lump sum	588	480	75	nil
John McGrath Deputy Secretary – Finance, Resources & Water Policy (From 01/01/14)	40-45 pension plus 125-130 lump sum	0-2.5 pension plus 0-2.5 lump sum	968	955	5	nil

Officials	Accrued pension at pension age as at 31 March 2014 or leaving date if earlier and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2014 or at date of leaving £000	CETV at 31 March 2013 or at date of commencement £000	Real increase in CETV £000	Employer contribution to partnership pension account (nearest £100)
David Orr Deputy Secretary – Finance, Resources & Water Policy <i>(To 30/09/13)</i>	40-45 pension plus 265-270 lump sum (some annual pension converted to lump sum)	(10-12.5) pension plus 117.5-120 lump sum	1,089	1,105	(69)	nil
Barney McGahan Deputy Secretary – Regional Planning & Transportation	45-50 pension plus 140-145 lump sum	0-2.5 pension plus 0-2.5 lump sum	1,102	1,039	(3)	nil
Dr Andrew Murray Chief Executive of TransportNI	35-40 pension plus 70-75 lump sum	5-7.5 pension plus 7.5-10 lump sum	767	621	104	nil
Deborah McNeilly Acting Deputy Secretary – Finance, Resources & Water Policy <i>(From 01/09/13 to 31/12/13)</i> Departmental Director of Finance <i>(To 31/08/13 and from 01/01/14)</i>	20-25 pension plus 70-75 lump sum	2.5-5 pension plus 7.5-10 lump sum	382	322	38	nil
John McNeill Departmental Director of Finance <i>(From 01/09/13 to 31/12/13)</i>	20-25 pension plus 25-30 lump sum	0-2.5 pension plus (0-2.5) lump sum	388	371	1	nil
Michaela Glass Director of Human Resources and Organisational Change	15-20 pension plus 55-60 lump sum	0-2.5 pension plus 2.5-5 lump sum	291	263	10	nil

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 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for the 2014-15 year are as follows:

Members of **classic**:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001-£21,000	3.00%
£21,001-£30,000	4.48%
£30,001-£50,000	5.27%
£50,001-£60,000	6.06%
Over £60,000	6.85%

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

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001-£21,000	5.00%
£21,001-£30,000	6.48%
£30,001-£50,000	7.27%
£50,001-£60,000	8.06%
Over £60,000	8.85%

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 2014.

B.M. Gahan.

Accounting Officer

12 September 2014

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 the Department for Regional Development's Governance Statement for 2013-14. 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. 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.
3. 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.
4. The Department delivers water and public transport services through two associated arm's length bodies: NI Water; and the Northern Ireland Transport Holding Company (NITHC). NI Water'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 NI Water and NITHC's operations. As such, individual Governance Statements have been prepared by the Accounting Officer of each body and published through their annual report and accounts.

Governance Structures

5. 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.

6. This system of internal control was in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts. It accords with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013.

7. Key elements of the Department's system of internal control in 2013-14 included:
 - the Departmental Board, chaired by my predecessor, 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 Public Sector 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 clearly signposted 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).
8. The Department's Corporate Governance Framework is available on its website (www.drdni.gov.uk).

Departmental Board Structure and Remit

9. 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.
10. The Departmental Board followed corporate governance best practice. During 2013-14, the Board had 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 2014 and 2016, respectively. The composition of the Board is regarded as a reasonable balance of executive and independent board members.
11. The composition of the Departmental Board during 2013-14 is provided within the Directors' Report at pages 2 and 3.
12. During 2013-14 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 2014-15 guiding Departmental activity so as to achieve Ministerial objectives;

- in line with the Department’s Risk Management Framework, 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; cash management; 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.
13. 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 2013-14.
14. The Board was 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, one of whom chairs, and a further independent member. Audit Committee meetings are attended by the Head of Internal Audit and representatives from the NI Audit Office.
15. During the year, the Audit Committee considered a range of issues from an Internal Audit perspective. For example, the Committee considered the Internal Audit Strategy for 2014-17; the Internal Audit Annual Plan and monitored its progress through the year; and 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 NI Water 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.

16. The Board is also supported by its **Relationships with Arm's Length Bodies Sub Committee**. The Sub Committee reviewed and encouraged improvements in the Department's operation of its framework for governance and oversight of 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.
17. 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).
18. Board Members' attendance at meetings, including sub-committees, is set out below. Appropriate deputies attended each meeting that an Executive Board member was not available.

Name of Board Member	Meetings Attended during 2013-14 (attendance / eligible to attend)		
	Departmental Board	Audit Committee	ALB Sub-Committee
Richard Pengelly	10/11	3/5**	N/A
Barney McGahan	10/11	4/5**	2/2
Andrew Murray	10/11	3/5**	N/A
John McGrath	3/3	0/1**	1/1
David Orr	4/4	2/2**	N/A
Michaela Glass	10/11	N/A	N/A
Deborah McNeilly	10/11	5/5**	1/1
Brian Carlin*	11/11	5/5	2/2
Allen McCartney*	8/8	4/4	1/1
David Gray*	3/3	1/1	1/1
Brigitte Worth*	N/A	4/5	N/A

* Audit Committee Member (Non-Executive / Independent).

** Not full members of the Audit Committee (attendees only).

Departmental Board Performance and Effectiveness

19. The Board carried out an annual review of its effectiveness during 2013-14 in accordance with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013. The review sought views on how the Board approached its roles and responsibilities, its contribution to strategy, performance management, risk and control and the overall effectiveness of the Board sub committees. The review found that, overall, the Board is effective and well-focused with members working well together as a team.
20. Board Members agreed to review the governance arrangements in respect of the Arm's Length Bodies Sub Committee, including the terms of reference, and also to consider additional ways in which it could proactively engage with staff.
21. The Annual Reports of both Departmental Board Sub Committees are available on the Department's website (www.drdni.gov.uk).

Oversight of Arm's Length Bodies

NI Transport Holding Company (NITHC)

22. In addition, the Department continues to review its oversight of NITHC. A performance review meeting between the Minister and NITHC took place in June 2013. 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.
23. Tri-annual Accountability meetings (which my predecessor chaired) 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 came into effect from 1 April 2013.

NI Water

24. DRD has adopted a systematic approach to the application of corporate governance best practice in NI Water. 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. A revised MSFM was introduced on 30 September 2013 to reflect changes in various guidance documents.

25. Quarterly Shareholder Meetings (which my predecessor chaired) took place during the course of the year between senior DRD officials and the NI Water Board. The Sponsor Division also held monthly monitoring meetings with NI Water.

Risk Management

26. 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. The Department’s Risk Management Framework is in line with best practice set out in the Northern Ireland Audit Office report on “Good Practice in Risk Management”.
27. 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.
28. This approach allowed risks to be identified and managed at all levels and to be escalated as appropriate.
29. The Departmental Board provides leadership and direction in managing the risk environment in which the Department operates. Each Deputy Secretary provides 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.
30. 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.

