

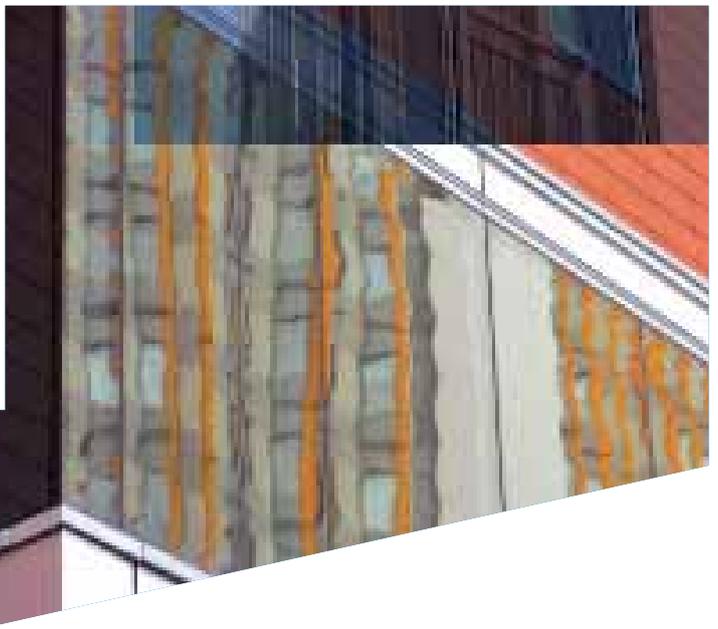


ANNUAL REPORT & ACCOUNTS

HEALTH ESTATES



2005 - 2006

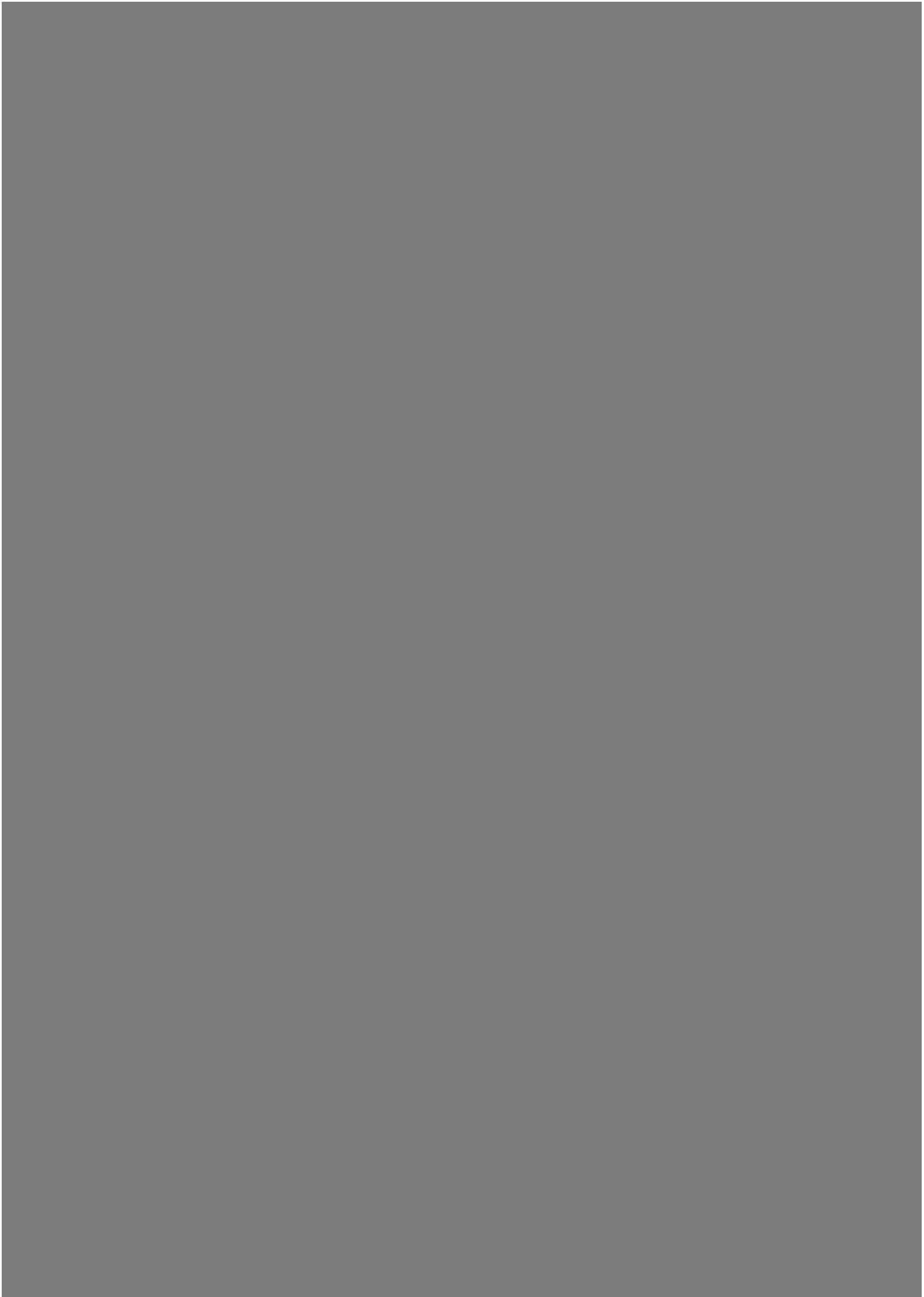


INVESTOR IN PEOPLE



HEALTH ESTATES

creating healing environments



The Northern Ireland Health and Social Services Estates Agency Annual Report and Accounts for the Year Ended 31 March 2006

An Executive Agency
of the Department of Health, Social Services and Public Safety
An Roinn Sláinte, Seirbhísí Sóisialta agus Sábháilteachta Poiblí

*Laid before the Houses of Parliament
by the Department of Health, Social Services and Public Safety
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*

4 July 2006

*Laid before the Northern Ireland Assembly
Under sub-section 11(3)(c) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of Health, Social Services and Public Safety*

4 July 2006

Ordered by The House of Commons to be printed 4 July 2006

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CHIEF EXECUTIVE'S FOREWORD

During the past year, we have experienced record levels of investment in our hospitals, primary care and social services facilities with Health Estates staff centrally involved in supporting Trusts in the planning and delivery of this major programme. The quality of the completed projects was of a consistently high standard and those involved can be proud of their achievements.

A considerable element of Health Estates resources have been allocated to support the implementation of the Primary and Community Care Infrastructure (PCCI) initiative and this has been an excellent example of integrated partnership working between the four Area Boards, Trusts, the Department, SIB and Health Estates.

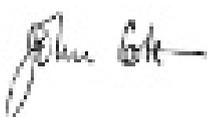
The policy development area of our business has been focused on environmental cleanliness, sustainable development and procurement efficiency. There have been significant steps forward in each of these areas and this will be reflected in real benefits over the coming years. Many thanks to all staff involved.

The Agency also continued to focus on improving the quality of its services and, in particular, the professionalism of its staff in the provision of specialist and expert advice. In this regard, I was delighted that the Agency achieved the prestigious "Gold Award" in the Steps to Excellence Scheme.

In reviewing the performance of the Agency over the past year, I am pleased to report that the Agency has met all but one of its ten ministerial targets. The remaining target was rendered to be abortive by changes in client requirements during the year.

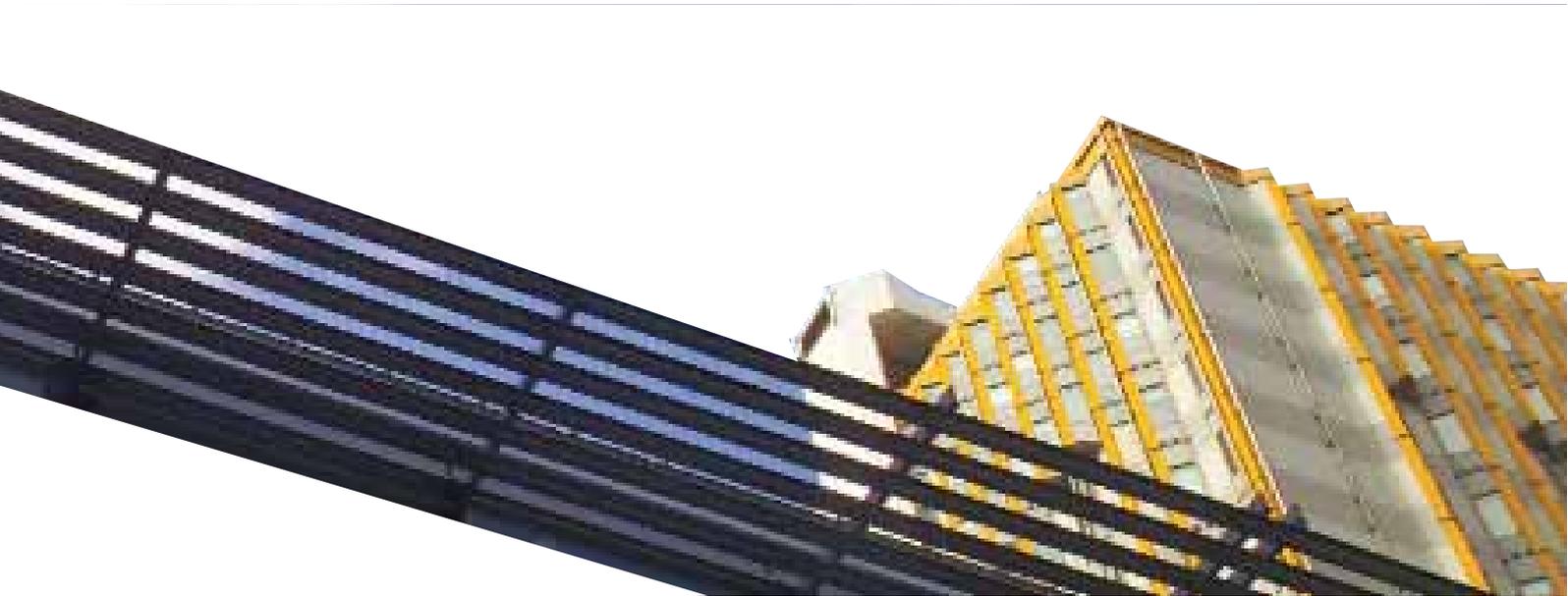
Of great significance during the year was the Ministerial announcement that, as part of the Review of Public Administration, Health Estates will cease to be an Agency and its functions will be relocated with the new HPSS structures. Whilst this potentially presents some threats to the organisational integrity of Health Estates as a centre of professional expertise, we all look forward to the opportunities it presents for making an even greater contribution to creating excellence in the HPSS estates environment.

I would finally like to thank our colleagues in the Department and the wider HPSS for their continued support and cooperation in the delivery of our work and I look forward to their continued support in the year ahead.



JOHN COLE
Chief Executive





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ESTABLISHMENT AND STATUS

The Northern Ireland Health and Social Services Estates Agency (Health Estates) was established as an Executive Agency of the Department of Health and Social Services (the Department) on 2 October 1995 as the only body in Northern Ireland with recognised expertise in all aspects of the Health and Social Services (HSS) estate.

In May 2002 the Northern Ireland Executive approved a new public procurement policy for the public sector in Northern Ireland. Under this policy Health Estates is formally accredited as a 'Centre of Procurement Expertise' (COPE) construction and design services for the Department and the Health and Personal Social Services (HPSS).

The Agency's COPE status was re-accredited after an indepth assessment of all NICS COPEs in September 2005.

The future organisational status of Health Estates is presently under consideration, as part of the Review of Public Administration, following the Secretary of State's recent announcement that it would be de-agentised and merged into the new HSS structures.

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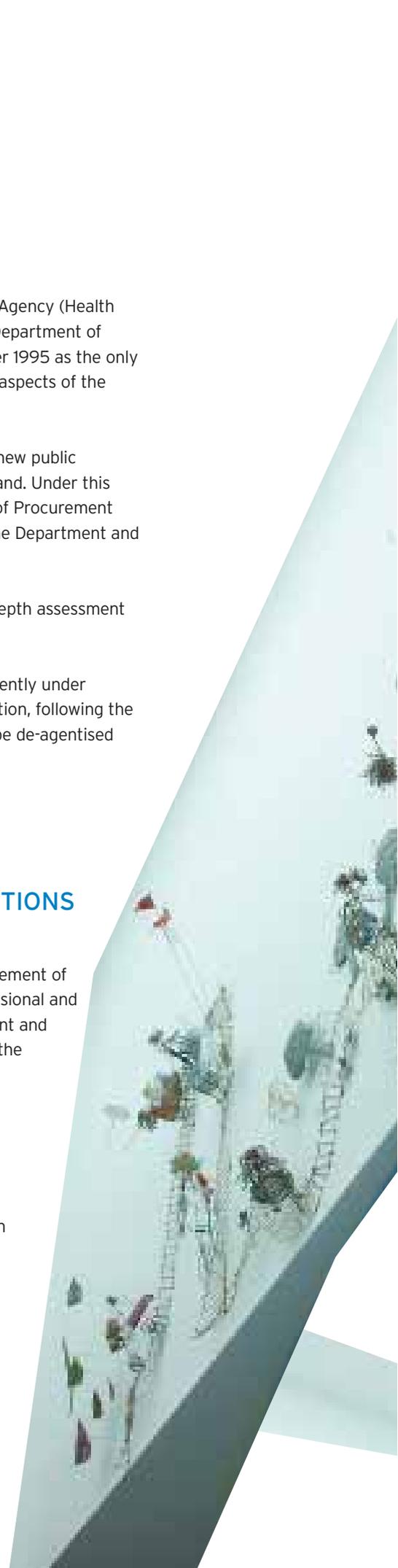
STRATEGIC AIM AND AGENCY FUNCTIONS

Strategic Aim

The Agency's strategic aim is to support the Mission Statement of the Department by providing a centre of specialist professional and technical estate expertise which supports the development and maintenance of an efficient and effective HSS estate for the delivery of health and personal social services.

