

ROADS

Service

Annual Report & Accounts 2005-2006



An Agency within the Department for
**Regional
Development**
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INVESTOR IN PEOPLE

Roads Service Annual Report and Accounts For the year ended 31 March 2006

Laid before the Houses of Parliament by the Department for Regional Development in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 36 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

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Chief Executive's Report

I am pleased to present Roads Service's tenth Annual Report and Accounts.

2005-06 was a memorable year for the Agency, and for the Northern Ireland Civil Service in general, with the commencement of a number of major reform initiatives. These included ASP and e-HR, which will see the centralisation of our finance and human resource activities, and Workplace 2010 which will modernise the Civil Service office estate, providing greater value to the taxpayer.

However, by far the most significant initiative for Roads Service was the Review of Public Administration which will see the responsibility for the management, maintenance and development of Northern Ireland's local road network transfer to the seven new local councils in 2009. The local road network comprises 23,700 km of the 25,000 km public road network. A Strategic Road Authority will be established in Central Government to manage, maintain and develop the 1,300 km Motorway and Trunk Road network. We have initiated a change management programme within the Agency to plan and facilitate the smooth transfer of these responsibilities, staff and resources to the new structures.

Despite all of this impending change, it has been 'business as usual' as regards our day-to-day work, with the Regional Transportation Strategy (RTS) continuing to influence all that we do. Having previously published two of the three transport plans through which the RTS is being progressed, the third, the Sub-Regional Transport Plan was released in draft for public consultation in March 2006.

2005-06 saw the start of the long-awaited improvements to the M1/Westlink/M2. This is our first Public Private Partnership and the construction work will take around three years to complete. There will undoubtedly be some degree of traffic disruption, but measures have been put in place to minimise this and the resulting benefits, with shorter and more reliable journey times, will be worth it in the end.

Other major schemes completed during the year included a new underpass on the A1 at Dromore and the refurbishment of the Bann River Bridge in Portadown. Work also continued on the dualling of the A1 between Loughbrickland and Beech Hill, the



cross border link between Newry and Dundalk and on Stage 3 of the Omagh Throughpass.

The future capital investment programme also received a welcome boost when the Secretary of State announced the Investment Strategy for NI which proposes a significantly increased investment programme over the next 10 years, particularly on the strategic road network.

Our overall performance against the 10 key and 27 supporting business targets set by the Minister has been excellent with 32 out of 37 being achieved. Information on one target, for the reduction of traffic collisions at treated sites, will not be available until 2007-08.

Of the targets that were missed, we maintained the trunk road network so that 73.5% was in a satisfactory structural condition (against a target of 75%) and we achieved 80% of our major works scheme milestones (against a target of 85%). The other missed targets relate to staff and we will need to continue to reduce industrial absenteeism and to improve the number of staff satisfied with their work in the Agency.

I would like to thank every single member of staff for their hard work during what has been a challenging year. As we continue to prepare for the implementation of the Review of Public Administration decisions, the coming year is likely to be even more testing. However, I am confident that staff will rise to the fresh challenges and I expect that Roads Service will have another successful year.

A handwritten signature in black ink, appearing to read 'D M McKibbin'. The signature is written in a cursive style with a long horizontal line extending to the right.

D M McKibbin (Dr)
Chief Executive
9 June 2006

Bann Bridge, Portadown



Director's Report

History and Statutory Background

The Agency's accounts have been prepared in accordance with a direction given by the Department of Finance and Personnel in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Roads Service was established as an Executive Agency within the Department of the Environment for Northern Ireland on 1 April 1996, under the Government's Next Steps Initiative. As a result of Devolution on 2 December 1999, it is now an Agency within the Department for Regional Development (DRD).

Pension Liabilities

Staff Pension Liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these Accounts (see notes 1 and 3 to the Accounts and the Remuneration Report).

Roads Service Board

The Agency is managed by a Board, headed by the Chief Executive and including four Directors.

The members of the Board at 31 March 2006 were:

D M McKibbin (Dr)	-	Chief Executive
D Orr	-	Director of Network Services
J Carlisle	-	Director of Corporate Services
G Allister	-	Director of Engineering
J McNeill	-	Director of Finance

Appointments to the Roads Service Board are made in accordance with the Civil Service Commission's General Regulations.

As Civil Servants, the remuneration of the members of the Board is determined by the normal Civil Service Pay Regulations (see the Remuneration Report).

Charitable Donations

The Agency made no charitable donations during the year (2004-05: £nil).

Disabled Employees

The Agency is committed to and follows the NI Civil Service Code of Practice on the employment of disabled people. The Agency aims to ensure that disablement is not a bar to recruitment or advancement.

Equality of Opportunity

The Agency follows the NI Civil Service Policy that all eligible persons shall have equal opportunity for employment or advancement on the basis of their ability, qualifications and aptitude for the work.



Chief Executive
D M McKibbin (Dr)



Director of Network Services
David Orr



Director of Corporate Services
Jim Carlisle



Director of Engineering
Geoff Allister



Director of Finance
John McNeill

Employee Involvement

The maintenance of a highly skilled work force is key to the future of the business. Roads Service recognises the benefits of keeping employees informed of the progress of the business and involving them in the Agency's performance. During the year, employees were regularly provided with information regarding financial and economic factors affecting the performance of the Agency and on other matters of concern to them, through meetings and notices. Roads Service Whitley Committee and the Joint Industrial Council provide for regular consultations with employees' representatives.

Payment Policy

The Agency is committed to prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year, 98% of bills were paid within this standard.

Board Members' Interests

There are no company directorships or other significant interests held by board members, which may conflict with their management responsibilities.

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 (NIAO) and he and his staff are wholly independent of the Agency and he reports his findings to Parliament.

The audit of the financial statements for 2005-06 resulted in a notional audit fee of £52,083 (2004-05: £47,816) which is included in other operating costs in the income and expenditure account (see page 67 of the accounts).

Management Commentary

Introduction

This Annual Report and Accounts is designed to be an informative and comprehensive review of Roads Service's performance for the 2005-06 financial year.

About the Agency

Our main functions are to make sure that:

- measures are taken to implement the Regional Transportation Strategy for Northern Ireland 2002-2012;
- the public road network is managed, maintained and developed; and
- all our activities are carried out in a fair and equitable way.

Our Organisation

Our headquarters is in Belfast and we have four operational divisions, Northern, Southern, Eastern and Western, each headed by a Divisional Roads Manager. Each division is divided into a number of sections which generally correspond with district council areas. These divisions oversee the planning, ordering and payment of network services through Roads Service Consultancy, Roads Service Direct and the private sector. They also provide the Agency's main interface with customers. You can find details of our organisational structure for 2005-06 in Appendix 1.

Roads Service Direct, our contractor business unit, is centred in Ballymena with staff based at various locations throughout Northern Ireland. They carry out a wide range of activities varying from patching roads to sea-defence work. They also respond to emergency calls dealing with eventualities such as flooding and the aftermath of road traffic collisions. Throughout the winter they operate on a rota standby basis to treat roads for ice and snow when weather conditions require it. Our operational staff are supported by vehicle workshop staff who maintain our large fleet of vehicles and plant.

The Roads Service Consultancy, based in Downpatrick, is a single business unit covering all of Northern Ireland and is responsible for managing our engineering activities such as design and contract supervision.

Vision, Mission, Key Objectives and Core Values

Vision

Striving for excellence and respect in all our activities.

Key Objectives

Within the resources available, our key objectives for 2005-06 were to:

- deliver our part of the Regional Transportation Strategy for Northern Ireland 2002-2012;
- maintain the road infrastructure to keep it safe, effective and reliable and to preserve the value of the asset;
- manage and improve the road network to promote safety and efficient operation;
- improve journey times on the motorway and trunk road network;
- deliver quality services for our customers and stakeholders in a fair and equitable way;
- operate to resource limits and improve value for money; and
- support and motivate all our people to achieve the Agency's objectives.

Mission

To facilitate the safe movement of people, goods and services for the social and economic benefit of all people in Northern Ireland.

Core Values

The core values that we see as central to the culture of the Agency are:

- Openness - communicative, responsive, consultative, honest;
- Professional Approach - common purpose, expertise, high standards, integrity, respect;
- Supportive - caring, staff development, recognising and rewarding performance;
- Sense of Public Duty - impartiality, integrity, fairness, service, accountability;
- Flexible - innovative, questioning, receptive to change, resourceful, team approach; and
- Decisive Management - focused decision making, role clarity, empowerment, leadership.

Meeting our Key Objectives

Our Business Plan 2005-06 detailed the key performance targets set by the Minister, the Agency's operational priorities and other targets.

Appendix 2 of this report details the Agency's performance against our 2005-06 key performance targets.

This section headlines our key objectives for the year 2005-06 and describes the action we have taken during the year to achieve them.



Traffic calming, Ballymoney

Regional Transportation Strategy

Key Objective: Deliver our part of the Regional Transportation Strategy for Northern Ireland 2002-2012

Regional Transportation Strategy

The Regional Transportation Strategy (RTS) sets out a strategic framework for the future planning, funding and delivery of transportation throughout Northern Ireland. The levels of expenditure for the Strategy are determined by the normal budgetary processes, which take account of the needs of other government departments and decisions on priorities. In 2004-05, we were successful in securing a total budget approximately 40% larger than the pre-RTS 2001-02 figure. Whilst road maintenance funding still lags significantly below RTS requirements, implementation of other roads-related elements was broadly in line with RTS expectations. The challenge of implementing the RTS is a continuous influence on how we undertake our work.

The RTS is being progressed through three transport plans. Two of these, the Regional Strategic Transport Network Transport Plan (RSTNTP) and the Belfast Metropolitan Transport Plan (BMTP) have already been published. The third, the Sub-Regional Transport Plan (SRTP) was released in draft for public consultation in March 2006.

The SRTP is being prepared by a project team led by Roads Service. The project team includes representatives from across Roads Service, Planning Service, other parts of the Department and Translink. The SRTP deals with the transport needs of the whole of Northern Ireland with the exception of the Belfast Metropolitan Area and the rail, motorway and trunk road networks that are covered in the other two plans. In line with the RTS, the SRTP identifies separate packages of measures for walking, cycling, public transport and traffic and highway measures for the period 2002-2015. The costs of the packages are constrained by the relevant

indicative expenditure, by mode of transport, given in the RTS, raised in line with inflation and enhanced by the Investment Strategy for Northern Ireland.

Regional Transportation Strategy Annual Monitoring Report

The Regional Transportation Strategy Annual Monitoring Report 2004-05 reported on progress against the targets set in the RTS and arrangements for monitoring the new targets set in the BMTP and the RSTNTP. Until the SRTP is completed, information on implementation of transportation measures against the RTS modal groupings, as previously presented in the Regional Transport Programme, will continue to be published in the Annual Monitoring Report.

Planning Policy

We have continued to provide Planning Service with input and advice, on both roads and transportation matters and on a range of policy related issues.

We completed a public consultation exercise on 'Transport Assessment: Guidelines for Development Proposals in Northern Ireland'. Responses are being considered and we plan to publish the completed guidance later in 2006.

Monitoring the Effectiveness of Transport Policy

The Travel Survey for Northern Ireland (TSNI) provides a picture of current travel behaviour. Over a number of years, as trends develop, the TSNI will be a key document in detecting any changes in our travel culture. The TSNI 2002-04 was published in September 2005.

We have undertaken research projects, in conjunction with local universities, in order to explore the effectiveness of implemented transport measures, and to assist in building local research capability in transport planning.

We operated a Data Monitoring and Modelling Unit to co-ordinate the collection and provision of transport data relating to RTS monitoring and to provide transport modelling capabilities as required.

Road User Charging

We were actively considering the implications of HM Revenue and Customs proposals for Lorry Road User Charging (LRUC) to deliver the Government's objectives for modernising the taxation of the haulage industry across the UK. Our particular involvement related to the provision of any roadside infrastructure to support the project. However, in July 2005, the Secretary of State for Transport announced that work on LRUC was to be terminated, in order that the issues could be subsumed into the wider national road pricing debate.

We continue to keep abreast of the latest thinking and developments in the area of road user charging throughout the UK.

Air Quality

The Environment (Northern Ireland) Order 2002 places a responsibility on councils and other public bodies, including Roads Service, to achieve air quality standards and objectives in relation to powers exercisable by them. We have continued to work with councils in preparing assessments and in determining and implementing any actions that fall to us.

During 2005, we worked closely with Belfast City Council in developing and finalising an Air Quality Action Plan for Belfast. The Action Plan, which contains measures to mitigate the effects of pollution due to road transport, was based on proposals contained in the Belfast Metropolitan Transport Plan.

Noise

The European Directive relating to the assessment and management of environmental noise will shortly be transposed into Northern Ireland legislation. The legislation will define a common approach to the prevention or reduction of annoyance caused by exposure to environmental noise, including the preparation of strategic noise maps and action plans where appropriate. We continue to work with the Department of the Environment and other relevant authorities to address relevant roads-related issues as they arise.

Working in Partnership

We continue to work in partnership with a number of key organisations in promoting sustainable transportation and implementing appropriate measures. These include Translink, Sustrans, Health Promotion Agency, PSNI, Department of the Environment Road Safety, Department of Education, Environment and Heritage Service, Education and Library Boards, schools, district councils, Transportation Policy and Support Division, Regional Planning and Transportation Division, Planning Service, Northern Ireland Transport Holding Company, universities and business organisations. We also continue to liaise with bodies represented on the Northern Ireland Walking and Cycling Forums and the School Travel Advisory Group.

Walking and Cycling

During the year, we continued to implement infrastructure measures aimed at making it easier to walk and cycle.