31. Corporate Risks actively monitored and managed by the Departmental Board throughout 2013-14 included:

- **Maintaining the Road Network (Routine Maintenance)**

The Department seeks to maintain the road network to the highest standard possible using the funding available. In light of insufficient funding, the Department was reliant on contingency plans to mitigate the risk, which included securing additional funding during in-year monitoring rounds. Action undertaken by management throughout the year led to, by December 2013, a reduction in the assessed level of residual risk.

- **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 Structural Issues and Sponsorship**

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 which 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. During 2013-14, the Corporate Risk Register included financial risks in relation to Translink Funding and Rapid Transit.

32. 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 Department's Deputy Secretaries completed assurance statements at both mid-year and the end of 2013-14. My predecessor held bi-annual Performance Review Group meetings with the TransportNI Senior Management Team to discuss performance against targets.

Fraud, Bribery and Whistleblowing

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

34. The Department's Anti Fraud 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.

35. The DRD Anti Fraud Group (which includes representatives from TransportNI, NI Water and NITHC) met twice during 2013-14. 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.
36. The Department and its arm's length bodies continue their participation in the National Fraud Initiative counter fraud data matching exercise.
37. During 2012-13, metal theft was the single largest area of fraud which affected the Department and its arm's length bodies. The Department and its arm's length bodies have continued to put in place counter measures to try and prevent metal theft as far as practicable, and during 2013-14 the number and value of metal thefts has fallen significantly.

Effectiveness of Internal Control

38. For 2013-14, 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.
39. The majority of final Internal Audit reports completed in 2013-14 resulted in overall satisfactory opinions with two assignments receiving substantial opinion.
40. The opinion for one audit, Public Transportation IS Programme which had previously received an overall limited opinion was upgraded to satisfactory as a result of a follow-up audit carried out during 2013-14.
41. 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 2013-14 an overall inter-Departmental assurance of satisfactory has been provided.
42. In addition, the Department relies on the external auditors of NI Water and NITHC to provide an opinion on each organisation's Regularity and Financial Statements. Both have delivered an

unqualified opinion in relation to the 2013-14 accounts and included a clear regularity opinion. The Internal Audit units within NI Water 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 NI Water and NITHC. Steps taken to address key recommendations in the Internal Audit Report on Contract Management within NITHC, referred to in the 2012-13 Governance Statement, meant that Internal Audit provided a satisfactory opinion on this area during the year.

43. 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 one NI Audit Office report published during 2013-14 – "DRD: Archaeological Claims Settlement". The report concluded that the "Roads Service acted reasonably" and noted that lessons learned had been incorporated into more recent road schemes which will "provide greater protection to public resources. Two reports - Review of an Investigation of a Whistleblower Complaint (Roads Service) and NI Water's Response to a Suspected Fraud - were subject to further scrutiny by the Public Accounts Committee (PAC). The Committee published its findings, in a single combined report, on 7 May 2014. The recommendations focused on wider public sector processes and guidance which will fall to DFP to lead on addressing. The Department will, of course, play our part in implementing any action required. In the meantime, the Department has been proactive in addressing the issues relating to DRD raised through the NI Audit Office and PAC reports. For example: Audit Investigation Standard Operating Procedures reviewed and updated; the capacity to conduct fraud investigations with properly qualified and trained staff has been enhanced; staff have been provided with fraud awareness training and new guidance has issued to staff on complaint handling.
44. 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, Sick Absence in the Public Sector; Account NI: A Review of a Public Sector Financial Shared Service; and The Future Impact of Borrowing and Private Finance Commitments. The Department will work with relevant lead Departments to address recommendations, as required.

Significant Internal Control Issues

45. DFP approval was not sought in advance of expenditure on two road schemes – strategic outline cases on A6 and for A5 reinstatement costs undertaken by the scheme contractor. Similarly, approval for the Department's Active Travel project business cases had not been sought when

the projects were established. However, as soon as these issues were identified, immediate remedial action was taken and retrospective approval was obtained from DFP. Staff have been reminded of the need for proportionate appraisal and of approval requirements.

Progress on issues identified in the 2012-13 Governance Statement

46. A rail incident occurred on 28 June 2012, when a train ran onto a washed out track at Knockmore, and reporting concerns were identified. It was subject to an investigation by the Rail Accident Investigation Branch, who published its report in September 2013. The report made five recommendations which were accepted. Steps are being taken to ensure the recommendations are addressed.

B.M. Gahan.

Accounting Officer

12 September 2014

DEPARTMENT FOR REGIONAL DEVELOPMENT

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

I certify that I have audited the financial statements of the Department for Regional Development for the year ended 31st March 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 voted Assembly control totals and that those totals have not been exceeded. I am also 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 2014 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 2014 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 and Strategic Report 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

I have no observations to make on these financial statements.



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

18 September 2014

Statement of Assembly Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRM) requires the Department to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show Resource Outturn against the Supply Estimate presented to the Assembly, in respect of each Request for Resources.

Summary of Resource Outturn 2013-14

		2013-14			2012-13				
		£000			£000				
		Estimate			Outturn			Net Total Outturn compared with Estimate: saving/ (excess)	
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	Net Total
A	SOAS2	554,864	44,633	510,231	501,513	42,854	458,659	51,572	2,951
B	SOAS2	279,838	72,761	207,077	278,728	72,744	205,984	1,093	624
Total resources	SOAS3	834,702	117,394	717,308	780,241	115,598	664,643	52,665	3,575
Non-operating AR	SOAS4			(1,700)			(2,268)	568	330

Net cash requirement 2013-14

		2013-14		2012-13		
		£000		£000		
		Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	SOAS 4		809,186	758,832	50,354	863,648

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 2013-14		Outturn 2013-14	
		£000		£000	
Note	Income	Receipts	Income	Receipts	
Total	SOAS 5	2,702	<i>2,702</i>	2,877	<i>1,143</i>

Explanations of significant variances between Estimate and Outturn are given in **SOAS2** and in the Management Commentary. A Key to Request for Resources is also given in **SOAS2**.

The notes on pages 53 to 60 and on pages 67 to 108 form part of the financial statements.

Notes to the Departmental Resource Accounts (Statement of Assembly Supply)

1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates in the Northern Ireland Guidance Manual.

1.1 Accounting convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to Departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below.

1.3 Prior Period Adjustments (PPAs)

There has been a Prior Period Adjustment (PPA) arising from the change in treatment of Developers' Cash Contributions in 2013-14. Previously these were included in the Accounts and Resource Outturn as Capital. In line with DFP advice, these were included as operating accruing resource income in the Accounts and Resource Outturn for 2013-14. The impact of these accounting policy changes on Supply Outturn in respect of 2012-13 are shown below.

The change in Developers' Cash Contributions has the following effect on Resource Outturn in 2012-13. The Statement of Assembly Supply and related notes have not been restated for this effect. However, the accounting note comparatives have been restated.

