

Corporate Series

Annual Report

2004/2005



An Agency within the Department of the
Environment
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**Environment &
Heritage Service**
www.ehsni.gov.uk

Environment and Heritage Service Annual Report and Agency Accounts For the year ended 31 March 2005

Laid before the Houses of Parliament
by the Department of the Environment
in accordance with Paragraph 12(2) and (4) of the Schedule to the
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ANNUAL REPORT

CHIEF EXECUTIVE'S INTRODUCTION

I am delighted to present the ninth Annual Report of the Environment and Heritage Service. Given the demands for our services, I am delighted that we have further strengthened our resources; we now have some 700 staff, almost double the April 2000 figure.

The end of the year saw the retirement of the Director of Natural Heritage, Dr John Faulkner after 19 years of service with the Department and I would like to acknowledge the very significant contribution he made in the promotion and conservation of our heritage in Northern Ireland.

Out of the diverse range of our responsibilities, this Report outlines some of the activities we undertook during the year. Of our eleven demanding key targets, six were fully achieved and two were partly achieved and, although the remaining three targets were not achieved, good progress was made. Performance against key targets can not of course fully reflect the volume, extent and quality of the agency's work; this includes statutory regulation, management of properties and raising the awareness of the environment and heritage in the wider community. It also includes the provision of technical and scientific advice, especially to the Department's Environmental Policy Group during the preparation of draft legislation.

We continued to develop our partnerships with the key sectors including the voluntary conservation bodies, community groups, industry, central and local government, bringing together a wide pool of expertise and knowledge to achieve our mutual objectives. The voluntary movement will have been strengthened by the additional grant-aid that we have undertaken to give to Northern Ireland Environmental Link. This followed a comprehensive review of the organisation.

I am particularly grateful to the statutory advisory councils - the Council for Nature Conservation and the Countryside, the Historic Buildings Council, the Historic Monuments Council and the Water Council - for the valuable advice, constructive challenge and support we receive from them and from the non-statutory bodies. We value the contribution that they, together with the non-statutory advisory bodies, make to our work; and the great personal commitment of the Chairs and Members.

This Report provides me with an opportunity to thank all my colleagues in EHS for their dedication and outstanding commitment, both to EHS as an organisation and to the environment of Northern Ireland. They bring a range of skills and professionalism which enables the agency to maintain high standards of work.

Having established what I believe to be a firm base, we have now set out to review and develop the agency's longer-term goals and objectives. We are nearing completion of a draft strategic plan that will provide the context for our future direction and which will guide our annual business planning. I am confident that EHS will continue to fulfil its part fully in maintaining a sustainable environment that is essential to our future economic prosperity and health.



R W ROGERS
Chief Executive

AGENCY'S AIM AND OBJECTIVES

MAIN AIMS

The agency's aim is to protect and conserve the natural and built environment and to promote its appreciation for the benefit of present and future generations.

OBJECTIVES

We work to achieve this aim by:

- Protecting and improving the quality of air, land and water;
- Conserving biodiversity and the countryside;
- Protecting, recording and conserving historic monuments and buildings;
- Producing, using and disseminating accurate, high quality environmental information; and
- Working in partnership with others towards shared environmental aims.

VALUES

We seek to ensure high standards in all areas of our work through:

- Fostering an open and participative working environment in order to maintain and enhance high levels of motivation, skills and performance in our staff;
- Maintaining and seeking to build on high professional standards in our Service, and to strive for quality improvement in our working practices and the delivery of services to our customers;
- Complying with government policy on fairness, equality, human rights and targeting social need;
- Complying with our customer and environmental standards;
- Securing best value from our operations; and
- Providing and maintaining appropriate financial and management information systems.

ANNUAL REVIEW OF ACTIVITIES

While EHS's focus remains on protecting and conserving the natural environment and the built heritage, the range of activities involved in these areas grows year by year. New European Directives and domestic legislation place new responsibilities on the agency. We provide scientific and technical advice to Government on the development of legislation and policy and, in turn, we implement these through, for example, regulation, grant-aid schemes and management of countryside and heritage properties.

Our staff are key to our work. We support them in updating their skills through the agency's formal training and development opportunities. We also encourage staff to keep well-informed on new developments and in networking with, for example, GB Departments and agencies and European bodies.

Freedom of Information

The 1st of January 2005 saw the coming into operation of the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. These give everyone the right to access government information and place a statutory duty on government to make certain information publicly available as a matter of course. A total of 55 *Requests for Information* were received within the period of this report.

Strategic Environmental Assessment

EHS assumed the role of 'consultation body' after the Strategic Environmental Assessment Directive was transposed into NI legislation in July 2004. The Regulations represent a significant opportunity for environmental considerations to be undertaken at the earliest possible stage of Plan or Programme making. EHS consulted with Planning Service regarding the Belfast Area Metropolitan Plan and other Area Plans will provide the first opportunity to put these new powers into practice.

Raising Awareness

Increasingly, individuals need to be aware of the impact of their life-styles on the environment. Business and industry need to be aware of environmental standards and obligations. It is important, therefore, that people are fully and properly informed so that they have a sound base from which to make those choices or to carry out their operations.

EHS provides information, advice and guidance through personal contact, publications, websites, exhibitions, media campaigns and events, with a view to raising awareness of environmental issues and to increasing knowledge. Our Corporate Communications team co-ordinates and manages our external communications, marketing and education programmes.

During the year we continued to sponsor or support local, national and international events, including very successful family fun days, such as the summer fairs, 'Art in the Park' and the 'Apple Festival' to name only a few. We held events to mark several international 'days' including European Heritage Open Days, World Environment Day, International Biodiversity Day and National Archaeology Day.

In addition, some 1.9 million visits were made to the country parks, monuments and nature reserves managed by us; almost 36,000 of these visits were made by school children undertaking environmental education programmes or studying the local heritage. The EHS Monuments and Buildings Record handled 993 enquiries and almost 35,000 people took part in visiting 231 properties and walks available to the public as part of European Heritage Open Days.

The new biodiversity education centre at Peatlands Park was formally opened in September 2004 at a cost of around £800k. It provides for formal and informal education, information and interpretation of peatland habitats. The building contains two classrooms and offices and houses a themed exhibition on peatlands. As well as providing a valuable resource for visiting schools, the Centre will be open to the public and will provide information and exhibitions on peatland themes. The building has been designed in the vernacular style of the surrounding area and has incorporated many "green" elements in its construction and operation in order to demonstrate sustainability. These include: use of lightweight aerated concrete blocks which are more environmentally friendly than other masonry products; rain water harvested from the roof is used to flush toilets; solar powered ventilation; use of recycled timber; and reedbed filtration system for removing nutrients from the waste water.

We continued to work with District Councils on our radon awareness campaign through road shows, local

liaison meetings and publications. We have sought to make the public aware of the hazard that naturally occurring radon gas poses in some homes and the remedial measures that can be taken to reduce the risk.

Phase III of our 'Wake up to Waste' media promotion, developed in conjunction with the Republic of Ireland Government, is complete. This featured a series of promotional activities, focussed on the cross-border area but reaching across the whole island of Ireland. An evaluation has shown that the campaign is being successful in changing the public's attitudes and actions in that the rates for recovery of household waste have improved. Planning for future phases is under way.