We have consulted with interest groups and produced an Equality Impact Assessment on the provision of pedestrian facilities on the public road network in Northern Ireland. Copies of the findings are available on our website at www.roadsni.gov.uk.

In January 2006, we started a review of our policy for the provision of controlled pedestrian crossings to ensure that the policy was meeting its objectives.



Public Transport

During the year, we developed a new policy on the signing of public transport stations and started to erect new signs. We published a new Bus Stop Design Guide to help to improve the environment at bus stops.

To encourage increased use of public transport, we have delivered a number of schemes including:

- the introduction of bus priority technology (SCOOT) at 24 traffic signal junctions around Belfast;

- implementation of Real Time Bus Arrival Information at selected bus stops on the Antrim Road, Upper Newtownards Road, Ormeau Road, and Castlereagh Road in Belfast;
- the introduction of 5 bus lanes in Belfast totalling over 4 km in length; and
- the provision of 128 new bus shelters through our contract with shelter provider Adshel.

Motorcycles

In December 2005, after an 18 month experimental period, we formally permitted the use of bus lanes by motorcycles. We will continue to review the operation of the scheme over the next 2 years.

Travelwise NI

The Regional Transportation Strategy makes provision for promoting sustainable transport modes, such as walking, cycling and use of public transport, through education and awareness, in order to encourage a change in attitude away from the private motorcar as a main mode of transport.

We progressed the Travelwise NI initiative and improved understanding, raised appreciation and promoted the benefits of sustainable transport alternatives across the employer, commuter and schools sectors and continued to provide the public with a range of information about the sustainable transport agenda.

We achieved this by further developing and updating the Travelwise NI website, promoting the 'partnership' concept through the inter-Departmental Travelwise NI Steering Group, engaging with a range of agencies on the introduction and associated promotion of a Car Sharing Initiative. This included promoting Workplace Travel Plans, Personalised Marketing Initiatives and commuter awareness raising projects.

Safer Routes to Schools

During the year, we facilitated and managed the Northern Ireland School Travel Advisory Group in its endeavours to assist the development of School Travel Plans.

We maximised the role of the School Travel Plan Co-ordinator and have supported partner organisations to enable the Safer Routes to Schools initiative to be further expanded across the education sector.

We have progressed the Accelerated Safer Routes to Schools Programme and introduced traffic management measures at over 40 schools across the Province. These measures embraced improved signage and road marking, including cycle shelters and lockers, through to the development of School Travel Plans, all of which were driven by the individual school's level of commitment as well as infrastructure requirements at the school site.

We have further improved cycling and walking infrastructure at participating schools, including improved links to Translink services. We promoted very successful sustainable transport initiatives and further developed school based awareness campaigns such as walk and cycle to school, along with successful promotion of the 'walking bus' concept in some schools in partnership with Road Safety colleagues.

Workplace Travel Plans

We have continued to expand the marketing and promotion of Workplace Travel Plans with employers under the Travelwise NI initiative. We have continued to provide Workplace Travel Planning Consultancy Services on a site-specific basis to organisations including private sector businesses, government departments and agencies including the health sector. Twelve individual organisations have received site-specific advice on travel planning and a further twenty Travelwise promotional visits were carried out with businesses.

We have successfully linked specific sectors, such as hospital sites, with promoting sustainable travel options, for example, public transport use following the announcement about the major M1/Westlink roadworks. We also targeted this group with significant promotion and support under the Travelwise Car Share Initiative. We have continued to promote and support the provision, by employers, of appropriate sustainable transport facilities, such as improved cycle facilities, which will encourage more staff to travel by sustainable modes.

We have continued to promote cycling by installing cycle parking stands across Belfast City Centre and continue to explore their further provision across Northern Ireland.



Network Maintenance

Key Objective: Maintain the road infrastructure to keep it safe, effective and reliable and to preserve the value of the asset

Maintaining the Network

With responsibility for over 25,000 kilometres of public roads together with some 9,000 kilometres of footways and 5,800 bridges, maintenance is our biggest day-to-day task and this is reflected in the balance of our spending. Maintenance includes a wide range of activities, from major reconstruction and resurfacing of road structures and footways (structural maintenance), to everyday upkeep of the network such as cutting grass to keep sightlines clear, maintaining carriageway markings, street lights, traffic signals, signs and bollards, and salting main roads in winter to provide safer conditions for the travelling public.

Structural Maintenance

Structural maintenance is the resurfacing and surface dressing of roads and footways and the repair of surface defects, such as potholes and broken flagstones, to prolong the life of the roads and improve their strength, ride quality, skid resistance and safety for the public. It also includes the improvement of road ditches, culverts and manholes to prevent rain and frost from penetrating and damaging the road structure.

In 2005-06, we invested around £70 million on structural maintenance. Unfortunately this investment level falls short of that recommended in order to achieve good practice resurfacing cycles, particularly on the non-trunk road network. Nonetheless, the investment allowed a significant programme of maintenance on both the Regional Strategic Transport Network and local roads with the resurfacing of 935 lane kilometres (target: 450 lane km) and surface dressing of some 7.4 million square

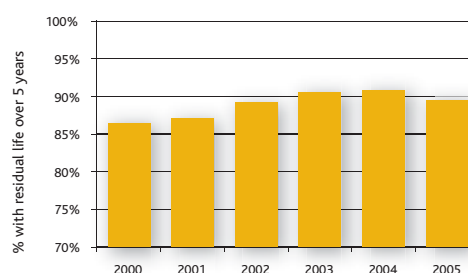
metres of the road network (target: 7.1 million sq. m). We continued to give a high priority to the condition of footways and spent around £4.2 million on resurfacing them and £3.3 million on patching them.

Condition of the Network

Monitoring the condition of our road network is an essential part of planning maintenance work and, in order to detect deterioration at an early stage, we undertake a number of annual road condition surveys. These surveys are carried out using specialist vehicles, which measure the strength, surface condition, skidding resistance and bumpiness of the network. We monitor the residual life of the motorway network and the main strategic roads, known as the Trunk Road Network. The 2005 deflectograph survey, which measures the life expectancy of the strategic road network, shows that:

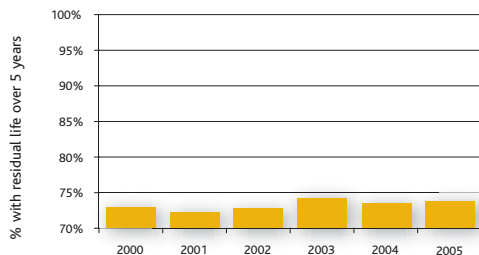
- 89% of the motorway network has a residual life of more than 5 years (target: 85%). This compares with 91% in 2004, 91% in 2003, 89.5% in 2002, 87% in 2001 and 86% in 2000 and shows that the motorway network has remained in a fairly stable condition in recent years.

Condition of the Motorway Network



- 73.5% of the Trunk Road Network has a residual life of more than 5 years (target: 75%). This compares with 73% in 2004, 74% in 2003, 72.5% in 2002, 72% in 2001 and 73% in 2000 and indicates the continuing need for further investment on this part of the network.

Condition of the Trunk Road Network



All other roads are monitored using Coarse Visual Inspection (CVI) Surveys in accordance with the United Kingdom Pavement Management System, which is carried out on all roads apart from motorways, trunk roads and non-trunk A roads over a 4-year period. We have now completed year 4 of the CVI survey programme. In general terms, the observed output from the CVI identifies lengths of road where the surface condition is deteriorating and exceeds certain pre-determined thresholds. The results of the 2005 survey indicate that around 10.2% (774 km) of the B and C class network requires further investigation into its structural integrity. In relation to the unclassified roads some 18.5% (2,773 km) of that part of the network is in need of further investigation.

The funding made available to us means that we can treat our local road network at around 57% of that recommended in National Best Practice Guidelines. Much of this delivery has been achieved against a backdrop of increased unit costs, partly reflecting higher than general inflation within the construction industry.

Routine Maintenance

Routine maintenance is important both to ensure user safety and to help prevent more significant and costly maintenance problems building up over time. Much of the routine maintenance work is determined by set timetables. During the year, we invested around £15 million on routine maintenance activities which included cutting grass verges to maintain visibility, emptying gullies and maintaining boundary fences.

Street Works

Disruption to traffic caused when roads and footways are opened by utilities and, in particular, poor co-ordination between the utilities remains a serious cause of concern for all road users. It is also recognised that the number of utility road openings remains at a high level, with 43,000 openings in 2005-06.

Much has already been done to minimise traffic disruption caused by these works, including the introduction of Regulations and Codes of Practice associated with the Street Works (NI) Order 1995. We continue to operate a strong enforcement policy, especially where serious infringements of the legislation occur and, in 2005-06, we undertook a number of successful prosecutions against utilities for breaches of the Street Works (NI) Order 1995.

However, we recognise that new and improved methods of managing these activities are required and work has already started to make changes to the existing legislative regime governing utilities' street works. The amended legislation will increase the Department's powers to co-ordinate and control utility works in streets, and will strengthen the enforcement regime for utilities that fail to comply with the legislative requirements. A mechanism will also be introduced whereby utilities can be directed not to carry out works on certain dates, or to avoid particular routes. A public consultation on the new proposals took place in 2005 to gain stakeholders' views, and the results of this consultation were published in a report issued early in 2006. The new Street Works (Amendment) (NI) Order is scheduled to be made by the end of 2006, and these new measures will result in minimised congestion and improved traffic flow on the network.

To assist in the monitoring of utility performance in carrying out street works, we have developed six key performance indicators (KPIs), as agreed with the Northern Ireland Road Authority and Utilities Committee. The results for 2005-06 are as follows:

KPI	Description	Outturn
1	<p>NUMBER OF TIMES A NOTICE IS REISSUED</p> <p>This indicator shows the percentage of proposed utility works notified to the Department that were properly processed and provides a measure of the correct use of the system.</p>	94%
2	<p>NUMBER OF EMERGENCY NOTICES</p> <p>This indicator shows the percentage of new notices issued by utilities that are emergency notices. In an emergency, utilities can start street works prior to issuing a commencement notice, for example, in the case of a burst water main. A high percentage of emergency notices may indicate the misuse of this procedure. The number of emergency notices issued by utilities in 2005-06 was 6,037 out of a total number of 63,203 new notices.</p>	10%
3	<p>NON-COMPLIANCE WITH ARTICLE 18 OF THE STREET WORKS (NI) ORDER</p> <p>When we have undertaken substantial work on a road, such as resurfacing, Article 18 of the Street Works (NI) Order 1995 permits us to place restrictions on utilities digging up the road. This indicator shows the number of times the restrictions of Article 18 have been broken without prior approval.</p>	0
4	<p>PUBLIC LIABILITY CLAIMS</p> <p>This indicator gives the number of street works related public liability claims that were initially received by the Department and referred to utilities during the year.</p>	25
5	<p>DEFECT RATE OF PERMANENT REINSTATEMENT</p> <p>This indicator gives the total number of times a defect has been identified/recorded on street works sites and on earlier reinstatements or ironwork. In these cases, we have asked for remedial work to be carried out by utilities and this has been completed.</p>	13,252
6	<p>INADEQUATE SIGNING, LIGHTING AND GUARDING</p> <p>To ensure the safety of road users, we inspect the temporary signing, lighting and guarding at street works sites. During the past year, we identified 486 sites where remedial actions were required by utilities. In these cases, we asked for remedial work to be carried out by utilities and this has been completed.</p>	486

Network Management

Key Objective: Manage and improve the road network to promote safety and efficient operation

Traffic Control and Travel Information Initiatives

We have continued to use Intelligent Transport Systems to improve road safety, effectively manage the capacity of the existing road infrastructure, and to provide reliable, credible and timely traffic information to road users.

The motorway control system on both the M1 and M2 motorways has been extended and enhanced by the addition of the latest technology for incident detection. The Urban Traffic Control system has been extended to other areas of Belfast as has the facility to provide priority for public transport at traffic signals.

With regard to travel information, we have included a page dedicated to the M1/Westlink works on our website www.trafficwatchni.com, and have established an e-mail alert service for M1/Westlink to provide subscribers with information on planned roadworks and any other incidents that will have a significant effect on traffic flow.

In Londonderry, the first phase of a bridge management system has been installed on

the Foyle Bridge. Working from information gathered on prevailing wind speeds, the system will use variable message signs to indicate a speed restriction and, as part of the next installation phase, indicate restrictions to high sided vehicles and also the closure of the bridge when necessary.

We have also introduced a new facility using automatic number plate recognition technology to provide road users with an estimation of the expected journey time on a route. The information is displayed on variable message signs. This technology has initially been installed on the M1 motorway between Sprucefield and Broadway and we plan to extend this to other key transport corridors.



Travel information, M2 Motorway

Traffic Count Information

The gathering of information on traffic volumes and the classification type of vehicles using the network is an important basis upon which planning and operational decisions are based. This information was published in the Annual Traffic Census and Vehicle Kilometres of Travel Report.

Traffic Signs/Traffic Management

We have continued to advance revision of the Traffic Signs Regulations (NI) 1997 to bring prescribed traffic signs more closely into line with those in Great Britain.

To meet commitments under the European Charter for Regional and Minority Languages, we started work on a policy to allow languages other than English to be permitted on certain traffic signs

Winter Service

The aim of winter service is to help, as far as possible, main road traffic to move safely and freely in wintry conditions by spreading salt at the most effective times. It is vital that we cover as much traffic as possible for the available budget and criteria have been devised to identify the roads that would provide the best cost benefits.

During the winter, a fleet of 140 gritters and over 250 personnel were available to salt almost 7,000 km of main roads representing 28% of the network. We aim to complete this in just over 3 hours which is an immense logistical exercise. On average, there are around 75 call-outs each year, using on average 55,000 tonnes of salt, at a cost of £75,000 per night.