	2012-13
	£000
<u>Net Resource Outturn (Statement of Assembly Supply)</u>	<u>739,661</u>
Developers' Cash Contributions	(1,373)
<u>Adjusted Net Resource Outturn</u>	<u>738,288</u>

SOAS2

Analysis of Net Resource Outturn by function

							2013-14	2012-13		
							£000	£000		
							Outturn	Estimate		Outturn
									Net total Outturn compared with Estimate, adjusted for virements	Prior Year Outturn
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	70,153	144,005	-	214,158	(35,444)	178,714	180,061	1,347	1,347	210,246
2: Ferry services, air and sea ports	23	869	705	1,597	(928)	669	1,006	337	337	559
3: Railway services	-	34,541	16,184	50,725	-	50,725	49,501	(1,224)	-	76,343
4: Road passenger services	4,652	49,993	15,769	70,414	(6,316)	64,098	65,429	1,331	107	77,450
5: Services to other Departments	3,706	212	-	3,918	(35)	3,883	4,135	252	252	5,286
6: EU Interreg IV	-	-	175	175	(131)	44	108	64	64	469
Annually Managed Expenditure (AME)										
7: Depreciation and Impairment costs	865	139,551	-	140,416	-	140,416	191,150	50,734	48,441	136,199
8: Provisions	1,127	6,866	-	7,993	-	7,993	5,700	(2,293)	-	6,855
Non-Budget										
9: Interest paid on Deposits	-	-	-	-	-	-	-	-	-	4
10: Notional charges	12,117	-	-	12,117	-	12,117	13,141	1,024	1,024	12,174
Total	92,643	376,037	32,833	501,513	(42,854)	458,659	510,231	51,572	51,572	525,585
Request for Resources B:										
Departmental Expenditure in DEL										
1: Water Policy and Administration	1,064	3	15	1,082	-	1,082	1,188	106	106	1,344
Non-Budget										
2: Northern Ireland Water Limited	-	277,646	-	277,646	(72,744)	204,902	205,889	987	987	212,732
Total	1,064	277,649	15	278,728	(72,744)	205,984	207,077	1,093	1,093	214,076
Resource Outturn	93,707	653,686	32,848	780,241	(115,598)	664,643	717,308	52,665	52,665	739,661

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

	Variance Under/(Over) £000	Explanation
RfR A	51,572	The variance relates mainly to an under spend on depreciation on the non trunk road network.
RfR B	1,093	The NI Water 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 and Strategic Report.

Key to Request for Resources

RfR A

Supporting the economy by planning, developing and maintaining safe and sustainable transportation networks, setting the legislative and policy framework for harbour services; enhancing transport infrastructure links to airport and harbour gateways; 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.

SOAS3 Reconciliation of Outturn to Net Operating Cost and against Administration Budget

SOAS3.1 Reconciliation of Net Resource Outturn to Net Operating Cost

		2013-14 £000		2012-13 £000	
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS2	664,643	717,308	52,665	739,661
Prior Year Adjustment	SOAS 1.3	-	-	-	(1,373)
Non-supply income (CFERs)	SOAS5	(2,877)	-	2,877	(1,027)
Unrealised exchange losses on Non Estimate related EU Receivables		82	-	(82)	23
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		661,848	717,308	55,460	737,284

SOAS3.2 Outturn against final Administration Budget

	2013-14 £000		2012-13 £000
	Budget	Outturn	Outturn
Gross Administration Budget	83,063	80,012	79,991
Less Income allowable against the Administration Budget			-
Net outturn against final Administration Budget	83,063	80,012	79,991

SOAS4 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	SOAS2	717,308	664,643	52,665
Capital				
Acquisition of property, plant and equipment	19	220,827	216,348	4,479
Investments	19	37,000	29,000	8,000
Non-operating Accruing Resources				
Proceeds of asset disposals	19	(1,700)	(2,268)	568
Accruals to cash adjustments				
Depreciation and revaluation	4,5	(202,878)	(151,001)	(51,877)
New provisions and adjustments to previous provisions	4,5	(11,700)	(7,992)	(3,708)
Other non-cash items	4,5	(13,141)	(12,024)	(1,117)
Changes in working capital other than cash	18	36,859	2,350	34,509
Changes in payables falling due after more than one year	21	7,016	5,207	1,809
Use of provision	22	19,595	14,569	5,026
Excess cash receipts surrenderable to the Consolidated Fund	SOAS5	-	-	-
Net Cash Requirement		809,186	758,832	50,354

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

SOAS5 Analysis of income payable to the Consolidated Fund

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

	Forecast 2013-14		Outturn 2013-14		
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts not classified as Accruing Resources		350	<i>350</i>	-	-
Other operating income and receipts not classified as Accruing Resources		2,352	<i>2,352</i>	438	<i>438</i>
Subtotal		2,702	2,702	438	438
Exchange gain		-	-	-	-
Exchange loss – Capital		-	-	-	-
Non-operating income and receipts – excess Accruing Resources		-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
EU capital grant income and receipts		-	-	29	<i>29</i>
Trans European Networks (TENS) funding		-	-	2,410	<i>676</i>
Total income payable to the Consolidated Fund		2,702	2,702	2,877	1,143

SOAS6 Reconciliation of income recorded within the Consolidated Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2013-14	2012-13
		£000	£000
Operating income	6	118,475	102,991
Operating income netted off resource expenditure		-	-
Adjustments for transactions between RfRs		-	-
Gross income		118,475	102,991
Income authorised to be used as Accruing Resources	SOAS2	115,598	101,964
Operating income payable to the Consolidated Fund	SOAS5	2,877	1,027

SOAS7 Non-operating income – Excess Accruing Resources

	2013-14	2012-13
	£000	£000
Non-operating income – Excess Accruing Resources	-	-

Statement of Comprehensive Net Expenditure

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

For the year ended 31 March 2014

				2013-14	Restated
				£000	2012-13
					£000
	Note	Staff costs	Other Costs	Income	Total
Administration Costs:					
Staff costs	3	69,660	-	-	69,568
Other administration costs	4	-	24,047	-	23,222
Operating income	6	-	-	(40)	(59)
Programme Costs:					
Request for Resources A					
Staff costs	3	205	-	-	221
Programme costs	5	-	408,747	-	465,266
Income	6	-	-	(45,691)	(33,820)
Request for Resources B					
Staff costs	3	-	-	-	-
Programme costs	5	-	277,664	-	281,998
Income	6	-	-	(72,744)	(69,112)
Totals		69,865	710,458	(118,475)	737,284
Net Operating Cost for the year end 31 March 2014	SOAS3.1			661,848	

Other Comprehensive Net Expenditure

		2013-14	2012-13
		£000	£000
	Note		
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	1,224,528	755,011
Net (gain)/loss on revaluation of intangibles	8	(13)	(14)
Items that may subsequently be reclassified to net operating costs:			
Adjustment to fixed asset opening balance	7,8	1,339	9,250
Developer's Contributions		(57,814)	(41,294)
Total Comprehensive Net Expenditure for the year ended 31 March 2014		1,829,888	1,460,237

The notes on pages 67 to 108 form part of the financial statements.

