Department of the Environment Resource Accounts
For the year ended 31 March 2005

Laid before the Houses of Parliament by the Department of Finance and Personnel in accordance with Paragraph 36 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

15 November 2005

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

15 November 2005

Ordered by The House of Commons to be printed 15 November 2005

HC 502 **LONDON: The Stationery Office** **£11.10**

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DEPARTMENT OF THE ENVIRONMENT

Resource Account for the year ended 31 March 2005

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ANNUAL REPORT

The Department of the Environment presents its Annual Report and Accounts for the financial year ended 31 March 2005.

1. SCOPE

1.1 The Department of the Environment is one of eleven Northern Ireland Departments created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999.

Departmental Boundary

1.2 These accounts have been prepared in accordance with the provisions of the Northern Ireland Resource Accounting Manual (NIRAM) as updated in Department of Finance and Personnel letter DAO 1/05. They cover all entities within the departmental boundary, as determined in NIRAM. The following are considered within the boundary:

- DOE core divisions, which comprise Corporate Services Division, Environmental Policy Division, Sustainable Development Division, Road Safety and Vehicle Standards Division, and Local Government Division.

- The following supply-financed executive agencies:

  - Planning Service – responsible for development planning and control, including the property certificate service.

  - Environment and Heritage Service (EHS) – responsible for protecting and improving the quality of air, water and land; conserving biodiversity and the countryside and protecting species; protecting, recording and conserving historic monuments and buildings; and promoting awareness and appreciation of the environment and heritage.

  - Driver and Vehicle Licensing Northern Ireland (DVLNI) – responsible for the registration and licensing of drivers (including taxi drivers) and road freight and passenger transport operators; and the registration and licensing of vehicles, together with the collection and enforcement of Vehicle Excise Duty.

Entities outside Departmental Boundary

1.3 The Driver and Vehicle Testing Agency (DVTA) is the fourth of the Department's executive agencies. It has been constituted as a Trading Fund and is therefore outside the departmental boundary. However, since DVTA remains an agency of the Department, reference to its activities and associated data has been included in the Operating and Financial Review section of this Annual Report. DVTA's accounts are published in its own Annual Report and Accounts, which are available from The Stationery Office.

1.4 The Department's Balance Sheet at 31 March 2005 includes Public Dividend Capital and Long Term Loan created by the Driver and Vehicle Testing Agency Trading Fund Order (NI) 1996. Previously these were recorded as an investment by the Consolidated Fund, however, in accordance with NIRAM; the investment is now recorded in the Balance Sheet of the Department. Further details of the investment in DVTA are given in note 14 to the accounts.

1.5 Two executive Non-Departmental Public Bodies sponsored by the Department are also outside the departmental boundary and are not included in the accounts. These are the Local Government Staff Commission and the Northern Ireland Local Government Officers' Superannuation Committee. Their accounts are audited by the Local Government Audit Division of the Northern Ireland Audit Office and are available from the Department's Local Government Division. The Department is empowered to make payments of general grant and other grants to district councils. The district councils are also outside the departmental boundary.

1.6 The accounts do not incorporate the revenue collected by DVLNI from Vehicle Excise Duty and the sale of marks, or the associated refunds and other payments. These are accounted for separately in the Motor Tax Account, prepared by the Driver and Vehicle Licensing Agency, an agency within the Department for Transport, as DVLNI acts as agent of the Secretary of State for Transport for these activities.

Reporting Cycle

1.7 In 2004-05 the Department continued to use an integrated approach to monitor and report on progress in the achievement of the departmental targets contained in Northern Ireland Priorities and Budget 2004-06 and its Corporate and Business Plan covering the same period. Published in January 2004, Priorities and Budget was the first combined document presenting the Government's priorities and budget allocations for a two-year period. A further change in the overall planning process saw the integration of Service Delivery Agreements (including Reform Plans) into departmental business plans. Public Service Agreements (PSAs) remain an important element of the process and the Department's PSA contains twelve key targets that reflect the need for cross-cutting action with other departments and statutory agencies. As part of the monitoring of Priorities and Budget and the Department's Corporate and Business Plan, progress reports are considered by senior management in the Department and passed to the Office of the First Minister and Deputy First Minister (OFMDFM), which produces a composite Northern Ireland Departmental Report.

2. OPERATING AND FINANCIAL REVIEW

Departmental Aim

2.1 During the reporting period in question the Department reviewed its aim and strategic objectives to reflect current priorities more accurately. The revised aim is:

To work in partnership to promote sustainable development and to secure a better and safer future.

Objectives

2.2 In support of this aim, the Department has the following four strategic objectives:

- to protect, conserve and enhance the natural environment and built heritage, and to promote the adoption of the principles of sustainable development;
- to improve the quality of life of the people of Northern Ireland by planning and managing development in ways which are sustainable and which contribute to creating a better environment;
- to work with the statutory and voluntary partners to reduce road deaths and serious injuries;
- to support a system of effective local government which meets the needs of residents and ratepayers.

The costs incurred against each objective are set out in Schedule 5 of the accounts.

Departmental Functions

2.3 The Department's main functions and responsibilities are:

Sustainable Development	-	Environment and heritage (policy, legislation and programmes)
	-	Planning (development planning, operational policies and development control)
Road Safety	-	Road safety and vehicle standards policy, education and publicity
	-	Road transport licensing
	-	Driver and vehicle testing
	-	Driver and vehicle licensing
Local Government	-	Local government (policy, legislation and finance)

2.4 Sustainable development provides the context for most of the Department's functions and activities, most notably the protection of the environment. The Department seeks not only to limit environmental threats such as climate change, to protect human health and safety from hazards such as poor air and water quality, and to protect things that people need or value, such as wildlife, landscapes and our built heritage, but also to comply with its extensive legal obligations in the environmental field.

Review of Expenditure against Budget

2.5 Full details of the departmental spending plans for 2004-05 can be found in the Departmental Estimates, which can be obtained from The Stationery Office. Overall the Department's Resource Outturn was some £6 million below the total Resource Estimate. This was in the main due to slippage on waste management grants, delays in the tendering process for the Online Planning Development System financed by Executive Programme Funds (EPFs), and an underspend in DVLNI's administration costs. The underspends on capital and EPF funding will be returned to the Department for 2005-06 under the End Year Flexibility Scheme. Full details of actual expenditure against the Department's estimate for 2004-05 can be found in Schedule 1.

Departmental Trends

2.6 Key workload and output data for the Department's agencies over the three years to 2004-05 are shown in the table below.

Activity	2001-02	2002-03	% Inc.	2003-04	% Inc.	2004-05	% Inc.
Planning applications	24,502	26,634	8.7%	31,790	19.4%	34,924	9.9%
Planning decisions	21,447	22,616	5.5%	23,751	5%	26,681	12.3%
Vehicle tests carried out	463,386	483,776	4.4%	516,100	6.7%	473,771	-8.2%
Vehicle licenses issued	914,705	944,791	3.3%	1,043,884	10.49%	1,027,486	-1.6%
Tax discs issued	1,043,172	1,070,466	2.6%	1,171,012	9.4%	1,153,513	-1.5%
Driving licenses issued	150,353	158,806	5.6%	173,227	9.1%	171,159	-1.2%

Impact on the Community

2.7 The Department interacts with a large proportion of the population of Northern Ireland and is seeking to improve the services that it provides. For example, contact was made during the year with approximately:

- 46,079 people who took driving tests;

- 473,771 people who had their vehicles tested;
- 171,159 people who got new or renewed driving licenses;
- 1,027,486 people renewing their car tax either at DVLNI offices or via designated Post Offices;
- 125,873 people who registered new or used vehicles for the first time;
- 21,521 individuals or organisations who got new or renewed taxi and road transport vehicle and operator licenses;
- 184,000 children in nursery, primary, special and hospital schools to deliver road safety education training, including child pedestrian safety training and cycle proficiency training;
- 154,000 students in post-primary schools to deliver road safety education through talks, presentations, theatre education or advice on course work;
- 35,000 applicants for planning approval, as well as their neighbours, agents and a wide range of others involved; and
- 9,000 people who submitted representations in response to the draft Magherafelt Area Plan and the draft Belfast Metropolitan Area Plan.

2.8 In addition, some 1.9 million visits were made to the country parks, monuments and nature reserves managed by EHS; 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 some 231 properties and walks available to the public as part of the European Heritage Open Days.

Review of Main Activities during the Year

Environment and Heritage

2.9 EHS took on the role of 'consultation body' after the Strategic Environmental Assessment Directive was transposed into Northern Ireland legislation in July 2004. The Regulations represent a huge opportunity for environmental considerations to be undertaken at the earliest possible stage of the planning process. The Belfast Area Metropolitan Plan and other Area Plans will provide the first opportunities to put these new powers into practice.

2.10 Improvement in air and water quality and waste management remained key priorities for the Department. EHS continued to support the implementation of the air quality strategy locally through funding and advice to the 26 district councils. In improving water quality, EHS's proactive initiatives policy contributed to a reduction in the number of high and medium severity pollution incidents during the year. The first major report, required under the Water Framework Directive, was submitted to the European Commission during the year. This 'characterisation report' collates information on all types of water bodies in Northern Ireland and analyses pressures on waters from a wide range of activities.

2.11 EHS also started its preparatory work for Water Reform, playing a key role in supporting development of 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 the Water Service becomes a Government Owned Company.

2.12 The Waste Management Advisory Board presented the findings of its independent review to the Department in June 2004 and the Northern Ireland Affairs Committee reported on the strategy in February 2005. District councils have prepared Implementation Action Plans and the Department has provided £10 million to assist them in meeting the Plans' targets. A further £400,000 was provided to the councils to deliver recycling facilities at schools.

2.13 One of the key strategic activities included the publication of hazardous waste action implementation plans and the establishment of a joint taskforce with authorities in Northern Ireland and the Republic of Ireland to tackle the growing issue of illegal dumping.

2.14 Important progress was made in protecting our landscapes. The Mourne National Park Working Party was established to advise the Department on the proposal to designate Northern Ireland's first national park in the Mournes, and to enable those with a direct interest to have a say in what form the National Park should take. In conjunction with the National Trust and Moyle District Council, EHS completed the management plan for the Giant's Causeway World Heritage Site and submitted a copy to UNESCO. 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.

2.15 EHS is a major player in the Northern Ireland Biodiversity Strategy and, in promoting biodiversity at local and community level, has grant-aided the Quarry Producers Association, the Royal Society for the Protection of Birds, and several district councils to employ biodiversity officers. The agency also completed the third full year of monitoring of Areas of Special Scientific Interest, as part of the six-year cycle to assess the condition of all key site features, contributing towards the longer-term objective of improving the conservation condition of 95% of the features underlying designation by 2013.