The Agency's vision is of an organisation which:

- Delivers a professional and high quality professional and technical service to our client.
- Understands and communicates clearly with our clients in delivering a proactive service.
- Values its people.





Agency Functions

In pursuit of this strategic aim the key functions of the Agency, as set out in its revised framework document, dated May 2005, are as follows:

Policy and Guidance

Provision of advice and support to the Minister, the Department and the HPSS on all estate, facilities management and equipment related matters.

Development of estate and facilities management related policies and guidance for dissemination and application within the HPSS.

Provision of medical device and estate management technical safety guidance to the Department, the HPSS and the wider health and social care community.

Centre of Procurement and Specialist Expertise

Provision of a strategic estate planning function on behalf of the Department.

Advice and support for planning, project management and procurement of health and social services related capital projects and acting as the formally accredited COPE for the Department and the HPSS.

Promotion of design excellence and fulfilment of the 'Design Champion' role on behalf of the Department.

Provision of specialist engineering support and guidance to the Department and the HPSS in relation to key engineering systems.

Provision of a regional information centre for the HSS estate.

Strategic oversight and implementation of a regional framework for clinical waste management.



Support Services

Provision of a range of estate related support services to the HPSS with a small group focussing on “emerging works” and “enabling works” that support major projects, eg Decant, Accommodation Services, Infrastructure Works. Services also include:

- Architectural, mechanical/electrical engineering and quantity surveying services.
- Clinical engineering advisory services.
- Decontamination testing services.
- Site inspection services.
- Specialist land and property advice and support.



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MINISTERIAL ADVISORY BOARD

A Ministerial Advisory Board has been established to assist the Minister and the Permanent Secretary in the discharge of their responsibilities for the Agency. The Ministerial Advisory Board's main role is to enable the Minister to ensure public accountability for the Agency's performance against agreed objectives. Membership of the Ministerial Advisory Board is drawn from the Department, HSS Boards and HSS Trusts.

During 2005/2006 membership of the Ministerial Advisory Board was as follows:

Don Hill (Chair)

Under Secretary, Resource & Performance Management Group, DHSSPS

Paul Simpson

Under Secretary, Strategic Planning & Modernisation Group, DHSSPS

Andrew Hamilton

Under Secretary, Primary, Secondary & Community Care Group, DHSSPS

Stephen Lindsay

Chief Executive, Western HSS Board - Resigned December 2005

John Templeton

Chief Executive, Craigavon Area Hospital Group HSS Trust

Patricia Gordon

Chief Executive, South & East Belfast HSS Trust



ORGANISATION

Structure and Management

To facilitate the delivery of effective and responsive client services, the Agency was structured into three business areas up until its restructuring on 1 April 2006 - two functional business areas, Estate Policy and Estates Development and a central Corporate Services Group.

Overall management responsibility for the Agency rested with the Chief Executive, John Cole. He was supported by an Agency Management Board which consisted of the Senior Management Team.

Business Areas

Estate Policy supports and where appropriate, acts for the Department, on estate, facilities management and equipment related matters. It also develops and disseminates estate and facilities management related policies and guidance and provides medical device and estate management technical safety guidance to the Department, the HPSS and the wider health care community.

This business area provides specialist land and property advice and support to the Department on its retained estate and acts as agent for the Department on the disposal of surplus property. It also provides specialist engineering support and guidance to the Department and the HPSS in relation to key engineering systems as well as a range of estate related support services in respect of clinical engineering and decontamination testing.

Estates Development provides a strategic estate planning function on behalf of the Department and advice and support on planning, project management and procurement to both the Department and the HPSS in its capacity as a formally accredited COPE. The business area also fulfils Design Quality on behalf of the Department and manages the regional information centre for the HPSS estate. Additionally a range of support services encompassing architecture, mechanical engineering, quantity surveying and site inspection are provided through the Estates Development business area.

Corporate Services co-ordinates Agency business information, budgeting, business planning, accounting and reporting of target out-turns to the Ministerial Advisory Board. It also provides the control of support facilities and personnel aspects of the Agency's business. The Agency utilises Departmental branch services for the ongoing practical aspects of pay, personnel, training, information technology and payment processing. These services are provided to the Agency through Service Level Agreements which are monitored by the Corporate Services team.





REVIEW OF SERVICES

Policy Initiatives 2005/2006

The Agency identified a range of policy initiatives in its Business Plan for 2005/2006. These policy initiatives are detailed below along with a summary of their progress during 2005/2006.

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- To establish an integrated procurement unit to support greater consistency and efficiency in procurement practices, including the business case process.

The Agency has restructured from 1 April 2006 and now includes a "Standards and Procurement Unit" that will deliver greater consistency and efficiency in procurement practices.

- To review and develop or confirm strategic site development plans for the HSS estate to reflect new strategies and models for the delivery of health and social care.

Significant progress has been made over the 2005/2006 year with the development and submission to the Department of Stage 1 Business Cases for a significant number of acute hospitals and primary care facilities under PCCI programme.

- To develop guidance for standard elements of accommodation/space planning that will facilitate more efficient briefing and deliver efficiencies in procurement.

Standard design and briefing documentation has been completed for the Primary and Intermediate Care sector. Work has now commenced on the acute sector for completion in 2006/2007.



- 
- To develop and roll out a framework of Design Quality Protocols to achieve the benefits that quality in design of the build environment can bring to the health and wellbeing of the population of Northern Ireland.

The Design Quality Protocol is now established and is being tested on a number of projects.

- To develop and roll out a strategy on sustainable development that complements regulatory imperatives on the reduction of energy usage in buildings and the higher policy aspirations of the climate change programme.

Under the umbrella of the Departmental policy on sustainable development the Agency has produced a sustainable development action plan. Implementation of the action plan is on target for completion in 2007. To support the plan, guidance on design for minimum waste (PEL (06) 03) has been issued together with the launch of the new 2006 edition of "EnCO2de - making energy work in healthcare" on 28 February 2006. In support of the climate change programme Health Estates contributed to the Northern Ireland Review of Climate Change Programme during 2005.

Also during 2005/2006 the Agency represented the Department on the Inter Departmental Sustainable Development Group and the Chief Executive of Health Estates assumed the role of Departmental Sustainable Development Champion. Contributions via the Sustainable Development Champion and the Inter Departmental Sustainable Development Group, were made to the drafting of the Northern Ireland Sustainable Development Strategy.

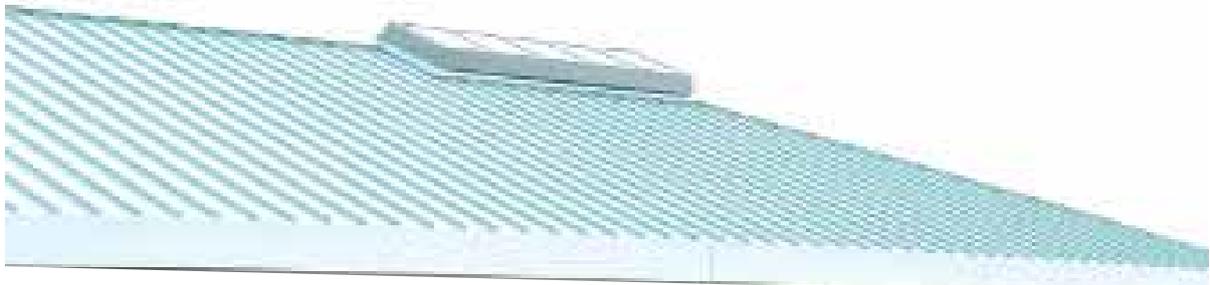
- To extend the use of integrated landscape design within capital development schemes in recognition of the proven benefits to patient outcomes and staff experiences.

Best practice in relation to landscape design has been incorporated into the Design Quality Protocol and is being applied to all new capital projects.

- To establish appropriate working relationships with the recently set up Health and Personal Social Services Regulation and Quality Improvement Authority.

It will not be possible to establish appropriate working relationships until the Review of Public Administration arrangements are finalised.





Other Policy Areas

In addition to the specific policy initiatives taken forward during 2005/2006, the Agency has continued to advise and support the Minister and Department on the development and implementation of estate policies, strategies, systems and standards for effective estate and facilities management. The Agency has also provided the focus within the HPSS for the receipt, interpretation and dissemination of information on estate matters from other relevant UK public bodies.

Support and advice continues to be provided to the HPSS environment working groups, established to address environmental and sustainability issues. Guidance on the design of new facilities and the upgrade of existing facilities to meet energy efficiency targets has been issued and contribution to the national review of the climate change programme made.

The Agency has continued to provide advice and support to HSS organisations to enable them to deliver measurable improvements in energy conservation and sustainability. Also the Agency secured funding of £480k for energy conservation schemes and carbon dioxide (CO₂) saving measures from the Public Sector Energy Efficiency Central Fund.

Strategic engineering policy advice and support has also been provided to the Department for emergency planning issues in relation to estate resilience and infectious diseases and to the Clinical Resource Efficiency Support Team (CREST) evaluation of equipment sub-group. The Agency also completed and issued High Value Equipment Reports, analysed and provided advice in relation to HPSS levels of compliance with specific controls assurance standards, contributed to patient safety guidance and to the development of revised guidance for the design and management of specialist engineering systems.





There has been extensive commitment to supporting the DHSSPS and HPSS on decontamination issues, with continued support on the implementation of the Hine recommendations, progress with the implementation of the Decontamination Regional Strategy and participation in the UK Decontamination Information Exchange Forum. In support of operational delivery of decontamination services, the Agency also established the on-line National Decontamination Training Programme in Northern Ireland.

In the Facilities Management Policy area, the Minister launched the "Cleanliness Matters" Environmental Cleanliness Strategy, its supporting toolkit and a new Controls Assurance Standard in October 2005. In accordance with the implementation plan of the Strategy, an Independent Assessment of Environmental Cleanliness Standards was commissioned, reporting in April 2006.

A review of laundry and linen services was also commissioned, reporting in April 2006, to allow the development of a regional strategy for laundry and linen services and a number of linen pilots were funded to determine the effectiveness of new technology in this area and how this may impact on future laundry configuration.



Medical Device and Estate Safety

The Northern Ireland Adverse Incident Centre (NIAIC), on behalf of the Department is the focal point for the reporting of adverse incidents involving medical devices, non-medical equipment, plant and buildings in Northern Ireland. NIAIC works closely with the Medicines and Healthcare products Regulatory Agency (MHRA) concerning medical device safety and with other UK bodies concerning estates related safety on a UK-wide basis.

During 2005/2006, NIAIC received 225 reports of adverse incidents. The outcome of adverse incident investigations may result in the issue of Medical Device/Equipment Alerts (MDEAs) to HPSS organisations, other providers of health and social care and primary care professionals about particular problems and risks with recommendations to minimise such problems and risks. During 2005/2006 NIAIC issued 76 MDEAs to HPSS organisations and the wider health and social care community and achieved the two Ministerial targets in this business area. Further information concerning the work of NIAIC during 2005 can be obtained in our Device Bulletin DB(NI)2006/02, available on the NIAIC website at www.dhsspsni.gov.uk/niac.



Specialist Engineering

During 2005/2006 the Agency continued to provide Authorising Engineers and Authorised Person services to HPSS organisations in respect to life-critical engineering systems such as High and Low Voltage distribution systems, Medical Gas Pipeline Systems and Decontamination Systems and Processes. Extensive professional advice and support continued to be provided to the Department for decontamination issues associated with re-usable medical devices.

Clinical Engineering

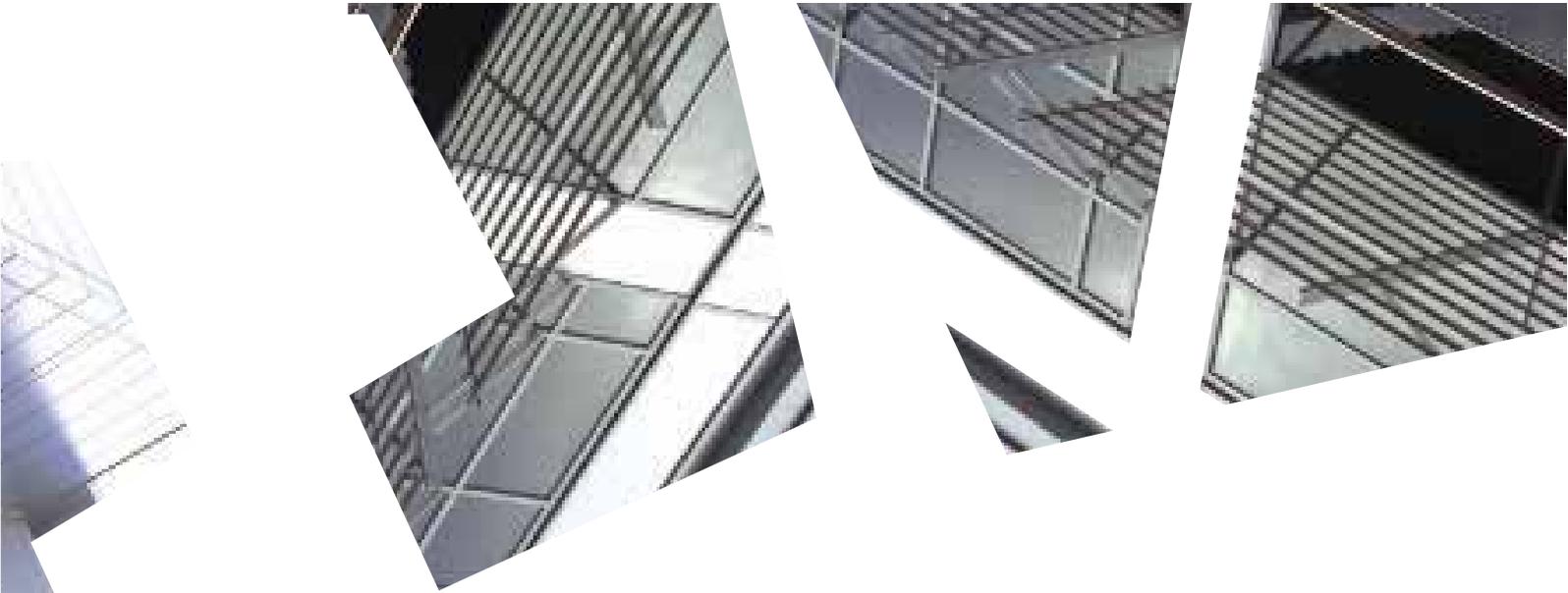
All client projects were successfully completed by the Clinical Engineering Team. These have included:

- the completion of an extensive inspection of the Diagnostic Imaging and Radiotherapy systems at the Northern Ireland Cancer Centre, Belfast City Hospital as part of the PFI partnership for the equipment project.
- support to the Royal Group of Hospitals in relation to the development of the new Imaging Centre.
- support in the development of an Imaging Strategy for the new South West Hospitals at an acute and local level.
- advice and support to the Department in the development of a Regional Strategy for both Imaging and Laboratory services.