Because of the high costs involved, it is essential that our engineers take informed decisions and they are assisted in this task by the very latest technology. This includes ice sensors linked to weather stations across Northern Ireland, installed in conjunction with the Met Office, and thermal mapping of all roads on the network. Improvements to the service this year included new thermal mapping surveys to help improve the accuracy of Met Office forecasts.

Information on our salting activities continues to be relayed electronically to the broadcast media to ensure that the latest news on road conditions is

available to motorists across Northern Ireland. Additional information, including a new Winter Service leaflet, can be found on our website at www.roadsni.gov.uk.

Development Control and Private Streets

We make a significant contribution to the Planning (NI) Order 1991 town and country planning process by providing transportation and roads-related advice to Planning Service. During the year, we dealt with 39,403 consultations from Planning Service on major and minor applications.

We 'determine' proposed streets in new housing developments that will eventually be 'adopted' and maintained by the Department. Private Streets, with a total construction value of £30.65 million, were determined in the past year and 80.7 km of streets were adopted. We supervised the construction of these streets to ensure they met the required standard for adoption. In 2005-06 there were 4,621 sites under construction with a construction value of approximately £134.5 million.

We also work closely with Planning Service on its Development Plans that are the basis against which future development applications are considered. This year we contributed to the following plans: Ards, Down, Newry and Mourne 2015, Armagh 2018, Banbridge, Antrim, Ballymena, Larne, Northern Area, Sub-Regional Transport, Magherafelt, West Tyrone and the Belfast Metropolitan.

Car Parking

Following the PSNI's decision to withdraw from the enforcement of on-street parking restrictions, to enable policing resources to be focused on areas of greater policing priority, we have been developing proposals for the decriminalisation of parking enforcement.

Following public consultation on a draft Order in Council, the Traffic Management (Northern Ireland) Order 2005 was made by the Privy Council in July 2005. The Order enables the Department to introduce a system of penalty charging for certain road traffic contraventions. It also changes the status of parking infringements from criminal offences,

enforced by the PSNI, to civil contraventions that can be enforced by the Department.

We will continue the process to procure, by negotiated procedures, the services of a specialist contractor to provide enforcement services. A separate procurement process is ongoing for the supply of the necessary IT support system. It is expected that both contracts will be awarded in the summer of 2006.

We have continued to develop a policy to allow the introduction of residents' parking schemes. These will afford a degree of preferential parking for permit holders in places where commuter parking gives rise to unacceptable levels of parking congestion or environmental problems for residents.

All applications for Disabled Persons Badges are processed at our Disabled Badge Unit in Enniskillen. During the year, we received 30,444 applications and issued 29,923 badges.

Street Lighting

We provide and maintain a system of street lighting on all adopted thoroughfares within urban areas and, in certain circumstances, on rural roads. In 2005-06, we spent £8.4 million installing new street lighting systems and replacing those that had reached the end of their useful lives. This included £1.4 million of additional funding received during the year to enhance our commitment to eliminate any backlog. We continued to implement a risk management strategy of targeting our financial allocation towards replacing columns of greatest age and poorest structural condition. In 2005-06, the number of street lights on our roads increased by about 1.4% to just over 257,500 as a result of upgrading schemes and our adoption of new housing developments.

We spent £5.9 million on maintaining the entire stock of street lights and the electricity energy bill was approximately £8 million. All street lights were inspected every 2 weeks in winter and every 4 weeks in summer to identify any outages. The overall rate of outages is 1%, which is within our key performance target of keeping 98% of street lights working.

We specify modern efficient lanterns which reduce the overall impact on the environment in terms of energy conservation and light pollution.

Emergency Response Service

We have procedures in place to assist with roads related emergency incidents, ensuring a 24 hours a day, 7 days a week response. We are also committed to co-operating with and assisting the blue light services and other statutory agencies, as far as practical, to ensure that quick and appropriate responses are made to incidents.

Our emergency response procedures are supported by a well-established reporting system to gather operational information from across Northern Ireland during an emergency. These arrangements feature a Roads Incident Desk that assesses new and follow-up incident reports received from divisions and forwards them to the Press Office, Private Office and senior managers. A lead communicator is available out of hours all year round to ensure that the latest news on road conditions is available to the travelling public.

A number of Roads Service emergency response plans have been developed, all of which are now available on our intranet site for staff to use. These plans also form part of an effective multi-agency response, for example, in the event of a multi-agency flooding response, we form part of a 'Flood Team' (made up of the Rivers Agency, Water Service and Roads Service) that provides overall co-ordination and liaison with the public and media.

Environmental Considerations

We continue to work with highway authorities across the UK to develop appropriate technical standards, ensuring that environmental design requirements are consistent with the Government's key theme of sustainable development and protection of the built and natural heritage. This work is developed through the updating of the Design Manual for Roads and Bridges (Volume 11).

Network Development

Key Objective: Improve journey times on the motorway and trunk road network

Major Works

Major Works are managed under the following four categories:

- Long-term Planning Schedule;
- 10-year Forward Planning Schedule;
- Preparation Pool; and
- Construction Programme.

Long-term Planning Schedule

The Long-term Planning Schedule will contain schemes that are not expected to start within the next 10 years but are considered to be of strategic benefit in the longer term. PPS3 'Access Movement and Parking' and PPS13 'Transportation and Land Use' envisage the identification, in Area Plans, of some strategic schemes which are not expected to be built within the plan period but for which long-term protection is desirable. This means that the lines of these schemes can appear in Area Plans and land can be protected to ensure that they can be built in the future.

10-Year Forward Planning Schedule

The Forward Planning Schedule contains a number of schemes that could be started within the next 10 years, subject to satisfactory economic and other appraisals, availability of finance, and satisfactory progression through the statutory processes.

All the schemes have been or are being appraised on the basis of the five national criteria for transport schemes of integration, safety, economy, environment and accessibility, to ensure

consistency between plans and with the Government's transport policy. The highest priority schemes will subsequently be considered for progression into the Preparation Pool. The following schemes are included in the 10-Year Forward Planning Schedule:

- A2 Widening - Buncrana Road, Londonderry (Pennyburn - Skeoge Link);
- A2 Widening - Buncrana Road, Londonderry (Skeoge Link - Border);
- A5/N14 Strabane - Lifford Link;
- A24 Ballynahinch Bypass;
- A26 Glarryford - A44 Dualling;
- A28 Armagh East Link;
- A29 Cookstown Eastern Distributor;
- A31 Magherafelt Bypass;
- Bankmore Link, Belfast;
- Fortwilliam/Kennedy Way/Tillysburn Park and Ride;
- A2 Sydenham Bypass; and
- A6 Derry to Dungiven Dual Carriageway.

Preparation Pool

The Preparation Pool allows high priority schemes to be taken through the statutory procedures, including acquisition of land, in advance of funding being confirmed. Subsequent progression into the construction programme is dependent on the level of funding available at that time. Progress on schemes in the current Preparation Pool is shown below.

Scheme	Estimated Cost £M	Position at 31 March 2006
M2 Crosskennan – slip roads at Antrim Hospital	2.6	Statutory processes complete.
M2 Widening (Sandyknowes to Greencastle)	19.5	Statutory processes complete.
A1 Dual Carriageway - Beech Hill to Cloghogue, Newry	102.0	Notice of Intention to Proceed published December 2005. DO published December 2005. NIMVO published February 2006.
A6 Dual Carriageway – M22 to Castledawson Roundabout	69.5	Proposed line announced September 2005.
A4 Dual Carriageway - Dungannon to Ballygawley	102.0	ES, NIMDO and NIMVO published December 2005. Public Inquiry commenced in March 2006.
A4 Annaghilla/A5 Tullyvar – single carriageway realignments with overtaking opportunities	15.7	ES, NIMDO and NIMVO published December 2005. Public Inquiry commenced in March 2006.
Cairnshill Park and Ride	10.0	Scheme options currently being assessed.
A1 Junction/Improvements – provision of flyovers at 4 additional junctions at: <ul style="list-style-type: none"> • Hillsborough (Dromore Rd) • Dromore (Banbridge Rd) • Banbridge (Dromore Rd) • Loughbrickland (Dublin Rd) 	16.0	ES, NIMDO and NIMVO published December 2005. Public Inquiry held in March 2006 for the junctions at Hillsborough (Dromore Rd) and Dromore (Banbridge Rd) only.
A20 Newtownards Southern Distributor	1.0	ES and NIMDO published June 2005.

Scheme	Estimated Cost £M	Position at 31 March 2006
A20 Newtownards Frederick Street Link	1.1	Planning Application submitted December 2005.
Skeoge Link, Londonderry (revised)	5.0	Planning Application submitted October 2005. NIMVO published March 2006.
A2 Broadbridge dualling, Londonderry	25.4	Proposed line announced November 2005.
A29 Carland Bridge improvement, Dungannon	4.0	Consultants appointed to complete the Environmental Impact Assessment.
A26/M2 Ballee Road East, Ballymena	6.6	Proposed line announced October 2005.
A4 Henry Street/Sligo Road, Enniskillen	1.1	Options Study Complete.
A514 Crescent Link, Londonderry	4.6	Part under construction (being provided by adjoining developer).
A32 Cherrymount Link, Enniskillen	3.8	Consultants appointed to complete the Environmental Impact Assessment.
A55 widening at Knock Road, Belfast	4.3	Assessment of options progressing.
A5 Strabane Bypass – Stage 3	2.9	Topographical survey complete.
A3 Armagh North and West Link	15.4	Consultants appointed. Public exhibition held March 2006.
A2 widening at Greenisland	21.1	Stage 1 assessment complete. Public consultation/exhibition held in March 2006.

ES – Environmental Statement

DO – Direction Order

NIMDO – Notice of Intention to make a Direction Order

NIMVO – Notice of Intention to make a Vesting Order

Construction Programme

The Construction Programme contains those schemes which have completed the statutory procedures (where applicable) and for which funding has been confirmed. Details of progress on schemes in the 2005-06 programme are set out below.

Scheme	Estimated Cost £M	Position at 31 March 2006
Bann River Bridge, Portadown – strengthening	4.3	Completed in February 2006.
A5 Omagh Throughpass – Stage 3	9.7	Due for completion in September 2006.
A1 Loughbrickland to Beech Hill – dual carriageway	24.2	Due for completion in August 2006.
A1/N1 Newry to Dundalk cross border link	33.0 (NI section costs)	Due for completion in December 2007.
M1/Westlink improvements – widening to 3 lanes plus hard shoulder in each direction between Stockmans Lane and Divis Street, with flyover junctions at Broadway and Grosvenor Road	103.9	Due for completion in March 2009.

Public Private Partnerships

We currently plan to deliver some £370 million of capital improvements through the use of the Design, Build, Finance and Operate (DBFO) form of contract. The DBFO approach is a form of Public Private Partnership (PPP) where road improvements are designed, constructed and financed by a private sector consortium which then operates and maintains the road, under the direction of Roads Service, for up to 30 years for an agreed series of payments from Government. A dedicated PPP Unit manages the programme.

DBFO Package 1 includes the M1/Westlink upgrade, M2 widening between Sandyknowes and Greencastle and the M2 Crosskennan slip roads at Antrim Hospital. The project also includes the operation and maintenance of 65 km of the motorway and trunk road network. Procurement of this package continued during the year. The two short-listed

tenderers submitted their Best and Final Offers in May 2005 and the preferred bidder was selected in June 2005. Final negotiations with the preferred bidder were completed earlier this year and financial close was completed in February 2006. Work has commenced on the M1/Westlink scheme.

The Minister formally launched the procurement of DBFO Package 2 in March 2005. This package will include dualling the A1 between Beech Hill and Cloghogue, Newry, improving the safety of junctions on the A1, provision of a central median safety barrier between Sprucefield and Loughbrickland, dualling the A4 between Dungannon and Ballygawley and improvements to the A4 at Annaghilla and A5 at Tullyvar. This project also includes the operation and maintenance of 125 km of the motorway and trunk road network. We have pre-qualified 3 tenderers for this package who submitted tenders in March 2006. These tenders are currently being evaluated.

Bridge Strengthening

During the year, we spent £12 million on strengthening bridges, including work on Foyle Bridge and the Bann River Bridge, Portadown.

Widened Single Carriageways

During the year, we introduced a number of 2+1 safe overtaking schemes for drivers along the key transport corridors including:

- A5 Blackhill (Omagh to Ballygawley);
- A4 Maguiresbridge;
- A6 Mullagh;
- A5 Garvaghy;
- A26 Ballymena to Ballymoney Road at Ballinaloob (towards Ballymena) including junction improvements to Dunloy Crossroads; and
- A7 Saintfield to Crossgar, Doran's Rock (towards Downpatrick).

These schemes are known as 2+1s, because they have 2 lanes in one direction (to provide a guaranteed overtaking opportunity) and 1 lane in the opposite direction.

Local Transport and Safety Measures

As part of our ongoing commitment to improve road safety, we continue to identify those parts of the road network where collisions are known to occur. These sites are investigated to determine collision patterns and whether the site is suitable for remedial measures that will reduce the likelihood of further road traffic collisions occurring.

During the year, we spent over £25 million on improvements to the safety and efficiency of the road network as well as implementing the Department's sustainable transportation policies. This work included:

- 61 collision remedial measures at specific sites and along routes;

- traffic calming to 284 individual streets;
- 25.9 km of cycle lanes;
- 21 km of new footway and other improvements for pedestrians; and
- improved travel information for road users.

EU Structural Funds 2000-06

During the past 10 years, we have received approximately £75 million of funding from the European Regional Development Fund, the main aims of which are to:

- help reduce the gap between development levels and living standards among the regions and the extent to which least-favoured regions are lagging behind; and
- help redress the main regional imbalances in the community by participating in the development and structural adjustment of regions whose development is lagging behind and the economic and social conversion of regions.