2.16 The Second Survey of historic buildings was completed in a further 15 wards, bringing the total to 93 wards. EHS continued to work on its programme of conservation on state care monuments by undertaking major works of consolidation at 8 monuments and extending statutory protection to an additional 65 monuments.

2.17 The Department's Environmental Policy Group continued to progress the transposition of European Union Environmental Directives into domestic law.

Planning Service

2.18 Over the past 12-18 months, the Planning Service has been facing increasing and unprecedented workload pressures, particularly on the development control side, but also in relation to the levels of public interest in draft area plans. The number of applications received and made valid during 2004/05 increased by almost 10% (to 34,925) compared to the 2003/04 business year, which had seen a 19.4% increase on the previous year. The level of demand has had a significant impact on the ability of the Planning Service to achieve its targets, and difficult decisions in relation to redeploying staff had to be taken during the year in order to respond to the workload pressures. However, despite these demands, the number of planning decisions issued during 2004/05 increased by almost 12% to 26,681.

2.19 In relation to the area plan programme, the draft Magherafelt Area Plan was published in April 2004, and the draft Belfast Metropolitan Area Plan in November 2004. Work continued in preparation for the Ards and Down Area Plan public inquiry, and the Dungannon and South Tyrone Area Plan was formally adopted and published in March 2005. On the Planning Policy Statement programme, PPS 3 – Access Movement & Parking (Revised) was published in February 2005, while draft PPS 6 (Policy Addendum) - Areas of Townscape Character, and draft PPS 15 – Planning & Flood Risk, were published in December 2004.

2.20 The planning reform and modernisation programme has continued and progress was made during year two of the programme in relation to a number of key projects. In particular, there has been significant progress in the delivery of the ePlanning programme, to ensure that the Agency makes best use of information technology to complement the modernising planning projects to improve overall service delivery and facilitate internal efficient and effective work processes.

2.21 During the year a number of new legislative provisions were brought into operation, including the implementation of the Strategic Environmental Assessment Directive. In addition, further legislative proposals to tackle delays and strengthen the planning system were launched. The Consultation Paper Reforming Planning: Proposals to Amend Primary Planning Legislation in Northern Ireland was published in August 2004, and is another step in the Agency's Planning to Deliver programme to modernise and reform the planning system.

<u>DVLNI</u>

2.22 During the year the Agency:

- issued 1,153,513 tax discs and collected £127 million in vehicle excise duty;
- licensed 125,873 vehicles for the first time in Northern Ireland and re-licensed 3,988 vehicles by telephone and extended the re-licensing of vehicles to 83 post offices;
- transferred/assigned 26,014 cherished numbers;
- prosecuted or actioned 10,210 people for vehicle excise duty evasion, with £1.36 million collected in penalties, fines, back duty and court costs; and
- issued 171,159 driving licenses and 21,521 road transport licenses.

<u>DVTA</u>

2.23 During the year, the Agency's driver and vehicle testing activities were badly affected by industrial action for a period of three months. Nevertheless, over 500,000 vehicle tests and around 90,000 driving tests (practical and theory) were carried out. In terms of enforcement activity, the Agency carried out nearly 30,000 vehicle checks and examined around 30,000 tachograph charts. Despite the difficulties encountered, the Agency successfully introduced a new joint NI/GB theory test contract (including internet booking), an MOT reminder service for customers, and a new headlamp beam test. Major changes were also made to the Approved Driving Instructors scheme. A major programme of works to comply with the Disability Discrimination Act was completed, as well as three Equality Impact Assessments. Other highlights included attaining ISO accreditation for the driving test process, developing a strategy for intelligence-based, targeted enforcement strategy, and the launch of an improved web site.

Road Safety

2.24 The Northern Ireland Road Safety Strategy 2002-2012 was launched on 6 November 2002. It includes a target to reduce road deaths and serious injuries by 33% and, within that, a further target of a 50% reduction in the numbers of children killed or seriously injured. Progress towards achieving the objectives and casualty reduction targets in the strategy is monitored by the Road Safety Review Group, chaired by the Department, which includes representatives from the Department for Regional Development's Roads Service and the Police Service of Northern Ireland. An annual progress report is made to the Road Safety Steering Group, which comprises senior representatives from the three organisations.

2.25 Road Safety Education Officers have continued to target additional support at schools with a significant number of pupils from socially disadvantaged households in an effort to reduce road casualties. A Practical Child Pedestrian Scheme is successfully running in 60 schools with 'on road' training carried out in each school. Resources provided to all schools in 2004/05 included three new road safety teaching aid calendars distributed to every classroom in nursery and primary schools across Northern Ireland. A review of the Road Safety Education Service is continuing.

2.26 On 1 January 2005, Lyle Bailie International Ltd was appointed to support and advise the Department on the development of its road safety advertising and publicity campaign strategy for the next three years. In January 2005, the Department commissioned a short advertisement to advise Northern Ireland citizens how metrication of speed limits in the Republic of Ireland might affect them, and on 21 March 2005 the Department launched Stop Look Listen Live, a new campaign to encourage young people to take responsibility for their safety on the roads.

2.27 The Department made legislation in October 2004 which allows driving disqualifications imposed in Northern Ireland and Great Britain to apply throughout the United Kingdom. It also makes the respective fixed penalty systems available in the other jurisdiction.

Local Government

2.28 The Local Government (General Grant) Regulations (Northern Ireland) 2003 came into operation on 1 April 2003. The regulations contain the detail of the new formula for distribution of the resources element of general grant, payable to district councils. The new formula addresses relevant socio-economic disadvantages and also takes account of particular circumstances that impact on the cost of providing certain services at local level.

2.29 As a consequence of the new formula (and the simultaneous revaluation of the non-domestic sector), seven district councils experienced a substantial reduction in grant allocation. The Department developed a transitional relief scheme of £3 million in total to ease in the changes for those councils that were adversely affected. Payments amounting to £2 million were made in the financial year 2003/2004 and the balance of £1 million was paid during 2004/2005.

Performance against Targets

2.30 Northern Ireland Priorities and Budget 2004-06 set out the priorities and plans for government in Northern Ireland for 2004-05 and beyond. The Department's main activities support the delivery of commitments contained in this document.

2.31 Priorities and Budget also identified a small number of priority outcomes and targets from departmental PSAs of sufficient importance to merit regular monitoring and review by Ministers. Five Departmental items, relating to road safety and environmental objectives, are included in these priority outcomes and targets.

2.32 The Department has twelve PSA targets that it intends to achieve during the years 2003 to 2006, linked to the actions and targets contained in the departmental Corporate and Business Plan for the 2004-06 period. These actions and targets are regularly monitored in line with those in Priorities and Budget and reports provided to senior management and the Minister. So far, seven are on track for achievement, one is likely to be achieved but with some delay, and four are not likely to be achieved.

2.33 OFMDFM has separately published an annual report on the achievement of 2004-06 targets from Priorities and Budget for all of the Northern Ireland Departments. This can be viewed on the OFMDFM website at www.ofmdfmni.gov.uk or hard copies can be obtained from the Economic Policy Unit, OFMDFM, Castle Buildings, Stormont, Belfast BT4 3SR.

Post-Financial-Year Events

2.34 No important events affecting the entities within the boundary have occurred since the end of the financial year.

Investment in the Future

2.35 The Planning Service exchanged contracts with its strategic partners (Hewlett Packard) in October 2004, and the new electronic Planning Information for Citizens system will be introduced during 2005. This will replace the existing development control system, making the planning application process a more open, effective and transparent service to the citizen. The Department is also working in partnership with district councils, through grant aid, to encourage them to take positive actions to implement their Waste Management Plans – vital to the future management of waste in Northern Ireland. This will involve a substantial programme of investment in new treatment infrastructure.

3. MANAGEMENT

The Minister

3.1 The Minister has overall political responsibility and accountability for all the Department's activities.

Mrs Angela Smith, MP, a Parliamentary Under-Secretary of State at the Northern Ireland Office, had responsibility for the Department's activities during the financial year.

The Permanent Secretary

3.2 The Permanent Secretary of the Department is the Minister's principal adviser on all aspects of the Department's responsibilities and the Accounting Officer for all Departmental expenditure. The Permanent Secretary was appointed by the Civil Service Commission following public advertisement and competition. The appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules of termination are set out in Chapter 11 of the Senior Civil Service Management Code.

The Departmental Board

3.3 The work of the Department is co-ordinated and monitored by the Departmental Board. During the year this comprised the Permanent Secretary, the two Deputy Secretaries, the Director of Corporate Services and the Chief Executives of the Planning Service and the Environment and Heritage Service. The role of the Departmental Board is to provide corporate leadership within policies determined by Ministers.

The members of the Departmental Board during the year were:

Mr Stephen Peover	Permanent Secretary
Mr Felix Dillon	Deputy Secretary, Environmental Policy
Mrs Cynthia Smith	Deputy Secretary, Local Government and Road Safety
Dr Murray Power	Director of Corporate Services
Mr Richard Rogers	Chief Executive, EHS
Mr David Ferguson	Chief Executive, Planning Service

The Senior Management Team

3.4 The Senior Management Team, consisting of Departmental Board members, the Chief Executives of DVTA and DVLNI, the core directors, and the other members of the Senior Civil Service in the Planning Service and EHS, also meets regularly to co-ordinate corporate management initiatives throughout the Department.

Non-Executive Advisory Bodies

3.5 The Department is advised in the exercise of its functions by four statutory advisory bodies: the Council for Nature Conservation and the Countryside; the Historic Monuments Council; the Historic Buildings Council; and the Northern Ireland Water Council. Additionally, the Waste Management Advisory Board for Northern Ireland was formed in May 2001 as a forum for key stakeholders within Northern Ireland to advise and assist with the promotion and implementation of the Northern Ireland Waste Management strategy; the tenure of this Board was extended from May 2004 for a period of one year.

Remuneration

3.6 The salary and allowances of the Minister were paid by the Cabinet Office.

3.7 The Permanent Secretary's pay is determined in consultation with the NI Permanent Secretaries' Remuneration Committee. The pay for other members of the Departmental Board is set by the Northern Ireland Civil Service Senior Civil Service Pay Committee. In carrying out these roles, both committees take account of the recommendations of the annual Senior Salaries Review Body report.