Protection of Species and Habitats

EHS is a major player in the Northern Ireland Biodiversity Strategy. We have grant-aided the Quarry Producers Association, RSPB and District Councils to promote biodiversity at local and community level through employing biodiversity officers. There are currently seven of these officers, with offers of three more to work in partnership with Councils and voluntary organisations to help implement the priority species and habitat action plans that we published this year. We also hosted a major conference to promote and publicise our guidelines to involve voluntary and community action for biodiversity.

In line with our commitment in the Biodiversity Strategy we have carried out a review of our Peatland Policy resulting in a proposal to have 90% of the peat market requirement based on non-peat material by 2015.

We completed the third full year of monitoring of Areas of Special Scientific Interest (ASSIs), as part of the six-year cycle to assess the condition of all key site features, contributing towards our longer-term objective of improving the conservation condition of 95% of the features underlying designation, by 2013. A review of the Management of Sensitive Sites (MOSS) scheme was conducted during the year which produced recommendations which, when implemented, will strengthen co-operation between the Department of Agriculture and Rural Development (DARD) and EHS for the purposes of delivering the conservation objectives of sites.

We have provided the owners and occupiers of 25 more ASSIs with advice on the management of those designated areas. We also declared a further 14 ASSIs this year and preparatory work has begun for the

designation and classification of three of the largest sites in NI for Salmon, Hen harrier and Merlin.

The temporary closure of Strangford Lough SAC to all fishing with mobile gear, imposed in December 2003 after agreement with DARD still holds. Preliminary scientific research is now complete which will inform proposals for restoration of the damaged biogenic reef communities on clumps of horse mussels (*Modiolus modiolus*) within the lough. Consultation with stakeholders on the plans for restoration of the *Modiolus modiolus* will take place early in the 2005/06 year.

Countryside

We have made further progress towards implementing the key proposals in Shared Horizons, our policy statement on Protected Landscapes which we published in 2003. We have established the Mourne National Park Working Party to advise the Department on the proposal to designate Northern Ireland's first national park in the Mourne. The Department simultaneously published a discussion paper on the policy and legislative aspects of national parks and Areas of Outstanding Natural Beauty. This document was based on research commissioned by EHS.

In conjunction with the National Trust and Moyle District Council, we completed the management plan for the Giant's Causeway World Heritage Site and submitted a copy to UNESCO. A management group to take forward the recommendations of this plan will be set up in 2005.

There were also significant developments in the countryside surrounding Belfast. The Belfast Hills Partnership Trust was officially launched and the National Trust finalised its acquisition of Divis Mountain from the Ministry of Defence. In both cases these initiatives benefited from substantial grant aid from EHS. Meanwhile the Lagan Valley Regional Park was successful in its stage one bid to the Heritage Lottery Fund for funding that will give the Regional Park a much-needed uplift in its interpretive resources.

A marked increase in the number of planning applications submitted to the Department had a knock-on effect within EHS in its role as a statutory consultee. For example, the Natural Heritage Directorate had over 30% more applications referred to it than in the previous year. This put the staff under considerable pressure despite a small increase in resources during the year. We also made a very considerable contribution to the Planning Service's development of Area Plans,

including the Magherafelt and Belfast Metropolitan Area Plans, both of which were published during 2004/05.

Access to the countryside focussed on the Ulster Way long-distance footpath on which we made good progress during the year. A new route based on quality walking sections was agreed with the district councils and proposals for its signage were agreed with the Ulster Way Advisory Committee. The publication of the *Companion to the Causeway Coast Way* did much to promote walking along the North Antrim Coast. We also held two local inquiries during the year to resolve objections to public path diversion orders.

Built Heritage Conservation

Our conservation programme on historic monuments in state care included projects at eight major sites. These were at Carrickfergus Castle Keep, Ballywee, Inch Abbey, Woodgrange Tower House, Benburb Castle, Armagh Friary, Dunluce Manor House and work on the Artillery Bastion to New Gate, Derry's Walls.

Work towards the consolidation of scheduled masonry monuments was conducted at Malachy's Wall, Bangor, and Derrywoone Castle, Co Tyrone. Work continued on Fintona old church by Omagh District Council under EHS guidance.

The condition of 497 scheduled monuments in private ownership was monitored. There were 30 Scheduled Monument Consent applications, two of which have been heard by the Planning Appeals Commission.

We licensed 184 archaeological excavations, 151 of which were funded by developers. Of the remainder, 14 were research projects, 13 were monitoring work on State care Monuments and 6 were carried out at our expense on development sites.

We provided advice aimed at protecting historic buildings and archaeological sites and their settings by responding to 4,500 development control consultations from Planning Service. We contributed information and policy to six Area Plans in preparation and provided professional opinion and advice at 40 Planning Appeals. We responded to 559 consultations from DARD on the management of historic monuments in agri-environment schemes and forestry and had many consultations and enquiries from other agencies and Departments.

A further 15 wards were processed in the Second Survey of historic buildings, resulting in 61 new

listings, 37 de-listings and 250 buildings remaining on the list. It was not possible to achieve the anticipated target of 20 wards due to pressure on staff resources. A total of 93 wards have been processed and transferred to the Northern Ireland Buildings database. Details of these can be accessed via our web-site (www.ehsni.gov.uk) and the Monuments and Buildings Record. The information from this survey and the conclusions reached place the Department in a better position to secure the future preservation and conservation of the *circa* 8500 listed buildings throughout Northern Ireland. Nearly £1.4m was paid in grant-aid, contributing to the active protection of 84 listed buildings.

Waste Management and Contaminated Land

EHS continued to develop programmes to promote change in waste management practice including policy, guidance and regulation in response to its major review of the Waste Management Strategy. Independent reports that were critical of the Department's overall performance were published by the Waste Management Advisory Board in June 2004 and the Northern Ireland Affairs Committee in February 2005. We have been addressing those concerns in our ongoing activities and in the development of a new Strategy which will be presented for consultation during 2005.

These activities included the completion of a comprehensive waste audit for the whole Department and publication of an Action Plan in October, which is being taken further by EHS with the implementation of an Environmental Management System to ISO 14001 standard at Waterman House. Progress during the year has encouraged EHS to seek early accreditation for the system in Spring 2005 and EHS intends that this will be a model that can be rolled out across all Government in due course.

We have continued to develop guidance on Best Practicable Environmental Option, capacity and waste infrastructure needs across Northern Ireland to assist the establishment of an integrated network of facilities and future waste planning and published interim guidance on options for municipal waste in February. Final guidance, integrating both municipal and non-municipal waste streams, will be published in summer 2005.

A cross border business workshop, attended by 127 delegates, was held as part of the 'Wake up to Waste' campaign and presented case studies on glass, wood, compost and tyres. This was designed to complement

the Northern Ireland market development work of the UK Waste and Resources Action Programme (WRAP), which EHS also continued to support throughout 2004-05. WRAP has been successful in securing recycling business investment and development and a major feasibility study on paper within Northern Ireland during the year.