Statement of Financial Position

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

As at 31 March 2014

		31 March 2014 £000	31 March 2013 £000
	Note		
Non-current assets:			
Property, plant and equipment	7	28,150,951	29,255,127
Intangible assets	8	465	959
Financial assets	13	1,583,250	1,554,250
Total non-current assets		29,734,666	30,810,336
Current assets:			
Assets classified as held for sale	14	27	317
Inventories	15	2,749	3,109
Trade and other receivables	20	42,091	31,199
Cash and cash equivalents	16	7,538	13,805
Total current assets		52,405	48,430
Total assets		29,787,071	30,858,766
Current liabilities:			
Trade and other payables	21	(144,346)	(141,209)
Provisions	22	(20)	-
Total current liabilities		(144,366)	(141,209)
Non-current assets plus/less net current assets/liabilities		29,642,705	30,717,557
Non-current liabilities:			
Provisions	22	(38,521)	(46,495)
Other payables	21	(328,868)	(334,075)
Total non-current liabilities		(367,389)	(380,570)
Assets less liabilities		29,275,316	30,336,987
Taxpayers' equity:			
General fund		15,357,325	15,118,140
Revaluation reserve		13,917,991	15,218,847
Total taxpayers' equity		29,275,316	30,336,987

B.M. Gahan.

Accounting Officer

12 September 2014

The notes on pages 67 to 108 form part of the financial statements.

Statement of Cash Flows

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generated and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Assembly Supply and other cash flows, including borrowing.

For year ended 31 March 2014

		2013-14 £000	2012-13 £000
	Note		
Cash flows from operating activities			
Net operating cost		(661,848)	(737,284)
Adjustments for non-cash transactions	4.1	171,111	178,326
(Increase)/decrease in trade and other receivables	20	(10,892)	(4,989)
<i>less movements in receivables relating to items not passing through the Net Operating Cost</i>			
Increase/(decrease) in amounts due from Consolidated Fund		-	(182)
Non-cash developer contribution		-	-
Movement in provision for bad debt		(1,364)	(706)
Increase in other capital receivables			
(Increase)/decrease in inventories		360	10
Increase/(decrease) in trade and other payables	21	9,394	(57,354)
<i>less movements in payables relating to items not passing through the Net Operating Cost</i>			
(Increase)/decrease in amounts due to Consolidated Fund		(6,930)	10,689
Decrease/(increase) in amounts due to capital retentions/accruals		81	(1,363)
Movement in Creditor passing through General Fund		61	-
Use of bad debt provision	22	(415)	(719)
Use of other revenue provisions	22	(5,458)	(4,849)
Net cash outflow from operating activities		(505,900)	(618,421)
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(225,452)	(167,935)
Purchase of intangible assets	19	396	(682)
Proceeds of disposal of property, plant and equipment	19	2,267	1,873
Proceeds of disposal of intangibles	19	-	-
Investment additions	19	(29,000)	(75,000)
Net cash outflow from investing activities		(251,789)	(241,744)

Cash flows from financing activities		
From the Consolidated Fund (Supply) – current year	764,841	854,413
From the Consolidated Fund (Supply) – prior year	-	-
From the Consolidated Fund (non-Supply)	-	-
From EU/TENS – capital grant receipts	-	-
Developer contributions	-	-
<i>Net financing</i>	764,841	854,413
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	7,152	(5,752)
Receipts due to the Consolidated Fund which are outside the scope of the Department’s activities	-	-
Payments of amounts due to the Consolidated Fund	(1,955)	(2,457)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	5,197	(8,209)
Cash and cash equivalents at the beginning of the period	16	2,341
Cash and cash equivalents at the end of the period	16	7,538

The notes on pages 67 to 108 form part of the financial statements.

Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions on their use.

For year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £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	3,4	12,067	-	12,067
Non-cash charges - auditor's remuneration	4	107	-	107
Transfers between reserves		70,187	(70,187)	-
Property, plant and equipment additions funded by non-cash contributions from developers		41,294	-	41,294
Restated comprehensive net expenditure for the year		(737,284)	-	(737,284)
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 adjustment		(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

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013		15,118,140	15,218,847	30,336,987
Adjustment to Opening Balance		61	(1,254)	(1,193)
Restated balance at 1 April 2013		15,118,201	15,217,593	30,335,794
Changes in taxpayers' equity for 2013-14				
Net gain/(loss) on revaluation of property, plant and equipment		-	(1,224,528)	(1,224,528)
Net gain/(loss) on revaluation of intangible assets		-	13	13
Net gain/(loss) on revaluation of investments		-	-	-
Non-cash charges - notional cost	3,4	12,011	-	12,011
Non-cash charges - auditor's remuneration	4	106	-	106
Transfers between reserves		75,087	(75,087)	-
Property, plant and equipment additions funded by non-cash contributions from developers		57,814	-	57,814
Comprehensive net expenditure for the year		(661,848)	-	(661,848)
Total recognised income and expense for 2013-14		(516,830)	(1,299,602)	(1,816,432)
Net Parliamentary Funding - drawn down		764,841	-	764,841
Net Parliamentary Funding - deemed		1,432	-	1,432
Supply (payable)/receivable		(7,442)	-	(7,442)
CFERs repayable to the Consolidated Fund - EU grants claimed		(29)	-	(29)
CFERs - EU capital grants		-	-	-
CFERs - other		(438)	-	(438)
CFERs due from the Consolidated Fund		-	-	-
CFERs - Excess Operating Accruing Resources		-	-	-
CFERs - Excess Non Operating Accruing Resources		-	-	-
CFERs - Trans European Networks capital funding		(2,410)	-	(2,410)
CFERs - revenue exchange losses/gains		-	-	-
CFERs - Exchange losses on EU/Trans European Networks capital grants claimed		-	-	-
Balance at 31 March 2014		15,357,325	13,917,991	29,275,316

The notes on pages 67 to 108 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 2013-14 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.

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.

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.

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

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 2013-14 the Department has applied

a provisional index to 31 December 2013 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 7**.

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 Statement of Comprehensive Net Expenditure. 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.

Cash receipts from developers are treated as income and credited to the Statement of Comprehensive Net Expenditure in year received.

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 NI Water, 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 NI Water 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 NI Water and loans issued to NI Water

The FReM states 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 NI Water and the loans issued to NI Water 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 NI Water 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 2014 applied to the untaken leave balance at 31 March 2014 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. 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).