3.8 Details of the remuneration of senior officials in salary bands is provided in Note 2 to the Financial Statements, subject to the exercise of statutory rights under the Data Protection Act.

4. PUBLIC INTEREST AND OTHER

Equal Opportunities

4.1 The Department is an Equal Opportunity employer. The policy of the Northern Ireland Civil Service is that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. The Department is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding. This allows the best use to be made of the wide variety of skills, abilities and attributes available in the Department and promotes a harmonious working environment.

4.2 Under this policy, no person must be treated less favourably, in any aspect of his or her employment, for a reason related to gender, marital status, religious belief, political opinion, disability, colour, race, ethnic or national origin, age, sexual orientation, or whether or not he/she has dependants, which should be irrelevant to the treatment or assessment of that individual.

The Disabled

4.3 The Department's Equal Opportunities policy, and the Northern Ireland Civil Service Code of Practice on the Employment of People with Disabilities, provide the framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995, and that, through the consideration and implementation of reasonable adjustments, disabled staff can make full use of their skills and abilities. The Department also provides employment for severely disabled people through the Employment Support Programme.

Equality

4.4 The Department is committed to fulfilling its obligations under Section 75 of, and Schedule 9 to, the Northern Ireland Act 1998. In carrying out their functions, powers and duties relating to Northern Ireland, all departments must have due regard to the need to promote equality of opportunity between certain specified groups, and also have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Staff Training and Development

4.5 The Department is currently accredited with Investors in People across all its business areas.

Employee Involvement

4.6 The Department places considerable reliance on the involvement of its employees. It makes every effort to ensure that all staff are kept informed of plans and developments. This is effected through meetings, team briefings, circulars and the publication of business and training plans.

Staff have access to welfare services and to trade union membership.

The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion which are attended by both employer and trade union representatives. In this way, staff views are represented and information for employees is promulgated.

Health and Safety

4.7 The Department is committed to adhering to all existing legislation on Health and Safety at Work to ensure that staff enjoy the benefits of a safe environment.

Prompt Payment

4.8 The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, Late Payment of Commercial Debts Regulations 2002 and British Standard 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. During the year, over 92% of bills were paid within this standard, compared to 98% in the previous financial year.

5. AUDITOR

5.1 The Department's Accounts are audited by the Comptroller and Auditor General for Northern Ireland in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Department and reports his findings to Parliament. The charge for these audit services for the financial year, which is included as a notional cost in the Operating Cost Statement of the accounts, was £114,000.

Accounting Officer 26 October 2005

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001 the Department is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

DFP has appointed the Permanent Secretary of the Department as Accounting Officer of the Department, with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the *Northern Ireland Resource Accounting Manual* prepared by DFP, and in particular to:

a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

b. make judgements and estimates on a reasonable basis;

c. state whether applicable accounting standards as set out in the *Northern Ireland Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;

d. prepare the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in *Government Accounting Northern Ireland*.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

2. Acting under the direction of the Minister, it is my responsibility to ensure that the Minister is fully aware of, and involved as necessary in, the development of new policies and changes to existing policies and legislation, and the consequent decisions and actions of the Department, its executive agencies and non-departmental public bodies.

3. To ensure that this process operates effectively, the Departmental Board on occasions meets the Minister to discuss all issues of sufficient importance to warrant ministerial input or advice.

4. The Minister approves the Department's Corporate and Business Plans and Public Service Agreement targets, and is apprised quarterly of departmental performance, including any significant deviation from achievement of targets and any underlying risk realisation.

5. The work of the Department is overseen by the Departmental Board, which I chair, the other members being the Deputy Secretaries, the Director of Corporate Services, and the Chief Executives of the Planning Service and the Environment and Heritage Service.

The purpose of the system of internal control

6. 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 provide only reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of departmental 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 the Department for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

7. I note that the Environment and Heritage Service (EHS) has, on foot of a limited assurance rating for an audit on corporate governance/risk management, plans fully to embed risk registers in its directorates and business units.

Capacity to handle risk

8. A Departmental Risk Management Policy Statement, which has been endorsed by the Departmental Board and disseminated to all the Department's business areas, describes, inter alia, the role and responsibilities of the Board, the Departmental Audit Committee and Internal Audit. The review of risk has also been included in the terms of reference for the Board. The Board, which meets monthly, also acts as the Departmental Risk Management Committee.

9. Discussions that take place at meetings of the Board and the Departmental Audit Committee provide opportunity for the exchange of information and sharing of best practice on risk management.

The risk and control framework

10. A process is in place that ensures that all business areas identify the key risks to the achievement of the Department's objectives. This includes the evaluation of the risks in terms of impact, likelihood of occurrence, and the existing controls in place to mitigate the risk to an acceptable level. As a result of this process, risk ownership is allocated to managers at appropriate levels.

11. The business area risk registers feed into the Departmental Summary Risk Register and potentially the Departmental Corporate Risk Register. At a corporate level, business area risk registers are reviewed quarterly to coincide with reporting on the achievement of departmental objectives and targets. The Board decides whether any revisions need to be made to the Departmental Corporate Risk Register in light of changes at core divisional and agency level.

Review of effectiveness

12. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In doing so, I am informed by the work of the internal auditors and the executive managers within the Department 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

13. The Department's corporate governance framework includes the:
- Departmental Board;
- Senior Management Team;
- Departmental Audit Committee;
- Audit Committees of each of the Department's four executive agencies; and
- Departmental Internal Audit Service.

14. The main aims of the Departmental Board are, inter alia, to provide corporate leadership to the Department, to determine priorities for inclusion in the Department's Business Plans, to agree the Department's legislative programme, to agree the allocation of human and financial resources, and to agree and periodically review the Department's Corporate Risk Register. The Senior Management Team, which has a wider representation from the Department's core divisions and agencies, assists the Board with its corporate governance responsibilities.

15. I also chair the Departmental Audit Committee, which assists me by drawing my attention to matters of governance, risk, control and assurance. Audit Committees are also in place in each agency.

16. The Department uses the services of the Department for Regional Development's Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. As principal Accounting Officer, I receive Assurance Reports from the Internal Audit Unit

that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's systems of internal control, together with recommendations for improvement. Complementary to this, I receive Assurance Statements from the Department's Deputy Secretaries and agency Chief Executives. I also benefit from comments made by the external auditors in their management letters and reports.

Significant internal control problems

17. For 2004-05, the Internal Audit Assurance Reports indicated reasonable assurance, in overall terms, for the core department, for the Planning Service, and for Driver and Vehicle Licensing Northern Ireland (DVLNI). I am particularly reassured by the fact that the audit of corporate governance/risk management processes in the core department also received a reasonable assurance rating.

18. In respect of EHS and the Driver and Vehicle Testing Agency (DVTA), Internal Audit concluded that an overall rating of limited assurance was appropriate for both agencies in respect of the risk management, control and governance processes.

19. For EHS, I acknowledge that significant efforts have been made by management to address control weaknesses previously identified. I also take some comfort from the reasonable assurance rating in six out of the ten Internal Audit assignments undertaken in the agency, including financial management and corporate planning and control. I am also reassured that the timely implementation of the recommendations in these reports will be monitored by the agency's Compliance Audit Group.

20. In respect of DVTA, I note Internal Audit's acknowledgement that the operation of some aspects of the internal control framework were affected by the prolonged period of industrial action in mid 2004. I am pleased that Internal Audit has also acknowledged that significant efforts are being made to remedy the deficiencies in internal control and to ensure continuous improvement of the system.

21. Finally, I draw further comfort from the fact that all four agencies' 2004-05 Accounts received unqualified opinions from the Comptroller and Auditor General.

Accounting Officer 26 October 2005

DEPARTMENT OF THE ENVIRONMENT

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 21 to 62 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 34.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 15, the Accounting Officer is 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 Accounting Officer is also responsible for the preparation of the other contents of the Accounts. 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 Annual Report is not consistent with the financial statements, if the Department 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 Accounts, 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 page 16 to 18 reflects the Department'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 Department'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 Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department'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 Department of the Environment at 31 March 2005 and of the net resource outturn, resources applied to objectives, 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	**Northern Ireland Audit Office**
Comptroller and Auditor General	**106 University Street**
	Belfast BT7 1EU

27 October 2005

Summary of Resource Outturn 2004-05 — Schedule 1

	Estimate			Outturn			2004-05	2003-04
	Gross expenditure	Accruing Resources	NET TOTAL	Gross expenditure	Accruing Resources	NET TOTAL	Net total Outturn compared with Estimate saving/ (excess)	Prior-year outturn
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A (notes 6 and 10)	188,835	(38,378)	150,457	180,627	(36,147)	144,480	5,977	136,444
Total resources	188,835	(38,378)	**150,457**	180,627	(36,147)	**144,480**	**5,977**	136,444
Non-operating Accruing Resources (note 11)			(2,114)			(1,667)	(447)	(3,180)
Net cash requirement			**139,295**			**132,721**	**6,574**	113,069

Summary of income payable to the Consolidated Fund

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

		Forecast 2004-05		Outturn 2004-05	
		Income	**Receipts**	**Income**	**Receipts**
	Note	£000	£000	£000	£000
Total	5	3,210	*3,210*	2,644	*2,001*

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

(i) The Driver and Vehicle Licensing Northern Ireland variance of some £0.9m was in the main due to an underspend in administration costs.

(ii) The variance of some £0.7m in Executive Programme Funds was in the main due to delays in the commencement of the Planning Service ePIC project.

(iii) The variance of some £2.9m in Capital Grants to District Councils was in the main due to slippage.

Explanation of the variation between Estimate and Outturn (net cash requirement):

(i) Overall the Department's Resource Outturn was some £5.9m less than the total Resource Estimate.

(ii) Capital spend was lower than anticipated by £1.3m in EHS, £1.5m in DVLNI, £1.1m in DVTA and £0.4m in other business areas across the Department due to slippage in certain schemes.

(iii) The forecasts for closing creditors were too low for the core department and its agencies and resulted in actual closing creditors exceeding the forecast by some £2.0m. Similarly, debtors were under-estimated by some £4.4m resulting in an overall variance in working capital of some £2.4m.

The notes on pages 28 to 62 form part of the financial statements.