In order to manage, co-ordinate and monitor the funding, we liaise with the Department of Finance and Personnel, Department for Transport and the Special EU Programmes Body in the implementation of the 4 EU Funding programmes as follows:

- Building Sustainable Prosperity Programme (Measure 1.6A – Roads and Transport);
- Peace II Programme (Measure 1.1D – Economic Renewal – Business Competitiveness and Measure 5.2 – Improving Cross Border Public Sector Co-Operation);
- INTERREG IIIA Community Initiative (Measure 2.1D – Supporting Physical Infrastructure and the Environment – Inter-Regional Economic Infrastructure – Roads and Transport); and
- TENs (Trans-European Networks) funding.

Customers

Key Objective: Deliver quality services for our customers and stakeholders in a fair and equitable way

External Communications

During 2005-06, we continued to carry out public consultations and exhibitions about major road schemes. We issued press releases and road works reports to the media and continued our partnership with BBC Radio Ulster, which broadcasts traffic reports directly from our Traffic Information and Control Centre.

In order to gauge the external perceptions of Roads Service, we undertook a customer consultation exercise. This was carried out through a quantitative 'Omnibus' survey of 1,100 households throughout Northern Ireland to determine the overall level of customer satisfaction with Roads Service and the services we provide. Analysis of this survey, in conjunction with previous similar exercises, reveals trends and enables us to bring forward measures to further develop our customer service. The overall level of customer satisfaction has risen to 75%.

During the year, we implemented our Communications Strategy which provides a cohesive structure for the many forms of communications with our stakeholders and reinforces an informed and positive image of the Agency. We also actioned the first in a series of three Communications Action Plans in support of the Communication Strategy.

We continued to provide a quality customer service based on the following principles:

- **Timeliness** - supplying up-to-date information through our corporate publications and via our website www.roadsni.gov.uk;



Roads Service stand at Balmoral Show

- **Openness and Transparency** - acting in accordance with the Freedom of Information Act by publishing and making available, a range of classes of information on our Publication Scheme which can be accessed online at www.drdni.gov.uk/foi; and
- **Accessibility** - continuing to make our publications available, if requested, in a range of alternative formats i.e. Braille, audio-tape, large print and ethnic minority languages.

We also published a series of information leaflets about the services we provide and on specific road schemes. Our free newspaper, on the move, was published and distributed through our local offices, selected petrol stations and public libraries.

Following a very well received appearance in 2004, we returned to the Royal Ulster Agricultural Society Spring Show at Balmoral, which was attended by some 60,000 visitors over 3 days.

We continued to engage with the public face to face by participating at the Ballymena, Castlewellan and Enniskillen agricultural shows and had a presence at the Motorplus Show at Balmoral.

Road User's Charter

Our Road User's Charter Statement outlines the functions that we are responsible for and sets out the standards of service that the public should expect to receive from us. The document explains how the public can contact us, how their enquiries will be dealt with, and the action that can be taken in the event of a customer being dissatisfied with our service.

Equity

During the year, we continued to contribute to the Department's New Targeting Social Need (New TSN) and Human Rights Action Plans and to the Equality Scheme. We also continued to comply with the statutory obligations of the Northern Ireland Act 1998 with regard to equality impact assessments when developing or reviewing policies, consulting widely with representative Section 75 groups.

We continued to promote equality of opportunity, fair employment and good industrial relations through regular consultation with both industrial and non-industrial staff and their representatives. We have published final Equality Impact Assessments for the following policies:

- Provision of Pedestrian Facilities;
- Operation and Management of Off-Street Car Parks;
- Review of the Blue Badge Scheme;
- the Belfast Metropolitan Transport Plan; and
- the Regional Strategic Transport Network Transport Plan.

Disability Discrimination Act 1995

We are committed to meeting our obligations under the Disability Discrimination Act 1995 (DDA) to make 'reasonable adjustments' to the physical features of our premises to overcome physical barriers to access.

Upgrading work, identified as a result of DDA Access Audits, has been implemented in a number of our premises. We will continue to ensure that appropriate guidance and systems are in place to allow us to meet our commitments under the DDA.

We have developed procedures to respond to requests from property holders who wish to alter the public road or footway at their expense, in order to meet their DDA obligations.

Access Legislation

We have implemented the legislative requirements of the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004. We have ensured that appropriate policies, guidance and systems have been put in place to meet our obligations within the required timescales.

Business

Key Objective:
Operate to
resource limits
and improve value
for money

Reform Programme

Throughout the year, we have continued with our role in the advancement of the Government's reform programme. Our contribution to the Department's reform plans, designed to improve value for money and increase efficiency, has been through more efficient construction procurement, together with the development of Public Private Partnerships as outlined on page 24.

Improved Service Delivery

The Best Value Reviews of our two provider units, Roads Service Consultancy and Roads Service Direct, were completed at the end of 2003-04. In the past year, work has been continuing in both business units to implement the recommendations for improvement identified during these reviews.

Within Roads Service Consultancy during 2005-06 we:

- achieved 93% of the high level milestones arising from the Best Value Review Action Plan against a target of 85%;
- entered into a partnering contract with Owen Williams Consultants to deliver Roads Service requirements;
- continued to monitor continuous improvement and Best Value through the use of Key Performance Indicators, including direct benchmarking with our partner;



Westlink improvements

- remained in the upper quartile of Highway Design Benchmarking Club members;
- delivered efficiency savings through procurement efficiencies made through process improvements and reduced construction costs; and
- continued preparation for certification under ISO 9001:2000.

Within Roads Service Direct, work continues on the implementation of a robust unit costing methodology.

We have undertaken a Comprehensive Performance Assessment (CPA) of all the activities carried out by the Agency. We have used this to help us review how we run our business and how effectively we deliver our services.

The CPA was based on the Audit Commission framework, adopted for use by Roads Service and was comprised of two distinct elements. The first, a Corporate Ability Self-Assessment examined the strengths and weaknesses of the management of the organisation against 9 themes. The second element, the Core Service Assessment, summarised Best Value progress on blocks of core services, achievement of national Best Value performance indicators and the use of resources within the organisation.

The overall CPA judgement of the organisation (poor, weak, fair, good or excellent) was attained from a matrix that combines the numerical scores awarded to the Corporate Ability and Core Service Elements. The subsequent rating of Roads Service at the top end of 'Good' has been endorsed by an external independent peer reviewer and the Department's Internal Auditor. In addition to producing an organisational rating, the findings of the assessment have been analysed to produce an Agency Improvement Plan. It was the opinion of the independent reviewer that the implementation of this Plan should lead to Roads Service performance being deemed as excellent.

Centre of Procurement Expertise

In November 2005, Roads Service was re-accredited as a Centre of Procurement Expertise for construction for the three year period July 2005 to June 2008. The re-accreditation was independently carried out by Price Waterhouse Coopers on behalf of Central Procurement Directorate.

This indicates that we are carrying out our procurement activities to industry best practice and providing a high quality service in this area.

Performance Measurement and Monitoring

We measure our performance against Key Performance Targets published in our Business Plan. The outturns against the published 2005-06 targets are detailed on pages 44-45. Progress is monitored by the Roads Service Board on a regular basis, using the following reports.

The '**RoadStat**' key performance monitor records progress on our Business Plan targets and is compiled monthly. This document also facilitates internal benchmarking and highlights areas for attention.

The **Agency Improvement Plan** was developed to record our progress against the actions identified through the CPA self-assessment exercise.

The **Financial Report** presents a monthly synopsis of the current financial position.

Corporate Governance

The Chief Executive, in his capacity as Agency Accounting Officer, is responsible for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and Agency assets in accordance with the responsibilities set out in 'Government Accounting Northern Ireland'.

The Roads Service Board supports the Chief Executive by contributing to the corporate management of the Agency within the strategic policy and resources framework set by Ministers. Terms of reference have been developed for the Roads Service Board to reflect the requirements set out in the Code of Good Practice on Corporate Governance in Central Government.

A key component of our approach to Corporate Governance is the Accounting Officer's Statement on Internal Control (see pages 53-54).

The work of the Department's Internal Audit Branch also provides the Accounting Officer with an independent assessment of the effectiveness of our system of internal control. In addition, our annual resource accounts are scrutinised by the Comptroller and Auditor General (see pages 55-56).

The system of internal control within Roads Service is based on an ongoing risk management process. This identifies the principal risks associated with the achievement of our policies, aims and objectives along with the controls in place to manage those risks at three key levels:

- Agency – high level risks for the Agency managed by the Roads Service Board;
- Directorate – key risks identified and managed by Agency Directors and their management teams; and
- Business Unit – key risks identified and managed within Business Units and feeding into the Agency/Directorate level risks as appropriate.

The risk management cycle is a 'top-down' and 'bottom-up' exercise that allows risks to be identified and managed at the appropriate level outlined above and to be escalated as appropriate.

The key risks identified and managed at Agency level during 2005-06 included:

- failure to deliver an effective Human Resource service;
- failure to achieve key service targets and central initiatives;
- failure to have robust financial management processes in place;
- inability to secure sufficient funding to meet corporate objectives;
- major failure of critical system;
- major incident resulting from inadequate health and safety arrangements;
- failure to evidence and deliver value for money from procured services; and
- failure to minimise serious and exceptional incidents on the road network.

Information Systems

During the year, we introduced a revised Information Systems (IS) Strategy covering the period 2005-08. Over the period covered by the IS Strategy, it is estimated that over £7.5 million will be spent on the delivery of IS services within the Agency. It is important that these resources are effectively deployed and managed in support of our key objectives and the IS strategy aims to achieve this.

Our People

Key Objective: Support and motivate all our people to achieve the Agency's objectives

Staff

Our people are our most important resource and the level of staffing has remained similar to last year. We continue to give a very high level of priority to filling emerging vacancies and, during the year, there were a number of external recruitment competitions. This was complemented by a major programme of Professional and Technical promotion boards, covering virtually every Professional and Technical grade, plus a number of specific trawls.

We continue to give a high level of priority to reducing sickness absence levels for both non-industrial and industrial staff. In addition, the Department set further challenging targets for

reduction of non-industrial sickness absence during 2005-06 that we not only met but significantly exceeded. We now have the lowest non-industrial sickness absence rate within the Northern Ireland Civil Service which we aim not only to maintain but, if possible, further reduce during 2006-07.

The total staff complement at 31 March 2006 was 2,417, comprised of 1,123 Professional and Technical, 713 Industrial, 498 Administrative and 83 Support staff.

Human Resource Culture

We continue to follow best practice in learning and development. We use the Investors in People (IIP) process to improve our performance and realise our business objectives by managing and developing our people. In May 2005, we were awarded IIP re-accreditation. We have continued to progress improvements including the promotion of essential skills training, covering basic literacy, numeracy and computer skills, in partnership with Educational Guidance Service for Adults and the Workers Educational Association.

We continued to offer a wide range of learning and development opportunities to all of our people and we equip our managers with the necessary skills to engage and support their staff. Newly appointed managers participate in our Management Development Programme and we offer an Administrative Development Programme to our Administrative Officers and Administrative Assistants. Our staff have also been trained in Performance Appraisal Interviewing and the new Performance Management Systems.

We have assisted and encouraged our people to participate in volunteering opportunities in the local community. This year we approved special paid leave for 70 of our people to participate in a total of 63 days for a variety of volunteering activities.



Voluntary work, Parkanaur College

Training and Development

During the year, we continued to deliver a structured programme of core, strategic, specialist and on-the-job training. We committed over £1.5 million to deliver more than 11,000 days training. Courses included Health and Safety, Time Management, Presentation Skills, Project Management and AutoCAD.

We have continued to review how we manage and deliver training across the Agency. We have improved our course evaluation and attendance procedures, enhanced our computerised training management system to improve the way that we hold supporting management information, and have worked more closely with our training providers to meet the training needs of our people.

Through our Aids to Study Policy, we continued to support our people with a range of development opportunities for both work-related and wider personal development. Once again there was a significant uptake of further education courses and we approved 196 applications at a cost of around £178,000.

Career Development

A Roads Service Career Development Strategy has now been fully implemented and brings in a partnership approach, based on the aspirations of the individual, the immediate and longer-term needs of Roads Service and the balance to be struck between them.

Internal Communications

Throughout the year, we continued to ensure that staff had timely and accurate information on key developments and decisions which impact on present and future work. To assist with this, we provided an internal magazine (Roundabout), regular staff briefs and team meetings, updates and circulars, produced guidelines and information via our intranet site and undertook a series of staff focus groups on a range of issues.

We carried out our third Agency-wide staff opinion survey, giving staff from all disciplines and grades the opportunity to express their views about communications, as well as their job, management, training, career development and the Agency in general.

We reported the results of the survey to all staff and put in place mechanisms to address areas for improvement. The surveys helped us to build an accurate picture of trends in staff views and use this information to make comparisons against Central Government Benchmark data.

The Roads Service Board continued to hold a series of informal roadshows with staff throughout the Agency on a regular basis, and this again proved to be a useful vehicle for interaction between staff and management.

Health and Safety

Since completing the implementation of operational safety control sheets, a review of the remaining safety management and safe working procedures is underway to ensure the continued efficacy of the management system. In the past year, health and safety has become firmly embedded into the procurement strategy.

Training and assessment of designers and planning supervisors has been completed. Consequently, there are approximately 60 engineers registered as competent to carry out planning supervisor duties for Roads Service. There is a future programme of training in place for new recruits and re-assigned staff. This fits with our approach to designing safely and demonstrates ongoing commitment to the Buildsafe-NI initiative.