In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

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 1.8% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

1.16 Leases

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

1.17 Public Private Partnership (PPP) Transactions

The Department's PPP transactions 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 the Department, 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 the Department 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 the Department, 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 for general provisions:

- short term (-1.9% applied to cash flows of general provisions between 0 and 5 years)
- medium term (-0.65% after 5 and up to 10 years)
- long term (2.2% exceeding 10 years).

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, with EU adoption from 1 January 2014.

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. 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 Department comprised three Core Groups – TransportNI, Regional Planning and Transportation; and Finance, Resources and Water Policy.

TransportNI (TNI)

This new organisation was established with effect from 1 April 2013 and during 2013-14 had two reportable segments:

TransportNI - Transport

It is responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of the NI Transport Holding Company (NITHC) / Translink.

TransportNI - Roads

It is responsible for maintaining, managing and improving the road network to keep it safe, effective and reliable.

Regional Planning and Transportation

The Group is responsible for regional development and transport planning, sustainable transport, public transport projects and policy, transport legislation and certain responsibilities for air and sea ports.

Finance, Resources and Water Policy

The Group is responsible for promoting the delivery of sustainable water and sewerage services and a range of corporate services, which are included in core overheads below. This includes support for the Minister, human resources, strategic planning, information systems, organisational development, finance, internal audit and equality issues.

In 2012-13 the 'Transport' figures include both TransportNI (Transport) and Regional Planning and Transportation.

	2013-14					2012-13			
	£000					£000			
	TNI Transport	TNI Roads	Regional Planning & Transportation	Water	Total	Transport	Roads	Water	Total
Gross Expenditure	117,122	356,790	4,168	278,726	756,806	163,568	369,955	283,187	816,710
Income	(6,222)	(38,555)	(911)	(72,744)	(118,432)	(9,419)	(24,401)	(69,111)	(102,931)
Net Expenditure	110,900	318,235	3,257	205,982	638,374	154,149	345,554	214,076	713,779

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2013-14					2012-13			
	£000					£000			
	TNI Transport	TNI Roads	Regional Planning &Transportation	Water	Total	Transport	Roads	Water	Total
Total net expenditure reported for operating segments	110,900	318,235	3,257	205,982	638,374	154,149	345,554	214,076	713,779
Core Overheads					23,474				23,505
Total net expenditure per Statement of Comprehensive Net Expenditure					661,848				737,284

3. Staff numbers and related costs

Staff costs comprise:

				2013-14	2012-13
				£000	£000
	Permanent staff	Others	Minister	Total	Total
Wages and salaries	62,475	814	39	63,328	62,843
Social security costs	4,591	4	4	4,599	4,573
Other pension costs	11,175	-	8	11,183	11,175
Total net costs	78,241	818	51	79,110	78,591
Analysed as:					
RfR A	77,201	818	51	78,070	76,907
RfR B	1,040	-	-	1,040	1,684
	78,241	818	51	79,110	78,591
Analysed as:					
Administration costs – continuing operations				69,609	69,518
Minister’s costs (notional)				51	50
Per Consolidated Statement of Comprehensive Net Expenditure				69,660	69,568
Programme costs – continuing operations				205	221
Capitalised				9,245	8,802
				79,110	78,591

Permanently employed staff includes the cost of the Department’s Special Advisor, which falls within the pay band range £58,452 - £91,809 (2012-13: £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, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resources Accounts for 2014.

For 2013-14, employers’ contributions of £11,123,891 were payable to the PCSPS (2012-13 £11,133,862) 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. 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 2014-15, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 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 £30,780 (2012-13 £30,360) 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% (2012-13: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £1,997, 0.8% (2012-13 £1,933, 0.8%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

11 people (2012-13: 12 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £11,190.13 (2012-13 £14,029).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

Objective	2013-14					2012-13
	Total	Permanent staff	Others	Minister	Special Advisor	Total
A	1,957	1,936	19	1	1	2,036
B	14	14	-	-	-	14
Staff engaged on capital projects	266	266	-	-	-	266
Total	2,237	2,216	19	1	1	2,316

3.1 Reporting of compensation and exit packages for all staff

Exit package cost band	2013-14			2012-13		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	1	1	-	2	2
£10,000 - £25,000	-	1	1	-	-	-
£25,000 - £50,000	-	-	-	-	2	2
£50,000 - £100,000	-	-	-	-	1	1
Total number of exit packages	-	2	2	-	5	5
Total resource cost £	-	15,517	15,517	-	141,990	141,990

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.

4. Other administration costs

		2013-14 £000	2012-13 £000
	Note		
Rentals under operating leases:			
Other operating leases		100	111
Rent of land and buildings		50	52
Interest charges:			
Interest on government loans		-	-
Non-cash items			
<i>Notional charges:</i>			
Accommodation		5,450	5,498
Land and Property Services		620	564
NIAO auditors' remuneration		106	107
Other		5,890	5,954
<i>Depreciation and amortisation of property, plant and equipment:</i>			
Property, plant and equipment		882	940
Intangible assets		111	11
Impairment of fixed assets		-	-
Revaluation charge to Statement of Comprehensive Net Expenditure		(55)	43
Loss on disposal of property, plant and equipment		1	-
<i>Provisions:</i>			
Provided in year	22	1,127	(10)
Borrowing costs (unwinding of discount on provisions)	22	-	-
Bad debts expense		-	-
Profit/loss on exchange rates		2	3
Other expenditure		11,560	12,006
Less: Own work capitalised		(1,797)	(2,057)
Total		24,047	23,222

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

	2013-14	2012-13
	£000	£000
Staff costs (see Note 3)	51	50
Non-staff administration costs (see Note 4)	14,132	13,107
Programme costs – RfR A (see Note 5)	156,928	165,169
Programme costs – RfR B (see Note 5)	-	-
Non-cash transactions (Statement of Cash Flows)	171,111	178,326
Adjust for capital provisions (see note 19)	(12)	31,420
Adjust for creditor movement through general fund	-	(182)
Exchange loss (non estimate)	(82)	-
Non-cash transactions (Statement of Assembly Supply)	171,017	209,564

5. Programme costs

	2013-14 £000	2012-13 £000
	Note	
RfR A		
Current grants and other current expenditure	212,503	262,604
Rentals under operating leases	305	293
Exchange loss/(gain)	191	44
PPP service charge	16,209	14,160
PPP interest on loan	22,611	22,996
Own work capitalised	-	-
Non-cash expenditure:		
Depreciation and amortisation of property, plant and equipment	141,336	124,014
Impairment of property, plant and equipment	-	-
Revaluation charges to Statement of Comprehensive Net Expenditure	8,727	34,284
Loss on disposal of property, plant and equipment	-	6
Profit on disposal of property, plant and equipment	-	-
Provision for bad debts	1,780	1,425
Provisions – provided in year	22 5,085	5,440
Total programme costs – RfR A	408,747	465,266
RfR B		
Current grants and other current expenditure	277,664	281,998
Rentals under operating leases	-	-
PFI charges: off-statement of financial position contracts	-	-
Non-cash expenditure	-	-
Total programme costs – RfR B	277,664	281,998
Total programme costs	686,411	747,264