We made further progress on waste data capture and following trials in three District Councils launched WasteDataFlow, across Northern Ireland in April. This is enabling consistent reporting of municipal waste data in accordance with our published guidelines. Each of the Waste Management Groups provided its second Annual Performance Report detailing progress to date, which showed continuing improvement in recovery rates for municipal waste from 9.9% in 2002 to 12.5% in 2003. Data for 2004 show recovery rates for municipal waste rising to around 17.6%.

Grant-aid of £10m was again provided across District Councils to help carry out their Implementation Action Plans and a further £400k was made available to the Councils to deliver recycling facilities in schools. The schools education programme provided new resources and support to local initiatives in collaboration with District Council recycling officers, community groups and the voluntary sector.

Other key strategic activities included the publication of a hazardous waste action plan and implementation plan following development by the forum led by EHS, and establishment of a joint taskforce with authorities in Northern Ireland and the Republic of Ireland to tackle the growing issue of illegal dumping.

Our enforcement and monitoring roles were extended to include End-of-Life Vehicles legislation. Responsibility for Transfrontier Shipment of Waste was transferred from District Councils in March 2005.

A new contaminated land team was established to move forward the case of implementing Part III of the Waste and Contaminated Land (NI) Order 1997. In addition, initial priority will be given to updating the EHS Land Use Database in collaboration with the District Councils.

Air and Environmental Quality

In September 2004 we issued '*Climate Change Indicators for Northern Ireland*', which established 13 indicators for monitoring how Northern Ireland's climate is changing and how this may affect our lives

and the natural environment. '*Guidance for Public Bodies on Climate Change Impacts in Northern Ireland*' was issued later in the year to assist public bodies in planning and adapting to climate change.

We published '*Noise Complaint Statistics for Northern Ireland*', detailing for the first time the extent and source of noise complaints received by district councils. In recognition of a general lack of understanding of who the public should contact when disturbed by noise, a 'Noise Awareness Campaign' was commissioned using TV messages and press adverts. Results indicate that the campaign was very successful in meeting its aims.

Work continued on the implementation of a statutory regime to ensure that ambient air quality standards and objectives are met in Northern Ireland. In 2004/05 district councils completed their local air quality review and assessments. Nine councils identified areas where UK Air Quality Strategy objectives may not be met, of which eight have now declared Air Quality Management Areas. Financial support was provided to all 26 district councils to support their work on the management of local air quality. We also published an annual '*Air Quality Monitoring Report*', providing details of air monitoring results and trends for Northern Ireland.

In May 2004, we published the '*Report by the Interagency Working Group on Bonfires*'. This initiative, which was led by EHS, produced recommendations for public bodies on the control of bonfires and guidelines for communities on their siting and management.

All the reports and guidance documents produced can be accessed via our website.

Industrial Pollution

During the review period we permitted 44 installations, of which 38 were intensive poultry, under the Pollution Prevention and Control Regulations (Northern Ireland) 2003 and continued to hold seminars as appropriate for new applicants. We continued to monitor the impact of radioactive discharges from Sellafield on our coastline through sampling of local sediments, fish, shellfish and seaweed. The results indicate that levels of contamination are negligible in terms of radiological impacts upon the population.

Water Quality

We continued to work towards improving water quality to ensure compliance with national targets

and EU legislation. Our proactive initiatives policy contributed to a 34.3% reduction (based on the 1996 baseline) in the number of high - and medium - severity pollution incidents this year. Some 2,206 reports of water pollution were investigated during the year and evidence of pollution was found during 55.6% of these investigations. Where appropriate, clean up and enforcement measures were taken. To date, 77 cases on pollution incidents occurring in 2004 have been presented to the Department of Public Prosecution with recommendations for prosecution.

During the year Water Management Unit completed an extensive body of work to produce the first major report required under the Water Framework Directive, which was provided to the European Commission to meet the March 2005 deadline. The "characterisation report" collates information on all types of water bodies in Northern Ireland and analyses pressures on waters from a wide range of activities. The report identifies those water bodies which are at risk of failing to meet the target of good ecological status by the required date of 2015, unless appropriate remedial measures are put in place. The report was accompanied by an economic analysis of water use in Northern Ireland. The implementation of the Water Framework Directive has required the development, in collaboration with other agencies across the rest of the UK and Ireland, of many new approaches to the assessment of water quality. In particular it has depended on the extensive use of geographical information for analysis, reporting and public communication. Fuller details of progress with the implementation of this Directive are available on the EHS website (www.ehsni.gov.uk).

We can report that 14 out of 16 of our bathing waters have met the Mandatory standards of the European Bathing Waters Directive. But it is disappointing that Castlerock and Ballyholme have failed to meet the standard. Compliance with the stricter guideline standards was down on last year also.

The two main factors are considered to be inadequate sewerage infrastructure and sewage treatment and increased agricultural runoff during periods of heavy rainfall.

The results highlight the need for improved sewerage infrastructure and sewage treatment facilities around our coastline. DRD's Water Service already has in place a capital works programme of some £270 millions, over the next 3 years, which includes planned improvements at a number of coastal locations. But

wet weather during the summer months has played a key part in the decline of bathing water quality.

EHS started the preparatory work for Water Reform, playing a key role in supporting EPG in developing the Department's policy and legislative approach, as well as the preparation of consent documents for continuous and intermittent discharges, in order that there is a comprehensive, regulatory framework established when Water Service becomes a Government Owned Company (GoCo).

Drinking Water

We continued to regulate private and public drinking water supplies. For public supplies, following the introduction of new Regulations in 2002, new procedures for dealing with contraventions of the regulatory standards came fully into effect during 2004. The most recent results of monitoring and standards are published in the 2003 '*Drinking Water Inspectorate Annual Report*' available on our website.

Next Year

Over the next year, EHS will contribute to the Department of the Environment's business objectives and its commitments in '*Priorities and Budgets 2005 - 2008*', and the '*Public Service Agreement*'. Details of our objectives and targets are published in our Business Plan 2005-2006. Further information about our activities is available on our website www.ehsni.gov.uk and also includes information on the wide range of publications, explaining or reporting on our work in greater detail. Copies may be obtained from our Corporate Communications Unit, Commonwealth House, Castle Street Belfast BT1 1GU, Telephone 028 9054 6677.

PERFORMANCE AGAINST TARGETS

2004/2005 Business Plan Key Targets

The targets achieved by the agency have been validated as reported here, by the Department's Internal Audit.

2004/2005 Business Plan Key Targets

- Approve for consultation a new Waste Management Strategy for Northern Ireland by 31 January 2005.

Not Achieved: The public consultation exercise on the new Waste Management Strategy has been postponed from January to September 2005. This is to allow further engagement with, and sign-up by, a range of key stakeholders to ensure that the new Strategy is action focused and aligned with the District Council Waste Management Plans.

- Provide a characteristics report on Northern Ireland's river basins to the EC as required by the Water Framework Directive.

Achieved: A characteristics report has been submitted through DEFRA to the Commission.

- Contribute to the conservation of biodiversity by implementing at least 12 measures to be undertaken in year 3 of the EHS Biodiversity Implementation Plan.

Achieved: 14 measures from the EHS Biodiversity Implementation Plan have been successfully implemented during 2004/05.