We aimed to achieve a 20% reduction in reportable accidents, from our 1999-2001 3-year average of 18 per 1,000 employees, by 31 December 2005. This target was exceeded with the final rate for the year ending March 2006 being 11.5 per 1,000 employees.

Financial Review

Funding

Roads Service is funded principally by monies voted from Parliament and, to a lesser extent, by car parking and ferry receipts, proceeds from the sale of land and operation and maintenance costs recoverable from third parties.

Fixed Assets

Details of the movements in fixed assets are set out in Note 8 to the Accounts.

The net book value of fixed assets has increased by £3.4 billion during the year. The majority of this increase is due to the revaluation of infrastructure assets, including an increase of £2.5 billion in infrastructure land values.

The Review of Public Administration announcement confirmed that responsibility for maintenance and development of local roads currently included in fixed assets would transfer to the new local councils.

Business Review and Results for the Year

A full review of the Agency's activities is contained within the operating review. The Net Cost of Operations, as shown on page 57, is £989,065k (2004/05 restated: £821,729k).

Financial Performance

Details of the outturn against the estimate are shown below:

Annually Managed Expenditure (AME) caters for items of a technical nature, such as local road depreciation and cost of capital, for which the variances are £78m and £74m respectively. The variance in cost of capital is due to an overestimate of the effect of the change in accounting policy for donated assets and the variance in depreciation is as a result of the output from the condition survey on non-trunk roads which was inconsistent with engineering expectations.

The resource Departmental Expenditure Limit (DEL) variance is due to a condition improvement on trunk roads as a result of a change in methodology to incorporate the impact of the in-year resurfacing carried out.

The £5m variance in capital DEL is primarily due to slippage of major projects, the majority of which is included in an application for End Year Flexibility (EYF).

The non-budget category principally comprises the prior period adjustment in relation to the change in accounting policy for donated assets.

Budgetary Area	Estimate (Spring Supplementary Estimate) £'000	Outturn £'000	Variance £'000	%
Resource AME	965,368	820,314	145,054	15.0
Resource DEL	168,876	162,303	6,573	3.9
Capital DEL	115,153	110,089	5,064	4.4
Non-budget	101,760	100,173	1,587	1.6

The main features arising from the Agency's financial performance in the year (page 57 and supporting notes) are as follows:

- An increase of £2.3m in income, attributable to: an increase of £0.7m in car park receipts following a review of tariffs in year; and an increase of £1.8m in recoverable works due to £0.7m for work carried out in 2004/05, but not invoiced until 2005/06, and an increase in the number of schemes carried out on behalf of third parties.
- Staff costs increased by over £3m, of which £2m related to an increase in employer pension costs following a rise in rates in 2005/06 as a result of the latest actuarial valuation.
- Other operating costs in 2005/06 have increased by £1.7m in total due to:

(a) increases in

- materials and fuel (£887k) in line with the increase in recoverable works during the year and price increases in fuel costs.
- electricity (including street lighting energy costs) (£527k) which is as a result of an increase in tariff following the rising global cost of fuel combined with a growth in the connected load due to an increase in the number of street lights.
- notional costs (£688k) primarily due to an increase in the notional accommodation cost as a result of a revised methodology in calculating the charge.
- loss on disposal of fixed assets of £216k compared with a profit on disposal of £414k in 2004/05 (£630k increase). The profit on disposal in the prior year is as a result of the disposal of two properties above their net book value. In the current year, the loss is primarily due to the disposal of structures at a value of £245k and a small profit on disposal of land of £44k.
- exchange loss of £490k (2004/05: nil) of which £482k relates to EU income.

There was no exchange difference arising in 2004/05 as there were no amounts received in relation to EU debtors during the year.

(b) decreases in

- an impairment charge of £1.2m in 2004/05, with no charge in 2005/06 as there were no assets identified as impaired.

(c) grant reserve release

- increase in the release from the grant reserve of £707k. This represents the release of EU government grants received in respect of capital assets, over the useful life of the assets. The release has increased in line with EU income received and credited to the grant reserve.

- In 2005/06, there was a net condition reduction of £897k, compared with a net condition improvement of £35,279k in 2004/05. This is primarily due to a condition improvement of £4,056k in roads and bridges (2004/05: £40,127k) and a depreciation charge of £4,953k in other assets (2004/05: £4,848k).

- The cost of capital charge (3.5% in both 2004/05 and 2005/06) has increased by £129m as a result of an increase in the average carrying value of assets less liabilities, primarily due to the adjusted opening balances of tangible fixed assets.

Remote Contingent Liabilities

As stated in note 18 of the Annual Accounts, there are no contingent liabilities that are not required to be disclosed under FRS 12 but are required to be disclosed for parliamentary reporting and accounting purposes.

Important Events Occurring After The Year End

There are no significant events since the year-end which might affect a reader's understanding of these accounts.

Future Strategy

Review of Public Administration

In November 2005, the Review of Public Administration announcement by Ministers confirmed that responsibility for maintenance and development of local roads would transfer to new local councils. Local roads are all public roads apart from the motorway and trunk road network and comprise 23,700 km of Northern Ireland's 25,000 km public road network. Overall responsibility for the motorway and trunk road network, together with responsibility for roads policy, standards, funding and monitoring will remain within central Government.

This decision, naturally will have a major strategic impact on the future role of Roads Service and will have wide-ranging implications for our staff. It is anticipated that around 2,000 staff could transfer with the work associated with local roads.

As a result, a change management programme has been established within Roads Service. The aim of the programme is to plan and facilitate the smooth transfer of the current Roads Service responsibilities to new structures under local and central Government control.

Decriminalisation of Parking Enforcement

We will continue to work in partnership with the PSNI to implement decriminalised parking enforcement (DPE). The Order allowing the Department to assume responsibility for parking enforcement is now in place and we will appoint an enforcement contractor to allow implementation of DPE in late 2006.

Our primary objectives in introducing DPE are to reduce traffic congestion impacts and improve highway and pedestrian safety by reducing incidences of illegally parked vehicles.

A Public Awareness Campaign will be implemented to ensure that the public understand what the introduction of DPE will mean for the motorist, the relevance of waiting and parking restrictions and how to raise queries or make complaints.

On implementation of DPE, the issue of Blue Badge abuse will be addressed. The new powers will be used to deliver a clear and consistent message that abuse or misuse of the Blue Badge Scheme will not be tolerated.

The first Residents Parking Schemes are likely to be introduced in spring 2007, following the introduction of DPE.

Business Improvement

We have applied the principles of Best Value since 1999 as part of our commitment to continually improve all that we do. This initiative has now being extended to encompass a Comprehensive Performance Assessment of the whole organisation. As detailed on pages 28-29, the resulting analysis, which deemed the Agency as 'Good', has enabled the development of an Agency Improvement Plan (AIP) to further improve the Agency. The continued implementation of the AIP will move Roads Service from an overall assessment of 'Good' to 'Excellent'.



A26 at the Frosses



Traffic Information and Control Centre

We will continue to use the European Foundation for Quality Management (EFQM) Excellence Model as a framework to help identify those areas in which we can improve our performance. In 2006, we will prepare a 'Steps to Excellence' submission to obtain external validation of the business process refinements that we have introduced to date.

Benchmarking

The Benchmarking of our activities will continue to be central to our approach, as will the use of national performance indicators that support high level performance comparisons with road authorities in Great Britain. We remain committed to driving down costs that are shown to be higher than in comparable partner organisations, where those costs cannot be justified. Where unjustified costs cannot be reduced, or output or levels of service cannot be increased to a competitive level, then market testing or contracting out will be considered.

Network Management

We have played a leading role in the management and development of the Euro-Regional project called STREETWISE. This was a 6-year programme, finishing at the end of 2006, and had as its objectives the improvement of road safety and the provision of traffic control and travel information on the Trans European Road Network (TERN), of which our motorways form part. Other partners in the project were the Highways Agency, the Department for Transport (GB), the Scottish Executive, the Welsh Assembly Government and the National Roads Authority (Republic of Ireland). Altogether there are 7 such Euro-Regional projects in existence across Europe.

We will endeavour to remain to the forefront of traffic control and travel information technology (known as Intelligent Transport Systems). Together with our STREETWISE partners and those of all the other Euro-Regional projects, we are currently discussing, with representatives of the European Union, the possibilities of European funding for a new 6-year programme.

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

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

The officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

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 most senior officials of the Agency.

Senior Civil Servants

Board Members	2006 Salary £'000	2006 Benefits in kind (to nearest £100)	2005 Salary £'000	2005 Benefits in kind (to nearest £100)
D M McKibbin (Dr) Chief Executive	85-90	-	85-90	-
Mr D Orr Director of Network Services	65-70	-	60-65	-
Mr J Carlisle Director of Corporate Services	65-70	-	55-60	-
Mr G Allister Director of Engineering	60-65	-	60-65	-
Mr J McNeill Director of Finance	60-65	-	55-60	-

Salary

'Salary' includes gross salary; performance pay or bonuses any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Agency and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the above received any benefits in kind.

Civil Service Pensions

Board Members	Accrued pension at age 60 as at 31/3/06 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/3/06 £'000	CETV at 31/3/05 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account (to nearest £100)
D M McKibbin (Dr) <i>Chief Executive</i>	25-30 plus 85-90 lump sum	2.5-5 plus 0-2.5 lump sum	430	387	22	-
Mr D Orr <i>Director of Network Services</i>	25-30 plus 75-80 lump sum	2.5-5 plus 0-2.5 lump sum	404	367	19	-
Mr J Carlisle <i>Director of Corporate Services</i>	30-35 plus 90-95 lump sum	2.5-5 plus 0-2.5 lump sum	566	518	28	-
Mr G Allister <i>Director of Engineering</i>	20-25 plus 65-70 lump sum	2.5-5 plus 0-2.5 lump sum	384	348	18	-
Mr J McNeill <i>Director of Finance</i>	10-15 plus 20-25 lump sum	0-2.5 plus 0-2.5 lump sum	134	115	12	-

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. 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 in the same way as in 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 from a selection of approved products. 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).

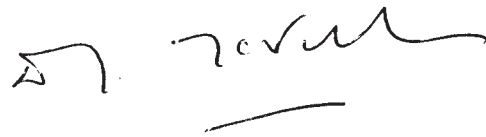
Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.



D M McKibbin (Dr)
Chief Executive

9 June 2006

Appendices

The background of the page is a dark blue gradient with a bokeh effect. It features several out-of-focus light spots in various colors, including yellow, orange, red, and teal, scattered across the frame. The word "Appendices" is centered at the top in a white, sans-serif font.

Appendix 1

Our Structure (at 31 March 2006)

Headquarters

Clarence Court

10-18 Adelaide Street

Belfast

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Text phone: (028) 9054 0022

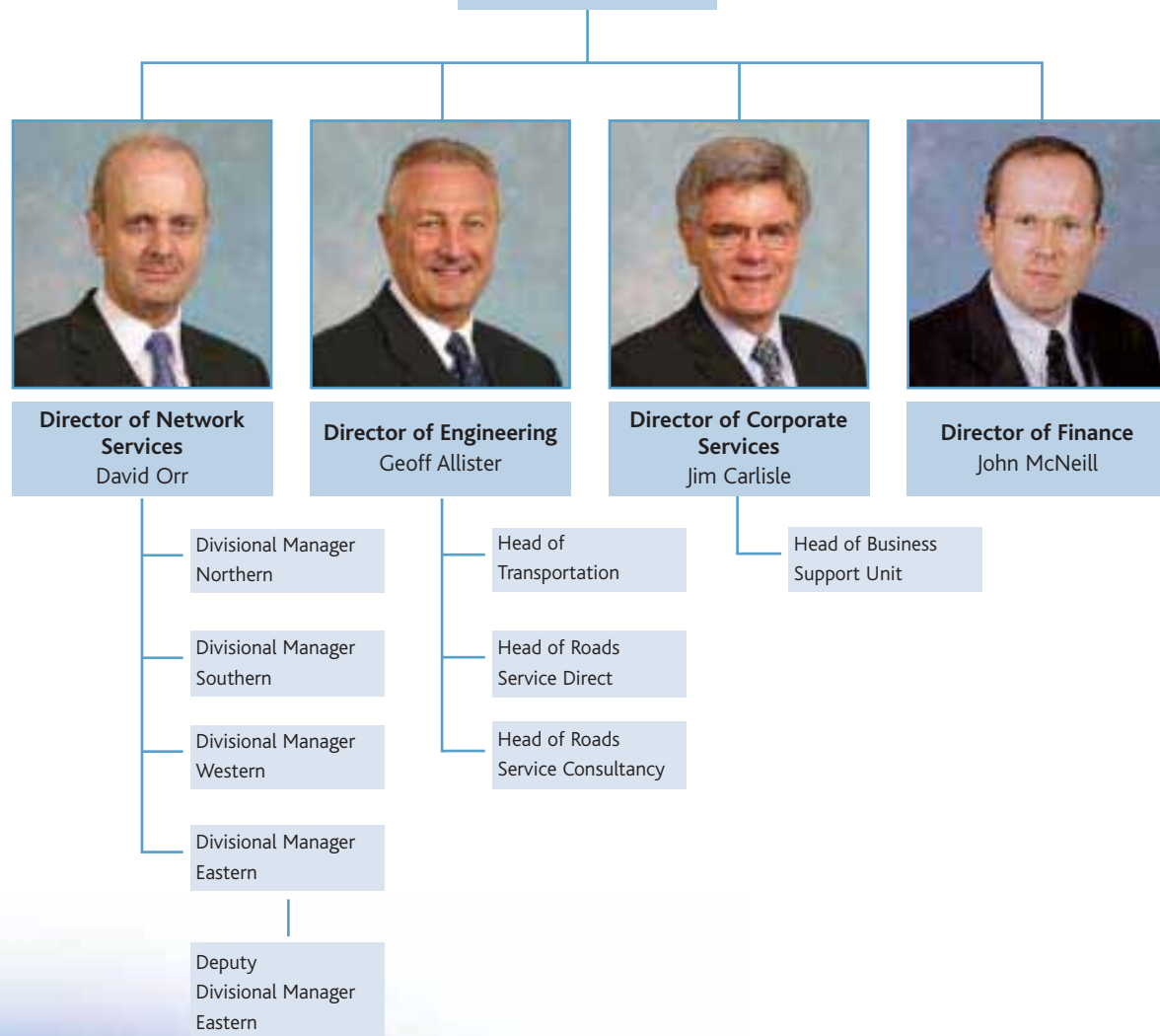
Fax: (028) 9054 0024

e-mail: roads@drdni.gov.uk

website: www.roadsni.gov.uk



Chief Executive
Malcolm McKibbin





Divisional Roads Manager
Jim Beattie

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Coleraine, Limavady and
Londonderry