Decontamination Testing

The Decontamination Testing Service provided support in the delivery of a validation service for decontamination equipment in HPSS organisations.





PROJECT MILESTONES 2005/2006

The Agency identified key milestones against a range of capital projects in its 2005/2006 Business Plan. Progress/achievements for each HSS Trust for 2005/2006 are as follows:

Belfast City Hospital HSS Trust

Regional Cancer Centre for Northern Ireland

The Regional Cancer Centre progressed to Practical Completion in December 2005 and the facility opened to patients in March 2006.

Emergency Generators & Electrical Infrastructure

This project was substantially completed in March 2006.

Belfast City Hospital Redevelopment

The Trust has rescheduled the submission of the site wide Outline Business Case Stage 1 to June 2006.

Shaftesbury Square Hospital - Addiction Clinic

The Trust has rescheduled their programme for submission of the Outline Business Case Stage 1.

Down Lisburn HSS Trust

Thompson House - Lisburn

This two phase refurbishment project providing facilities for 7 long stay brain injury and 40 respite care patients was completed in August 2005.

New Downe Hospital

Scheme design has been progressed, although some delay was encountered with Business Case approvals resulting in the target on site date being revised to August 2006.

Downpatrick Children's Home

The Trust has suspended this project whilst planning issues are resolved.

Lagan Valley Hospital Redevelopment

The Trust has submitted the site wide Business Case to the Department for approval.





Green Park HSS Trust

Regional Acquired Brain Injury Unit - Musgrave Park Hospital

This facility was completed in March 2006 and provides 25 in-patient beds together with outpatient services previously located at the Joss Cardwell Centre.

Forest Lodge Respite Home

This 9 bed Children's Respite Unit project commenced on site in April 2005 and was completed March 2006.

Mater Hospital HSS Trust

Mater Hospital - Psychiatric Facilities

The Trust is not progressing the Business Case at present pending the outcome of the regional review of Mental Health Services.

North & West Belfast HSS Trust

Muckamore Abbey Hospital Phase 1 - Assessment & Specialist Forensic Service

This project was completed in March 2006. It is the first phase of the redevelopment of Muckamore Abbey Hospital and provides a 36 bed Admissions and Assessment Unit and a 23 bed Forensic Unit.



Royal Group of Hospitals HSS Trust

Royal Victoria Hospital - Mortuary

The Enabling Works project to facilitate this NIO scheme has been completed.

Regional Children's, Maternity and Fertility Services

Planning for a new facility to accommodate the regional Children's, Maternity and Fertility Services for Northern Ireland has progressed satisfactorily with approval having been given to progress an Exemplar Design to support the Business Case process. The Exemplar Design team was appointed in March 2006.

Royal Victoria Hospital - Central Disinfecting Unit

This project was completed in February 2006.

Royal Victoria Hospital - Imaging Centre

This Imaging Centre project which will provide facilities for Nuclear Medicine, General Radiology, MRI, CT Scanner, Interventional procedures, Fluoroscopy, Ultrasound and Cardiology has been completed.

Royal Victoria Hospital - Receipt and Distribution Centre

The Business Case for the Receipt and Distribution Centre project was submitted to the Department and has now been approved. Scheme planning is underway with a view to getting on site during the 2006/07 financial year.

Royal Victoria Hospital - Phase 2b Critical Care

The Business Case for the Phase 2b Critical Care project which will provide facilities for Accident and Emergency, additional Operating Theatre, Critical Care Beds, a Burns Unit and educational facilities has now been approved and planning is progressing toward an on site date of February 2007.

Royal Group of Hospitals - Site Wide Outline Business Case (OBC) Stage 1

The Trust has submitted the Outline Business Case Stage 1 to the Department for approval.



South & East Belfast HSS Trust

East Belfast Community Care & Treatment Centre [The Arches Centre]

This new facility which provides accommodation for 22 GP's together with a full range of Health and Social Care services was completed in November 2005.

South Belfast Community Care & Treatment Centre [The Bradbury Centre]

This new facility which now houses a full range of Health and Social Care services previously provided at eight locations throughout South Belfast was completed in November 2005.





Ulster Community & Hospitals HSS Trust

Ulster Hospital Redevelopment Phase 1 - Critical Capacity Schemes

This phase of the redevelopment comprises a range of schemes to overcome serious capacity shortfalls and enable the Trust to maintain the current level of services.

- Ambulatory Care Stage 2

An Exemplar Design Team has been appointed and the design is currently being developed as part of the Business Case process for the Ambulatory Care project.

- Care of the Elderly Unit

Completion of the Ward 12 project was achieved in July 2005.

- Maternity Unit

Work on the new Maternity Unit is progressing satisfactorily towards completion in August 2007.

- Renal Unit

Work on the new Renal Unit project is progressing with the completion date having been extended to September 2006 to accommodate the inclusion of additional renal stations.

Marmion Children's Home

This project, which involved the provision of a replacement Children's Home incorporating 6 places and a self contained unit to facilitate domestic living, commenced on site in August 2005.

Lakewood Secure Children's Unit

Construction on the Lakewood Secure Care Facility is progressing satisfactorily with completion programmed for the Spring 2006.





United Hospitals HSS Trust

Antrim Area Hospital - Clinical Support Accommodation

The project to provide facilities for clinical support and regional supplies accommodation was substantially completed in March 2006.

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Craigavon Area Hospital Group HSS Trust

Craigavon Area Hospital Redevelopment

The Trust has submitted the Outline Business Case Stage 1 to the Department for approval.

Craigavon Area Hospital - Catherisation Laboratory, Day Surgery Unit, Maternity Theatres Upgrade and Central Sterile Services Department [CSSD]

Problems with the Business Case approvals delayed these projects going on site.

Craigavon Area Hospital Protective Elective Beds

Problems were encountered with the Business Case which meant the project did not commence on site until December 2005 however practical completion is expected in late April 2006.

Craigavon & Banbridge Community HSS Trust

Banbridge Day Centre

The Trust has submitted the Business Case to the Department for approval.

Portadown Health Centre

Delay in the approval to Outline Business Case Stage 1 was experienced. Exemplar Design has now been completed and the on site date is programmed for December 2006.

Craigavon Mental Health Crisis Resource Centre

The programmed on site date for this project was not achieved due to a delay in the Business Case approval however the design is now progressing with the on site date programmed for August 2006.

Newry & Mourne HSS Trust

Kilkeel Health Centre

This facility which houses the 5 GP surgeries currently based in the old premises together with other Trust services was completed in January 2006.

Altnagelvin Area Hospital HSS Trust

Altnagelvin Hospital Temporary Renal Unit

This project was completed in November 2005.

Altnagelvin Hospital Laboratory & Pharmacy

This project which is Phase 2 of the Altnagelvin Hospital Redevelopment is being procured under the Public Private Partnership [PPP]/Private Finance Initiative [PFI] and is progressing satisfactorily on site with completion programmed for January 2007.



Foyle Community HSS Trust

Stradreagh Hospital Replacement

This facility was completed in August 2005. It replaces the existing Stradreagh Hospital and provides high quality modern accommodation for the provision of inpatient and outpatient services for patients with learning disabilities.



Sperrin Lakeland HSS Trust

Omagh/Dromore Children's Respite Home

The Trust has submitted the Business Case to the Department for approval.

Central Services Agency

Office Accommodation - Refurbishment

This project was completed in June 2005.

Regional Projects

Primary and Community Care Infrastructure [PCCI]

The Outline Business Cases Stage 1 for the PCCI Priority Projects across the four Boards were submitted and approval given to Conceptual Design and the project support costs. Work has commenced on site development site identification and the Boards plan to submit the Outline Business Case Stage 2 to the Department in September 2006.

Additional Renal Spaces

Additional permanent renal spaces at Antrim, Belfast City, Ulster Hospitals and Altnagelvin Hospital are being pursued through the development of separate business cases.



PERFORMANCE AGAINST TARGETS

Ministerial Targets 2005/2006

The Minister set a broad range of demanding targets for the Agency for 2005/2006 and the Agency achieved nine out of the ten of these Ministerial targets.

Performance against each Ministerial Target is set out below:

Quality Targets

1. 95% of the service provided by the Agency's Client Support staff to external clients to be regarded as satisfactory, of which 35% of the service to be regarded as either very good or excellent.

Target achieved: over 98% of the service provided by the Agency's Client Support staff regarded as satisfactory, of which 65% of the service was regarded as very good or excellent.

2. 95% of the service provided by the Agency's Project Management staff to external clients to be regarded as satisfactory, of which 35% of the service to be regarded as either very good or excellent.

Target achieved: over 99% of the service provided by the Agency's Project Management staff regarded as satisfactory, of which 88% of the service was regarded as either very good or excellent.

3. 95% of the service provided by the Agency's Trust Consultancy Support staff to external clients to be regarded as satisfactory, of which 35% of the service to be regarded as either very good or excellent.

Target achieved: 100% of the service provided by the Agency's Trust Consultancy Support staff regarded as satisfactory. Over 63% of the service was regarded as very good or excellent.





4. 95% of the service provided by the Agency's Specialist Engineering staff to external clients to be regarded as satisfactory, of which 35% of the service to be regarded as either very good or excellent.

Target achieved: 95% of the service provided by the Agency's Specialist Engineering staff regarded as satisfactory. Over 77% of the service was regarded as very good or excellent.

Throughput/Service Delivery Targets

5. Complete testing against Health Service guidance and relevant British and European standards and issue Test Reports to the Authorised Person in respect of 98 sterilizers and washer disinfectors by 31 March 2006, based on 98 machines in operation at 1 April 2005 and on a testing resource of 4 fully qualified decontamination testing staff being available over the target period.

Target not achieved: 110 sterilisers/disinfectors were tested and reports were issued to the Authorised Person by 31 March 2006. Internal Audit regarded the target for the testing of 98 Sterilizers and washer disinfectors as not achieved. This target failed on a technicality in that, due to particular circumstance within Trusts, there were only 77 machines available during the year.



6. Issue all Medical Device/Equipment Alerts with an "Immediate Action" level of urgency designation initiated by the Medicines and Healthcare products Regulatory Agency (MHRA) within 3 working days on receipt of final MHRA Alert (provided that no further consultation is involved).

Target achieved: 24 out of 24 Medical Device/Equipment Alerts with an "Immediate Action" level of urgency designation were issued within 3 working days of receipt of the final MHRA Alert.

7. Issue all Medical Device/Equipment Alerts with an "Action" level of urgency designation initiated by the Medicines and Healthcare products Regulatory Agency (MHRA) within 5 working days on receipt of final MHRA Alert (provided that no further consultation is involved).

Target achieved: 42 out of 42 Medical Device/Equipment Alerts with an "Action" level of urgency designation were issued within 5 working days of receipt of the final MHRA Alert.

8. Develop and issue for consultation an Environmental Cleanliness Strategy, Cleaning Specifications and an assessment tool by June 2005 and undertake an independent assessment of environmental cleanliness based on the Cleaning Specifications by October 2005.

Target achieved: Strategy presented to Departmental Management Board on 24 June 2005 and published October 2005.

Financial Management Targets

9. Ensure that the Agency lives within its running cost allocation for the year.

Target achieved: The Agency's expenditure was £5.651k against a budget allocation of £5.705k.

10. Demonstrate that the full costs of the Agency are recouped, on a notional basis, through the Service Level Agreement with the Department.

Target achieved: The Agency's full costs were recouped on a notional basis through the Service Level Agreement with the Department.



CHIEF EXECUTIVE TARGETS

In addition to the Minister's targets, the Chief Executive of the Agency identified two key internal objectives for 2005/2006. Achievement against these targets is as follows:

- To review decontamination services and optimise the role of Health Estates in this area.