- Complete 50% of the 6-year condition survey of Areas of Special Scientific Interest (ASSIs) started in 2002, by monitoring a further 70 features.

Achieved: A further 73 features have been monitored by EHS staff during 2004/05 which brings the revised total number of features monitored by EHS staff to 214 or 51.9% of the total survey.

- Review the Management of Sensitive Sites (MOSS) scheme and agree recommendations for its improvement.

Achieved: A review of MOSS scheme was undertaken by Consultants and management have considered and accepted, where appropriate, the recommendations made.

- Carry through the recommendations of the Second Survey of historic buildings in 20 wards to bring the total to 98 wards surveyed out of a total of 582.

Not Achieved: Recommendations of the Second Survey of historic buildings in 15 wards were carried through bringing the total to 93 wards out of 582.

- Undertake major works of consolidation to 8 monuments in state care, taking account of health and safety.

Achieved: 8 monuments had major works of consolidation undertaken.

- Extend statutory protection, by scheduling, to a further 65 monuments bringing the total to 1716.

Partially Achieved: 65 monuments were scheduled or rescheduled during the 2004/05 year.

- Prepare a first draft of a Strategic Plan by 31 October 2004 and agree a final plan by 31 December 2004.

Not Achieved: The first draft of a strategic Plan was prepared by 31 October 2004; the final plan was not agreed by 31 December 2004.

- Respond to 90% of written enquiries or requests for information within 15 working days.

Achieved: 90% of written enquiries or requests for information were dealt with within the 15 working day target.

- Determine 80% of applications for Water Order consent and 85% of wildlife licenses, within the timescales published in our Customer and Environmental Standards.

Partially Achieved: 76% of applications for Water Order consent have been issued within the timescales and 96.5% of wildlife licences have been issued within the timescales.

**ENVIRONMENT AND HERITAGE
SERVICE
FINANCIAL STATEMENTS**

For the year ended 31 March 2005

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FOREWORD TO THE FINANCIAL STATEMENTS

The Environment and Heritage Service (EHS) was established as an Executive Agency of the Department of the Environment (NI) on 1 April 1996 under the Government's Next Steps initiative. The Agency presents its accounts for the financial year ended 31 March 2005.

Basis of Accounts

These accounts have been prepared in accordance with an Accounts Direction given by the Department of Finance and Personnel in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Principal Activities

EHS's principal activities are:

- (a) protecting and improving the quality of air, land and water;
- (b) conserving biodiversity and the countryside;
- (c) protecting, recording and conserving historic monuments and buildings; and
- (d) promoting awareness and appreciation of the environment and heritage.

Financial Summary

The Income and Expenditure Account is set out on page 25 and shows the net cost of operations as £54.78 million.

Supplier Payment Policy

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is made within 30 days of the receipt of the goods and services, or presentation of a valid invoice or similar demand, whichever is later. During the year 85.5% of bills were paid within this standard (2003-2004 96.9%).

Review of the Business

A full review of the year is contained within the annual report.

Future Developments

EHS will continue to fulfill its conservation, protection and education responsibilities for the built and natural heritage. We plan to develop a new Waste Management Strategy which will be presented for consultation later this year. Work will also be progressed in relation to the implementation of the Water Framework Directive and the development of a comprehensive regulatory framework to facilitate Water Reform.

Charitable Donation

There were no charitable donations made by the Agency within the financial year.

Fixed Assets

The Agency does not believe that there is any material difference between the market and book value of its fixed assets. Movements on fixed assets are set out in Note 7 to the Accounts.

Senior Management Team

The Chief Executive is responsible for the day-to-day operation and performance of the Agency. In the year to 31 March 2005 the senior management team comprised of: -

Mr R W Rogers	-	Chief Executive
Dr J S Faulkner		Director of Natural Heritage
Mr M Coulter	-	Director of Built Heritage
Dr R J Ramsay	-	Director of Environmental Protection
Mr D Campbell	-	Director of Corporate Services

Appointments to the Board of the EHS are made in accordance with the Civil Service Commission's General Regulations. As civil servants, the remuneration of the members of the Board is determined by the normal civil service pay arrangements.

Details of the remuneration of the Chief Executive and senior staff within the agency are provided in note 3(iii) of these accounts.

Disabled Employees

It is the Agency's policy to give equality of opportunity when considering applications from disabled persons.

The Agency complies with all existing legislation in regard to its disabled employees.

Equality of Opportunity

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

Employee Involvement

The maintenance of a highly skilled workforce is key to the future of the business. EHS is committed to and complies with the Department of the Environment policies of equal opportunity and responsibility for employment and career development of disabled staff.

The Agency recognises the benefits of keeping employees informed of the progress of the business and of involving them in the agency's performance. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of EHS and on other matters of concern to them, as employees, through meetings and notices.

The Agency's Whitley Council provides for regular consultation with employees' representatives.

Health and Safety

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

Auditors

The financial statements are audited by the Comptroller & Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Agency and the Department. He reports his findings to Parliament.

The audit of the financial statements for 2004-2005 resulted in a notional audit fee of £51,026 which is included in the administration costs in the income and expenditure account.



R W Rogers
Chief Executive
6 July 2005

STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITY

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel have directed the Environment and Heritage Service to prepare a statement of accounts for the 2004-2005 financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Chief Executive is required to:

- observe 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The accounting Officer for the Department of the Environment for Northern Ireland has appointed the Chief Executive of EHS as the Accounting Officer for the agency. The Chief Executive's responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, published in "Government Accounting in Northern Ireland" issued by the Department of Finance and Personnel.



R W Rogers
Chief Executive
6 July 2005

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 agency policies, aims and objectives, whilst safeguarding agency funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The current system of internal control has been in place in the Agency for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

A significant amount of work was undertaken during 2004/05 developing and implementing a new risk management process to ensure alignment and integration with the business planning process and existing EHS monitoring arrangements. However, I am not yet satisfied that the risk management process is fully embedded across the agency. Further work is required as a small number of functional units do not have a fully developed risk register; and we need to ensure that a consistent approach is applied across the entire agency, in line with principles set down by DFP.

I have incorporated risk management into the EHS Board decision-making and monitoring processes and will ensure all functional units operate a risk register.

The risk and control framework

We have identified the significant risks that might impact upon the agency's objectives and we continue to monitor controls for each of these. The Board will continue to receive regular reports concerning internal control and will focus on the work of the EHS Compliance Audit Group which addresses risk management, control and governance issues. At operational level steps are being taken to manage risks in significant areas of responsibility and monitor progress reports on key projects. In addition to the actions mentioned above, the Agency will continue to review regularly the risk register and to update it as appropriate.

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, 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 Board and the Audit Committee and plan to address weaknesses and ensure continuous improvement of the system in place.

Environment and Heritage Service is audited by internal auditors from the Department for Regional Development who operate to standards defined in the Government Internal Audit Manual. They submit regular reports that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement.