Divisional Roads Manager
John White

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Phone: (028) 3834 1144
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email: roads.southern@drdni.gov.uk
6 local offices at:
Armagh, Banbridge,
Carn, Newry,
Newtownards and Seaforde



Divisional Roads Manager
Joe Drew

Eastern Division

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and Lisburn



Divisional Roads Manager
Pat Doherty

Western Division

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6 local offices at:
Cookstown, Dungannon,
Enniskillen, Magherafelt,
Omagh and Strabane



Deputy Divisional Manager
Tom McCourt



Head of Consultancy
Bob Cairns

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Business Support Unit

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Appendix 2

Key Performance Targets

Target	Outturn
<p>Transportation Lead the preparation of the Sub-Regional Transport Plan for completion of a draft Plan by March 2006.</p>	<p>Achieved The Sub-Regional Transport Plan was published for consultation on 31 March 2006.</p>
<p>Network Maintenance Maintain the motorway network so that at least 85% is in satisfactory structural condition.*</p>	<p>Achieved 89% of motorways are in satisfactory structural condition.</p>
<p>Maintain the trunk road network so that at least 75% is in satisfactory structural condition.*</p>	<p>Not Achieved 73.5% of trunk road network in satisfactory structural condition.</p>
<p>By the end of March 2006, other roads¹ in the network to receive resurfacing treatment of 35% of that recommended in Best Practice Guidelines.*</p>	<p>Achieved Other roads in the network received resurfacing treatment of 57% of that recommended in Best Practice Guidelines.</p>
<p>Network Management Reduce, by at least 50%, the total number of target collisions occurring at treated sites over the 3 years following completion of the collision remedial works.</p>	<p>Information not available until 2007-08. The target is to be calculated over a 3-year period following completion of the works i.e. 3 years post 1 April 2003 – 31 March 2004.</p>
<p>Network Development Achieve 85% of our major works scheme milestones.</p>	<p>Not Achieved 80%</p>
<p>Customers Respond to 90% of written correspondence from road users within 15 working days.</p>	<p>Achieved 95%</p>
<p>Business Maintain expenditure within resource limits and to approved budgets.</p>	<p>Achieved</p>

Target	Outturn
<p>Progress the implementation of the Agency Improvement Plan and the action plans arising from the Best Value Improvement Plans for Provider units:</p> <ul style="list-style-type: none"> • 75% of Agency Improvement Plan milestones to be completed by the end of March 2006. • 85% of RSC Action Plan high-level milestones to be completed by the end of March 2006. • All RSD Action Plan milestones to be completed by the end of March 2006. 	<p>Achieved</p> <p>95% of Agency Improvement Plan milestones completed by March 2006.</p> <p>93% of RSC Action Plan high-level milestones completed by March 2006.</p> <p>100% of RSD Action Plan milestones completed by March 2006.</p>
<p>Our People</p> <p>By the end of March 2006, reduce the average annual level of absenteeism due to sickness to not more than:</p> <ul style="list-style-type: none"> • 6.8% (15.3 days per person) for industrial staff; and • 4.1% (9.2 days per person) for non-industrial staff. 	<p>Not Achieved</p> <p>7.17% (16.3 days per person).</p> <p>Achieved</p> <p>3.1% (6.9 days per person).</p>

¹other than motorways and trunk roads

Targets marked + are Public Service Agreement targets

Appendix 3

Supporting Business Targets

Target	Outturn
<p>Network Maintenance Resurface over 450 lane km of the road network.</p>	<p>Achieved 935 lane km</p>
<p>Surface dress over 7.1 million square metres of the road network.</p>	<p>Achieved 7.4 million square metres</p>
<p>Repair or make safe, by the end of the day following the day of detection, at least 92% of serious road surface defects:</p> <ul style="list-style-type: none"> • 50-100 mm deep on heavily trafficked urban roads and footways; and • over 100 mm deep on all roads and footways (except lightly trafficked rural roads). 	<p>Achieved 97%</p>
<p>Repair or make safe within 5 working days of detection, at least 92% of defects:</p> <ul style="list-style-type: none"> • between 20 and 50 mm deep on heavily trafficked roads and footways; • between 50 and 100 mm deep on all roads and footways except heavily trafficked urban roads and footways and lightly trafficked rural roads; and • over 100 mm deep on lightly trafficked rural roads. 	<p>Achieved 96%</p>
<p>Repair or make safe within 4 weeks of detection, at least 92% of defects:</p> <ul style="list-style-type: none"> • between 20 and 50 mm deep on medium and lightly trafficked urban roads and medium trafficked roads; and • between 50 and 100 mm deep on lightly trafficked rural roads. 	<p>Achieved 97%</p>
<p>Network Management Implement at least 50 collision remedial schemes.</p>	<p>Achieved 61 collision remedial schemes implemented.</p>
<p>Construct traffic calming measures in over 220 streets.</p>	<p>Achieved Traffic calming measures constructed in 284 streets.</p>
<p>Introduce School Safety Zones to at least 40 schools.</p>	<p>Achieved School Safety Zones introduced to 43 schools.</p>

Target	Outturn
Provide 13 km of new cycle lanes.	Achieved 25.9 km
Provide measures for safer walking that will include: <ul style="list-style-type: none"> • resurfacing over 100 km of existing footway; • constructing over 17 km of new footway; and • providing 24 controlled pedestrian crossings. 	Achieved 126 km of footway resurfaced. 21 km of new footway constructed. 41 controlled pedestrian crossings provided.
Ensure that at least 98% of street lights are working.	Achieved 99%
Spread salt on main through routes, which will cater for approximately 80% of all traffic, at the most effective times to reduce road surface ice and frost.	Achieved
Respond to at least 96% of serious traffic signal faults within: <ul style="list-style-type: none"> • 4 hours in Greater Belfast; and • 1 working day elsewhere. 	Achieved 99.5%
Network Development During 2005-06, we will complete the A1 underpass at Hillsborough Road, Dromore and the A8 Belfast to Larne Road (Ballynure link road) as strategic route improvements.	Achieved

Target	Outturn
<p>During 2005-06, we will commence or continue construction on the following schemes which, when completed, will provide 8 km of motorway widening, 1.2 km of motorway slip roads, 1.4 km of dual carriageway widening, 13.3 km of dual carriageway and 2.4 km of single carriageway:</p> <ul style="list-style-type: none"> • A1 Newry to Dundalk Link Road (NI section); • A5 Omagh Throughpass; • A1 Loughbrickland to Beech Hill; and • DBFO Package 1: <ul style="list-style-type: none"> • M2 Crosskennan – on-slips to Antrim Area Hospital; • M1/Westlink Improvements; and • M2 Widening (Greencastle to Sandyknowes). 	<p>Achieved</p>
<p>During 2005-06, we will advance the following major schemes through the statutory processes:</p> <ul style="list-style-type: none"> • A1 Beech Hill to Cloghogue, Newry; • A6 Dualling - M22 to Castledawson Roundabout; • A4 Dualling - Dungannon to Ballygawley; • A1 Junction improvements; • A4/A5 improvements (A4 Annaghilla and A5 Tullyvar); • A2 Broadbridge Dualling, Londonderry; • A55 Knock Road, Belfast; • A26/M2 Ballee Road East, Ballymena; • A514 Crescent Link Dualling, Londonderry; • A32 Cherrymount Link, Enniskillen; and • A29 Carland Bridge Realignment, Dungannon. 	<p>Achieved</p>
<p>Customers Issue substantive replies to 95% of written complaints within 15 working days.</p>	<p>Achieved 98% of complaints</p>
<p>Inform 90% of applicants for Blue Badges of our decision within 3 weeks of receipt of their valid applications.</p>	<p>Achieved Of the 32,432 applications received, 98% were issued within the target date.</p>
<p>Ensure that the Strangford Lough ferry service is available for at least 99.5% of standard service hours.</p>	<p>Achieved 99.9%</p>

Target	Outturn
See 95% of visitors within 10 minutes of any appointments made at our offices.	Achieved
Respond to 95% of telephone enquiries by the end of the next working day.	Achieved
By the end of December 2005, increase the customer satisfaction survey level to at least 74%.	Achieved The 2005 customer satisfaction level rose to 75%.
Return 65% of all planning application consultations to the relevant Divisional Planning Office within 15 working days from date of receipt.	Achieved 78% of planning application consultations completed on time.
Business Pay 95% of undisputed invoices within 30 days.	Achieved 98%
Deliver non cash efficiency savings rising to £6.3 million per annum by April 2008, with at least £3.3 million of those achieved by 31 March 2006.	Achieved £4.0 million
Our People Maintain the standards required to be an Investors in People organisation in order to achieve re-accreditation by the end of May 2005.	Achieved Re-accreditation awarded in May 2005.
By the end of September 2005, increase the level of staff satisfied to be working for Roads Service to more than 69%.	Not Achieved Staff satisfaction recorded at 60% in 2005.

Accounts

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Statement of Agency's and Chief Executive's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel (DFP) has directed Roads Service to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by DFP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- 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
- prepare the accounts on the going concern basis.

The Accounting Officer of the Department for Regional Development has designated the Chief Executive of Roads Service as the Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.

The Chief Executive is responsible for the maintenance and integrity of the information on the Agency's website.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and Agency's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

Roads Service is an Executive Agency within the Department for Regional Development (DRD) and operates within the context of the Department's overall vision and strategic objectives. The Department approves the Agency's Corporate and Business Plan and regularly reviews the Agency's performance towards its performance targets.

As Chief Executive of the Agency I am a member of the Departmental Board and attend the Departmental Business Meeting which directs the work of the Department. This is chaired by the Permanent Secretary of the Department.

I am also a member of the Departmental Audit Committee, and the Departmental Risk Management Committee. Appropriate records of all such meetings are maintained.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Roads Service for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Agency Board has ensured that appropriate procedures are in place and that staff have been adequately equipped to identify, evaluate and manage risk. These procedures include the allocation of risk management duties to the appropriate staff. A clear statement of the importance the Agency attributes to risk management, with regard to the achievement of the Agency's objectives has been conveyed to relevant staff.

4. Significant area of risk for the Agency

An area of risk about which I am concerned is that the level of funding made available to Roads Service for structural maintenance is insufficient to maintain the road network in a satisfactory condition on an ongoing basis. Reasons for my concern are:

- we have an independently assessed annual funding requirement of £95m. With engineering skill and judgement inputting into the careful targeting of maintenance treatments, we can live below £95m for a limited period;
- some 10% of the motorway network and around 35% of the trunk road network are at or below the national skidding resistance investigatory level. While such lengths are monitored and action taken in line with national standards if there is a history of skidding collisions, such a high proportion of the upper road hierarchy with relatively low skidding resistance is a cause for concern;
- on the non trunk road network we continue to 'paper over the cracks' on too many occasions. The relatively low level of funding means that the good practice resurfacing frequency of once in 25 or 30 years is not achieved. Indeed, resurfacing frequencies are often well in excess of once every 100 years. This means that significant lengths of the non-trunk road network will be of irregular profile and/or below the desirable skid resistance level; and

- the structural maintenance outturn in 2005/06 is equivalent to some £2,800 per km compared with recent outturns in England of some £12,000 per km and Wales of about £7,500 per km. Whilst networks and traffic volumes are different this does tend to indicate an under funding position.

5. The risk and control framework

Risk management is incorporated into the corporate planning, decision making and performance reporting processes of the Agency.

The Board receives quarterly reports concerning risk management and ensures that the appropriate steps are taken to manage risks in significant areas of responsibility and to monitor progress on key projects.

In addition to the actions mentioned above, the Agency has:

- regularly reviewed and updated the record of risks facing the organisation;
- set up a system of key performance and risk indicators; and
- developed and maintained a corporate risk register and business unit risk registers and arranged for reports from each Director on internal control activities.

6. Review of effectiveness

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

The Agency Audit Committee, which meets regularly and is attended by representatives of Internal Audit and the NIAO as well as the Board, reviews and monitors updates to the corporate risk register and provides support and guidance on corporate governance issues.

7. Significant internal control problems

As part of their audit programme, Internal Audit have recently identified internal control problems in the contingency and back up arrangements and systems maintenance (including contract liaison with third parties) for business critical systems used within Road Service. Internal Audit recommendations are currently being considered by management.