Reconciliation of resources to cash requirements	Note	**Estimate** £000	**Outturn** £000	Net total outturn compared with Estimate saving/ (excess) £000	Prior-year outturn £000
Net total resources		**150,457**	**144,480**	**5,977**	136,444
Capital:					
Acquisition of fixed assets	11	11,351	6,995	4,356	5,992
Non-operating Accruing Resources:					
Proceeds of fixed asset disposals	11	(15)	(63)	48	(21)
Additions to deferred creditors	11	(2,099)	(1,604)	(495)	(3,159)
Accruals adjustments:					
Non-cash items	3a	(18,335)	(17,934)	(401)	(18,471)
Changes in working capital other than cash	15a	(2,064)	371	(2,435)	(8,988)
Changes in creditors falling due after more than one year	19	-	-	-	360
Use of provision	20	-	476	(476)	367
Fixed assets purchased for DOE by DRD	11	-	-	-	(83)
Transfer of Local Government Audit	21	-	-	-	628
Net cash requirement (Schedule 4)		**139,295**	**132,721**	**6,574**	113,069

The notes on pages 28 to 62 form part of the financial statements.

Operating Cost Statement

Schedule 2

for the year ended 31 March 2005		2004-05		2003-04	
	Note	**£000**	**£000**	£000	£000
Administration costs:					
Staff costs	2	55,512		44,958	
Non-Staff administration costs	3	31,116		29,356	
Gross administration costs			**86,628**		74,314
Operating income	6		(34,749)		(27,454)
Net administration costs			**51,879**		46,860
Programme costs					
Request for resources A:					
Staff costs	2	-		1,110	
Other Expenditure	4	93,999		91,916	
Less: income – Fees & Other	6	(1,472)		(3,550)	
Less: income - EU	6	(2,570)		(24)	
Net programme costs			**89,957**		89,452
Net operating cost	8 & 9		**141,836**		136,312
Net resource outturn	8		**144,480**		136,444

All income and expenditure are derived from continuing operations

Statement of Recognised Gains and Losses

for the year ended 31 March 2005		2004-05	2003-04
		£000	£000
Net gain on revaluation of tangible fixed assets	12	1,442	910
Net gain on revaluation of intangible fixed assets	13	2	2
Fixed assets received from other NICS Departments	21	6	-
Total recognised gains and losses for the financial year		**1,450**	912

The notes on pages 28 to 62 form part of the financial statements.

Balance Sheet

Schedule 3

		31 March 2005		31 March 2004	
	Note	**£000**	**£000**	£000	£000
Fixed assets:					
Tangible assets	12	33,213		29,299	
Intangible assets	13	479		268	
Investments	14	3,531		3,531	
			37,223		33,098
Current assets:					
Stocks	16	260		309	
Debtors	17	9,453		4,514	
Cash at bank and in hand	18	1,476		2,727	
		11,189		7,550	
Creditors (amounts falling due within one year)	19	(31,279)		(28,011)	
Net current liabilities			(20,090)		(20,461)
Total assets less current liabilities			17,133		12,637
Creditors (amounts falling due after more than one year)	19	(6,523)		(6,824)	
Provisions for liabilities and charges	20	(1,692)		(1,396)	
			(8,215)		(8,220)
			8,918		4,417
Taxpayers' Equity					
General fund	21		1,249		(1,912)
Revaluation reserve	22		7,580		6,152
Grant reserve	23		89		177
			8,918		4,417

Accounting Officer

26 October 2005

The notes on pages 28 to 62 form part of the financial statements.

Cash Flow Statement

Schedule 4

for the year ended 31 March 2005

	Note	**2004-05**	2003-04
		£000	£000
Net cash (outflow) from operating activities	a	**(125,768)**	(105,716)
Capital expenditure and financial investment	b	**(5,043)**	(3,089)
Payments of amounts due to the Consolidated Fund		**(1,940)**	(4,680)
Financing from the Consolidated Fund	c	**131,500**	114,072
(Decrease)/increase in cash in the period		**(1,251)**	587

Notes

a *See the table below giving a reconciliation of operating cost to operating cash flows.*

b *See the table below giving an analysis of capital expenditure and financial investment.*

c *See the table below giving an analysis of financing and a reconciliation to the net cash requirement.*

a. Reconciliation of operating cost to operating cash flows

	Note	**2004-05**	2003-04
		£000	£000
Net operating cost		**(141,836)**	(136,312)
Adjustments for non-cash transactions	3a	17,934	18,471
Adjustments for movements in working capital other than cash	15b	(1,390)	12,492
Use of provisions	20	(476)	(367)
Net cash (outflow) from operating activities		**(125,768)**	(105,716)

b. Analysis of capital expenditure and financial investment

	Note	**2004-05**	2003-04
		£000	£000
Intangible fixed asset additions	11	(259)	(20)
Tangible fixed asset additions	11	(6,451)	(5,889)
Proceeds of disposal of fixed assets	11	63	21
Deferred Creditor – DVLA Additions	19	1,604	3,159
Deferred Creditor – paid in year	19	-	(360)
Net cash (outflow) from investing activities		**(5,043)**	(3,089)

The notes on pages 28 to 62 form part of the financial statements.

Schedule 4 (continued)

c. Analysis of financing, and reconciliation to the net cash requirement	**2004-05**	2003-04
	£000	£000
From the Consolidated Fund (Supply) - current year	131,500	114,700
From Consolidated Fund (Supply) – prior year	-	-
Transfer of Local Government Audit to NIAO §	-	(628)
Net financing	**131,500**	114,072
Decrease/(increase) in cash	**1,251**	(587)
Net cash flows other than financing	**132,751**	113,485
Transfer of LGA to NIAO	-	628
Adjustment for payments and receipts not related to Supply:		
Amounts due to the Consolidated Fund – received in a prior year and paid over	-	(1,028)
Amounts due to the Consolidated Fund – received and not paid over	60	(243)
Amounts due to the Consolidated Fund – received and not paid over:		
Excess operating Accruing Resources	-	-
Amounts received and paid on behalf of other Government Departments	(90)	227
Net cash requirement (Schedule 1)	**132,721**	113,069

§ Under the Audit and Accountability (Northern Ireland) Order 2003, the staff of Local Government Audit transferred from the Department of the Environment to the Northern Ireland Audit Office on 1 April 2003. The Order provides that the Department collects the fees for the audit of local authorities, and pays them over to the Northern Ireland Audit Office which accounts for them as accruing resources in its resource accounts.

The notes on pages 28 to 62 form part of the financial statements.

Resources by Departmental Aim and Objectives — Schedule 5

for the year ended 31 March 2005

	2004-05			2003-04		
	Gross	**Income**	**Net**	Gross	Income	Net
	£000	**£000**	**£000**	£000	£000	£000
Aim:						
Objective a	**66,116**	**(5,719)**	**60,397**	56,400	(2,755)	53,645
Objective b	**35,637**	**(15,762)**	**19,875**	34,178	(12,993)	21,185
Objective c	**24,557**	**(17,310)**	**7,247**	21,386	(15,061)	6,325
Objective d	**54,317**	**-**	**54,317**	55,376	(219)	55,157
Net operating costs	**180,627**	**(38,791)**	**141,836**	167,340	(31,028)	136,312

The Department's objectives were as follows:

a) To protect, conserve and enhance the natural environment and built heritage and promote the adoption of the principles of sustainable development;

b) To plan and manage development in a sustainable way which will contribute to a better environment and which is modern and responsive to the community;

c) To work with statutory and voluntary partners to reduce road deaths and serious injuries; and

d) To support a system of effective local government which meets the needs of residents and ratepayers.

Note 24 shows programme grants and other current expenditure allocated to the objectives.

The notes on pages 28 to 62 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2004-05 Northern Ireland Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the NIRAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the NIRAM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

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

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Department and its supply-financed agencies, the Environment and Heritage Service, the Planning Service and Driver and Vehicle Licensing (NI). The Department's supply-financed agencies each produce and publish their own Annual Report and Accounts. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is given at Note 34.

1.3 Tangible Fixed Assets

Fixed assets comprise the land and buildings (excluding dwellings), furniture and fittings, plant and machinery, transport equipment and information technology equipment held by the Department.

Freehold land and buildings are revalued on a five-year rolling basis by the Valuation and Lands Agency in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by using appropriate indices, and following revaluation the remaining life may be restated. All land and buildings are held by the Environment and Heritage Service.

Operational properties, which are not specialised and are generally traded on the open market are valued on the basis of existing use value.

Non-operational properties including surplus property and property held for development are valued on the open market value basis.

Operational properties that are specialised, e.g. visitor centres and museums, are valued on depreciated replacement cost basis.

Non-operational heritage assets are not included in the programme of valuations as it is neither practical nor appropriate to do so given the special characteristics of these assets. A sample of the non-operational heritage assets which have not been valued or capitalised in the accounts is included in Note 12.

The accounting policy regarding recently purchased non-operational heritage assets was clarified in the 2001-02 financial year, with such assets now being recognised in the 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 12).

Other tangible fixed assets are valued at current replacement cost. Their values are revised annually through the use of suitable indices, with the exception of computers and IT equipment. Due to technological advances an accelerated depreciation method is applied to write off the cost of computers and IT equipment to a nil residual book value over their assumed useful economic life

Assets are re-valued at net replacement cost using appropriate indices compiled by the Office for National Statistics.

Surpluses and deficits arising on revaluation are taken to the revaluation reserve. Where appropriate, permanent reductions in the value of fixed assets are charged to the Operating Cost Statement.

Assets paid for on behalf of the Department by other NICS departments have also been capitalised and depreciated in line with current policy, and have been credited to the general fund with appropriate disclosure in the Statement of Recognised Gains and Losses.

The capitalisation threshold for a tangible fixed asset is £500 for IT equipment and £1,000 for all other assets. Computer systems (bespoke software) which have been developed internally, have been capitalised at the full cost incurred. Where material, assets have been pooled/grouped so as to reflect asset holdings more accurately.

1.4 Depreciation

Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Land and Buildings Excluding Dwellings	50 to 60 years
Furniture and fittings	3 to 10 years
Plant & Machinery	3 to 30 years
Transport Equipment	5 to 15 years

IT Equipment and computers are depreciated using the accelerated depreciation method to write off assets over 3-10 years.

Assets in the course of construction are not depreciated until they have been brought into use.

1.5 Heritage Assets

All heritage assets are deemed to be held by the Department in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational heritage assets are those which are held solely for this purpose and have no other use. Operational heritage assets are those which, in addition to being held for their characteristics as part of the heritage, are also used by the entity for other activities or to provide other services for which it is responsible.

The Department owns certain non-operational heritage assets which have not been valued because it would be impossible to establish sufficiently reliable values and are therefore not included in these accounts. These comprise one hundred and eighty three Monuments in State Care.