During 2004-2005, ten internal audit assignments were carried out in the following areas:-

<i>Audited</i>	<i>Assurance Rating received</i>
• Financial Management	Reasonable
• Corporate Planning and Control	Reasonable
• Information Management	Reasonable
• Air and Environmental Quality	Reasonable
• Drinking Water Inspectorate	Reasonable
• Water Management Unit	Reasonable
• Conserving the Built Heritage	Limited
• Human Resource Management	Limited
• Waste Management Phase II	Limited
• Corporate Governance/ Risk Management	Limited

Overall, Internal Audit concluded that their work provided me with limited assurance regarding the adequacy and effectiveness of internal controls across the agency. While I am disappointed with this outcome, I do take some comfort from the higher assurance rating in six of the areas including financial management.

I will seek to ensure the timely implementation of the recommendations in these reports through the operation of the EHS Compliance Audit Groups. In addition, these groups will monitor the implementation of recommendations made by the Northern Ireland Audit Office as part of its annual audit of the agency's accounts.

I believe that the implementation of agreed audit recommendations and the embedding of the approach to risk management, will result in the enhancement of the control environment within the agency.



R W Rogers
Chief Executive
6 July 2005

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 on pages 25 to 48 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 28 to 29.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 20, the Agency and Chief Executive are responsible for the preparation of 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. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 21 to 22 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement

on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Environment and Heritage Service at 31 March 2005 and of the net cost of operations, recognised gains and losses and cash flows for the year then ended

and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel; 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

11 July 2005

Income and Expenditure Account for the Year Ended 31 March 2005

	Note	2005 £'000	2004 £'000
Income			
Administration	2	2,333	2,098
Programme	2	3,507	561
		<u>5,840</u>	<u>2,659</u>
Expenditure			
Administration			
Staff Costs	3	20,367	14,688
Other Operating Costs	4	7,744	6,971
Depreciation	7	550	361
		<u>28,661</u>	<u>22,020</u>
Programme			
Staff Costs	3	-	802
Directorate Costs	5	10,341	12,787
Grants	6	20,285	14,711
Depreciation	7	1,037	935
		<u>31,663</u>	<u>29,235</u>
Total Expenditure		60,324	51,255
Cost of Operations Before Interest		54,484	48,596
Interest on Capital Employed			
Administration	8	23	23
Programme	8	276	503
		<u>299</u>	<u>526</u>
Net Cost of Operations		54,783	49,122

The net cost of operations arises wholly from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Unrealised surplus on revaluation of fixed assets net of backlog depreciation	15	1,227	749

The notes on pages 28 to 48 form part of these accounts

Balance Sheet as at 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed Assets			
Tangible Assets	7 (i)	22,652	21,387
Intangible Assets	7 (ii)	103	-
		22,755	21,387
Current Assets			
Stock	10	260	309
Debtors and Prepayments	11	3,100	2,007
		3,360	2,316
Creditors:			
Amounts falling due within 1 year	12	18,606	15,510
Net Current Liabilities		(15,246)	(13,194)
Total Assets less Current Liabilities		7,509	8,193
Provisions for Liabilities and charges	13	1,126	611
Total Net Assets		6,383	7,582
Financed by:			
CAPITAL AND RESERVES			
Government grant reserve	14	89	177
General fund	15	(878)	1,447
Revaluation Reserve	15	7,172	5,958
		6,383	7,582



R W Rogers
Chief Executive
6 July 2005

The notes on pages 28 to 48 form part of these accounts

Cash Flow Statement for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net Cash Outflow from Operating Activities	16 (i)	(49,874)	(33,922)
Capital Expenditure			
Proceeds on sale of Fixed Assets	16 (iii)	63	7
Payments for Fixed Assets	16 (ii)	(1,758)	(1,970)
Net Cash Outflow from Capital Expenditure		(1,695)	(1,963)
Net Cash Outflow before Financing		(51,569)	(35,885)
Financing			
Net funding	16	51,569	35,885

The notes on pages 28 to 48 form part of these accounts

Notes to the Accounts for the year ended 31 March 2005

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounts Direction which requires the Agency to comply with the Northern Ireland Resource Accounting Manual (NIRAM).

The accounting policies adopted by the Agency are described below. These have been applied consistently in dealing with items considered material in relation to the financial statements.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of tangible fixed assets.

Without limiting the information given, the accounts meet:

- the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986;
- the accounting standards issued or adopted by the Accounting Standards Board; and
- the accounting and disclosure requirements issued by the Department of Finance and Personnel;

(b) Value Added Tax

Income and expenditure is shown net of Value Added Tax where it is recoverable.

(c) Grants payable

Grants payable to individuals and bodies by the agency in accordance with its statutory powers and duties are accounted for in the period in which it is known or estimated that the recipient has carried out the activity which creates the entitlement.

(d) Tangible fixed assets

All non-heritage properties are subject to a 5-year programme of valuations by District Valuers (DVs) of the Valuation and Lands Agency (VLA) acting in the capacity of External Valuers. Valuations have been prepared by the DVs as at 1 April 2001 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are updated

annually by the Environment and Heritage Service using appropriate indices, and following valuation the remaining life may be restated.

Operational properties, which are not specialised and are generally traded on the open market are valued on the basis of Existing Use Value (EUUV). This assumes that the property will continue to be used by the Environment and Heritage Service for its existing use.

Non Operational Property, including surplus property and property held for development, is valued on the basis of Open Market Value (OMV).

Operational Properties which are specialised, such as visitor centres and museums which, because of their specialised nature, are rarely sold on the open market are assessed by means of Depreciated Replacement Cost (DRC).

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Certificate, which is not published in the Annual Accounts.

Non-Operational Heritage Assets are not included in the programme of valuations as due to the special characteristics of these assets it is neither practical nor appropriate to do so. A sample list of the non-operational heritage assets which have not been valued or capitalised in the accounts is included in note 7.

Non-Operational Heritage Assets which are acquired are recognised in the Agency's Balance sheet at purchase price. It is considered that additions to Non-Operational Heritage Assets, which are underpinned by an arms length transaction, should be capitalised at that value in the year of acquisition as the transaction provides a reliable and practical basis of valuation (see Note 7 iii).

Other tangible fixed assets are valued at net current replacement cost. Their values are revised annually through the use of suitable indices.

(e) Depreciation

The threshold for capitalisation as a fixed asset is £1,000 for all non computer equipment and £500 for computer hardware and software. Depreciation is provided on tangible assets, excluding heritage

assets and archives, on a straight-line basis at rates sufficient to write down their cost to their estimated residual value over their estimated useful lives. The depreciation periods for the principal categories of assets are:

Land	Not depreciated
Buildings	On an individual basis not exceeding 60 years
Computer Software/ hardware	3 years
Plant and Equipment (including Laboratory Equipment)	5-30 years
Transport Equipment (including Railway Stock and Boats)	5-15 years
Furniture & Fittings (including Exhibitions)	5-10 years

Asset lives are reviewed regularly and where necessary, revised. The estimated useful life of each asset of significant individual value is separately assessed and, if appropriate, revised.

(f) Stock

Finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used.

(g) Pension costs

Employees of the Environment and Heritage Service are covered by the Principal Civil Service Pension Scheme, which is a non-contributory scheme. The rate for the employers' contribution is set by the Government Actuary. For this financial year the rates were between 12% and 18%. All contributions are charged to the income and expenditure account as incurred.