6. Income

	2013-14 £000			Restated 2012-13 £000		
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Other	40	-	40	59	-	59
	40	-	40	59	-	59
Programme income						
Car park receipts and penalty charge notices income	17,933	-	17,933	17,129	-	17,129
Recoverable works	2,909	-	2,909	2,852	-	2,852
Dividend Income from NI Water	-	29,046	29,046	-	26,965	26,965
Loan Interest from NI Water	-	43,698	43,698	-	42,147	42,147
Developers Contributions	1,442	-	1,442	1,373	-	1,373
EU grant income – CFER income	2,457	-	2,457	711	-	711
EU grant income – Accruing Resources income	16,834	-	16,834	7,848	-	7,848
Other Grant Income	1,066	-	1,066	852	-	852
Other	3,050	-	3,050	3,055	-	3,055
	45,691	72,744	118,435	33,820	69,112	102,932
Total income	45,731	72,744	118,475	33,879	69,112	102,991

7. 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 2013	200,197	32,320,347	7,795	59,342	4,679	465	32,592,825
Opening revaluation adjustment	(85)	(2,425)	-	(64)	66	-	(2,508)
Additions	1,994	212,641	11	1,340	580	178	216,744
Developer Contributions	1,875	55,939	-	-	-	-	57,814
Disposals	(7)	-	(268)	(282)	(4,184)	-	(4,741)
Transfers	(1,969)	-	-	-	-	-	(1,969)
Revaluations	(10,921)	(1,295,975)	(3,470)	(1,754)	11	-	(1,312,109)
Reclassification	(19,612)	19,608	-	4	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(8,336)	-	(376)	7	(3)	-	(8,708)
At 31 March 2014	163,136	31,310,135	3,692	58,593	1,149	643	31,537,348
Depreciation							
At 1 April 2013	3,833	3,278,922	3,168	47,190	4,585	-	3,337,698
Opening revaluation adjustment	(3)	(1,173)	-	(27)	34	-	(1,169)
Charged in year	1,547	137,831	204	2,545	90	-	142,217
Disposals	(7)	-	(268)	(273)	(4,184)	-	(4,732)
Transfers	-	-	-	-	-	-	-
Backlog depreciation	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	18	-	(56)	2	-	-	(36)
Revaluation	439	(83,593)	(2,463)	(1,966)	2	-	(87,581)
At 31 March 2014	5,827	3,331,987	585	47,471	527	-	3,386,397
Carrying Amount at 31 March 2014	157,309	27,978,148	3,107	11,122	622	643	28,150,951
Carrying Amount at 1 April 2013	196,364	29,041,425	4,627	12,152	94	465	29,255,127
Asset financing:							
Owned	157,309	27,635,807	3,107	11,122	622	643	27,808,610
On-statement of financial position of PFI contracts	-	342,341	-	-	-	-	342,341
Carrying Amount at 31 March 2014	157,309	27,978,148	3,107	11,122	622	643	28,150,951

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 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

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	Land & Property Services (LPS)	31 March 2010	Indicative Land Indices (LPS)
Land for schemes	Land & Property Services (LPS)	31 March 2011	Indicative Land Indices (LPS)
Car Parks: Land and Buildings	Land & Property Services (LPS)	31 March 2013	Indicative Land Indices (LPS) & 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 (EC Harris)	Baxter Index (Provisional)
Plant and Machinery - Ferry	Blyth Bridges (Marine Consultants)	31 March 2014	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.

The roads and bridges infrastructure valuation was performed on a depreciated replacement cost basis on 31 March 2014, using the ‘Baxter Index’ for construction in England, Wales and Northern Ireland. For 2013-14 a provisional index to 31 December 2013 was applied, as this was the most up to date available at the time of the production of the valuation.

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

The valuation of land and buildings, plant and machinery and furniture and fittings has been indexed to 31 December 2013 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.

8. Intangible assets

	Software Licences	Externally Developed Software	Internally Developed Software	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2013	967	30	559	1,556
Adjustment to opening balance	(29)	-	30	1
Additions	5	61	(462)*	(396)
Disposals	(446)	-	-	(446)
Revaluations	13	2	3	18
Reclassification	-	-	-	-
Transfers	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-	-
At 31 March 2014	510	93	130	733
Depreciation				
At 1 April 2013	(594)	(3)	-	(597)
Adjustment to opening balance	28	-	(28)	-
Charged in year	(98)	(8)	(6)	(112)
Disposals	446	-	-	446
Transfers	-	-	-	-
Backlog depreciation	-	-	-	-
Reclassification	-	-	-	-
Revaluation	(4)	-	(1)	(5)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-	-
At 31 March 2014	(222)	(11)	(35)	(268)
Carrying Amount at 31 March 2014	288	82	95	465
Carrying Amount at 1 April 2013	373	27	559	959
Asset financing:				
Owned	288	82	95	465
On-statement of financial position PFI contracts	-	-	-	-
Carrying Amount at 31 March 2014	288	82	95	465

*Reversal of 2012-13 accruals which were posted in error to Intangible Assets instead of Property, Plant and Equipment. The overall total of assets was correct in the 2012-13 year; however the split between Intangible Assets and Property, Plant and Equipment was incorrect. This is now correct at 31 March 2014.

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

9. Impairments

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

10. Capital and other commitments

10.1. Capital commitments

	31 March 2014	31 March 2013
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements	93,358	149,456

10.2 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 2014	31 March 2013
	£000	£000
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	108	91
Later than one year and not later than five years	299	302
Later than five years	142	186
Total	549	579
Office Equipment:		
Not later than one year	20	105
Later than one year and not later than five years	-	27
Later than five years	-	-
Total	20	132

10.3. Commitments under PPP contracts

10.3.1 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 contract was for 30 years and ends on 31 March 2036.

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 contract was for 30 years and ends on 31 March 2038.

The capital value of PPP Package 2 is £224,123,000.

10.3.2 On Statement of Financial Position (SoFP)

PPP Package 1 and Package 2

The Department has entered into two on balance sheet (SoFP) PPP Contracts in relation to 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 are below.

Details of the imputed finance lease charges are given in the table below for each of the following periods:

	31 March 2014	31 March 2013
	£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	509,913	538,485
	652,772	681,344

<i>Less interest element</i>	(329,210)	(351,823)
Total	323,562	329,521

10.3.3 Charges 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 off balance sheet (SoFP) PPP transactions and the service element of on balance sheet (SoFP) PPP transactions was £16,209,793 (2012-13: £14,160,163) and the payments to which the Department is committed, analysed by the period during which commitment expires is as follows:

	31 March 2014	31 March 2013
	£000	£000
Not later than one year	19,195	18,052
Later than one year and not later than five years	79,931	75,193
Later than five years	678,954	700,750
	778,080	793,995

10.3.4 Off Statement of Financial Position PPP contracts

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

10.4. Other financial commitments

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

Capital loan notes are issued under the instrument constituting £1,280,200,000 Fixed Coupon Unsecured Loan Notes 2027. As this instrument was originally put in place for a period of 7 years until 31 March 2014 the Department has taken steps to extend the arrangement until 31 March 2016 in line with Executive policy. The actual amounts issued are determined by the progress of NI Water's capital programme and its cash requirement. The loans are due to be redeemed in 2027 (or earlier if refinanced). To date NI Water has issued loan notes with a value of £911.56 million (31 March 2013: £882.56 million) including the £150 million issued at vesting (**note 13**).