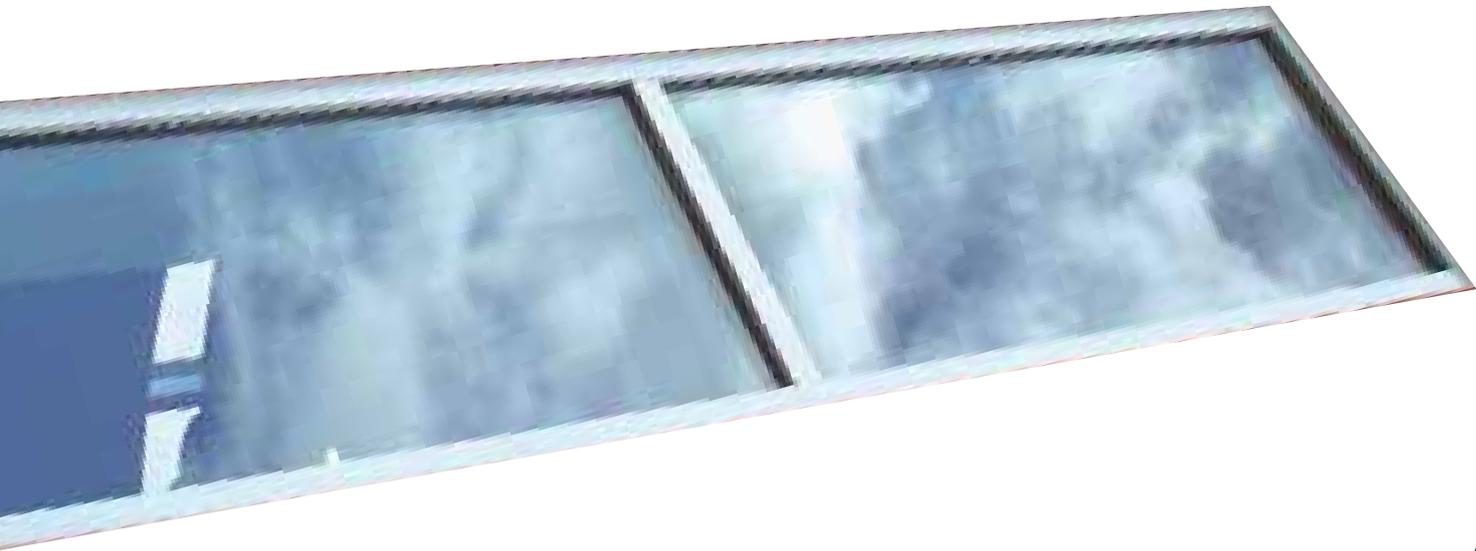
Following a review of the decontamination testing service, a new Ministerial Target has been set for 2006/2007 to complete the review of Health Estates decontamination testing services with the objective of presenting a draft regional strategy for decontamination testing services to the Departmental Management Board by 30 November 2006.





- To plan and implement any necessary internal restructuring within the Agency to ensure that resources are focused on key deliverables and in response to Government's drive for greater efficiency.

The Agency reviewed its internal structures and new organisational arrangements were put into place with effect from 1 April 2006.



REVIEW OF ORGANISATIONAL EFFECTIVENESS

The Agency identified four key areas critical to organisational effectiveness in its Corporate Plan for 2005/2010. Significant achievements in each area for 2005/2006 are detailed below:

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Quality Management

Since the launch of Health Estates in 1995 the Agency has continually strived to improve organisational effectiveness and overall service delivery through annual client satisfaction surveys, staff satisfaction surveys and regular assessments against the European Foundation Quality Model (EFQM) which culminated in the Agency receiving a Silver Award under the 'Steps to Excellence Scheme' in 2004/2005.

The Agency put a further submission to the Steps to Excellence award scheme in 2005/2006. As a result of the judging process, the Agency achieved a Gold Award against Steps to Excellence Scheme. The award was presented to the Agency at the NI Quality Award Ceremony held in January 2006.





Information and Systems

During 2005/2006 the Agency's Information Services Centre had its staffing structure strengthened with the appointment of a new dedicated Principal Officer.

The Centre continued to maintain, develop and promote its repository of technical and administrative guidance while also undertaking research assignments and electronic document collation in support of Agency business.

The Centre also played a major role in the consolidation of internal communication systems, providing information for the wider HPSS and the enhancement of support tools, such as the Project Manager's Handbook.

Human Resource Management

As a professional organisation providing highly specialised health and social care estate services and advice the Agency is dependant upon the maintenance of a well trained, proficient and highly motivated workforce. During 2005/2006 the Agency spent over £54k on training. This training included both technical and administrative courses, as well as further education and university courses, aimed at ensuring continued professional development of staff.

Financial Management

Effective financial management is critical to the successful operation of the Agency. Financial targets are a core part of the Agency's Ministerial targets and these financial targets were successfully achieved for 2005/2006. This success was a direct result of the Agency's sound financial management and control arrangements.





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DIRECTORS REPORT

Management Board

The Agency's Management Board that served during the year comprised:

Mr J Cole	Chief Executive
Mr E Brett	Director of Estate Development
Mr D Neill	Director of Estate Policy (retired from board on 11 July 2005)
Mr M Spence	Assistant Director of Estate Development (appointed to board 11 July 2005)
Mr A Harding	Assistant Director of Estate Development (appointed to board 11 July 2005)
Mr B Godfrey	Assistant Director of Estate Policy (appointed to board 11 July 2005)
Mr I Bell	Acting Assistant Director of Estate Policy (appointed to board 11 July 2005)
Mrs B Gray	Acting Head of Corporate Services (appointed to board 11 July 2005 until 14 November 2005)
Mr A Owens	Head of Corporate Services (appointed to board 14 November 2005)

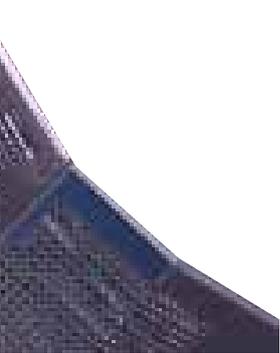
The Chief Executive has been appointed for an indefinite term under the standard Senior Civil Service Management Code.

As Civil Servants, the remuneration of the members of the Board is determined by the normal Civil Service pay arrangements. Details of the remuneration of the Chief Executive and senior staff within Health Estates are provided, in salary bands, on page 44 in the Remuneration Report.

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History and Statutory Background

Health Estates is an Executive Agency of the Department of Health, Social Services & Public Safety. The Agency was established on 2 October 1995 under the Government's Next Steps Initiative and is funded through the Department of Health, Social Services and Public Safety (DHSSPS).

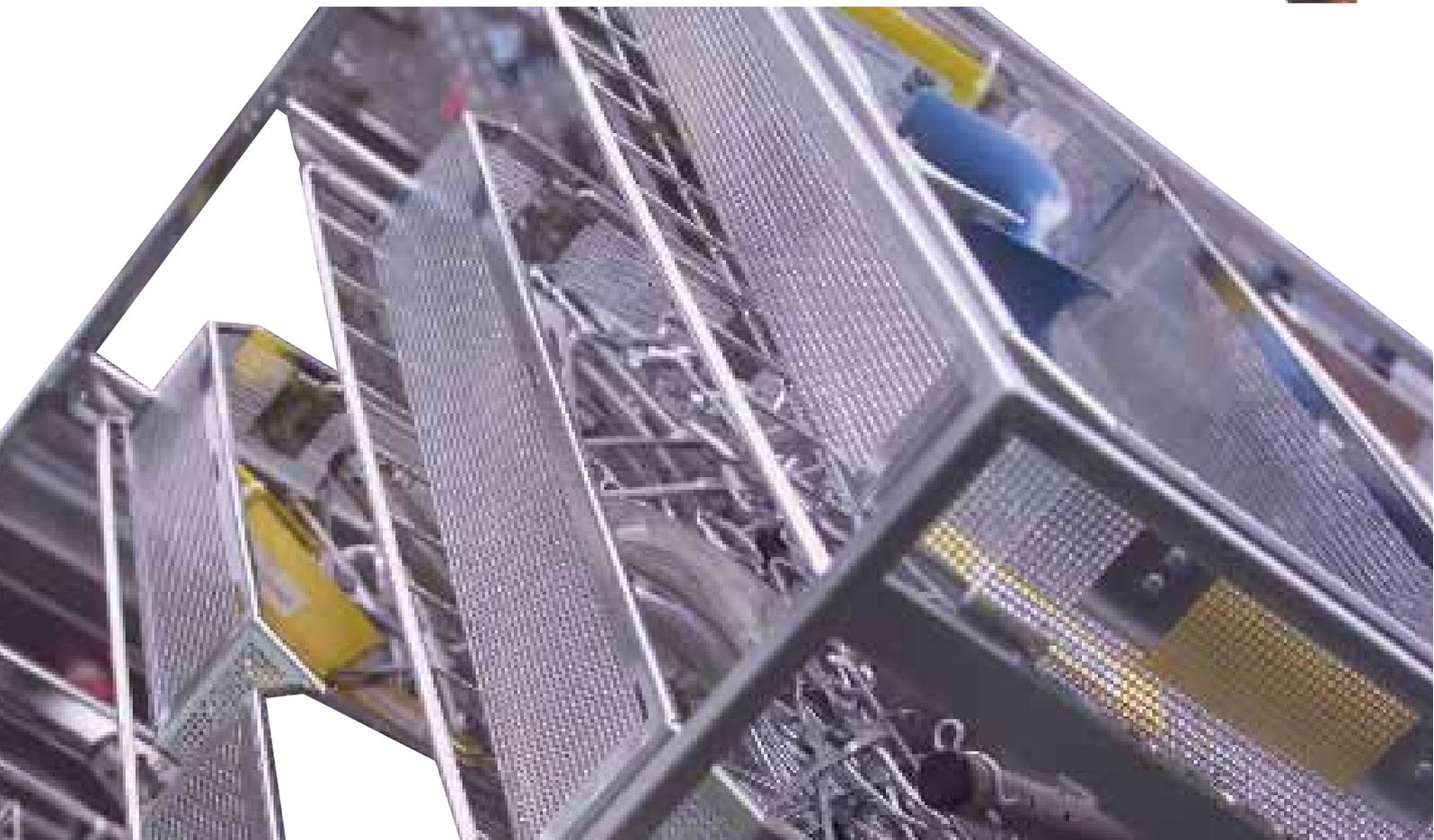
These accounts have been prepared in accordance with a direction given by the Department of Finance and Personnel in accordance with Section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Principal Activities

The Agency's main functions are set out in the Annual Report. Its main business is to provide advice, guidance and support on estate matters at both strategic and operational levels to the various bodies charged with responsibility for the Health and Personal Social Services estate in Northern Ireland.

Business Review

A full review of the Agency's activities is given in the Annual Report. The Agency achieved 9 of the 10 targets set by the Minister in its Business Plan and results on individual targets are detailed in the Annual Report. The net cost of operations for the year was £6.801m (2004/05: £6.438m).





Important Events Occurring After the Year End

There have been no significant events since the year-end, which would affect these accounts.

Fixed Assets

Details of the movement in fixed assets are set out in note 7 to the accounts.

Charitable Donations

The Agency made no charitable donations during the year.

Payment to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS7890 "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. Quarterly reviews conducted to measure how promptly the Agency paid its bills found that 100% (2004/05: 100%) of bills were paid within this standard.

Pension Liabilities

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) which is a defined benefit scheme and is unfunded and non-contributory. Health Estates recognises the expected cost of providing pensions 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).

Disabled Persons

The Agency follows the NI Civil Service Code of Practice on the Employment of Disabled People. This code of practice is to help the Agency achieve equality of opportunity for people with disabilities and to make full use of the skills and abilities that people with disabilities possess, through career development, training, opportunities for flexible working and the provision, where necessary, of adaptations to premises, equipment or support.

Under the Disability Discrimination Act (1995), organisations had to make all 'reasonable adjustments' to their premises in order to prevent discrimination to disabled people. Following an accessibility audit, which was carried out in the Agency in December 2002, a programme of work was undertaken and incorporated into Health Estates policy - in order to bring the Agency in line with the Act. This programme of work was completed in 2005 with Health Estates providing assurance to the Department on 12 September 2005 that the Agency had met the requirements of the Act.





Employee Involvement

The Agency places considerable reliance on the involvement of its employees with its clients. Formal consultation procedures have been established with the recognised Trade Union and every effort is made to ensure that all staff are informed of any significant developments affecting the Agency. Regular team briefing sessions have taken place throughout the year and annual staff satisfaction surveys are conducted as part of the Agency's Quality programme.

Equal Opportunities

The Agency follows the NI Civil Service Equal Opportunity Policy which aims to foster a culture which rewards achievement and encourages every member of staff to develop his or her potential.

Health & Safety

The Agency is committed to adhering to all existing legislation on health and safety at work to ensure that staff and clients enjoy the benefits of a safe environment.

Audit

These accounts have been subject to a formal audit by the Comptroller and Auditor General. The certificate and report of the Comptroller and Auditor General are included at pages 58 to 59.

So far as the Management Board and Accounting Officer are aware, there is no relevant audit information of which the NI Audit Office are unaware and which has not been disclosed. The Management Board and Accounting Officer have taken all steps necessary to make them aware of any relevant audit information and to establish that the NI Audit Office are aware of that information.

No non-audit work has been undertaken by the auditors during the year.

A handwritten signature in black ink, appearing to read 'J Cole'.

J COLE
Chief Executive
15 June 2006





MANAGEMENT COMMENTARY

Background

Health Estates was established as a Next Steps Agency on 2 October 1995 as the only body in Northern Ireland with recognised expertise in all aspects of the Health and Social Services (HSS) estate. The parent organisation of the Agency is the Department of Health, Social Services and Public Safety (the Department).

The Agency's overall aim is to support the Mission Statement of the Department by providing a centre of specialist, professional and technical estate expertise that supports the development and maintenance of an efficient and effective HSS estate for the delivery of health and personal social services.

This expertise was confirmed in May 2002, when the then Northern Ireland Executive approved a new public procurement policy for the public sector of Northern Ireland - and Health Estates was formally accredited as the 'Centre of Procurement Expertise' (COPE) for construction and design services for the Department and the Health and Personal Social Services (HPSS).

The COPE status of the Agency was re-accredited during the year after an in-depth assessment of all NICS COPEs was completed in September 2005.

Organisation

Overall management responsibility for the Agency rests with the Chief Executive, Mr John Cole (appointed in August 2003 by open competition). He is supported in his role by a six-member Agency Management Board.