(h) Management Agreements

The Environment and Heritage Service enters management agreements with landowners in order to "preserve" lands/buildings identified as being ASSIs or of architectural/historical interest. These agreements either involve one off payments with the

agreements being in perpetuity or annual payments covering a set period.

Management Agreements covering Nature Reserve and ASSIs involve compensation payments to the landowners. The Management Agreements do not confer title of ownership to the Environment and Heritage Service. The full cost of these agreements is expensed in the year in which they are issued.

(i) Notional Costs

Some of the costs directly related to the running of the agency are borne by other Departments and are outside the agency's vote. These costs have been included on the basis of the estimated cost incurred by the providing Department.

(j) Administration & Programme Expenditure

Administration expenditure reflects the resources consumed in running the agency. Programme expenditure shows the resources consumed and grants issued by the Natural Heritage, Built Heritage and Environmental Protection directorates.

(k) Interest on Capital

A non-cash capital charge, reflecting the cost of capital utilised by EHS, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on assets less liabilities, except for liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate.

2. INCOME

2(i) Income comprises:

	2005 £'000	2004 £'000
ERDF Income	2,570	24
<u>Operating Income</u>		
Operating Income from Country Parks	151	150
Operating Income from Historic Monuments	246	226
Environmental Protection Pollution Costs Recovered	2,724	2,165
Other Income	13	-
Deferred Capital Grant Release	88	92
Profit on Sale of Fixed Assets	33	2
Grant Repayment	15	-
TOTAL	5,840	2,659

Summarised as:

Administration	2,333	2,098
Programme	3,507	561
Total	5,840	2,659

2(ii) Trading Income

Operating income includes trading income generated from 2 broad areas of activity within the agency, i.e. environmental protection legislation and admissions and events at historic monuments.

Environmental Protection Legislation

	2005 £'000	2004 £'000
Fees and Charges	2,555	1,635
<u>Operating Costs</u>		
Staff Costs	1,912	1,042
Administration and Accommodation	462	514
Notional Charges	232	189
Total Costs	2,606	1,745
Operating Deficit	(51)	(110)

Admissions and Events at Historic Monuments

	2005 £'000	2004 £'000
Income		
Admission Income	133	127
Retail Sales	113	99
	246	226
Operating Costs		
Staff Costs	402	389
Goods for Resale	72	70
Administration and Accommodation	88	86
Presentation and Marketing	45	44
Notional Charges	7	7
Total Costs	614	596
Operating Deficit	(368)	(370)

This information is to meet DFP requirements on fees and charges and not for the purpose of SSAP 25.

3. STAFF NUMBERS AND COSTS

(i) Staff Costs

	2005 £'000	2004 £'000
Salaries and wages	13,884	12,170
Employer's National Insurance	1,061	896
Superannuation	1,685	1,415
Sub Total	16,630	14,481
Agency and Advisory Staff*	3,737	1,009
Total employment costs	20,367	15,490
Summarised as:		
Administration	20,367	14,688
Programme	-	802
Total	20,367	15,490

*This reflects the cost of Agency and Advisory staff utilised by the Agency. During 2004-2005 the costs incurred by the Agency (£2,189K) in respect of fieldstaff employed by local councils, the Fisheries Conservancy Board and the Loughs Agency were reclassified from programme expenditure to administration expenditure.

(ii) Number of employees and pension provisions

The average number of persons employed in the year (full time equivalent) by occupational group:

	2005 Number of Employees	2004 Number of Employees
Directorate	9	7
Administrative	236	201
Professional, Technical and Scientific	303	260
Craftsmen and Industrials (Permanent)	93	89
Craftsmen and Industrials (Temporary)	14	30
Agency and Advisory	96	58
TOTAL	751	645

The PCSPS(NI) is an unfunded defined benefit pension scheme which produces its own resource accounts, but Environment & Heritage Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2004/05, employer's contributions of £1,685,367.92 were payable to the PCSPS(NI) (2003/04 £1,414,820.43) at one of four rates in the range 12 to 18 per cent of pensionable pay, based on salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 16.5% and 23.5%. 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 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. In addition, employer contributions representing 0.8 percent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

During the period only one member of staff opted to open a stakeholder pension account. Information on employee's and employer's contributions payable to the stakeholder pension providers are not currently available.

Note 3 (i) and 3 (ii) includes the cost and numbers of agency and advisory staff (full time equivalents) utilised by the Agency.

(iii) The salary and pension entitlements of the senior management team of the Agency for the year ended 31 March 2005 were as follows:

	Salary, including performance pay £'000	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at age 60 at 31/3/05 and related lump sum £'000	CETV at 31/3/04 £'000	CETV at 31/3/05 £'000	Real increase in CETV after adjustment for inflation £'000
Mr R W Rogers Chief Executive	70-75	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 85-90 lump sum	449	485	18
Dr J Faulkner Director of Natural Heritage	60-65	0-2.5 plus 0-2.5 lump sum	30-35 plus 75-80 lump sum	567	591	3
Mr M Coulter Director of Built Heritage		Consent for disclosure withheld				
Dr R Ramsay Director of Environmental Protection	60-65	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 75-80 lump sum	401	434	18
Mr D Campbell Director of Corporate Services	45-50	0-2.5 plus 2.5-5.0 lump sum	15-20 plus 50-55 lump sum	212	246	22

Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; and any other allowance to the extent that it is subject to UK taxation.

Pension

Pension benefits are provided through the Civil Service Pensions (CSP) 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 **premium** or joining a good quality “money purchase” stakeholder based 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 commute some of their pensions to provide a lump sum. Classic Plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

The table 3(iii) shows the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. The table also 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.

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 the disclosure applies. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Civil Service Vote has received a

transfer payment commensurate to 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.

Benefits in Kind

None of the Agency's Management Board received any benefits in kind during the financial year. Benefits in Kind are defined as any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

4. ADMINISTRATION – OTHER OPERATING COSTS

(i) Other Operating Costs comprise:

	2005 £'000	2004 £'000
Accommodation and Administration	4,586	4,203
Notional Charges	3,158	2,768
TOTAL	7,744	6,971

(ii) Accommodation and Administration costs comprise:

	2005 £'000	2004 £'000
Accommodation Running Costs	811	866
Travel & Subsistence Costs	644	577
Supplies and Services	2,388	2,292
Computer Expenses	502	259
Training Costs	241	209
TOTAL	4,586	4,203

(iii) Hospitality Costs:

	2005 £'000	2004 £'000
Supplies and Services includes Hospitality costs;	43	26

(iv) Notional Charges:

	2005 £'000	2004 £'000
Services provided by parent department		
Finance	418	322
Planning	24	28
	442	350
Services provided by other departments		
(i) Department for Regional Development		
Personnel and Management	469	283
Finance	231	197
Economics Branch	54	64
Graphic Design Unit	3	-
Information Systems Unit	172	268
Internal Audit	112	67
Central Claims Unit	3	3
	1,044	818
(ii) Accommodation	1,273	1,174
(iii) other departments	348	312
(iv) NIAO Audit Fee	51	50
TOTAL	3,158	2,768

5. PROGRAMME – DIRECTORATE COSTS

(i) Directorate costs comprise:

	2005 £'000	2004 £'000
Natural Heritage	4,941	5,295
Built Heritage	1,846	1,717
Environmental Protection	2,538	4,814
Shared Costs	1,016	961
TOTAL	10,341	12,787