1.6 *Intangible Fixed Assets*

Intangible assets comprise the value of the capitalised licences to operate the vehicle systems in DVLNI. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge will be capitalised as part of the value of intangible assets. Purchased computer software licences are capitalised as an intangible fixed asset where expenditure of £1,000 or more is incurred. Software licences are amortised over 3-10 years.

1.7 *Investments*

Financial interests in bodies which are outside the Departmental Resource Accounting boundary are treated as fixed asset investments since they are held for the long term. These comprise Public Dividend Capital (PDC) and a Long Term Loan issued to DVTA. DVTA, as a trading fund, is operated and managed independently of the Department, and its accounts are not consolidated with those of the Department. Loans and PDC are included at historic cost.

1.8 *Stocks and Work in Progress*

Stocks and work in progress are valued as follows:

a. 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 cannot or will not be used;

b. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.9 *Research and Development*

Expenditure on research and development is written off in the year of expenditure through the Operating Cost Statement.

1.10 *Operating Income*

The Department's operating income is comprised principally of fees and charges for services provided to external customers and public sector repayment work. It includes both income appropriated in aid of the Estimate and income payable to the Consolidated Fund authorised by DFP to be treated as operating income.

1.11 *Administration and Programme Expenditure*

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department. These include both those administrative costs and associated operating income. Income which under the administration cost control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, is identified in Note 7. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. The classification of expenditure and income as administration or programme follows the definition of administration costs set by HM Treasury.

1.12 Capital Charge

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

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

additions at cost;

disposals as valued in the opening Balance Sheet (plus any subsequent capital expenditure prior to disposal);

impairments at the amount of the reduction of the opening Balance Sheet value (plus any subsequent capital expenditure); and

depreciation of tangible and amortisation of intangible fixed assets;

(b) donated assets and amounts from or due to be surrendered to the Consolidated Fund.

(c) cash balances within the centralised Northern Ireland Civil Service pool of accounts currently held at the Northern Bank; and

(d) fixed assets which are investments in a public sector body outside the departmental boundary. In the case of PDC the amount of the charge will be the return required from the body less any interest paid to the department. In the case of a loan the amount of the charge will equate to the interest rate due from the body. These amounts are added to the cost of capital charge on other assets.

1.13 Foreign Exchange

Transactions that are denominated in a foreign currency which are covered by a related forward contract are translated into sterling at the rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the Balance Sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.14 Pensions

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. The Department 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). Civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). Further details of these pension arrangements are given in Note 2.

1.15 Early Departure Costs

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 3.5% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

1.16 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised) How to account for PFI Transactions as required by the NIRAM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Department, it is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.17 Leases

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

1.18 Grants Payable

The Department is responsible for the payment of a number of government grants, both discretionary and mandatory. These grants are recorded in the period in which the recipient carries out the activity which created the entitlement. The recognition of entitlement will vary according to the details of the individual scheme. Unpaid and unclaimed grants may represent obligations to be recognised as liabilities. Where the amount of the claim is not known at the Balance Sheet date, an estimate will be made. Overpayments of grants are shown as debtors in the Balance Sheet.

1.19 Provisions

The Department provides for legal or constructive obligations that are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 3.5% in real terms.

1.20 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard No. 12, Provisions, Contingent Liabilities and Contingent Assets (FRS12), the Department discloses, for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Northern Ireland Resource Accounting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS12 are stated at the amounts reported to Parliament.

1.21 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The recoupment of VAT on behalf of the Department (with the exception of DVLNI) is administered by and reflected in the accounts of the Department for Regional Development.

1.22 EU Income

All receipts from the EU are separately identified and are shown as income in the Operating Cost Statement. All EU income is treated by the Department as non-public expenditure and thereby reduces the burden on the UK Exchequer.

1.23 Funding from Parliamentary Supply

Supply funding is not treated as income on the face of the Operating Cost Statement, but is instead credited to the general fund.

1.24 Notional Costs

Since the Resource Account is required to show the full economic cost of delivery of public services, the Operating Cost Statement includes certain notional items of expenditure.

1.25 Deferred Creditors

Deferred creditors represent the original cost of fixed assets, financed by DVLA, for use by Vehicles Division of DVLNI and are depreciated on a historical cost basis.

1.26 Management Agreements

The Environment and Heritage Service enters into management agreements with landowners in order to “preserve” lands/buildings identified as being Areas of Special Scientific Interest (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. The vast majority of these management agreements are in perpetuity and cover designated ASSIs and Nature Reserve lands. Management agreements covering Nature Reserves 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 costs of these agreements are expensed in the year in which they are issued.

2. Staff numbers and related costs

2a. Staff costs

Staff costs consist of:

	2004-05					2003-04
	Total	Permanently-employed staff	Others	Ministers	Special advisors	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	47,238	41,586	5,652	-	-	38,977
Social security costs	3,140	3,052	88	-	-	2,684
Other pension costs	5,134	5,124	10	-	-	4,407
Sub-total	55,512	49,762	5,750	-	-	46,068
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total Net Costs	**55,512**	**49,762**	**5,750**	**-**	**-**	46,068
Analysed as:						
Administration costs	55,512					44,958
Programme costs	-					1,110
Schedule 2	55,512					46,068

The Principal Civil Service Pension Scheme (PCSPS) (NI) of which most of the Department's employees are members is an unfunded multi-employer defined benefit scheme which produces its own resource accounts but the Department of the Environment 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, normal employer's contributions of £5,134,000 were payable to the PCSPS (NI) (2003-04 £4,407,000) at one of four rates in the range 12% to 18% of pensionable pay, (2003-04 12% to 18.5%) 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 account, a stakeholder pension with an employer contribution. Employer's contributions of £6,445 (2003-04 £4,416) were payable 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% (2003-04 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% (2003-04 3%) of pensionable pay. In addition employer contributions of £608, 0.8% (2003-04 £470, 0.8%) of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil (2003-04 £nil). Contributions prepaid at that date were £nil (2003-04 £nil).

8 people (2003-04 42 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £10,774 (2003-04 £39,877).

2b. Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account.

	2004-05					2003-04
	Number					Number
Objective	Total	Permanently employed staff	Other	Ministers	Special advisors	Total
A	879	757	122	-	-	747
B	753	686	67	-	-	669
C	590	519	71	-	-	567
D	22	22	-	-	-	22
Total	**2,244**	1,984	260	-	-	2,005

2c. Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and Departmental Board members:

(a) Remuneration:

Ministers	**2004-05**		2003-04	
	Salary £	**Benefits in kind (nearest £100)**	Salary £	Benefits in kind (nearest £100)
Angela Smith MP *Minister*	*(see below)*		*(see below)*	

Officials	2004-05		2003-04	
	Salary £	**Benefits in kind (nearest £100)**	Salary £	Benefits in kind (nearest £100)
S. Peover Permanent Secretary	90-95	Nil	85-90	Nil
F. Dillon Deputy Secretary	Consent to disclose withheld			
C. Smith Deputy Secretary (part time with effect from 2 Feb 2004)	60-65	Nil	70-75	Nil
Dr. M. Power Director of Corporate Services	65-70	Nil	65-70	Nil
R. Rogers Chief Executive, Environment and Heritage Service	70-75	Nil	10-15	Nil
D. Ferguson Chief Executive, Planning Service	Consent to disclose withheld			

Salary

"Salary" includes gross salary, performance pay or bonuses, overtime, recruitment and retention allowances and private office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP £57,485, (2003-04 £56,358) and various allowances to which they are entitled are borne centrally. (However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. This total remuneration , as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures).

During the year the Department was under the direction and control of Mrs Angela Smith MP. Her salary and allowances were paid by the Cabinet Office. These costs have not been included as notional costs in the Operating Cost Schedule in the same way as Devolved Ministers' salaries. Details of salary and allowances, will be provided in the 2004-05 Northern Ireland Office Resource Account.

(b) Pension benefits:

Ministers	**Real increase in pension and related lump sum at age 60 £000**	**Accrued pension at age 60 at 31 March 2005 and related lump sum £000**	**CETV at 31 March 2005 £000**	**CETV at 31 March 2004 £000**	**Real increase in CETV £000**	**Employer contribution to partnership pension account (nearest £100)**
Angela Smith MP	*(See below)*					

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution).

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate, and 9% if they have opted for the 1/40th accrual rate.

There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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 ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increases in CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Officials	Real increase in pension and related lump sum at age 60 £000	Accrued pension at age 60 at 31 March 2005 and related lump sum £000	CETV at 31 March 2005 £000	CETV at 31 March 2004 £000	Real increase in CETV £000	Employer contribution to partnership pension account (nearest £100)
S. Peover Permanent Secretary	£0-£2.5 pension plus £2.5-£5 lump sum	£30-£35 pension plus £100-£105 lump sum	559	505	25	Nil
F. Dillon Deputy Secretary	Consent to disclosure withheld					
C. Smith Deputy Secretary	£0-£2.5 pension plus £0-£2.5 lump sum	£20-£25 pension plus £60-£65 lump sum	311	284	12	Nil
Dr. M. Power Director of Corporate Services	£0-£2.5 pension plus £2.5-£5 lump sum	£25-£30 pension plus £85-£90 lump sum	448	416	16	Nil
R. Rogers Chief Executive, Environment and Heritage Service	£0-£2.5 pension plus £2.5-£5 lump sum	£25-£30 pension plus £85-£90 lump sum	485	449	18	Nil
D. Ferguson Chief Executive, Planning Service	Consent to disclosure withheld					

Civil Service pensions

Pension benefits are provided through the civil service pension (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 to the Retail Prices 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 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder type 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, these will be matched by the employer up to a limit of 3% (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.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS 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.

Real increases 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.

3. Non-Staff Administration Costs

	Note	2004-05 £000	2004-05 £000	2003-04 £000	2003-04 £000
Rentals under operating leases:					
Other operating leases		18		29	
Rent of land and buildings		31		31	
			49		60
Non-cash items:					
Notional costs					
Central Services provided by the Department for Regional Development		4,025		3,701	
Accommodation		4,581		4,074	
Roads Service		3,887		4,904	
Water Service		580		508	
NIAO auditors' remuneration *		114		113	
Other notional providers		1,172		1,570	
		14,359		14,870	
Other non-cash items					
Depreciation and amortisation of fixed assets:					
Tangible fixed assets		1,231		899	
Intangible fixed assets		111		72	
Loss on disposal of fixed assets	11	2		2	
Cost of capital charge/(credit)		311		(179)	
Provisions provided in year	20	245		505	
		1,900		1,299	
Total non-cash costs			**16,259**		16,169
Other expenditure			**14,808**		13,127
			31,116		29,356

* Auditor's remuneration contains no element relating to non-audit work.