Objectives

The strategic objectives of the Agency are as follows:

- To support the Departments and Trusts in the timely delivery of major HPSS construction programme.
- To ensure procurement of all design and construction projects with HPSS is undertaken through Health Estates as the accredited COPE.
- In consultation with the Department to further develop and roll out, throughout the HPSS, procurement methods that ensure delivery of projects on programme and within budget.
- To ensure all developments in HPSS infrastructure adhere to the principle of good practice in delivering value-for-money high quality design with a focus on the integration of art, landscaping and sustainable design to create true healing environments.
- To support the Department and Trust in the ongoing strategic reconfiguration and rationalisation of the HPSS estate.
- To continue to work with the Department in improving the effectiveness of the business case process.
- To work with the Department, Trusts and other HPSS bodies in ensuring a safe environment for patients and client care.
- To drive performance improvement in the HPSS for Facilities Management services.
- To adhere to the principles of the "Achieving Excellence" agenda.
- To support and contribute the Department in the implementation of RPA.

To facilitate the effective delivery the strategic objectives and client services, the Agency is structured into functions and appropriate functional business areas:





Functions

The Agency's functions - set out in its revised framework document dated May 2005 - include the provision of advice and support to the Minister, the Department and the HPSS on all estate, facilities management and equipment related matters, development of estate and facilities management related policies and guidance for dissemination and application within the HPSS and the provision of medical device and estate management technical safety guidance to the Department, the HPSS and the wider health and social care community. It is also a Centre of Procurement and Specialist Expertise for the HPSS estate and capital developments. Health Estates provides specialist engineering support and guidance to DHSSPS and the HPSS in relation to key engineering systems as well as a number of other estate related support services.

Business Areas

During the past year the work of the Agency was supported by three directorates, as follows:

Estate Policy supported and, where appropriate, acted for the Department on estate, facilities management and equipment related matters. It also developed and disseminated estate and facilities management related policies and guidance and provided medical device and estate management technical safety guidance to the Department, the HPSS and the wider health care community.

In addition to this, the Directorate provided specialist land and property advice and support to the Department on its retained estate and it acts as agent for the Department on its retained estate and on the disposal of surplus property. It also provided specialist engineering support and guidance to the Department and the HPSS in relation to key engineering systems as well as a range of estate related support services in respect of clinical engineering and decontamination testing.





Estates Development provided a strategic estate planning function on behalf of the Department and advice and support on planning, project management and procurement to both the Department and the HPSS in its capacity as a formally accredited COPE. The Directorate also fulfilled the Design Champion role on behalf of the Department and managed the regional information centre for the HPSS estate as well as a range of support services encompassing architecture, mechanical engineering, quantity surveying and site inspection.

Corporate Services co-ordinated Agency business information, budgeting, business planning, accounting and reporting of target out-turns to the Ministerial Advisory Board. It also provided the control of support facilities and personnel aspects of the Agency's business. The Agency utilised Departmental branch services for the ongoing practical aspects of pay, personnel, training, information technology and payment processing. These services were monitored by the Corporate Services team.

Environment and Sustainability

A key initiative of Health Estates in 2005-2006 was to develop and roll-out a strategy on sustainable development that complemented regulatory imperatives on the reduction of energy usage in buildings and the higher policy aspirations of the climate change programme.

Under the umbrella of the departmental policy on sustainable development, the Agency has produced a sustainable development action plan. Implementation of the action plan is on target for completion in 2007. To support the plan, guidance on design for minimum waste (PEL (06) 03) has been issued together with the launch of the new 2006 edition of "EnCO2de - making energy work in healthcare" on 28 February 2006. In support of the climate change programme, Health Estates contributed to the Northern Ireland review of climate change initiative during 2005.



Also, during 2005-2006, the Agency represented the Department on the Inter-Departmental Sustainable Development Group and the Chief Executive of Health Estates assumed the role of Departmental Sustainable Development Champion. Contributions, via the Sustainable Development Champion and the Inter-Departmental Sustainable Development Group, were made to the drafting of the Northern Ireland Sustainable Development Strategy.

In addition, support and advice continues to be provided to the HPSS environment working groups, established to address environmental and sustainability issues. Guidance on the design of new facilities and the upgrade of existing facilities to meet energy efficiency targets has been issued and contributions have been made to the national review of the climate change programme.

In terms of the sustainability agenda, the Agency has and will continue to provide advice and support to HSS organisations to enable them to deliver measurable improvements in energy conservation and sustainability.



Performance - Review of Targets

The overall performance of the Agency is underpinned by a target setting process at three levels, namely:

- (a) a set of key Ministerial Targets which was endorsed by the Minister and approved by the Ministerial Advisory Board;
- (b) a set of Chief Executive Targets; and
- (c) individual targets at business level within the Agency.

The performance of the Agency in meeting the agreed targets and objectives was subject to the oversight of the Ministerial Advisory Board during the financial year. For 2005-2006, the Agency was set a range of challenging targets representing quality of services provided by the Agency, performance in undertaking specialist testing of equipment, the issue of medical device and equipment alerts and development of environmental cleanliness strategy for the HPSS.

Details of the performance against individual targets are set out in pages 23 to 25 of the Annual Report.

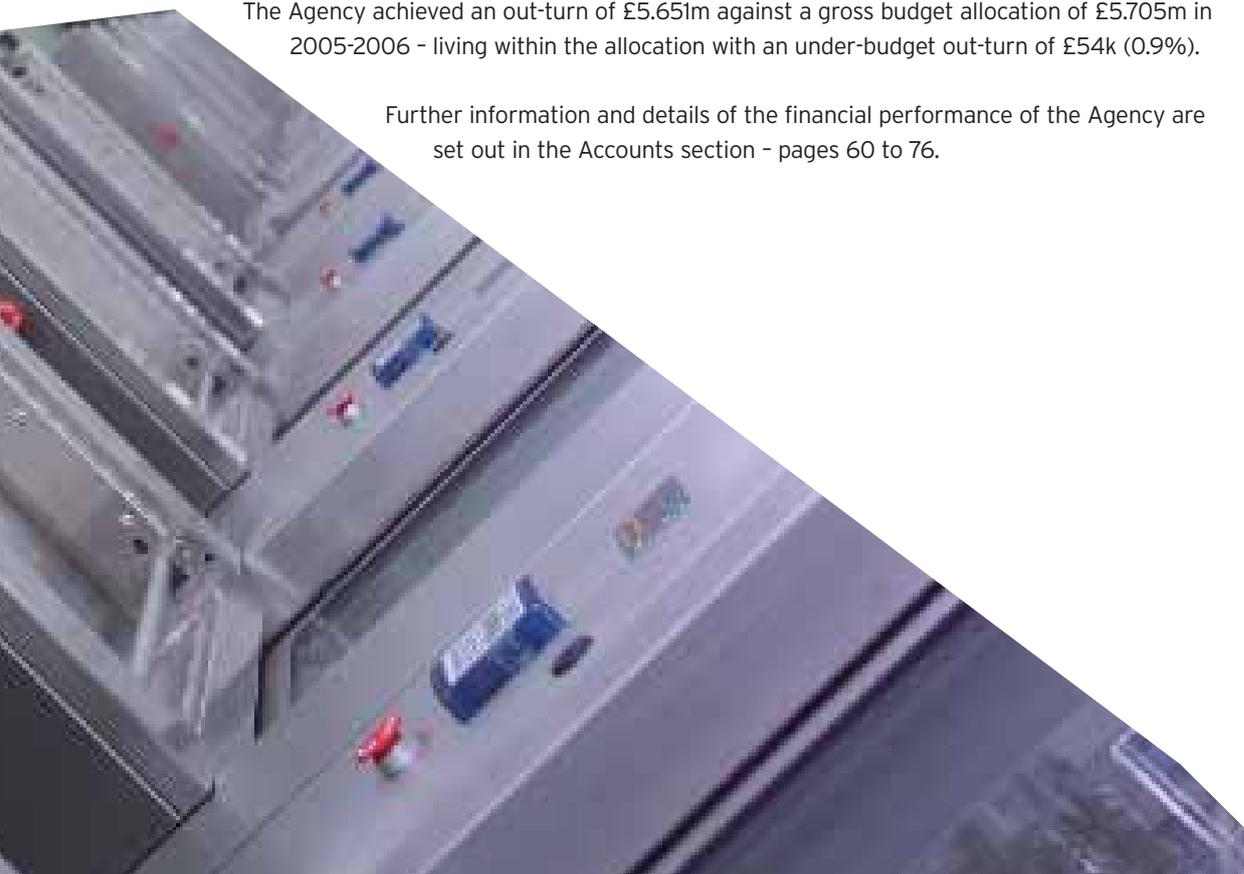
Performance - Financial

The Agency's target for the year 05-06 was set in the context of the Government's overall planning document Northern Ireland Priorities and Budget 2005-2008 and the Investment Strategy for Northern Ireland (ISNI) 2005-2015 and the DHSSPS Corporate and Business Plan 2005-2008. In 2005-2006, the Agency operated within the departmental allocated running costs, taking account of efficiency and Fit for Purpose reductions in staffing numbers.

In 2005-2006, Health Estates' key financial target - as set by the Minister - was to live within the departmental allocated running costs (taking account of efficiency and Fit for Purpose reductions in staffing numbers).

The Agency achieved an out-turn of £5.651m against a gross budget allocation of £5.705m in 2005-2006 - living within the allocation with an under-budget out-turn of £54k (0.9%).

Further information and details of the financial performance of the Agency are set out in the Accounts section - pages 60 to 76.





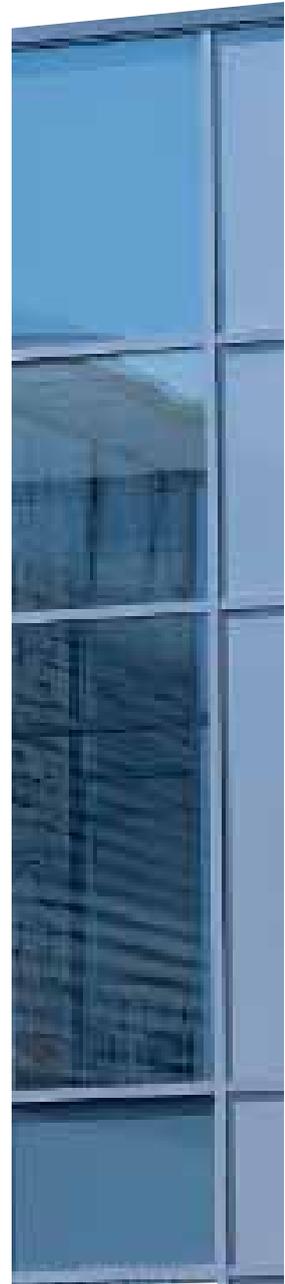
Corporate Governance and Risk Management

Strong financial management is essential to the Agency's organisational effectiveness. During the past years the Agency maintained robust finance and information systems and complied with the principles of sound financial management and budgetary control to ensure regularity and accountability and that best use was made of its scarce resources. In order to ensure that the Agency's objectives were successfully delivered and achieved and that all risks had been identified, appropriate procedures in corporate governance and risk management have been developed to determine a control strategy for each of the significant risks. The procedures are all documented in the Health Estates' Risk Management Strategy - which was issued to all staff. This portfolio clearly explains the risk management processes in place and details the roles and responsibilities of all staff as part of the corporate governance framework of the Agency.

A Risk Management Committee was established to direct the risk management process within the Agency. This Committee reviewed and updated the strategic risks and had responsibility for the implementation of controls assurance standards and the aforementioned Risk Management Strategy. The corporate governance framework and risk management strategy are successfully embedded throughout all levels of the Agency. This allows for the Chief Executive - as Accounting Officer - to sign off the Statement on Internal Control in the Annual Report and Accounts.

Staff

As a professional organisation providing highly specialist health and social care estate and facilities management services and advice, the Agency is dependent upon the maintenance of a well-trained, proficient and highly motivated workforce. The Agency promotes equal opportunities and high standards of health and safety for all staff. It also seeks to maintain effective communication and good working relationships with staff and Trade Union representatives.





In the Future

Looking forward, Investment in Health remains a top priority for Government in terms of both current and capital expenditure. £2.9bn has been identified for improving health and social services infrastructure. Health Estates has a key role to play in the delivery of this investment programme for health.

Alongside the Government's commitment to investment, is its commitment to public sector efficiency. Targets for public sector efficiency gains of 2.5% per annum have been set for the next three years and Civil Service administration costs are to be held constant during the period. Plans also include a target for reducing Civil Services numbers by 2,300 across all Government Departments.

The Agency is committed to delivering on further staffing reductions and efficiencies against a background of a major capital development programme in the HPSS.

Accordingly the Agency is committed to reducing its staffing level from 145 to 133 by March 2008.

The future organisational status of Health Estates is presently under consideration, as part of the Review of Public Administration, following the Secretary of State's recent announcement that it would be de-agentised and merged into the new HSS structures. However, the Annual Report and Accounts have been prepared on a going concern basis as, whilst the organisational status of Health Estates will change over the coming years, the existing functions and provision of services will still have to be undertaken in the future.

J COLE
Chief Executive
15 June 2006

The Management Commentary has been prepared in accordance with Reporting Standard 1 (RS1) as required by all entities covered by the Financial Reporting Manual (FRM).



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;
- 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.





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.

Unless otherwise stated below, 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.

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Agency.

Salary:

Name	2005-06		2004-05	
	Salary incl Performance related pay £000	Benefits in kind nearest £100	Salary incl Performance related pay £000	Benefits in kind nearest £100
Mr J Cole Chief Executive	85-90	0	75-80	0
Mr E Brett Director of Estate Development	65-70	0	60-65	0
Mr D Neill (retired on 31-07-06) Director of Estate Policy	20-25 (full year equivalent 65-70)	0	60-65	0
Mr M Spence Assistant Director of Development	50-55	0	30-35 (full year equivalent 50-55)	0
Mr A Harding Assistant Director of Development	55-60	0	50-55	0
Mr B Godfrey Assistant Director of Policy	45-50	0	45-50	0
Mr I Bell Assistant Director of Policy (temp promotion from 11-04-05)	50-55	0	N/A	N/A

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This table is based on payments made by the Agency and thus recorded in the 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.

There were no benefits in kind received by any of the Senior Management in the 2005/2006 financial year.