(ii) Natural Heritage costs comprise:

	2005 £'000	2004 £'000
Maintenance and monitoring of country parks	4,127	4,602
Management Agreements	814	590
Land Acquisition/New Construction	-	103
TOTAL	4,941	5,295

(iii) Built Heritage Operating costs comprise:

	2005 £'000	2004 £'000
Maintenance of Monuments including publicity and marketing	1,171	1,297
Management Agreements	52	32
Archaeology	623	388
TOTAL	1,846	1,717

(iv) Environmental Protection operating costs comprise:

	2005 £'000	2004 £'000
Pollution Control	2,538	4,814
TOTAL	2,538	4,814

(v) Shared Costs include

	2005 £'000	2004 £'000
Professional & Technical Advisory	249	206
Other	767	755
TOTAL	1,016	961

6. GRANTS

(i)	2005 £'000	2004 £'000
Natural Heritage	2,981	2,039
Built Heritage	1,389	1,829
Environmental Protection	15,915	10,843
TOTAL	20,285	14,711

(ii) Natural Heritage Grants comprise:

	2005 £'000	2004 £'000
Conservation Grant	1,541	1,235
District Council – Grants	359	226
National Trust	913	326
ERDF Grants	-	32
Grant to Environmental Information Centre	168	220
TOTAL	2,981	2,039

(iii) Built Heritage Grants comprise:

	2005 £'000	2004 £'000
Private Grants	969	1,062
National Trust	-	109
Church Grants	306	603
District Council Grants	114	55
TOTAL	1,389	1,829

(iv) Environmental Protection Grants comprise:

	2005 £'000	2004 £'000
Clean Air Grant	30	81
ERDF Grants	3,427	-
Tidy Northern Ireland Grant	172	150
District Council Grants – Waste Management	10,579	9,026
District Council Grants – Air Pollution	49	471
Landfill Tax Credit Reform Grant	969	693
Waste Resources Action Programme Grant	400	400
Industry Fund Grant	289	22
TOTAL	15,915	10,843

7. TANGIBLE FIXED ASSETS

(i)	<i>Land & Buildings (excluding dwellings)</i>	<i>Plant & Equipment</i>	<i>Furniture & Fittings</i>	<i>Transport Equipment</i>	<i>Information Technology</i>	<i>TOTAL</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Valuation						
At 1 April 2004	20,710	3,117	3,000	1,904	2,287	31,018
Transfers	0	0	0	0	(415)	(415)
Additions	372	537	51	299	442	1,701
Revaluation	1,343	(3)	83	24	0	1,447
Disposals	0	(42)	(2)	(235)	(12)	(291)
At 31 March 2005	22,425	3,609	3,132	1,992	2,302	33,460
Depreciation						
At 1 April 2004	2,505	1,932	2,428	1,149	1,617	9,631
Transfers	0	0	0	0	(327)	(327)
Charge	334	269	236	198	508	1,545
Revaluation	136	(1)	71	14	0	220
Disposals	0	(33)	(2)	(214)	(12)	(261)
At 31 March 2005	2,975	2,167	2,733	1,147	1,786	10,808
<i>Net Book Value</i>						
At 31 March 2005	19,450	1,442	399	845	516	22,652
At 1 April 2004	18,205	1,185	572	755	670	21,387

All land and Buildings are freehold.

(ii)	<i>Purchased Software Licences</i>	<i>TOTAL</i>
	<i>£'000</i>	<i>£'000</i>
Valuation		
At 1 April 2004	0	0
Transfers	415	415
Additions	57	57
Revaluation	0	0
Disposals	0	0
At 31 March 2005	472	472
Depreciation		
At 1 April 2004	0	0
Transfers	327	327
Charge	42	42
Revaluation	0	0
Disposals	0	0
At 31 March 2005	369	369
<i>Net Book Value</i>		
At 31 March 2005	103	103
At 1 April 2004	0	0

(iii) Depreciation charge

	2005 £'000	2004 £'000
Depreciation charge for the year	1,587	1,296

Land is not depreciated. The value of land at 31 March 2005 was £8,425K. (2004: £7,429K). The computer equipment is deemed to be Administration Fixed Assets. The depreciation charge comprises administrative and programme depreciation of £550k and £1,037k respectively.

(iv) Heritage Assets

Pure Heritage Assets

Pure Heritage Assets can be categorised into two broad categories – State Care Monuments & Heritage Lands. These assets are not valued, as it is neither practicable nor appropriate to do so. The following is a sample of State Care Monuments owned by the EHS as at 31 March 2005: -

- Jordans Castle – 15th century tower-house
- Ballycopeland Windmill – late 18th century windmill
- Navan Fort – Iron Age earthwork
- Dunluce Castle – 14/17th century manor house and castle
- Carrickfergus Castle – 12th century and later castle
- Greypoint Fort – World War I/II coastal defence installation
- Nendrum Monastic Site – Early Christian Monastic enclosure
- Scrabo Tower – 1857 Memorial Tower
- Tully Castle – early 17th century plantation castle
- Enniskillen Castle – 16th century and later castle and barracks
- Grey Abbey – late 12th century Cistercian Abbey

183 various State Care monuments throughout Northern Ireland are also the property of the EHS. These monuments have been acquired by the EHS by a variety of means, including being inherited under the National Monuments Order 1880, properties previously vested in the County Councils which were transferred to the Department by virtue of the Historic Monuments (Transfer) Order (NI) 1973, and others are held in guardianship by the Department. The monuments are protected by the EHS under the Historic Monument and Archaeological Objects (NI) Order 1995.

The EHS holds various nature reserves throughout Northern Ireland which have been classified as non-operational heritage assets. These are either declared as National Nature Reserves, Nature Reserves or Areas of Special Scientific Interest. These properties are either owned directly or leased by the agency.

Non-operational heritage assets which have not been purchased have no valuation placed on them. We receive adequate information on the condition and maintenance of the properties to enable us to fulfil our stewardship role. It is not the intention of the EHS to dispose of these assets in the foreseeable future, given their importance to the Natural Heritage of Northern Ireland. In accordance with DFP guidelines we consider that obtaining a valuation of these assets is not warranted in terms of benefits which the valuation would deliver. This policy will be kept under review for future years.

Purchased Heritage Assets

As detailed in Note 1(d) Heritage Assets, which are underpinned by an arm's length transaction, are capitalised in the year of acquisition with reference to the purchase price. The existence of the transaction provides a reliable and practical basis of valuation.

8. INTEREST ON CAPITAL

The Income and Expenditure Account bears a non-cash charge for interest relating to the use of administration and programme capital by the agency. The administration capital is the Computer Equipment. The basis of the charge is 3.5% of the average capital employed, defined as total assets less current liabilities excluding CFERS.