3a. Analysis of total non-cash items for Schedules 1 and 4

	2004-05 £000	2003-04 £000
Staff costs (see Note 2)	-	-
Non-staff administration costs (see Note 3)	16,259	16,169
Programme costs (see Note 4)	1,675	2,302
Non-cash transactions (Schedule 4)	**17,934**	18,471
Non-cash transactions (Schedule 1)	**17,934**	18,471

4. Net Programme Costs

	Note	2004-05 £000	2004-05 £000	2003-04 £000	2003-04 £000
Current grants and other current expenditure (excluding EU)			88,161		88,573
EU Grants			3,427		24
PFI service charges			736		1,017
Non-Cash items in Programme Costs					
Cost of capital charge		232		1,091	
Depreciation		2,942		2,092	
Release of deferred creditor	19	(1,905)		(1,157)	
Release from grant reserve	23	(88)		(92)	
Provisions provided / (written back) in year	20	527		383	
Profit on disposal	11	(33)		(15)	
			1,675		2,302
Other expenditure			**93,999**		91,916
Staff costs	2		**-**		1,110
***Less*: programme income**	6		**(4,042)**		(3,574)
			89,957		89,452

5. Analysis of Income Payable to the Consolidated Fund

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

	Note	2004-05 forecast Income £000	2004-05 forecast Receipts £000	2004-05 outturn Income £000	2004-05 outturn Receipts £000
Operating income and receipts – excess Accruing Resources		-	-	-	-
Non-operating income and receipts – excess Accruing Resources		-	-	-	-
Subtotal		-	-	-	-
Other operating income and receipts not classified as Accruing Resources	6	3,210	*3,210*	2,644	*2,001*
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
EU capital grants income and receipts		-	-	-	-
Total		**3,210**	***3,210***	**2,644**	***2,001***

6. Income and Accruing Resources

Operating income

Non-Accruing Resource operating income (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 7). In 2004-05, all non-Accruing Resource operating income was within public expenditure.

						2004-05
	RESOURCE OUTTURN	**Reconciliation to Operating Cost Statement**				**OPERATING COST STATEMENT**
Operating income analysed by classification and activity, is as follows:	Accruing Resources	Netted off gross expenditure in sub-head	Payable to Consolidated Fund	Transactions between Requests for Resources	Accruing Resources netted off operating expenditure	Income included in Operating Cost Statement
	£000	£000	£000	£000	£000	£000
Administration income:						
Fees and charges to external customers	21,312	-	-	-	-	21,312
Fees and charges to other departments	12,995	-	-	-	-	12,995
Receipts of other classes	399	-	43	-	-	442
Total administration income	**34,706**	**-**	**43**	**-**	**-**	**34,749**
Programme income:						
Fees and charges to external customers	1,393	-	-	-	-	1,393
Fees and charges to other departments	-	-	-	-	-	-
EU income	-	-	2,570	-	-	2,570
Other	48	-	31	-	-	79
Total programme income	**1,441**	**-**	**2,601**	**-**	**-**	**4,042**
Total	**36,147**	**-**	**2,644**	**-**	**-**	**38,791**

Operating income analysed by classification and activity, is as follows:	RESOURCE OUTTURN	Reconciliation to Operating Cost Statement				2003-04 OPERATING COST STATEMENT
	Accruing Resources	Netted off gross expenditure in sub-head	Payable to Consolidated Fund	Transactions between Requests for Resources	Accruing Resources netted off operating expenditure	Income included in Operating Cost Statement
	£000	£000	£000	£000	£000	£000
Administration income:						
Fees and charges to external customers	15,832	-	-	-	-	15,832
Fees and charges to other departments	11,575	-	-	-	-	11,575
Receipts of other classes	-	-	47	-	-	47
Total administration income	27,407	-	47	-	-	27,454
Programme income:						
Fees and charges to external customers	3,489	-	-	-	-	3,489
Fees and charges to other departments	-	-	-	-	-	-
EU income	-	-	24	-	-	24
Other	-	-	61	-	-	61
Total programme income	3,489	-	85	-	-	3,574
Total	30,896	-	132	-	-	31,028

Analyses of income from services provided to external and public sector customers from the Agencies and a comparison with the full cost of providing these services by the Agencies are provided in the annual accounts of the Department's Agencies.

Non-Operating Income

Non-operating Accruing Resources

	Note	2004-05 **£000**	2003-04 £000
Capital funding received	11	1,604	3,159
Proceeds from disposals on fixed assets	11	63	21
		1,667	3,180

Capital Funding is received from DVLA, which finances fixed assets for use by Vehicles Division within DVLNI.

Non-operating income payable to the Consolidated Fund

There was no non-operating income payable to the Consolidated Fund during the year.

7. Administration cost limits

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	2004-05		2003-04	
	Outturn	**Limits**	Outturn	Limits
	£000	**£000**	£000	£000
Request for Resources A (Gross Limit)	54,423	55,561	45,008	47,189
Total within Administration Cost Control	**54,423**	**55,561**	45,008	47,189
Administration Expenditure excluded from Administration Cost Limit	14,360		15,825	
Administration Income Allowable within the Administration Cost Limit	17,845		13,481	
Total Administration Outturn	**86,628**		74,314	

8. Reconciliation of Net Operating Cost and Net Resource Outturn

	Note	2004-05 £000	2003-04 £000
Net operating cost:		141,836	136,312
***Remove* non-supply expenditure (-) and income (+), including income scored as Consolidated Fund Extra Receipts (CFERs)**			
Operating income not classified as Accruing Resources	6	2,644	132
Excess Accruing Resources		-	-
Net resource outturn (Note a)		**144,480**	136,444

Note a: Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1).

9. Analysis of Net Operating Cost by Spending Body

	2004-05		2003-04
	Budget	**Outturn**	Outturn
	£000	**£000**	£000
Spending Body:			
Local Government	54,116	54,242	54,008
EHS	58,170	54,309	48,788
Planning Service	21,942	19,425	20,108
Other Core	11,820	13,327	12,762
DVLNI	1,199	533	646
	147,247	**141,836**	136,312

10. Analysis of Resource Outturn by Function and Reconciliation to Operating Cost Statement

								2004-05
	Admin.	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Estimate	Net total outturn compared with Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A								
Departmental Expenditure in DEL:								
1. Environment and Heritage Services	25,933	11,365	11,048	48,346	(3,136)	45,210	46,579	1,369
2. Environmental Policy Group	4,269	194	-	4,463	-	4,463	4,794	331
3. Planning Services	20,819	4,211	803	25,833	(15,760)	10,073	9,926	(147)
4. Local Government Services	876	31	53,180	54,087	-	54,087	54,027	(60)
5. Road Safety Services	2,256	2,573	154	4,983	(223)	4,760	4,881	121
6. Driver & Vehicle Licensing Northern Ireland	15,545	699	-	16,244	(16,367)	(123)	780	903
7. Driver and Vehicle Testing Agency	1,520	173	122	1,815	(661)	1,154	1,366	212
8. ERDF – Grants to District Council and the Private Sector	-	-	558	558	-	558	475	(83)
9. EU Community Initiatives	-	-	2,869	2,869	-	2,869	2,462	(407)
10. Executive Programme Funds	1,050	242	-	1,292	-	1,292	1,951	659
11. Capital Grants to District Councils	-	-	5,810	5,810	-	5,810	8,666	2,856
Non-Budget:								
12. Other Expenditure	14,360	(33)	-	14,327	-	14,327	14,550	223
Resource Outturn	**86,628**	**19,455**	**74,544**	**180,627**	**(36,147)**	**144,480**	**150,457**	**5,977**
Reconciliation to Operating Cost Statement								
Income payable to the Consolidated Fund				-	(2,644)	(2,644)		
Gross operating expenditure	**86,628**	**19,455**	**74,544**	**180,627**				
Operating income					**(38,791)**			
Net operating cost						**141,836**		

Functions represent the disaggregation of Requests for Resources for control purposes and parliamentary approval.

They may not correspond to Departmental objectives, which in turn reflect a disaggregation of Departmental aims for the management of activities. (For an analysis of Accruing Resources see Note 6).

								2003-04
	Admin.	Other current	Grants	Gross resource expenditure	Accruing Resources	Net total	Estimate	Net total outturn compared with Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources A								
Departmental Expenditure in DEL:								
1. Environment and Heritage Services	22,870	16,406	7,739	47,015	(2,511)	44,504	48,585	4,081
2. Planning Services	17,683	4,696	498	22,877	(12,774)	10,103	13,284	3,181
3. Local Government Services	799	11	53,300	54,110	-	54,110	54,355	245
4. Road Safety Services	2,022	2,408	165	4,595	(164)	4,431	5,166	735
5. Driver & Vehicle Licensing Northern Ireland	14,121	563	-	14,684	(14,721)	(37)	557	594
6. Driver and Vehicle Testing Agency	1,033	938	-	1,971	(726)	1,245	1,442	197
7. ERDF – Grants to District Council and the Private Sector	-	-	32	32	-	32	170	138
8. EU Community Initiatives	-	-	-	-	-	-	100	100
9. Executive Programme Funds	894	734	-	1,628	-	1,628	5,066	3,438
Other Expenditure:								
10. Capital Grants to District Councils	-	-	5,628	5,628	-	5,628	6,029	401
Non-Budget:								
11. Other Expenditure	14,892	(92)	-	14,800	-	14,800	14,294	(506)
Resource Outturn	74,314	25,664	67,362	167,340	(30,896)	136,444	149,048	12,604
Reconciliation to Operating Cost Statement								
Income payable to the Consolidated Fund				-	(132)	(132)		
Gross operating expenditure	74,314	25,664	67,362	167,340				
Operating income					(31,028)			
Net operating cost						136,312		

11. Analysis of Capital Expenditure, Financial Investment and Associated Accruing Resources

	Note	Capital expenditure £000	Non-Operating Accruing Resources £000	2004-05 Net total £000	2003-04 Net total £000
Request for Resources A		6,995	(1,667)	5,328	2,812
Excess non-operating accruing resources		-	-	-	-
		6,995	**(1,667)**	**5,328**	2,812
Analysed as:					
Tangible fixed asset additions	12	6,736			5,972
Intangible fixed asset additions	13	259			20
Total fixed asset additions (Schedule 1)		6,995			5,992
Closing tangible fixed asset accruals		(285)			-
		6,710			5,992
DOE fixed asset additions paid for by DRD		-			(83)
Cash outflow from purchase of fixed assets (Schedule 4)		6,710			5,909
Net book value of assets disposed	12		(32)		(8)
Net profit on sale of assets	4		(33)		(15)
Net loss on sale of assets	3		2		2
Cash proceeds from sale of fixed assets			(63)		(21)
Capital funding received	19		(1,604)		(3,159)
			(1,667)		(3,180)