Pension:

Name	Real increase in pension and related lump sum at age 60 £000	Total accrued pension at age 60 and related lump sum £000	Cash equivalent transfer value (CETV) at 31 March 2005 £000	Cash equivalent transfer value (CETV) at 31 March 2006 £000	Real increase in CETV after adjustment for inflation and changes to market investment factors £000	Employer contribution to partnership pension account incl. Risk benefit cover nearest £100
Mr J Cole	0 - 2.5 plus 5 - 7.5 lump sum	30 - 32.5 plus 92.5 - 95 lump sum	483	542	37	0
Mr E Brett	0 - 2.5 plus 2.5 - 5 lump sum	25 - 27.5 plus 77.5 - 80 lump sum	422	460	16	0
Mr D Neill	0 - 2.5 plus 0 - 2.5 lump sum	25 - 27.5 plus 80 - 82.5 lump sum	469	483	0	0
Mr M Spence	0 - 2.5 plus 0 - 2.5 lump sum	15 - 17.5 plus 50 - 52.5 lump sum	226	251	12	0
Mr A Harding	0 - 2.5 plus 0 - 2.5 lump sum	20 - 22.5 plus 62.5 - 65 lump sum	335	362	15	0
Mr B Godfrey	0 - 2.5 plus 0 - 2.5 lump sum	10 - 12.5 plus 30 - 32.5 lump sum	131	148	10	0
Mr I Bell	2.5 - 5 plus 7.5 - 10 lump sum	20 - 22.5 plus 60 - 62.5 lump sum	305	363	47	0





Principal Civil Service Pension Scheme (NI) - PCSPS (NI)

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 Price Index. New entrants after 1 October 2002 may choose between membership of the 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 2005-06 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.

Early Retirement:

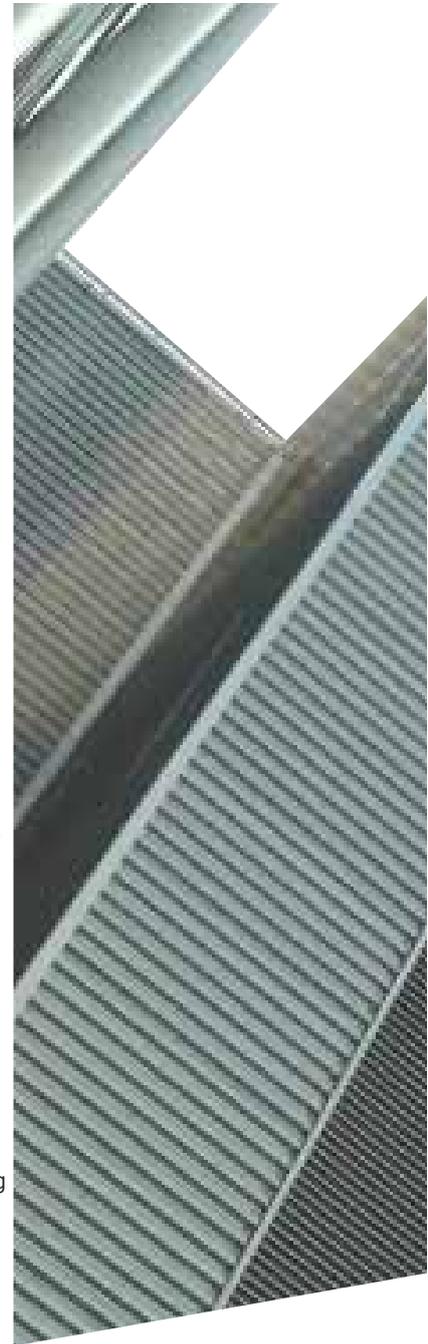
Mr D Neill - Director of Estate Policy - retired early on 31 July 2005.

The Agency meets the additional costs of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early - by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

The Agency provides, in full, for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the year. The total costs of these programmes are recognised in the year of early retirement.

The cost of meeting the additional cost of benefits relating to Mr D Neill amounted to £21k. In addition, a provision of £4k has been made relating to the cost of meeting the additional cost of benefits up to the normal retirement date in 2006-2007.

J COLE
Chief Executive
15 June 2006





STATEMENT OF THE AGENCY AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed Health Estates to prepare a statement of accounts for each financial year in the form and 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 income and expenditure, total recognised gains and losses and cash flows for the financial year and the Agency's state of affairs as at the end of 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 the Department of Finance and Personnel, 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 departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Chief Executive of Health Estates has been appointed Accounting Officer for the Agency. The Chief Executive's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding Health Estate assets, are set out in the Accounting Officers' Memorandum published in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.

STATEMENT ON INTERNAL CONTROL

Scope Of Responsibility

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

Health Estates is an Executive Agency of the Department of Health Social Services and Public Safety. As an Agency of the Department, I am accountable to the Permanent Secretary as Departmental Accounting Officer. I am also accountable to Health Estates' Ministerial Advisory Board. The body's main function is to enable the Minister to ensure public accountability for the performance of the Agency against agreed objectives. Members of the Ministerial Advisory Board are listed in note 3.4 to these accounts.

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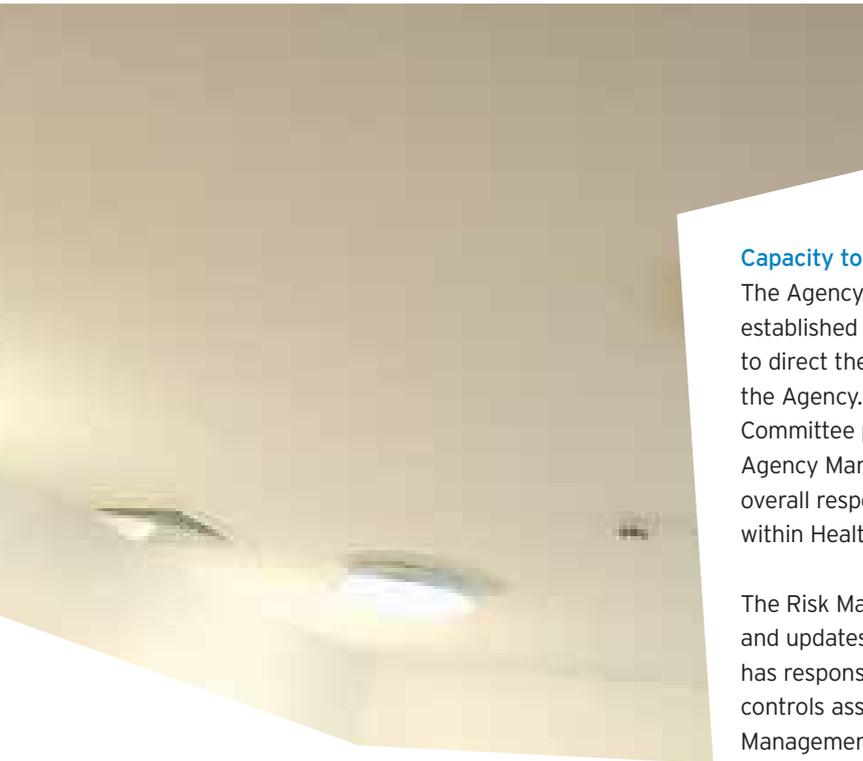
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The Purpose Of The System Of Internal Control

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 Health Estates' 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 Health Estates 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.





Capacity to Handle Risk

The Agency Management Board has established a Risk Management Committee, to direct the risk management process within the Agency. The Risk Management Committee provides regular updates to the Agency Management Board, which retains overall responsibility for risk management within Health Estates.

The Risk Management Committee reviews and updates the Agency's Strategic Risks and has responsibility for the implementation of controls assurance standards and the Risk Management Strategy of the Agency.

All staff have been issued with Health Estates' Risk Management Strategy. This document clearly explains the risk management processes in place and details the roles and responsibilities of all staff and the various Boards and Committees which are in place as a part of the corporate governance framework of the Agency. A programme to regularly train staff in fraud awareness and risk management is in place. This programme is managed by the Risk Management Committee who will initiate training where the review of needs identifies.

The key tool used by Health Estates for the control of operational risk is the Agency's Risk Register. The Risk Register is split into three core parts to reflect the three operational areas within the Agency; Estates Development, Estate Policy and Corporate Services. Each area has developed a Risk Register that documents the individual operating systems in place and defines the associated risks and controls.

Within each system a System Owner is identified. This person has overall accountability for the areas. System Responsibility is delegated to a staff member within that area who has sufficient authority and duties to control the delivery of services and use of resources.

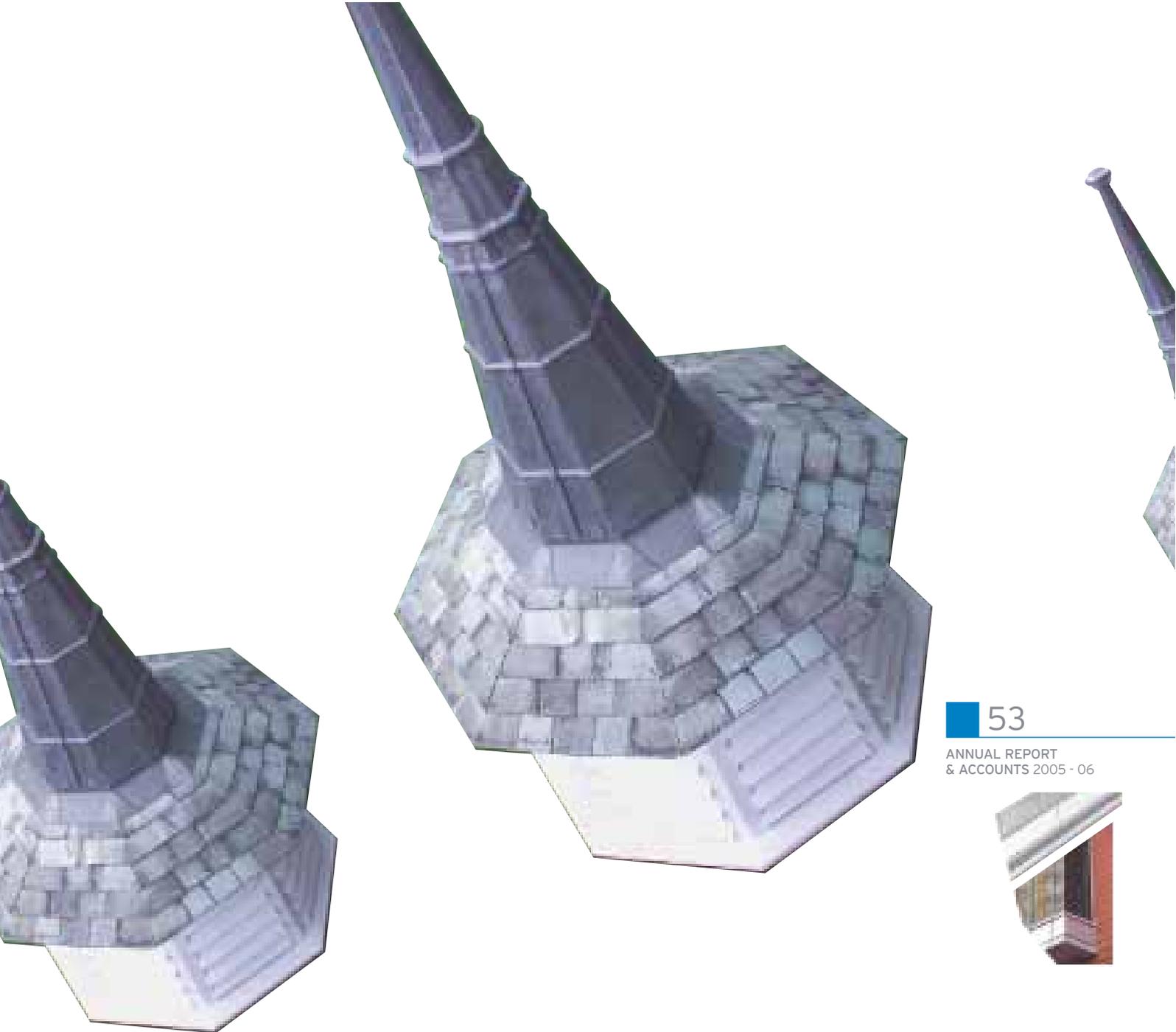




The Risk And Control Framework

At the strategic level Health Estates uses the Governance and Risk Management Controls Assurance Standards of the Australia and New Zealand Controls Assurance Model (AS:NZS 4360:1999) as its key risk management tools. The Governance Standard provides a high-level benchmark against which governance within Health Estates can be compared. The Governance Standard is used to ensure that sufficient controls and processes are in place to address the strategic risks of the Agency.

The Risk Management Standard specifically targets how Health Estates manages the tactical and operational risks faced.



The Risk Management Committee is responsible for the production, review and implementation of the standards and the management of corrective action where weaknesses are identified.

At operational level Health Estates uses Risk Registers to record and manage operational risks. Guidance is provided to staff through structured training and the Risk Management Strategy. All of the operational risks identified have been evaluated and graded in relation to their significance. The grading exercise uses a combination of impact and likelihood assessments and is reviewed at the beginning of each year and again at mid-year. The outcome of these assessments is used to plan and allocate resources in order to ensure that risks are managed to an acceptable level.

The Agency's risk appetite is detailed in its Risk Management Strategy. This document informs staff that *'well managed risk taking is essential if public bodies are to provide sustainable improvements and innovation in service delivery'*. The Risk Management Strategy details the processes involved in taking forward a structured approach to risk taking in line with the Agency's risk appetite.



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 letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Agency Management Board, the Audit Committee and Risk Management Committee and where appropriate, a plan to address weaknesses and ensure continuous improvement of the system is in place.

Senior Managers within Health Estates have been given a timetable of events in support of the performance of the respective reviews of effectiveness. Each review of effectiveness consists of a variety of source documents and activities and takes place on a regular basis throughout the financial year. Reviews are managed by Directors and the Head of Corporate Services and are conducted with the senior staff within each Directorate.