9. MANAGEMENT AGREEMENTS

- (i) Included under Natural Heritage & Built Heritage operating costs is in year expenditure on Management Agreements. For the period 2004/05, 25 ASSI Management Agreements (2003/04: 28), 6 SPA Management Agreements (2003/04: 6) and 12 Built Heritage Management Agreement (2003/04: 3) were entered into. Expenditure on Management Agreements during the financial year was:

	2005 £'000	2004 £'000
ASSI Management Agreements	717	568
SPA Management Agreements	97	22
Built Heritage Management Agreements	52	32
TOTAL	866	622

(ii) Unresolved Irregularity Issue

The European Commission has questioned the regularity of management agreement payments as hitherto they have not been notified to the Commission for approval as State Aid. The issues involved are common to such payments made by all the UK's statutory conservation agencies.

In December 1999, the Commission was notified that new management agreements after 1 January 2000 would be compliant with agri-environment measures in the Rural Development Regulation and with the Community Guidelines for State Aid in the Agricultural Sector. Measures to ensure this compliance are in place.

The Commission sought further information on our notification in March and May 2000 and agreement has now been reached on the Commission's approval with regard to Agreements entered into post January 1, 2000. Although the issue of non-notification with regard to Agreements entered into pre January 1, 2000 has not yet been settled, it is thought unlikely that any financial penalties will be levied, and as such no financial provision has been made in these accounts.

10. STOCKS

The main categories of stocks are retail and operational which are held in Headquarter buildings, Countryside Centres, Country Parks, Monument shops and depots.

	2005 £'000	2004 £'000
Retail	142	160
Operational	118	149
TOTAL	260	309

11. DEBTORS

	2005 £'000	2004 £'000
Prepayments	73	176
Accrued Income	-	-
Other debtors	1,134	584
ERDF Debtor	1,893	1,247
TOTAL	3,100	2,007

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Trade Creditors	2,782	2,287
Accruals and deferred income	13,880	11,578
PAYE and NIC	38	38
Sundry Creditors	-	360
Due to Consolidated Fund (ERDF)	1,893	1,247
Due to Consolidated Fund (Other)	13	-
TOTAL	18,606	15,510

13. PROVISION FOR LIABILITIES AND CHARGES

Provision for liabilities and charges relates to management agreements and public and employer's liability claims.

(a) Management Agreement

	2005 £'000
At 1 April 2004	476
Paid in Year	(156)
Additions	591
At 31 March 2005	911

(b) Public and Employers Liability Claims

	2005 £'000
At 1 April 2004	135
Paid in Year	(33)
Additions	113
At 31 March 2005	215
Total provision at 31 March 2005	1,126

14. GOVERNMENT GRANT RESERVE

ERDF grant funding received for purchase of capital assets is capitalised in the year of receipt and released to the Income and Expenditure Account over the estimated useful life of the associated assets.

	2005 £'000	2004 £'000
ERDF Grant		
Opening balance at 1 April 2004	177	269
Release to Income and Expenditure Account in year	(88)	(92)
Closing balance at 31 March 2005	89	177

15. RECONCILIATION OF GOVERNMENT FUNDS AND MOVEMENT ON CAPITAL AND RESERVE

	General Fund £'000	Revaluation Reserve £'000	2005 <i>TOTAL</i> £'000	2004 <i>TOTAL</i> £'000
At 1 April 2004	1,447	5,958	7,405	16,627
Notional Charges	3,158		3,158	2,768
Cost of Capital	299		299	526
Net Expenditure	(54,783)		(54,783)	(49,122)
Net Funding from DOE	51,569		51,569	35,885
Consolidated Fund	(2,581)		(2,581)	(28)
Net surplus on Revaluation of Fixed assets		1,227	1,227	749
Realised Revaluation of Fixed Assets	13	(13)	-	
At 31 March 2005	(878)	7,172	6,294	7,405

16. NOTES TO CASH FLOW STATEMENT

16(i) RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Net cost of operations before interest	(54,484)	(48,596)
Depreciation Charge	1,587	1,296
(Profit) / Loss on disposal of fixed asset	(33)	(2)
Notional charges	3,158	2,768
Release of deferred government grant	(88)	(92)
Decrease / (Increase) in Stock	49	(7)
Increase in Provisions	515	439
Increase in creditors	3,096	7,245
(Increase) / Decrease in debtors	(1,093)	3055
Consolidated Fund	(2,581)	(28)
Net Cash Outflow from Operating Activities	(49,874)	(33,922)

16(ii) RECONCILIATION OF CAPITAL ADDITIONS TO NET CASH OUTFLOW FROM INVESTING ACTIVITIES

	2005	2004
	£'000	£'000
Tangible Fixed Assets Acquired	(1,758)	(1,970)
Net Cash Outflow from Investing Activities	(1,758)	(1,970)

16(iii) FINANCING

	2005	2004
	£'000	£'000
Gross Funding from DOE	56,584	38,379
Accruing Resources	(5,015)	(2,494)
Net Funding from DOE	51,569	35,885

The grant was used to finance:

	2005	2004
	£'000	£'000
Net Cash Outflow from Operating Activities	49,874	33,922
Purchase of fixed assets	1,758	1,970
Sale of fixed asset	(63)	(7)
	51,569	35,885

17. CONTINGENT LIABILITIES

	Public Liability	Employer's Liability
	(Number of cases)	(Number of cases)
Built Heritage	4	-
Natural Heritage	2	-
TOTAL	6	-

Public liability claims relate to claims against the agency by members of the public in respect of alleged injuries sustained at the agency's visitor sites. Employers' liability claims relate to claims against the agency by employees allegedly injured at work. No such cases existed at the balance sheet date.

18. COMMITMENTS

Commitments at the end of the financial year for which no provision has been made.

	2005	2004
	£'000	£'000
Grant Commitments – Historic Buildings	1,818	4,675
Grant Commitments – Environmental Protection	3,312	3,666
Grant Commitments – Natural Heritage	3,338	1,614
TOTAL COMMITMENTS	8,468	9,955

19. PENSIONS

The staff of the agency are Civil Servants and the pension benefits accrue under the Principal Civil Service Pension Scheme. Contributions were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For this financial year the rates were between 12 % and 18% for both industrial and non-industrial staff.

20. FINANCIAL TARGETS

The Department of the Environment does not consider it appropriate to set financial targets for the agency.

21. RELATED PARTY TRANSACTIONS

The Department of the Environment is regarded as a related party. During the year EHS has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department, viz:

Planning Service

In addition, EHS has had various material transactions with other Government Departments and other central government bodies. Most of these transactions have been with:

Department of Agriculture and Rural Development

Department of Education

Department for Regional Development

Department of Finance and Personnel

Valuation & Lands Agency

During the year, neither the Chief Executive, members of the Management Board nor other related parties have undertaken any material transactions with EHS.

22. INTRA-GOVERNMENT BALANCES

Debtors: Amounts falling due within one year

	2005 £'000	2004 £'000
Balances with other central government bodies	196	165
Balances with local authorities	-	-
Balances with bodies external to government	2,904	1,842
	3,100	2,007

Creditors: Amounts falling due within one year

	2005 £'000	2004 £'000
Balances with other central government bodies	2,408	194
Balances with local authorities	10,126	8,127
Balances with bodies external to government	6,072	7,189
	18,606	15,510

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Environment & Heritage Service

Commonwealth House

35 Castle Street

Belfast BT1 1GU

Tel: (028) 9054 6565

Email: info@ehsni.gov.uk

www.ehsni.gov.uk

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