The Department has also entered into a commitment to provide credit facilities to NI Water to ensure that NI Water is adequately resourced. There are two credit facilities available to NI Water. The Revolving Credit Facility A for £55 million is for funding for additional unforeseen expenditure by NI Water 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 NI Water have not called upon this facility.

11. Financial guarantees

11.1 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 NI Water.

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

11.2 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 NI Water appearing to it to be equal to the amount of discounts provided by NI Water 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 2014-15 this is estimated to be £280m.

12. 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 NI Water 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:

					2013-14	2012-13
	From Interest	From Subsequent Measurement At Fair Value	Currency Translation	Impairment/ Reversal of Impairment	Net gain/(loss)	Net gain/(loss)
	£000	£000	£000	£000	£000	£000
Loans and receivables	-	-	(191)	(1,780)	(1,971)	(1,469)
Total	-	-	(191)	(1,780)	(1,971)	(1,469)

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.

13. 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 1 April 2013	671,690	150,000	732,560	1,554,250
Additions	-	-	29,000	29,000
Balance at 31 March 2014	671,690	150,000	761,560	1,583,250

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 2014 the company had issued further loan notes of £762 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 NI Water is summarised below.

	Northern Ireland Water
	£000
Net assets at 1 April 2013	988,361
Turnover for year ended 31 March 2013	425,599
Surplus/profit for the year (before financing)	196,582
Net assets at 31 March 2014	1,120,643
Turnover for the year ended 31 March 2014	432,702
Surplus/profit for the year (before financing)	196,781

14. Assets held for sale

	31 March 2014	31 March 2013
	£000	£000
At 1 April 2013	317	405
Transfers in	2,317	2,132
Transfers out	(348)	(347)
Disposals	(2,259)	(1,873)
Total	27	317

The Department intends to dispose of, within the next year, two pockets of land it no longer requires. These are being actively marketed. No impairment loss was recognised on reclassification of the land as held for sale at 31 March 2014.

No impairment loss was recognised on reclassification of the land as held for sale at 31 March 2014.

15. Inventories

	31 March 2014	31 March 2013
	£000	£000
Inventories	2,749	3,109
Work in progress	-	-
	2,749	3,109

16. Cash and cash equivalents

	Cash and bank balances	Bank Overdraft	Net
	£000	£000	£000
Balance at 1 April 2013	13,805	(11,464)	2,341
Net change in cash and cash equivalents	(6,267)	11,464	5,197
Balance at 31 March 2014	7,538	-	7,538

	31 March 2014	31 March 2013
	£000	£000
The following balances at 31 March were held at:		
Commercial banks and cash in hand	7,538	13,805
Total	7,538	13,805

The net balance comprises:

	31 March 2014	31 March 2013
	£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 21.1)	96	908
Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 21.1)	7,442	1,433
Cash due to be received from the Consolidated Fund:		
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund (see Note 20.1)	-	-
Amounts not issued by the Consolidated Fund for Supply but spent at the year end (see Note 20.1)	-	-
	7,538	2,341

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

		31 March 2014	31 March 2013
		£000	£000
Net cash requirement	SOAS 4	(758,832)	(863,648)
From the Consolidated Fund (Supply) - current year		764,841	854,413
From the Consolidated Fund (Supply) - prior year		-	-
Amounts due to the Consolidated Fund received and not paid over		96	908
Amounts due to the Consolidated Fund received in a prior year and paid over		(908)	(64)
CFER amounts received and paid to other government departments		-	-
Amount due from Consolidated Fund written off		-	182
Increase/(decrease) in cash		5,197	(8,209)

18. Movements in working capital used in the Reconciliation of Resources to Net Cash Requirement

		2013-14
		£000
(Increase)/decrease in inventories	Note 15	360
(Increase)/decrease in receivables	Note 20.1	(10,892)
Adjustments to movements in receivables		
Movement in CFER related Receivables	Note 20.1	1,734
Consolidated Fund Receivable written off	Note 20.1	-
Movement in provision for bad debts		(1,364)
Increase/(decrease) in payables less than 1 year	Note 21.1	3,136
Adjustments to movements in payables less than 1 year		
Movement in bank	Note 16	11,464
(Increase)/decrease in amounts due to the Consolidated Fund	Note 21.1	(6,930)
Movement in creditors through General Fund		61
Movement in creditor due to opening PPA adjustment		81
Net (increase)/decrease in working capital other than cash recognised in Statement of Assembly Supply		(2,350)

19. Analysis of cashflows from investing activities

		Capital expenditure -Tangible £000	Capital expenditure - Intangible £000	Capital expenditure - Total £000	Loans, etc. £000	Accruing Resources £000	2013-14 Net total £000
	Note						
Request for Resources A		225,452	(396)	225,056	-	(2,267)	222,789
Request for Resources B		-	-	-	29,000	-	29,000
Cash out/in flow from fixed assets		225,452	(396)	225,056	29,000	(2,267)	251,789
Movement in receivables/payables							
Capital provisions made	22	(12)	-	(12)	-	-	(12)
Capital provisions utilised	22	(8,696)	-	(8,696)	-	-	(8,696)
Movement in capital creditors		(81)	-	(81)	-	-	(81)
Remove prior period adjustments		81	-	81	-	-	81
Profit on disposal of fixed asset		-	-	-	-	(1)	(1)
Total 2013-14		216,744	(396)	216,348	29,000	(2,268)	243,080
Non-operating Accruing Resources (Statement of Assembly Supply)							
Net book value of assets disposed	7,8,14						(2,268)
Loss on disposal	4,5						-
Excess non operating Accruing Resources	SOAS7						-
Non-operating Accruing Resources (Statement of Assembly Supply)							(2,268)

20. Trade receivables and other current assets

20.1

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
Trade receivables	3,847	4,359
Other receivables	2,338	4,407
Prepayments and accrued income	5,837	4,683
VAT	10,645	11,012
EU/TEN-T grants receivable - Accruing Resource	17,690	6,738
EU/TEN-T grants receivable - CFER*	1,734	-
	42,091	31,199
Amounts due from the Consolidated Fund in respect of Supply	-	-
	42,091	31,199

*EU/TEN-T grants receivable £1,734,000 (2012-13 £nil) 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:

	2014 £000	2013 £000
Balance at 1 April	6,638	5,932
Increase in provision	1,779	1,425
Use of provision	(415)	(719)
Balance at 31 March	8,002	6,638

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.