At the end of each financial year the reviews of effectiveness are raised at the Risk Management Committee for discussion and analysis. The Risk Management Committee also reviews the system of internal control for evidence of significant internal control problems that may need to be reported in the Statement on Internal Control. The Committee reports its work to the Agency Management Board.

Following the reviews of effectiveness I am provided with annual assurance certificates from the Directors and Head of Corporate Services. These certificates provide me with a number of assurances which I require to support the comments I make in the





Statement on Internal Control. The assurance certificates provided are based upon Annual Assurance Statements completed by senior staff within each Business Area. These statements provide assurance over the systems that make up the operating environment of Health Estates. They also provide assurance that staff have conducted themselves in accordance with relevant rules and regulations.

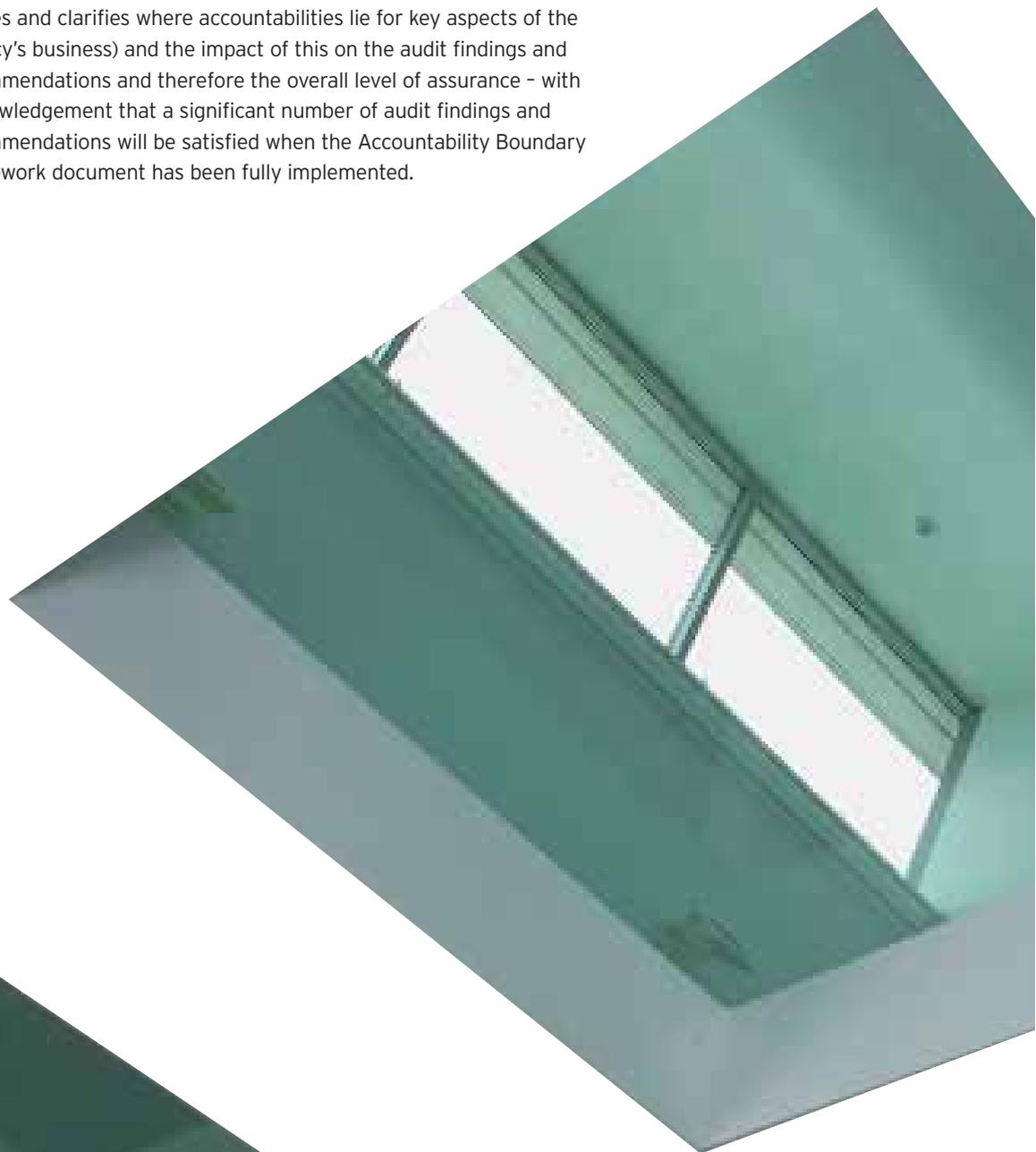
At the year-end the Agency Management Board reviews the evidence and agrees the form or wording to be applied in the Statement on Internal Control. The Board's review is based on the work of the Risk Management Committee, outputs from Internal and External Audit, assurances from Senior Management, Annual Assurance Statements and the Risk Management Committee updates provided to the Agency Management Board by the Agency Accountant. The Statement on Internal Control is then presented to the Agency Audit Committee for final review prior to sign off by myself.



Internal Control Problems

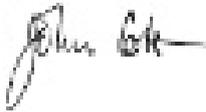
In his Annual Assurance statement, the Head of Internal Audit reported that the overall level of assurance for Health Estates Agency was 'limited'. This was based on the build up of assurance for the Agency's systems over recent years and the outstanding audit recommendations for audits on Services to the HPSS, Clinical Waste Contract Management and Specialist & Technical Advisory Services.

In providing this level of assurance, the Head of Internal Audit confirmed that positive progress had been made in relation to implementing the findings and recommendations from the Services to the HPSS and the Clinical Waste Contract Management audits. He also referred to the Accountability Boundary Framework document (which considers the accountability boundaries applicable to Health Estates and clarifies where accountabilities lie for key aspects of the Agency's business) and the impact of this on the audit findings and recommendations and therefore the overall level of assurance - with acknowledgement that a significant number of audit findings and recommendations will be satisfied when the Accountability Boundary Framework document has been fully implemented.

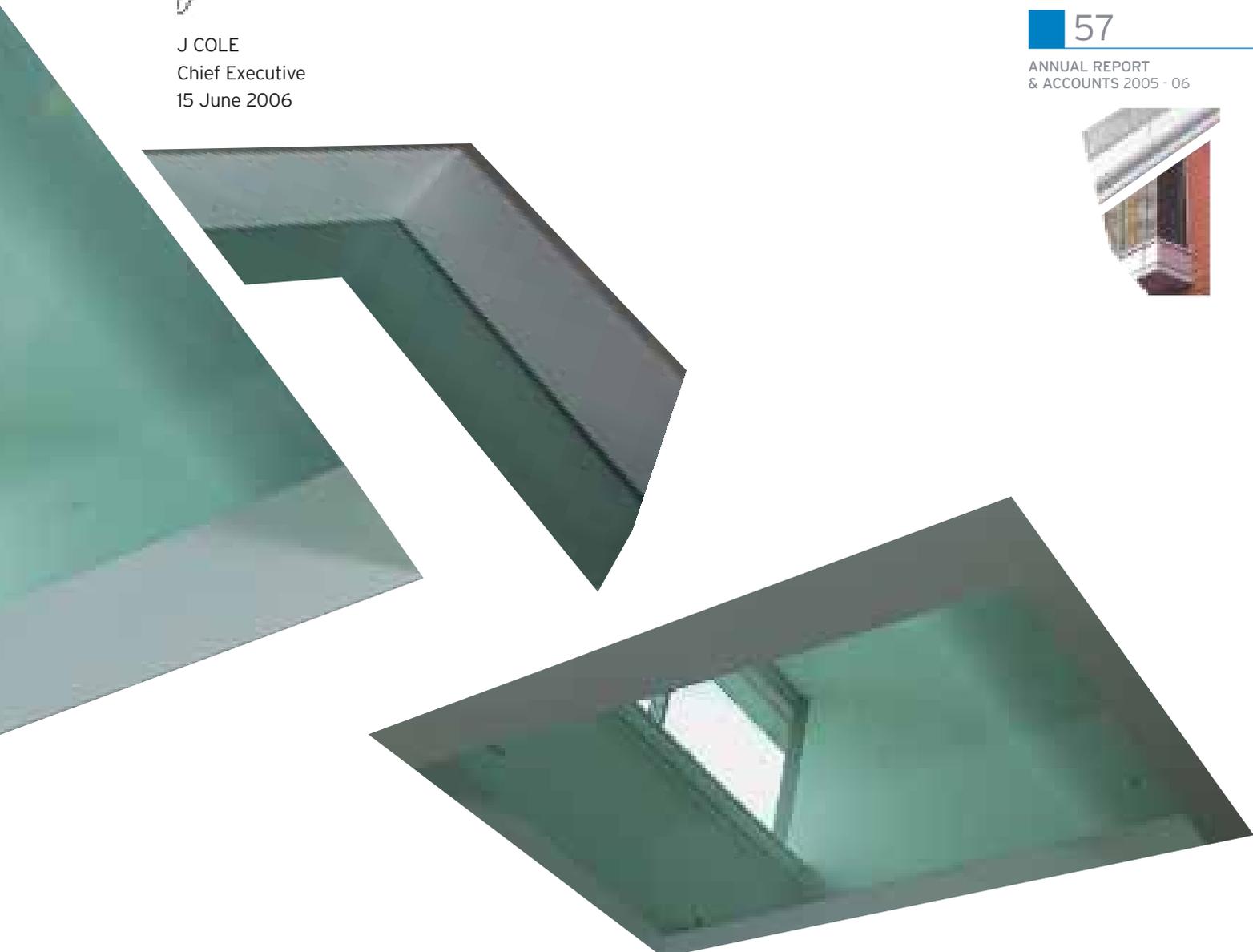


The Accountability Boundary Framework document has been agreed, in principle, between the DHSSPS, Health Estates and Internal Audit and is due to be implemented in the coming months. The agreement and implementation of this document, in addition to the positive performance being made against other findings and recommendations, would assist in changing the overall level of assurance to 'substantial'.

Finally, Internal Audit considered there were still some significant internal control problems with Specialist and Technical Advisory Services. These problems have been brought to the attention of senior management, via the Agency Audit Committee, and it was considered that the appropriate action was currently being taken to address the problems. This action includes the finalisation of the Accountability Boundary Framework for issue to HSS Trusts and a review of the arrangements to facilitate HSS Trusts in the securing of specialist and technical services. This may result in Health Estates withdrawing from the direct provision of such services and adopting a strategic monitoring role.



J COLE
Chief Executive
15 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 Health Estates Agency for the year ended 31 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 thereunder 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 50 to 57 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 statements 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 Foreword, Establishment and Status, Strategic Aim and Agency Functions, Ministerial Advisory Board, Organisation, Review of Services, Performance Against Targets, Review of Organisational Effectiveness, Directors' Report, the unaudited part of the Remuneration Report, and the Management Commentary. 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 thereunder by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31 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.



J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
22nd June 2006



ACCOUNTS

Operating cost statement for the Year Ended 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000
Income	2	9	9
Expenditure			
Staff Costs	3.2	4,937	4,683
Depreciation	7	32	27
Other Operating Costs	5	1,837	1,733
Total Expenditure		6,806	6,443

Costs of Operations Before Interest		6,797	6,434
Interest on Capital Employed	8	4	4
Net Cost of Operations		6,801	6,438

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Statement of Recognised Gains and Losses for the Year Ended 31 March 2006

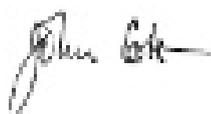
	2005/2006 £'000	2004/2005 £'000
Unrealised surplus on revaluation of fixed assets	0	0

The net cost of operations arises wholly from continuing operations which are administrative in nature. No programme expenditure is disclosed in these accounts.

The notes on pages 63 to 76 form part of these accounts.

Balance Sheet as at 31 March 2006

	Notes	31/03/2006 £'000	31/03/2005 £'000
Fixed Assets			
Intangible Assets	7a	71	61
Tangible Assets	7b	<u>46</u>	<u>51</u>
		117	112
Current Assets			
Debtors - amounts due within one year	9	36	47
Current Liabilities			
Creditors - amounts falling due within one year	10	(41)	(57)
Provision for Liabilities and Charges	11	(4)	0
		<u>(45)</u>	<u>(57)</u>
Net Current (Liabilities)/Assets		(9)	(10)
Total Assets less Liabilities		108	102
Financed By:			
Capital and Reserves			
General Fund	12.1	95	89
Revaluation Reserve	12.2	<u>13</u>	<u>13</u>
		108	102



J COLE
Chief Executive
15th June 2006

The notes on pages 63 to 76 form part of these accounts.





Cash Flow Statement for the Year Ended 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000
Net cash outflow from continuing operating activities	13.1	(5,615)	(5,256)
Capital expenditure and financial investment	13.2	(29)	(63)
Net cash outflow before financing		(5,644)	(5,319)
Financing from the Consolidated Fund	13.3	5,644	5,319
Increase/(decrease) in cash		0	0

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The notes on pages 63 to 76 form part of these accounts.





NOTES TO THE ACCOUNTS

1. Accounting Policies

1.1 Accounting Convention

The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM) issued by DFP. The particular accounting policies adopted by the Agency are described below. They have been applied consistently to items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Fixed Assets

Fixed assets are capitalised at their cost of acquisition and installation.

Assets are revalued by reference to appropriate indices and are depreciated from the month following their acquisition on a straight line basis at rates calculated to write-off their capitalisation cost (less any residual value), over their expected useful lives.

The threshold for capitalisation of a fixed asset has remained at £5,000 - consistent with the accounting policies of the DHSSPS, the parent Department. Like items which cost over £1,000 each and which collectively exceed the £5,000 threshold, are also capitalised.

The base useful lives of assets are reviewed regularly and fall within the following ranges.

Computer Equipment	3 to 10 years
Office Machinery and Equipment	6 to 8 years
Specialist Equipment	5 to 25 years
Software	5 to 7 years

Within these categories the treatment of similar items is consistent.