12. Tangible Fixed Assets

	Land & Buildings (excluding dwellings)	Furniture & Fittings	Plant & Machinery	Transport Equipment	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2004	20,709	2,477	3,949	1,923	15,112	-	44,170
Additions	372	51	719	313	2,545	2,736	6,736
Transfers	-	-	4	-	-	-	4
Disposals	-	(2)	(81)	(235)	(592)	-	(910)
Reclassifications	-	523	(523)	-	(438)	-	(438)
Revaluations	1,343	83	6	24	313	-	1,769
At 31 March 2005	**22,424**	**3,132**	**4,074**	**2,025**	**16,940**	**2,736**	**51,331**
Depreciation							
At 1 April 2004	2,505	2,000	2,588	1,153	6,625	-	14,871
Charged in year	334	236	301	204	3,054	-	4,129
Disposals	-	(2)	(72)	(214)	(590)	-	(878)
Transfers	-	-	1	-	1	-	2
Reclassifications	-	428	(428)	-	(333)	-	(333)
Revaluations	136	71	5	14	101	-	327
At 31 March 2005	**2,975**	**2,733**	**2,395**	**1,157**	**8,858**	**-**	**18,118**
Net book value at 31 March 2005	**19,449**	**399**	**1,679**	**868**	**8,082**	**2,736**	**33,213**
Net book value at 31 March 2004	18,204	477	1,361	770	8,487	-	29,299
Asset financing:							
Owned	**19,449**	**399**	**1,679**	**868**	**8,082**	**2,736**	**33,213**

Fixed Assets have been re-classified into the categories listed in the Northern Ireland Resource Accounting Manual (NIRAM) 2002-03.

Notes:

The value of freehold land at 31 March 2005 was £8.4 million.

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 Department 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; and
Grey Abbey – late 12th century Cistercian Abbey.

One hundred and eighty three State Care Monuments throughout Northern Ireland are also the property of the Department. These monuments have been acquired by the Department 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 Department under the Historic Monument and Archaeological Objects (NI) Order 1995.

The Department 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 Department.

Non-operational heritage assets which have not been purchased have no valuation placed on them. The Department receives adequate information on the condition and maintenance of the properties to enable its stewardship role. It is not the intention of the Department to dispose of these assets in the foreseeable future, given their importance to the Natural Heritage of Northern Ireland. In accordance with DFP guidelines 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.

13. Intangible Fixed Assets

The Department's intangible fixed assets comprise purchased software licences.

	Purchased software licences £000
Cost or valuation	
At 1 April 2004	504
Additions	259
Revaluation	3
Reclassifications	438
At 31 March 2005	**1,204**
Amortisation	
At 1 April 2004	236
Charged in year	155
Revaluation	1
Reclassifications	333
At 31 March 2005	**725**
Net book value at 31 March 2005	**479**
Net book value at 31 March 2004	268

14. Investments

	Loan	PDC	Total
	£000	£000	£000
Balance at 1 April 2004 and 31 March 2005	**1,431**	**2,100**	**3,531**

Investments comprise Public Dividend Capital (PDC) and Long-Term Loan created by the DVTA Trading Fund Order (NI) 1996. The loan is unsecured and is repayable in full on 1 April 2012. The interest rate of 9.375% is fixed. The dividend receivable on the Public Dividend Capital is the balance of the 3.5% per annum return required on the net assets employed by DVTA less the interest paid on the loan.

The amounts received and receivable from DVTA during the period were as follows:

	2004-05	2003-04
	£000	£000
Loan Interest	134	134
Dividend receivable on Public Dividend Capital	265	454
	399	588

The operating income in Note 6 includes dividend and interest income from DVTA.

15. Movements in Working Capital Other Than Cash

15a. The movements in working capital other than cash used in the Reconciliation of resources to cash requirements comprise:

	2004-05	2003-04
	£000	£000
Decrease in stocks/work in progress	49	634
(Increase)/decrease in debtors	(4,939)	2,193
Increase in creditors	3,785	6,749
Total net (increase)/decrease in working capital other than cash	(1,105)	9,576
Adjustment in respect of items not related to net operating costs:		
Amounts due to the Consolidated Fund	-	2,916
Amounts receivable that will be due to the Consolidated Fund when received	643	(3,277)
Amounts received and paid on behalf of other Departments	91	(227)
Net (increase)/decrease in working capital other than cash (Schedule 1)	**(371)**	8,988

15b. The movements in working capital other than cash used in the Cash Flow Statement comprise:

	2004-05	2003-04
	£000	£000
Decrease in stocks/work in progress	49	634
(Increase)/decrease in debtors	(4,939)	2,193
Increase in creditors	3,785	6,749
Total net (increase)/decrease in working capital other than cash	(1,105)	9,576
Adjustment in respect of items not related to voted resource consumption:		
Amounts due to the Consolidated Fund	-	2,916
Remove fixed asset accruals	(285)	-
Net (increase)/decrease in working capital other than cash (Schedule 4)	**(1,390)**	12,492

16. Stocks and Work in Progress

	2004-05	2003-04
	£000	£000
Stocks	260	309
Work in progress	-	-
	260	309

17. Debtors

	2004-05	2003-04
	£000	£000
Amounts falling due within one year:		
Trade debtors	558	545
Other debtors*	2,150	1,742
Prepayments and accrued income	4,564	692
EU Debtor*	1,893	1,247
	9,165	4,226
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund	288	288
	9,453	4,514

* The EU grants receivable of £1.893 million (2003-04 £1.247 million) and £15,208 (2003-04 £18,000) of the Other debtors figure are to be surrendered to the Consolidated Fund when received.

18. Cash at Bank and in Hand

	2004-05	2003-04
	£000	£000
Balance at 1 April	2,727	2,140
Net change in cash balances	(1,251)	587
Balance at 31 March	**1,476**	2,727
The following balances at 31 March are held at:		
Commercial banks and cash in hand	**1,476**	2,727
The balance at 31 March comprises:		
Consolidated fund extra receipts received and due to be paid to the Consolidated Fund	(184)	(243)
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,862	3,081
Inter-Departmental debtor – Department for Regional Development	(202)	(111)
	1,476	2,727

The Department for Regional Development was established on 2 December 1999 in response to devolution. A number of functions of the former Department of the Environment (NI) transferred to the Department for Regional Development, the Department of Finance and Personnel, the Department for Social Development and the Department of

Culture, Arts and Leisure. To facilitate the successful establishment of the new Departments, the Department for Regional Development assumed some elements of the former structures, including banking arrangements. From 2002-03 all receipts (including Supply) and expenditure of the Department for Regional Development and the Department of the Environment were processed through a shared bank account.

The balance on this bank account is disclosed in the Department for Regional Development's resource account. A corresponding inter-departmental balance in the Department of the Environment resource accounts reflects the amount outstanding at the year-end as a result of this arrangement. At 31 March 2005 the Department of the Environment had an inter-departmental debtor due from the Department for Regional Development. The above cash at bank and in hand balance relates to DVLNI.

19. Creditors

	Note	**2004-05**	2003-04
		£000	£000
Amounts falling due within one year			
Other taxation and social security		38	52
Trade creditors		4,180	3,307
Other creditors		3,361	3,609
Accruals and deferred income		19,826	16,652
		27,405	23,620
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund			
Received		104	45
Receivable		15	18
Amounts due to the Consolidated Fund in respect of ERDF income			
Received		-	-
Receivable		1,893	1,247
Amounts issued from the Consolidated Fund for Supply but not spent at year end	21	1,862	3,081
		3,874	4,391
		31,279	28,011

	2004-05		2003-04
	Deferred Creditor	**Total**	Total
	£000	**£000**	£000
Amounts falling due after more than one year			
Opening balance	6,824	6,824	5,182
Additions *(note a)* (see Note 11)	1,604	1,604	3,159
Historical Depreciation (see Note 4)	(1,905)	(1,905)	(1,157)
Disposals (see Schedule 1)	-	-	-
Paid in year (see Schedule 1)	-	-	(360)
Closing balance	**6,523**	**6,523**	6,824

Note a

	£000
Additions to Deferred Creditor	1,604
Excess Accruing Resources	-
Net Funding	1,604

The deferred creditor represents the original cost of fixed assets, financed by DVLA, for use by Vehicles Division within DVLNI.

20. Provisions for Liabilities and Charges

	(a) Public/ Employer Liability	(b) Planning Comp	(c) Management Agreement	(d) Early Departure Costs	(e) Legal Costs	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2004	135	499	476	68	218	1,396
Reclassification adjustment	20	-	-	6	(26)	-
Provided in the year	123	-	591	121	147	982
Provisions not required written back	-	(95)	-	-	(116)	(211)
Provisions utilised in the year	(33)	(155)	(156)	(76)	(56)	(476)
Unwinding of discount	-	-	-	1	-	1
Balance at 31 March 2005	**245**	**249**	**911**	**120**	**167**	**1,692**

The amounts charged to the Operating Cost Statement are split as follows:

	Note	Administration £000	Programme £000	Total £000
Provided in the year		244	738	982
Provisions not required written back		-	(211)	(211)
Unwinding of discount		1	-	1
Total	**3 & 4**	**245**	**527**	**772**

a) Public/Employer's Liability – provision has been made for public liability cases outstanding. See Note 29.

b) Planning Compensation – the provision relates to expected claims for compensation under the Planning (NI) Order 1972 for discontinuance orders and under the Land Development Values (Compensation) Act (NI) 1965.

c) Management agreements – the provision relates to expected charges arising in respect of disputed management agreements. Refer to Accounting Policy Note 1.26.

d) Early Departure Costs – the Department is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 3.5% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The remaining balance is treated as a prepayment.

e) Legal Costs – the provision relates to legal costs which may become payable in respect of ongoing judicial reviews and unsettled employer liability cases.