D M McKIBBIN (Dr)

Chief Executive

9 June 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of Roads Service Agency for the year ended 31st March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Agency, the Chief Executive and auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records,

if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 53 to 54 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chief Executive's Report, the Directors' Report, the Management Commentary, the unaudited part of the Remuneration Report, and the Appendices. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made there under by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31st March 2006 and of the net cost of operations, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
15 June 2006

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Income and Expenditure Account

for the year ending 31 March 2006

	Notes	2006 £000	2005 £000 Restated
Income			
Income From Activities	2	<u>18,208</u>	<u>15,835</u>
Expenditure			
Staff Costs	3	58,946	55,678
Other Operating Costs	4	118,545	116,870
Depreciation	8	897	(35,279)
Total Expenditure		<u>178,388</u>	<u>137,269</u>
Net Cost of operations before Capital Charge		160,180	121,434
Cost of Capital Charge	6	828,885	700,295
Net Cost of Operations		<u><u>989,065</u></u>	<u><u>821,729</u></u>

The net cost of operations arises wholly from continuing operations.

Statement of Recognised Gains and Losses

for the year ending 31 March 2006

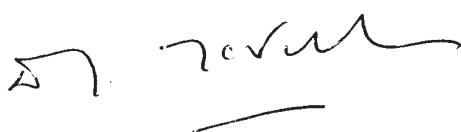
	Note	2006 £000	2005 £000
Net gain on revaluation of fixed assets	13	3,283,485	3,509,672
Prior Year Adjustment	13	-	610,830
		<u><u>3,283,485</u></u>	<u><u>4,120,502</u></u>

The notes on pages 60 to 79 form part of these accounts

Balance Sheet

as at 31 March 2006

	Notes	2006 £000	2005 £000 Restated
Fixed Assets			
Tangible Assets	8	27,088,511	23,661,140
Assets Declared Surplus	8	7,017	11,288
		<u>27,095,528</u>	<u>23,672,428</u>
Current Assets			
Stocks	9	1,496	1,428
Debtors	10	21,744	25,116
Cash at bank and in hand	14	47	47
		<u>23,287</u>	<u>26,591</u>
Current Liabilities			
Creditors - amounts falling due within one year	11	54,013	54,757
Net Current Liabilities		(30,726)	(28,166)
Total Assets less Current Liabilities		27,064,802	23,644,262
Creditors - amounts falling due after more than one year	11	8,336	6,421
Provisions for Liabilities and Charges	12	36,143	38,254
Net Assets		<u>27,020,323</u>	<u>23,599,587</u>
Financed by :			
Capital and Reserves			
General Fund	13	12,443,630	12,314,315
Donated Asset Reserve	13	-	-
Revaluation Reserve	13	14,491,004	11,217,202
Grant Reserve	13	85,689	68,070
		<u>27,020,323</u>	<u>23,599,587</u>



D M McKIBBIN (Dr)
Chief Executive
9 June 2006

The notes on pages 60 to 79 form part of these accounts

Cash flow Statement

for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Net cash outflow from continuing operating activities	14.1	172,402	158,119
Capital expenditure	14.2	86,462	104,893
Payments to Consolidated Fund		16,675	2,603
Net cash outflow before financing		<u>275,539</u>	<u>265,615</u>
Financing	14.3	<u>276,902</u>	<u>258,425</u>
Decrease in cash	14.4	<u><u>1,363</u></u>	<u><u>(7,190)</u></u>

The notes on pages 60 to 79 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. 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 Agency for the purposes of giving a true and fair view has been selected.

The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts are prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets, and stocks where material, at their value to the business by reference to their current costs.

1.2 Assets no longer classified as Donated Assets

During the year clarification was sought on the interpretation of the definition of donated assets contained in the FReM paragraph 5.2.13. It is now accepted that assets adopted from developers do not meet this definition and do not qualify for the treatment set out in the FReM for donated assets. Consequently, these assets are now treated as normal tangible fixed assets in accordance with Financial Reporting Standard (FRS) 15. They are capitalised at their current value on receipt, and this value is credited to the General Fund. They are subject to cost of capital charges at the standard rate of 3.5%.

Previously these assets were capitalised at their current value on receipt, and this value was credited to the donated asset reserve. Subsequent gains and losses on revaluations were also taken to this

reserve. Each year, an amount equal to the depreciation charge on the asset was released from the Donated Asset Reserve to the Operating Cost Statement. No cost of capital was charged on the assets.

The effect of this change in accounting policy has been reflected in the accounts (notes 4, 6, 7, 13 and 14) by restating the previous year's results to remove the £395k release from the Donated Asset Reserve and to charge an additional £31,596k for cost of capital. Any gains and losses on revaluation on the assets in question have been transferred from the Donated Asset Reserve to the Revaluation Reserve, with the remainder of the Donated Asset Reserve being transferred to the General Fund.

1.3 Fixed Assets

Fixed Assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over £1,000 is capitalised except for land for which there is no threshold, and car parks where the threshold is £5,000. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition.

All tangible fixed assets are restated to current value each year. Land and buildings with an open market value are restated to current value using professional valuations which were provided by the Valuation and Lands Agency at 31 March 2006 and 31 March 2003 respectively in accordance with FRS 15 and in the intervening years by the use of published indices appropriate to the type of land or building. Other operational assets are revalued to open market value where obtainable (with the exception of IT and office equipment assets), or on the basis of depreciated replacement cost where market value is not obtainable.

Infrastructure Assets

The road network constitutes infrastructure assets as defined in the FReM and is carried in the Balance Sheet at its Net Current Replacement Cost. The infrastructure network comprises all roads and bridges, including earthworks and road pavements,

roadside communications, retaining walls and other structures.

The infrastructure assets 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 2005/06 Roads Service has applied a provisional index to 31 December 2005 as this was the most up-to-date at the time of the production of the Agency Accounts.

Depending on the availability of New Scheme information a more extensive revaluation may be performed to review and update the unit rates, which form the basis of the valuation.

Surpluses and deficits arising on revaluation are taken to the Revaluation Reserve. Where appropriate, permanent reductions in the value of fixed assets are charged to the Income and Expenditure Account.

In accordance with FRS 15, staff costs directly attributable to capital schemes, as quantified from internal costing reports, are capitalised in fixed asset additions.

Renewals Accounting for Infrastructure Assets

The application of Renewals Accounting for infrastructure assets means that conventional depreciation methodology is not applied. Instead, the Income and Expenditure Account is charged with the full value of the maintenance expenditure each year required to maintain the network in a "steady state". This charge should approximate to a conventional depreciation charge. It is arrived at by charging to the Income and Expenditure Account the expenditure on maintaining the roads, and then either charging an additional amount if the condition of the road has deteriorated, or crediting an amount if the condition has improved.

Depreciation Policy

Tangible fixed assets are depreciated at rates calculated to write them down over their estimated useful lives. Vacant property and land, which have

been agreed with DFP as being surplus to requirements and are awaiting disposal, do not attract depreciation. Infrastructure assets in the course of construction are not depreciated until they are officially opened to the general public. No depreciation is provided on freehold land since it has unlimited or very long estimated useful lives.

Asset lives are normally in the following ranges:

Bridges	120 – 300 years
Property	15 – 50 years
Ferry	40 – 50 years
Transportation Equipment	3 – 15 years
Plant	3 – 15 years
Information Technology and Office Equipment	3 – 10 years

1.4 EU Government Grants

EU government grants received in respect of capital assets are treated as deferred income and released to the Income and Expenditure Account over the average life of the assets.

1.5 Stocks

Stocks of raw materials and consumables are stated at the lower of cost and net realisable value.

1.6 Income from Activities

Income from activities is income which relates directly to the operating activities of the agency. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as rechargeable work. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund which is treated as income from activities. Income from activities is stated net of VAT.

1.7 Administration and Programme Expenditure

Note 7 analyses costs between Administration and Programme. Administration costs reflect the costs of running the Agency. These include both administrative costs and associated operating income. Programme costs reflect non-administration costs.

1.8 Capital charge

A charge, reflecting the cost of capital utilised by the Agency, is included in the other operating costs in note 6. The charge is calculated at the real rate set by DFP (currently 3.5%) on the average carrying amount of all assets less liabilities except for:

- (a) tangible and intangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:

additions at cost

disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)

impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)

depreciation of tangible and amortisation of intangible fixed assets;

- (b) donated assets, and cash balances with DFP, where the charge is nil
- (c) assets that have been funded through supply monies which have been made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). In this case the interest which would have been charged had the supply monies been made available by loan rather than through supply is added to the cost of capital charge on other assets.

1.9 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (NI) (PCSPS(NI)) which is described in note 3. The defined benefit scheme is unfunded and is non-contributory except in respect of dependants' benefits. The Agency recognises the expected costs 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).

1.10 Leases

Rentals payable under operating leases are charged in the Income and Expenditure Account on a straight line basis over the lease term.

1.11 Public Private Partnership (PPP) Transactions

PPP transactions are accounted for in accordance with Technical Note No 1 (Revised), "How to account for PFI Transactions" as required by FReM.

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

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

1.12 Provisions

The agency provides for legal and constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

1.13 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard (FRS) 12 Provisions, Contingent Liabilities and Contingent Assets, the Agency discloses for Parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a

transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Government Accounting Northern Ireland (GANI). These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Agency entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of Agency Accounts) which are required by the FReM to be noted in the Agency Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.14 Value Added Tax

VAT is recovered centrally by the Department for Regional Development. Both trade debtors and trade creditors are stated gross of VAT and the VAT account balance is adjusted accordingly. Where output tax is charged or input VAT recoverable, the amounts are stated net of VAT.

1.15 Notional Costs

Some of the costs directly related to the running of Roads Service are borne by other Government bodies. These have been included on the basis of the estimated cost incurred by the providing department.

2 Income

Income comprises the following shown net of VAT:

	2006	2005
	£000	£000
Car Park Receipts	9,798	9,088
Recoverable Works	6,696	4,840
Strangford Ferry Receipts	871	860
Other	843	781
EU Grant Income	-	266
	18,208	15,835

3 Staff Numbers and Related Costs

3.1 Staff Costs

Staff costs consists of:

	Permanently Employed Staff	Others	Total	
	£000	£000	2006 £000	2005 £000
Wages and salaries	50,930	-	50,930	49,211
Social Security Costs	3,705	-	3,705	3,681
Pension Costs	7,711	-	7,711	5,538
Recruitment Agency staff	-	869	869	1,506
	62,346	869	63,215	59,936
Less Industrial Wages Capitalised			(484)	(532)
Less Salaries Capitalised			(3,785)	(3,726)
Total Net Costs			58,946	55,678

The Principal Civil Service Pension Scheme (NI) (PCSPS(NI)) is an unfunded defined benefit scheme which produces its own resource accounts, but Roads Service 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 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005/06, employers' contributions of £7,710,726 were payable to the PCSPS(NI) (2004/05 £5,538,620) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands. The rates in 2004/05 were between 12 to 18 per cent. These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £12,704.46 (2004/05 £11,812.95) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2004/05: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,005.78, 0.8 per cent (2004/05: £924.37, 0.8 per cent) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were Nil (2004/05: Nil). Contributions prepaid at that date were Nil (2004/05: Nil).

21 persons (2004/05: 27 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £20,140.87 (2004/05: £23,365.03).

3.2 Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Agency.

	Permanently Employed Staff	Others	Total	
	No.	No.	2006 No.	2005 No.
Board and Senior Management	14	-	14	14
Administration and Support	524	24	548	547
Professional and Technical	1,065	19	1,084	1,091
Industrial	670	-	670	689
	2,273	43	2,316	2,341

4 Other operating costs

	2006 £000	2005 £000 Restated
Contractor Payments	66,178	66,500
Materials and Fuel	12,280	11,393
Premises Costs	3,856	3,564
Electricity (including Street Lighting Energy Costs)	9,247	8,720
General Administrative Expenditure	11,987	12,035
Operating lease rentals	258	320
Liability claims (note 12)	4,274	4,087
Travel and Subsistence	2,706	2,757
Staff Training	612	352
Impairment in Value of Fixed Assets	-	1,209
Loss/(profit) on Disposal of Fixed Assets	216	(414)
Miscellaneous	819	699
Exchange loss*	490	-
Notional Costs (note 5)	9,240	8,552
Release from Grant Reserve (note 13)	(3,159)	(2,452)
Less Other Operating Costs Capitalised	(459)	(452)
	118,545	116,870

*Exchange loss comprises £482 of CFER related exchange differences (note 13)

5 Notional costs

These costs relate to services received where no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision.