20.2 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Balances with other central government bodies	19,494	12,990	-	-
Balances with local authorities	1,078	531	-	-
Balances with NHS Trusts	213	51	-	-
Balances with public corporations and trading funds	799	1,137	-	-
Intra-government balances	21,584	14,709	-	-
Balances with bodies external to government	20,507	16,490	-	-
Total receivables at 31 March	42,091	31,199	-	-

21. Trade payables and other current liabilities

21.1

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
Bank overdraft (Note 16)	-	11,464
Trade payables	7,590	7,680
Accruals and deferred income	123,897	116,489
Other taxation and social security	-	-
Other payables	3,587	3,235
Amounts issued from the Consolidated Fund for Supply but not spent at year end	7,442	1,433
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants		
– Received	-	751
– Receivable	1,734	-
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other		
– Received	96	157
– Receivable	-	-
	144,346	141,209
Amounts falling due after more than one year:		
Other payables	5,306	4,554
Imputed loan on PPP contracts	323,562	329,521
	328,868	334,075

21.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Balances with other central government bodies	10,835	6,865	-	-
Balances with local authorities	1,435	2,009	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	41,114	49,042	-	-
Intra-government balances	53,384	57,916	-	-
Balances with bodies external to government	90,962	83,293	328,868	334,075
Total	144,346	141,209	328,868	334,075

22. 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 2013	42,934	-	47	3,514	46,495
Provided in year	9,329	-	1	6,211	15,541
Provisions not required written back	(9,341)	-	-	-	(9,341)
Provisions utilised in year *	(8,696)	-	(28)	(5,430)	(14,154)
Balance 31 March 2014	34,226	-	20	4,295	38,541

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	-	-	20	-	20
Later than one year and not later than five years	34,226	-	-	4,295	38,521
Later than five years	-	-	-	-	-
Balance 31 March 2014	34,226	-	20	4,295	38,541

*In addition to the above provisions there was £415,000 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 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

22.1 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 2013-14 is £1,877,800 in relation to the A5 scheme. £451,000 of this relates to re-instatement works and £1,426,800 is provided for repeat works following the April 2013 High Court judgement on this scheme.

22.2 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 1.8% in real terms.

22.3 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 23**.

The legal claims provision includes unsettled public/employer claims (£4,245,801) and unfair dismissal claims (£51,542) at the year end.

22.4 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 23.

23. Contingent liabilities disclosed under IAS 37

At 31 March 2014 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 £5,914,368. A contingent liability exists for possible dismissal cases and compensation payments in relation to these cases are estimated at £18,833.

There is also a possible liability of £474,000 in relation to solicitor's fees which the Department are disputing liability but could lead to a loss.

There is also a possible contingent liability of £1,132,000 in relation to contractor legal cases which are pending.

There is a possible contingent liability of £8,272,000 in relation to land for schemes.

There is an ongoing legal challenge concerning a former DRD officer and the Department is continuing to defend the actions taken.

The Department is considering a judgement and the potential for any financial implications it may have. The Department considers that the obligation cannot be regarded as probable and that a reliable estimate cannot be made, at this point in time, of the potential liability. This is as a result of the complexities associated including establishing clearly the extent to which claims may be made and the size of any resulting payments. Consequently, the Department does not consider that it is appropriate to make a provision under the criteria set out in IAS 37.

24 **Contingent liabilities not required to be disclosed under International Accounting Standard (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.

25. **Losses and special payments**

25.1 **Losses Statement**

	2013-14		2012-13	
	Number of cases	£000	Number of cases	£000
Stores and plant losses	19	152	11	8
Abandoned claims	13	417	12	719
Fruitless payments	2	6	2	1
Foreign exchange losses	3	191	1	110
Constructive loss	-	-	-	-
Other cash losses	9	1	4	2
	46	767	30	840

25.2 **Special Payments**

	2013-14		2012-13	
	Number of cases	£000	Number of cases	£000
	52	2,231	16	492

Details of cases over £250,000

The Department incurred losses relating to penalty charge notice debt of £281,287 (2012-13 £630,005) 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).

Following a High Court judgement, some advance works undertaken on the A5 Western Transport Corridor were reinstated by the Department together with compensation for loss of use of land. The total paid to date is £1,655,517 and these are categorised as Ex Gratia Special Payments in accordance with Managing Public money (NI).

26. Related-party transactions

DRD is the sponsor of the Northern Ireland Transport Holding Company Limited, which is a public corporation.

NI Water is a government owned company, the Department being the sole shareholder. The Department provides NI Water with subsidy and loan finance. For public expenditure purposes NI Water 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 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.

27. Entities within the departmental boundary

There are no other entities within the Departmental boundary in 2013-14.

28. Business activities attracting fees and charges

			2013-14	2012-13
			£000	£000
	Income	Cost	Surplus/(deficit)	Surplus/(deficit)
Car Parks	(17,877)	15,313	2,564	(3,497)
Strangford Ferry	(1,035)	2,428	(1,393)	(1,305)
Total	(18,912)	17,741	1,171	4,802

This note is provided for fees and charges purposes and not for International Financial Reporting Standard (IFRS) 8 purposes.

The financial target for car parking services in 2013-14 is 70% (2012-13: 70%) recovery of the full cost of providing, updating and maintaining the services. The actual percentage recovery achieved was 117% (2012-13: 83%).

The cost recovery has increased through a combination of increased income, lower contract costs and notional costs. A full year effect of the parking penalties increase introduced on 4th July 2012 has resulted in additional income being received. Car parks were significantly revalued downwards by Land and Property Services in March 2013 and the full effect of this on average asset values has reduced the cost of capital and depreciation by some £3.2m.

The financial target for the ferry service in 2013-14 is 40% recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 43%.

29. Local Government Reform

From 1st April 2015, Off- Street Car parks, (except Park & Ride and Park & Share carparks) and Donaghadee Harbour will transfer to the 11 new district councils under Local Government Act (Northern Ireland) 2014.

The Department will also implement structural arrangements to facilitate conterminosity with the new council boundaries, and will participate in the establishment of council-led community plans as provided by the Act.

30. Events after the Reporting Period

No important events affecting the Department have occurred since the financial year-end.

31. The Accounting Officer authorised these financial statements for issue on 18 September 2014.

Appendix A

Entities outside the Departmental Boundary

The Department's Arm's Length Bodies

Northern Ireland Water

NI Water 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 NI Water Board, is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored. A Management Statement and Financial Memorandum (MSFM) operates.

The Department monitors NI Water'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 NI Water. 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.

The Department has responsibility for the appointment of the Chair and members of the Trust Ports at Belfast, Londonderry and Warrenpoint. It also has responsibility for the appointment of 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.