21. Reconciliation of Net Operating Cost to changes in General Fund

	Note	2004-05 £000	2004-05 £000	2003-04 £000	2003-04 £000
Net operating cost for the year (Schedule 2)		**(141,836)**		(136,312)	
Non-Accruing Resource income payable to Consolidated Fund (Schedule 1)	6	(2,644)		(132)	
			(144,480)		(136,444)
Net Parliamentary funding					
Drawn down		131,500		114,700	
Deemed Supply		3,081		1,450	
			134,581		116,150
Transferred (from)/to general fund in respect of realised element of revaluation reserve	22		14		(6)
Consolidated Fund Creditor - issued but not spent	19		(1,862)		(3,081)
Transfer of fixed assets			6		-
Transfer of LGA to NIAO			-		(628)
Transfer of tangible fixed assets to NIAO			-		(31)
DOE fixed assets additions paid for by DRD			-		83
Non-cash charges:					
Other notional costs	3	14,359		14,870	
Cost of capital	3 & 4	543		912	
Transfer of functions		-		-	
			14,902		15,782
Net increase/(decrease) in general fund			**3,161**		(8,175)
General fund at 1 April			(1,912)		6,263
General fund at 31 March			**1,249**		(1,912)

22. Revaluation Reserves

	Note	2004-05 £000	2003-04 £000
Balance at 1 April		6,152	5,234
Arising on revaluation during the year (net)		1,442	912
Transferred (to)/from general fund in respect of realised element of revaluation reserve	21	(14)	6
Balance at 31 March		**7,580**	6,152

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

23. Grant Reserve

	2004-05	2003-04
	£000	£000
Balance at 1 April	177	269
Release in year	(88)	(92)
Balance at 31 March	**89**	177

ERDF grant funding received for the purchase of capital assets is capitalised in the year of receipt and released to the operating cost statement over the estimated useful economic life of the associated assets.

24. Notes to Schedule 5

Programme grants and other current expenditures have been allocated as follows:

	2004-05	2003-04
Aim:	**£000**	£000
Objective a	32,023	30,374
Objective b	5,014	5,460
Objective c	3,752	3,616
Objective d	53,210	53,576
Total Programme Grants and Other Current Expenditure	**93,999**	93,026

Capital employed has been allocated to objectives on an actual basis:

	2004-05	2003-04
Aim:	**£000**	£000
Objective a	8,014	7,716
Objective b	(4,878)	(4,150)
Objective c	1,285	671
Objective d	4,497	180
Total capital employed	**8,918**	4,417

25. Capital Commitments

	2004-05	2003-04
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made	**3,297**	1,037

26. Commitments under Leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2004-05	2003-04
	£000	£000
Obligations under operating leases comprise:		
Office equipment		
Expiry within 1 year	-	5
Expiry after 1 year but no more than 5 years	37	17
After 5 years	-	-
Total	**37**	22
Obligations under operating leases comprise:		
Other		
Expiry within 1 year	-	-
Expiry after 1 year but no more than 5 years	19	-
After 5 years	51	31
Total	**70**	31
Total obligations under operating leases	**107**	53

The Department has not entered into any Finance Lease obligations.

27. Commitments under PFI contracts

Off-Balance Sheet

In December 1997 a PFI contract was signed for the provision of a computerised development control system. The contract is for a five-year period (with the option of two year extensions), and commenced in October 1999 when the last Planning Office went live. The estimated capital value of the contract is £2,100,000.

In September 2004 the contract was extended and will end on 13 April 2006.

Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions was £736,000 (2003-04, £1,017,000).

The payments to which the Department is committed during 2005-06 analysed by the period during which the commitment expires, are as follows:

	2004-05	2003-04
	£000	£000
Expiry within 1 year	-	614
Expiry within 2 to 5 years	675	519
Expiry thereafter	-	-
	675	1,133

28. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for the maintenance of IT systems. It also has commitments to pay grants in respect of historic buildings, environmental protection and natural heritage. The payments to which the Department is committed during 2005-06, analysed by the period during which the commitment expires, are as follows:

	2004-05	2003-04
	£000	£000
Expiry within 1 year	8,468	9,955
Expiry within 2 to 5 years	141	1,215
Expiry thereafter	-	-
	8,609	11,170

29. Contingent Liabilities disclosed under FRS 12

Writs of Summons have been served on the Department by certain district councils. These are in relation to amounts totalling £697,562 recovered from some councils during 2001-02 for overpayments of the resources element of General Grant relating to the 1997-98 year. The Department is currently challenging these claims.

The Planning Service has a possible obligation of £125,000 at the Balance Sheet date in respect of legal costs which may arise out of ongoing judicial reviews. In addition there is an obligation in respect of planning compensation payable under the Planning (Tree Preservation Order) Regulations (NI) 1973. These claims have not yet been proven before the Lands Tribunal and are by no means certain. The best estimate of the possible liability at the balance sheet date is £22,000. The Planning Service also has a further possible obligation of £306,000 in respect of other unsettled claims for compensation under employment legislation.

EHS has 6 outstanding public liability cases against it by members of the public in respect of alleged injuries sustained at the agency’s visitor sites.

30. Contingent Liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accounting

Such contingent liabilities, whether quantifiable or unquantifiable, arise through specific guarantees, indemnities or by the giving of letters of comfort. None of these are contingent liabilities within the meaning of FRS12 since the likelihood of transfer of economic benefits in settlement is too remote.

The Department has no such contingent liabilities.

31. Losses and special payments

	2004-05	
	Number of cases	£000
Losses	**10**	**25**
Special Payments	**1,171**	**53**

DVTA losses and special payments are included above due to the fact that DVTA is acting on behalf of the Department, even though it is not part of the Consolidated Resource Accounts.

32. Related-Party Transactions

The Department is the parent of the following Agencies:

- The Environment and Heritage Service (EHS);
- The Planning Service;
- Driver and Vehicle Licensing Northern Ireland (DVLNI); and
- The Driver and Vehicle Testing Agency (DVTA).

These Agencies are regarded as related parties with which the Department has had various material transactions during the year. DVTA has been constituted as a Trading Fund and is therefore outside the Departmental boundary for Resource Accounting purposes.

In addition, the Department has had a number of transactions with other government departments and central government bodies. Most of these transactions have been with the Department for Regional Development, which provides the Department with accounting, personnel, information technology and other services.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

33. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by the Assembly, as largely is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

Interest Rate Risk

The Department's financial assets and liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

Cash at bank and in hand is available on demand.

Foreign Currency Risk

The Department's exposure to foreign currency risk is negligible.

Financial Liabilities

				Fixed-rate financial liabilities		Non-interest bearing financial liabilities
	Total	**Fixed-rate financial liabilities**	**Non-interest bearing financial liabilities (Note a)**	**Weighted average interest rate**	**Weighted average period for which rate is fixed**	**Weighted average term**
	£000	**£000**	**£000**	**%**	**Years**	**Years**
At 31 March 2005						
Sterling	8,215	-	8,215	-	-	Note a
Gross financial liabilities	**8,215**	**-**	**8,215**	**-**	**-**	
At 31 March 2004						
Sterling	8,220	-	8,220	-	-	
Gross financial liabilities	8,220	-	8,220	-	-	

Note a: The Department's non-interest bearing financial liabilities at 31 March 2005 comprises the deferred creditor of £6.523 million (2003-04, £6.824 million) and provisions of £1.692 million (2003-04 £1.396 million).

Financial Assets

	Total	Fixed-rate financial assets	Non-interest bearing financial assets (Note a)	Fixed-rate financial assets: Weighted average interest rate	Fixed-rate financial assets: Weighted average period for which rate is fixed	Non-interest bearing financial assets: Weighted average term
	£000	£000	£000	%	Years	Years
At 31 March 2005						
Sterling	5,007	1,431	3,576	9.375	7	Note a
Gross financial assets	**5,007**	**1,431**	**3,576**	**9.375**	**7**	
At 31 March 2004						
Sterling	6,258	1,431	4,827	9.375	8	
Gross financial assets	6,258	1,431	4,827	9.375	8	

Note a: The Department's non-interest bearing financial assets at 31 March 2005 comprises cash at bank and in hand of £1.476 million (2003-04, £2.727 million) and the public dividend capital of DVTA of £2.1 million (2003-04 £2.1 million). Cash at bank and in hand is available on demand. The public dividend capital is of unlimited term.

Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2005.

	Book Value £000	Fair Value £000	Basis of fair valuations
Primary financial instruments			
Financial Liabilities:			
Deferred Creditor	6,523	6,523	Note a
Provisions	1,692	1,692	Note b
Financial Assets:			
Cash at Bank	1,476	1,476	
DVTA Public Dividend Capital	2,100	9,632	Note c
DVTA Loan	1,431	1,431	

Note a: book value has been used as it is not practicable to estimate fair value with sufficient reliability.

Note b: the fair value is not significantly different to book value as, in the calculation of book value, the expected cash flows have been discounted by the real rate set by HM Treasury (currently 3.5%).

Note c: the fair value amounts to net assets less the amount of any loan in the balance sheet.

34. Entities within the Departmental Boundary

The entities within the boundary during 2004-05 were as follows:

Supply-financed agencies:	The Environment and Heritage Service (EHS)
	The Planning Service
	Driver and Vehicle Licensing Northern Ireland (DVLNI)
Non-executive NDPBs:	None
Other entities:	The Driver and Vehicle Testing Agency is also an Executive Agency of the Department. Since it is constituted as a trading fund, it is outside the departmental boundary for Resource Accounting purposes.

The annual reports and accounts of EHS, DVLNI and the Planning Service are published separately.

35. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	1,464	-	7,363	6,523
Balances with local authorities	3,993	-	10,197	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	412	-	309	-
Balances with bodies external to government	3,584	-	13,410	-
At 31 March 2005	**9,453**	**-**	**31,279**	**6,523**
Balances with other central government bodies	1,780	-	7,937	6,824
Balances with local authorities	175	-	8,315	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	349	-	-	-
Balances with bodies external to government	2,210	-	11,759	-
At 31 March 2004	4,514	-	28,011	6,824

36. Compensation

At 31 March 2002 DVLNI was due compensation in respect of additional costs arising from the failure in the timely delivery of contracted services. The compensation was in the form of a reduction in charges for future services provided. This was fully recovered by 31 March 2005. The value of the compensation has been recognised in the DVLA accounts, as that Agency provided the funding for both the contracted services and the additional costs. Therefore there is no recognition of this compensation within the accounts.

37. Post Balance Sheet Events

There were no post Balance Sheet events.

38. Extra Statutory Expenditure

During the financial year the Environmental Policy Group made payments totalling £16,751 (2003-04 £200,714) to Sustainable NI, an environmental non government organisation and a company limited by guarantee with charitable status. Local Government Division also made payments to certain district councils totalling £1,000,000 (2003-04 £2,000,000) by way of transitional relief for the adverse impact of a new formula for allocating general revenue grant. No further payments are due.

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