	2006	2005
	£000	£000
Services provided by the Parent Department		
Claim and litigation support	1,032	1,079
Personnel and management	1,162	1,045
Communications	639	732
Training	311	414
Finance	465	334
Central Processing Management Unit	315	357
	3,924	3,961
 Other Notional Costs		
Purchasing Services	-	167
Accommodation	3,893	3,128
Land Valuation	390	390
Business Development	375	255
Miscellaneous	397	376
Northern Ireland Audit Office	52	48
Land Services/Digital mapping	139	172
Recruitment	45	30
Central Personnel Group	25	25
	5,316	4,591
TOTAL NOTIONAL COSTS (note 13)	9,240	8,552

6 Cost of capital charges

	2006 £000	2005 £000 Restated
Capital charge @ 3.5% (note 13)	<u>828,885</u>	<u>700,295</u>

7 Programme/administration analysis

	2006 Programme £000	2006 Administration £000	2006 Total £000	2005 Total £000 Restated
Income	18,208	-	18,208	15,835
Staff Costs	-	58,946	58,946	55,678
Other Operating Costs	95,473	23,072	118,545	116,870
Depreciation	(272)	1,169	897	(35,279)
	<u>95,201</u>	<u>83,187</u>	<u>178,388</u>	<u>137,269</u>
Net Cost of Operations before Capital Charge	76,993	83,187	160,180	121,434
Cost of Capital Charge	<u>828,051</u>	<u>834</u>	<u>828,885</u>	<u>700,295</u>
Net Cost of Operations	<u>905,044</u>	<u>84,021</u>	<u>989,065</u>	<u>821,729</u>

8.1 Fixed Assets

	Roads & Bridges	Property	Transportation Equipment	Plant	IT & Office Equipment	Total
	£000	£000	£000	£000	£000	£000
At Replacement Cost or Valuation						
At 1 April 2005	25,487,481	176,124	31,056	10,339	6,783	25,711,783
Capital Expenditure*	102,026	13,963	2,199	654	618	119,460
Contributions to assets	30,232	-	-	-	-	30,232
Revaluation	3,342,508	52,754	(43)	(75)	-	3,395,144
Disposals	(296)	-	(1,334)	(897)	(487)	(3,014)
Assets Declared Surplus	-	(1,687)	-	-	-	(1,687)
At 31 March 2006	<u>28,961,951</u>	<u>241,154</u>	<u>31,878</u>	<u>10,021</u>	<u>6,914</u>	<u>29,251,918</u>
Accumulated Depreciation & Amortisation						
At 1 April 2005	2,017,714	1,707	18,584	6,779	5,859	2,050,643
Condition (Improvement) /Charge for the Year	(4,056)	967	2,411	972	603	897
Backlog depreciation	114,525	134	(93)	(54)	-	114,512
Disposals	(51)	-	(1,267)	(840)	(487)	(2,645)
At 31 March 2006	<u>2,128,132</u>	<u>2,808</u>	<u>19,635</u>	<u>6,857</u>	<u>5,975</u>	<u>2,163,407</u>
Net Book Value						
At 1 April 2005	<u>23,469,767</u>	<u>174,417</u>	<u>12,472</u>	<u>3,560</u>	<u>924</u>	<u>23,661,140</u>
At 31 March 2006	<u>26,833,819</u>	<u>238,346</u>	<u>12,243</u>	<u>3,164</u>	<u>939</u>	<u>27,088,511</u>
The additions to Fixed Assets (including Assets in Course of Construction) consist of direct costs and indirect costs derived from the activity based costing model:						
Direct Costs	97,405	13,963	2,199	654	618	114,839
Activity Based Costs	4,621	-	-	-	-	4,621
	<u>102,026</u>	<u>13,963</u>	<u>2,199</u>	<u>654</u>	<u>618</u>	<u>119,460</u>

*Roads and bridges capital additions includes assets in the course of construction which have not been separately identified as this would involve disproportionate expense. Assets in the course of construction are not depreciated until they have become operational.

During the year the Agency benefitted from additional supply monies of £40,244,000 (2004/05 £48,470,000) which were made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). These monies were used to fund fixed assets above.

8.2 Valuations

The following have been used to reflect inflation to 31 March 2006:

ASSET TYPE	INDEX
Roads and Bridges	Baxter Index (Provisional)
Land (Includes Car Parks and Land element of Infrastructure)	Indicative Land Indices (VLA)
Buildings	BCIS Index (VLA)
Ferry	Professional Advice
Plant and Vehicles	Adjusted National Statistics Office SIC 92
Surplus Assets	Property Market Indices (VLA)

The following external valuers have been involved in valuing the Agency's Fixed Assets:

ASSET	VALUER
Infrastructure	EC Harris (Professional Surveyors) Professor M S Snaith FREng
Land and Buildings	Valuation and Lands Agency (VLA)
Ferry	Blyth Bridges (Marine Consultants)

The Roads and Bridges valuation was performed on a Net Current Replacement Cost basis on 31 March 2006, utilising the 'Baxter Index' for construction in England and Wales and Northern Ireland. For 2005/06 a provisional index to 31 December 2005 was applied, as this was the most up to date available at the time of the production of the valuation.

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

The valuation of land for schemes was carried out by the Valuation and Lands Agency at 31 March 2006.

8.3 Condition Surveys for the Road Network

Renewals accounting as outlined in the statement of Accounting Policies 1.3 requires an annual condition survey be undertaken to inform the decision on whether depreciation should be charged and whether any adjustment is necessary in respect of the condition of the network.

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

The results for 2005/06 showed a condition improvement of £3m for the trunk road network and a condition improvement of £12m for the non-trunk network. These results are contrary to engineering expectations of the consequences of several years underfunding on structural maintenance. On the trunk road network the condition improvement is due to a change in the methodology to incorporate the impact of the in year resurfacing carried out. On the non-trunk network the reasons for the condition improvement are more difficult to determine given the subjectivity of the CVI methodology. As all the results of each years survey are aggregated, it is likely that one of the earlier years results has skewed the outcome for later years. Roads Service will continue to improve the training and quality assurance processes on data collection within the CVI and will continue to monitor the results so that the poor quality data can be eliminated in future years.

There is no condition survey for footways which can be utilised for valuation purposes. The steady state assumption is based on professional engineering opinion.

8.4 Surplus Assets

Surplus Assets have been revalued using Property Market Indices. Details of the movements in surplus assets are set out below:

	2006	2005
	£000	£000
Opening Balance as at 1 April	11,288	7,092
Additions	1,687	287
Disposals	(8,810)	(1,865)
Revaluation	2,852	5,774
Closing Balance as at 31 March	<u><u>7,017</u></u>	<u><u>11,288</u></u>

9 Stocks

	2006	2005
	£000	£000
Materials & Fuel	<u><u>1,496</u></u>	<u><u>1,428</u></u>

10a Debtors

	2006	2005
	£000	£000
Trade Debtors	2,074	2,483
Other Debtors*	4,060	2,200
Prepayments and Accrued Income	2,222	1,371
VAT	10,791	9,333
	19,147	15,387
EU Grants Receivable - capital**	2,597	9,729
	<u><u>21,744</u></u>	<u><u>25,116</u></u>

* £2,794k of other debtors balance will be surrendered to the Consolidated Fund when received (31 March 2005: £673k)

** The EU Grants Receivable are to be surrendered to the Consolidated Fund when received.

10b Intra Government Debtors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006 £000	2005 £000	2006 £000	2005 £000
Balances with other central government bodies	15,024	11,215	-	-
Balances with local authorities	60	8	-	-
Balances with NHS Trusts	-	-	-	-
Total intra-government balances	15,084	11,223	-	-
Balances with bodies external to government	6,660	13,893	-	-
At 31 March	21,744	25,116	-	-

11a Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade Creditors	9,526	1,134
Other Creditors	26,983	27,318
Accruals	9,231	11,445
	45,740	39,897
Amounts payable to the Consolidated Fund***	5,461	10,685
Overdraft	2,812	4,175
	54,013	54,757

***Includes EU grants payable of £2,597k (2004/05 £9,959k)

CREDITORS: amounts falling due after more than one year

Other Creditors	8,336	6,421
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11b Intra Government Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006 £000	2005 £000	2006 £000	2005 £000
Balances with other central government bodies	7,575	13,913	-	-
Balances with local authorities	178	103	-	-
Balances with NHS Trusts	-	-	-	-
Total intra-government balances	7,753	14,016	-	-
Balances with bodies external to government	46,260	40,741	8,336	6,421
At 31 March	54,013	54,757	8,336	6,421

12 Provisions for liabilities and charges

	Land Provision £000	Other Claims £000	Total £000
Opening balance at 1 April 2005	31,002	7,252	38,254
Provided in the year	12,543	4,274	16,817
Provisions utilised in the year	(14,622)	(4,306)	(18,928)
Closing balance at 31 March 2006	28,923	7,220	36,143

The other claims provision relates primarily to unsettled public/employer and unfair dismissal liability claims at the year end, as indicated by DRD Central Claims Unit. The provision for land is for land being acquired for future Road Schemes. The provision reflects all known claims where legal advice indicates that it is more than 50 per cent probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 18.

	General Fund £000	Donated Assets Reserve £000	Revaluation Reserve £000	Grant Reserve £000	Total 2006 £000	
At 1 April	11,391,706	917,161	11,222,650	68,070	23,599,587	19
Adjustments to Prior year	922,609	(917,161)	(5,448)	-	-	
As restated at 1 April	12,314,315	-	11,217,202	68,070	23,599,587	19
Net Cost of Operations	(989,065)	-	-	-	(989,065)	(
Operating income not treated as accruing resources payable to consolidated fund	(356)	-	-	-	(356)	
Notional Costs (note 5)	9,240	-	-	-	9,240	
Cost of Capital (note 6)	828,885	-	-	-	828,885	
Net Financing (note 14.3)	260,800	-	-	-	260,800	
Grants claimed	-	-	-	11,577	11,577	
CFER related exchange difference (note 4)	482	-	-	-	482	
Non-operating income not treated as accruing resources payable to consolidated fund	(11,577)	-	-	-	(11,577)	
Non cash proceeds on sale of asset	-	-	-	-	-	
Assets Transferred from DRD	-	-	-	-	-	
Surplus on Revaluation of fixed assets			3,274,284	9,201	3,283,485	3
Surplus on Revaluation Reserve	482	-	(482)	-	-	
Release to Income & Expenditure Account (note 4)	-	-	-	(3,159)	(3,159)	
Contributions to capital assets	30,424	-	-	-	30,424	
At 31 March	12,443,630	-	14,491,004	85,689	27,020,323	23

Notes to the Cashflow Statement

14.1 Reconciliation of Net Cost of Operations to Net Cash Outflow from Operating Activities

	2006 £000	2005 £000 Restated
Net Cost of Operations before Cost of Capital	(160,180)	(121,434)
Adjustments for non cash transactions		
Profit on disposal of fixed assets	216	(414)
EU Grant Income released from reserves	(3,159)	(2,452)
Permanent diminution in value of fixed assets	-	1,209
Depreciation	897	(35,279)
Provision for liabilities and charges (note 12)	4,274	4,441
Notional Costs	9,240	8,552
Adjustments for movements in working capital		
(Increase) in stocks (note 9)	(68)	(97)
Increase in debtors	(960)	(3,322)
(Decrease) in creditors	(18,356)	(4,855)
Use of provisions (note 12)	(4,306)	(4,468)
Net Cash Outflow from Operating Activities	<u>(172,402)</u>	<u>(158,119)</u>

14.2 Capital Expenditure and Financing

Capital Expenditure	2006 £000	2005 £000
Acquisition of tangible fixed assets (note 8)	119,460	125,092
Increase in capital retentions	(26,114)	-
Increase in land provisions (note 12)	(12,543)	(20,945)
Land provisions utilised (note 12)	14,622	3,101
Cash paid for tangible fixed assets	95,425	107,248
Receipts from sale of tangible fixed assets	(8,963)	(2,355)
	<u>86,462</u>	<u>104,893</u>

14.3 Financing

	2006 £000	2005 £000
Net financing from DRD (note 13)	260,800	256,350
Developer contributions	192	-
EU and Other Capital grants received	15,910	2,075
	<u>276,902</u>	<u>258,425</u>

14.4 Analysis of Movement in Cash Balances

	At 1 April 2005 £000	Cashflows £000	At 31 March 2006 £000
Cash at bank and in hand	47	-	47
Overdraft	(4,175)	1,363	(2,812)
	<u>(4,128)</u>	<u>1,363</u>	<u>(2,765)</u>

15 Capital Commitments

Capital commitments at the end of the financial year, for which no provision has been made are:

	2006 £000	2005 £000
Contracted	<u>24,400</u>	<u>37,400</u>

16 Commitments under operating leases

	2006	2006	2005	2005
	Land & Buildings	Other	Land & Buildings	Other
	£000	£000	£000	£000
At 31 March Roads Service was committed to making the following payments during the next year in respect of operating leases which expire:				
Within one year	-	138	-	254
Between two and five years	-	98	-	39
After five years	-	20	-	27
	-	256	-	320

17 Commitments under PPP Contracts

Roads Service has entered into one on balance sheet PPP contract during the year in relation to DBFO Package 1. There are no amounts charged in the Income and Expenditure Account in respect of the service element of on-balance sheet PPP transactions (2004/05: nil)

The payments (subject to inflationary adjustments) which Roads Service is committed to make during the 2006/07 year, analysed by the period during which the contract expires are as follows:

	2006	2005
	£000	£000
Between 31 to 35 years	2,051	-

18 Contingent liabilities disclosed under FRS 12

At 31 March 2006 there were unsettled public and employer liability cases in which the Agency 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 £9,216,958. There were also unsettled cases in relation to Equal Opportunities / Unfair Dismissal and Contractors Claims for which a possible liability of £114,000 and £3,282,000 is estimated respectively.

Land highlighted for future schemes to the value of £19,076,050 is also estimated.

There are no contingent liabilities that are not required to be disclosed under FRS 12 but are required to be disclosed for parliamentary reporting and accounting purposes (2004/05: nil)

19 Related party transactions

Roads Service is an Executive Agency within the Department for Regional Development ("the Department"). The Department is regarded as a related party. During the year Roads Service has had various transactions with the Department and with other entities for which the Department is regarded as the parent department, primarily Water Service.

In addition Roads Service has had transactions with other government departments and central government bodies. None of the senior management board, management staff or other related parties has undertaken any material transactions with Roads Service during the year.

20 Key performance targets

The Agency has a number of key performance targets.

A review of performance targets during the year is contained in Appendix 2 of the Annual Report.

21 Business activities attracting fees and charges

The financial target for car parking services is 95% recovery of the full cost of providing, updating and maintaining the service. This was exceeded in 2005/06 due primarily to a review of tariffs in year, but showed an overall decrease from the 2004/05 surplus as a result of increased collection costs and premises costs.

There were no financial targets in 2005/2006 for the provision of the Ferry service.

Car Parks	2006	2005
	£000	£000
Operating Costs	3,580	3,538
Notional Costs	6,432	5,039
Income	(9,798)	(9,088)
Deficit/(Surplus)	214	(511)
Strangford Ferry		
Operating Costs	1,251	1,239
Notional Costs	299	291
Income	(911)	(898)
Deficit	639	632

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