The Agency does not own the property it occupies, but incurs a notional charge for accommodation costs (including gas and electricity charges), which is included in the Operating Cost Statement.





1.3 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) which is a defined benefit scheme and is unfunded and non-contributory. Health Estates recognises the expected cost of providing pensions 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). For 2005/2006 rates were as follows:

Pensionable Salary	Rate
Up to £18,199	16.5%
£18,200 to £37,099	17.5%
£37,100 to £80,199	21.5%
£80,200 and over	23.5%

All contributions are charged to the Operating Cost Statement as they are incurred.

1.4 Early Departure Costs

The Agency meets the additional costs of benefits, beyond the normal benefits, in respect of employees who retire early - by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

The Agency provides, in full, for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the year. The total costs of these programmes are recognised in the year of early retirement.

1.5 Value Added Tax

All items in these accounts are exclusive of VAT, which is recoverable on a Departmental basis.

1.6 Stocks

Stocks consist only of consumable items and are therefore expensed in the year of purchase.



2. Income

Income relates to services provided and other sundry receipts.

	2005/2006 £'000	2004/2005 £'000
Recoupments	9	9
Recoveries in respect of outward secondments	-	-
	<u>9</u>	<u>9</u>

3. Staff Numbers and Costs

3.1 The average number of full time equivalent persons employed during the year was:

	2005/2006 Number	2004/2005 Number
Board & Senior Management	7	6
Professional and Executive	92	97
Support and Ancillary	30	31
	<u>129</u>	<u>134</u>

3.2 The costs incurred in respect of these employees were:

	2005/2006 £'000	2004/2005 £'000
Salaries and Wages	3,946	3,868
Social Security Costs	308	311
Other Pension Costs	683	504
	<u>4,937</u>	<u>4,683</u>
Sub-Total		
	<u>4,937</u>	<u>4,683</u>
Less Recoveries in Respect of Outward Secondments	-	-
Total	<u>4,937</u>	<u>4,683</u>





The PCSPS(NI) is an unfunded multi-employer defined benefit scheme which produces its own Resource Accounts, but Health Estates 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 2005/2006, employer's contributions of £683,489 were payable to the PCSPS(NI) (2004/2005 £503,740) at one of the four rates in the range 16.5 to 23.5 percent of pensionable pay, based on salary bands (the rates in 2004/2005 were between 12% and 18%).

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. Employer's contributions are 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 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. As no staff were in a partnership pension account, no payments have been made during 2005/2006.





3.3 Salary and pension entitlements of Senior Management:

The Salary and Pension entitlements of the Senior Management of the Agency are shown in the Remuneration Report on pages 44 to 45.

This report also contains appropriate guidance on Salary, Benefits in Kind and Pensions.

All Salary information is based on payments made by the Agency and is recorded in the accounts.

There were no benefits in kind received by any of the Senior Management in the 2005/2006 financial year.

3.4 Ministerial Advisory Board

The Minister has an Advisory Board for the Agency.

Members of the Board during 2005/2006 were as follows:

Don Hill (Chair)

Under Secretary, Resource & Performance management Group, DHSSPS

Paul Simpson

Under Secretary, Strategic Planning & Modernisation Group, DHSSPS

Andrew Hamilton

Under Secretary, Primary, Secondary & Community Care Group, DHSSPS

Stephen Lindsay

Chief Executive, Western Health and Social Services Board - Resigned
December 2005

John Templeton

Chief Executive, Craigavon Area Hospital Group HSS Trust

Patricia Gordon

Chief Executive, South & East Belfast HSS Trust

Board members are not remunerated.





4. Early Retirement Costs

One person retired early in 05-06; the cost of meeting the additional cost of benefits amounted to £20,984.

In addition, a provision of £3,547 has been made relating to the cost of meeting the additional cost of benefits up the normal retirement date in 06-07.

The cost of early retirement is included in Staff Costs.

5. Other Operating Costs

	2005/2006 £'000	2004/2005 £'000
General Administration Expenses	288	302
Travel and Subsistence	198	203
Staff Training	51	51
Consultancy	149	28
Loss on Disposal of Fixed Assets / Change in threshold	5	45
Permanent Diminution in Value of Fixed Assets	3	-
Contract Payments to Other Government bodies	0	17
Notional Costs (Note 6)	1,143	1,087
	<u>1,837</u>	<u>1,733</u>

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6. Notional Costs

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

	2005/2006 £'000	2004/2005 £'000
Goods/Services provided by the DHSSPS	418	406
Goods/Services provided by other Departments/Agencies	717	670
Early Departure Costs	-	3
Audit Fee	8	8
Total Notional Costs	<u>1,143</u>	<u>1,087</u>

7(a). Intangible Fixed Assets

	Software	Total
Cost or Valuation		
At 1st April 2005	63	63
Additions	19	19
Disposals	-	-
Revaluations	-	-
At 31st March 2006	82	82

Depreciation		
At 1st April 2005	2	2
Charge for year	9	9
Disposals	-	-
Backlog Depreciation	-	-
Revaluations	-	-
At 31st March 2006	11	11

Net Book Value		
At 31 March 2006	71	71
At 1 April 2005	61	61



7(b). Tangible Fixed Assets

	Computer Equipment	Office Machinery & Equipment	Specialist Equipment	Total
Cost or Valuation				
At 1st April 2005	45	8	66	119
Additions	16	10	0	26
Disposals	(17)	-	(10)	(27)
Revaluations	(6)	-	0	(6)
At 31st March 2006	38	18	56	112

Depreciation				
At 1st April 2005	27	6	35	68
Charge for year	9	2	12	23
Disposals	(15)	-	(7)	(22)
Backlog	(3)	-	-	(3)
Depreciation				
Revaluations	-	-	-	-
At 31 March 2006	18	8	40	66

Net Book Value				
At 31st March 2006	20	10	16	46
At 1st April 2005	18	2	31	51

Computer Equipment is provided to Health Estates by the DHSSPS. Other assets are purchased by Health Estates as they are required. During the year Health Estates spent an amount of £28,885 (2004/2005: £63,077) on other asset additions.

In compliance with FReM, Health Estates have used March indices as part of the estimation technique used to revalue fixed assets - in previous years fixed assets were revalued using the September indices.

The threshold for capitalisation of a fixed asset has remained at £5,000 - consistent with the accounting policies of the DHSSPS, the parent Department. Like items which cost over £1,000 each and which collectively exceed the £5,000 threshold, are also capitalised.



8. Interest on Capital Employed

The Income and Expenditure Account bears a non-cash charge for interest relating to the use of capital by the Agency. The basis of the charge is 3.5% (2004/05; 3.5%) of the average capital employed, defined as total assets less current liabilities.

9. Debtors (Amounts Due Within One Year)

	2005/2006 £'000	2004/2005 £'000
Prepayments - bodies external to government	34	44
Total Prepayments & Accrued Income	34	44
Debtors - other central government bodies	2	3
Total Other Debtors	2	3
TOTAL DEBTORS	36	47

10. Creditors (Amounts Falling Due Within One Year)

	2005/2006 £'000	2004/2005 £'000
Accruals - other central government bodies	24	41
Accruals - NHS bodies	5	0
Accruals - bodies external to government	7	4
Total Accruals	36	45
Other Creditors - bodies external to government	5	12
Total Other Creditors	5	12
TOTAL CREDITORS	41	57





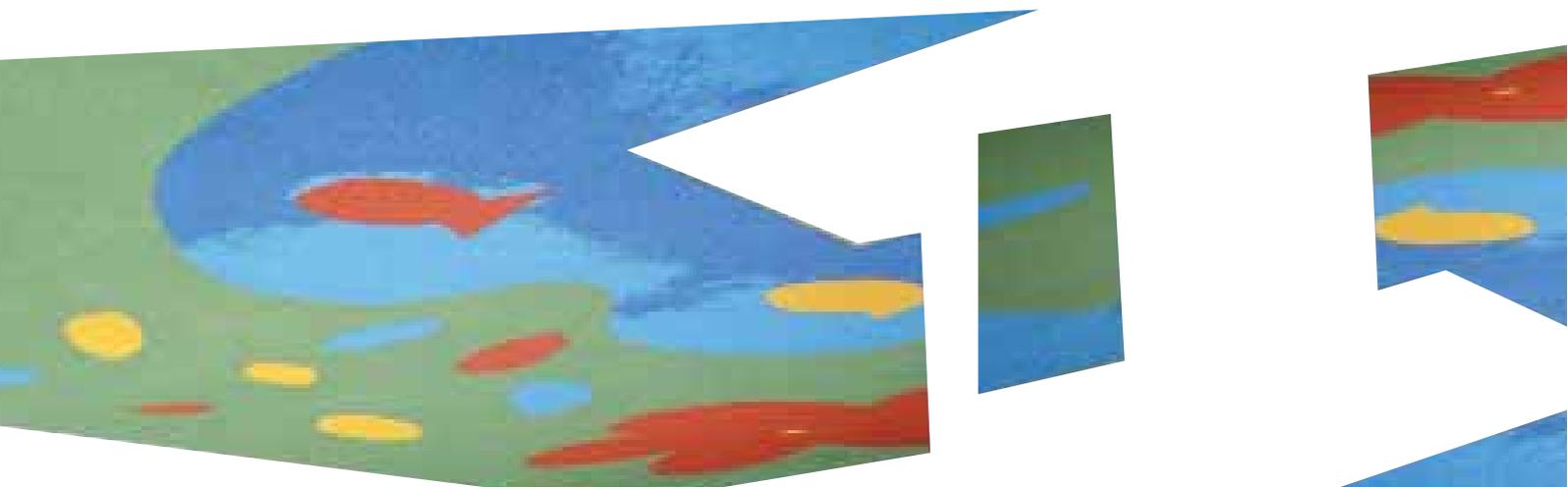
11. Provisions for Liabilities and Charges

	£'000
Balance at 1 April 2005	0
Provided in the year	4
Provisions not required written back	0
Provisions utilised in the year	0
Balance at 31 March 2006	4

The Agency meets the additional costs of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early - by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

In order to recognise the total cost of meeting additional cost of benefits in the year of early retirement, a provision of £4k has been made in 05-06.

This relates to the cost of meeting the additional cost of benefits in 06-07.





12. Reconciliation of Movements in Reserves

12.1 General Fund

	NOTE	£'000
General Fund at 1 April 2005		89
Balance at 1 April 2005		89
Net Vote Funding in Year	13.3	5,644
Net Cost of Operations		(6,801)
Notional Costs	6	1,143
Interest on Capital	8	4
Fixed asset purchases by the DHSSPS on behalf of Health Estates		16
Transfer from Revaluation Reserve		-
Balance at 31st March 2006		95

12.2 Revaluation Reserve

	NOTE	£'000
Balance at 1 April 2005		13
Arising on revaluation during the year (net)	7	0
Transferred to general fund in respect of realised element of revaluation reserve		0
Balance as at 31 March 2006		13

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.



13. NOTES TO CASH FLOW STATEMENT

13.1 Reconciliation of Net Cost of Operations to Net Cash Flow from Operating Activities

	2005/2006 £'000	2004/2005 £'000
Net cost of operations before interest	(6,797)	(6,434)
Adjustment for non cash transactions		
Depreciation	32	27
Notional Costs	1,143	1,087
Permanent diminution in fixed asset values	3	-
Loss on Disposal of Fixed Assets	5	45
Adjustments for movements in working capital		
Decrease/(Increase) in debtors	11	7
Increase/(Decrease) in creditors	(16)	12
Increase/(Decrease) in provisions	4	0
Net cash outflow from Continuing Operating Activities	(5,615)	(5,256)

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13.2 Capital Expenditure and Financial Investment

	2005/2006 £'000	2004/2005 £'000
Purchase of Fixed Assets	(29)	(63)
Capital Creditors/Accruals	-	-
	(29)	(63)



13.3 Financing from the Consolidated Fund

	2005/2006 £'000	2004/2005 £'000
Gross Parliamentary Grant - DHSSPS	5,651	5,348
Appropriations in Aid applied	(7)	(29)
Net Parliamentary Grant	5,644	5,319

When these accounts were drawn up, the DHSSPS Resource Account for 2005/2006 had not been finalised and final figures for the amount appropriated were not available.

A reconciliation will be made in the 2006/2007 accounts if required.

No reconciliation is required in respect of the Health Estates balances appearing in the 2004/2005 DHSSPS Resource Account.

14. CAPITAL COMMITMENTS

Health Estates had no capital commitments at 31 March 2006.

15. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2006 the Agency had financial commitments as follows:

Annual commitments under non-cancellable operating leases relating to photocopiers and expiring:

	Other £	Total £
Expiry within one year		
Expiry within two to five years	1,589	1,589
Expiry within six to ten years		
Expiry within eleven to fifteen years		
	1,589	1,589



16. CONTINGENT LIABILITIES

Health Estates had no contingent liabilities as at 31 March 2006.

17. KEY CORPORATE FINANCIAL TARGETS

Health Estates' key corporate financial target set by the Minister for 2005/2006 was to live within running cost allocation and demonstrate that full costs are recovered on a notional basis through Service Level Agreements with clients.

The Agency's gross budget allocation for 2005/2006 was £5.705m (2004/2005: £5.377m).

At 31 March 2006, the Agency had achieved an out-turn of £5.651m (2004/2005: £5.348m) - which is recoverable on a notional basis through Service Level Agreements with clients.



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18. RELATED PARTY TRANSACTIONS

Health Estates is an Executive Agency of the Department of Health, Social Services and Public Safety (DHSSPS)

DHSSPS is regarded as a related party. During the year, the Agency had various material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, viz Health & Personal Social Services Boards and Health & Social Services Trusts.

In addition, the Agency had a number of material transactions with other government departments / central government bodies. Most of these transactions have been with NHS Estates and the Department of Regional Development.

During the year, none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with the Agency.



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