Department for Regional Development Resource Accounts for the year ended 31 March 2015

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

On

3 July 2015

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This publication is also available to download from our website at www.drdni.gov.uk

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DEPARTMENT FOR REGIONAL DEVELOPMENT

Resource Accounts for the year ended 31 March 2015

Contents **Page**

ANNUAL REPORT

The Department for Regional Development (DRD) presents its Annual Report and Accounts for the year ended 31 March 2015.

DIRECTORS' REPORT

DRD is one of 12 Northern Ireland Departments. 11 of these were created in December 1999 under the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999. The most recently established Department, the Department of Justice, was created under the Department of Justice Act (Northern Ireland) 2010.

The Minister

The Minister has overall political responsibility and accountability for all the Department's activities. The current Minister, Danny Kennedy, MLA, was appointed Minister for Regional Development on 16 May 2011.

The Permanent Secretary

The Permanent Secretary is the Minister's principal adviser on all aspects of the Department's responsibilities as well as the Accounting Officer for all Departmental expenditure. This position is held by Peter May who took up post on 17 November 2014. Two other officials held the position of Permanent Secretary during 2014-15 (further details are recorded on page 3).

The Departmental Board

The Departmental Board supports the Permanent Secretary by contributing to the corporate management of the Department within the strategic policy and resources framework set by the Minister and the Executive.

The Departmental Board follows corporate governance best practice. For the majority of 2014-15, the Board had five executive members (six up to 30 June 2014) and two non-executive independent board members. The appointment terms of the non-executive independent board members currently run to 31 December 2016 and 2017, respectively. The current composition of the Board is regarded as a reasonable balance of executive and independent board members.

The composition of the Departmental Board during the year was as follows:

Permanent Secretary	- Peter May (from 17 November 2014); - *Barney McGahan (from 1 July to 16 November 2014); and* - *Richard Pengelly (from 1 April to 30 June 2014).*
Deputy Secretary: TransportNI	- Andrew Murray.
Deputy Secretary: Governance, Policy and Resources	- John McGrath.
Director of Human Resources and Organisational Change	- Michaela Glass.
Director of Finance	- John McNeill (from 1 January 2015); and - *Deborah McNeilly (from 1 April to 31 December 2014).*
Non-executive Independent Board Member	- David Gray.
Non-executive Independent Board Member	- Robert Gilmore (from 1 January 2015); and - *Brian Carlin. (to 31 December 2014).*

Note: Following Departmental restructuring, the post of Deputy Secretary for Regional Planning and Transportation was suppressed. Barney McGahan held this post and was a member of the Board, at Deputy Secretary level, until 30 June 2014.

Departmental Accounting Boundary

The Consolidated Resource Accounts for the Department have been prepared in accordance with the provisions of the Government Financial Reporting Manual (FReM).

The Department comprised two Core Groups – TransportNI and Governance, Policy and Resources.

TransportNI

Managed by a Deputy Secretary, the Group is responsible for ensuring that the public road network is managed, maintained and developed, as well as delivery of wider transport projects including Belfast Rapid Transit. TransportNI has a key responsibility in ensuring that measures are taken to implement the roads aspects of both the New Approach to Regional Transportation and the Investment Strategy for Northern Ireland 2011-21. During 2014-15, it was responsible for just over 25,850 kilometres of public roads, approximately 10,000 kilometres of footways, 5,800 bridges, 280,660 streetlights and 412 public car parks.

Governance, Policy and Resources

Managed by a Deputy Secretary, this new Group was created by effectively amalgamating the responsibilities of the former Finance, Resources and Water Policy Group and Regional Planning and Transportation Group.

The Group is responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of NI Transport Holding Company / Translink. It is also responsible for regional development and transport policy and planning, sustainable transport, including the Cycling Unit, transport legislation and air and sea ports. This includes responsibility for coordinating and monitoring the implementation of the Regional Development Strategy and the New Approach to Regional Transportation.

The Group also has responsibility for water policy, management of the Department's shareholder interest in Northern Ireland Water and a range of corporate services. This includes support for the Minister, human resources, strategic planning, information systems, organisational development, finance, internal audit and equality issues.

Entities Outside the Departmental Boundary

The following bodies are outside the Departmental resource accounting boundary:

- Northern Ireland Water; and
- Northern Ireland Transport Holding Company (NITHC).

Details of these bodies, including how the costs associated with them have been reflected in the Department's Resource Accounts can be found at Appendix A.

Departmental Reporting Cycle

The Department's Business Plan is approved annually by the Minister. The Business Plan sets out the Department's vision, objectives, associated budget allocation and key targets. Progress against targets is reported to the Departmental Board and Minister on a quarterly basis.

The Department also produces a Main Estimate each year which sets out its detailed spending plans that underpin the resource and cash provision sought by the Department. A Supplementary Estimate is also produced to seek authority for additional resources and / or cash to that sought in the Main Estimate for this financial year. The Estimate is structured on an objective and function basis. The DRD Estimate is sub-divided into two Requests for Resources (RFRs), each of which equates to a Departmental Strategic Objective.

The Statement of Assembly Supply provides a Summary of Resource Outturn for the financial year and compares Outturn with Estimate.

Financial Instruments

Note 12 to the financial statements discloses details of the impact of financial instruments on the Department in accordance with International Financial Reporting Standard 7.

Pension Liabilities

Details on pension liabilities can be found in the Remuneration Report and in **note 3** to the financial statements.

Company Directorships

There are no company Directorships or other significant interests held by Departmental Board members which conflict with their management responsibilities. The Departmental Board Register of Interests is available through the Publications Scheme on the Department's website.

Auditors

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

The audit of the financial statements for 2014-15 resulted in a notional audit fee of £106,000 and is included in the administration costs in the Statement of Comprehensive Net Expenditure.

The Accounting Officer is content that there is no relevant audit information which the Department's auditors are unaware of. The Accounting Officer has taken all reasonable steps to ensure that both he and the Department's auditors are aware of all relevant audit information.

Contingent Liabilities

In addition to the contingent liabilities disclosed under International Accounting Standard (IAS) 37 in **note 23**, there are no remote contingent liabilities.

Events after the reporting period

A Lands Tribunal case included in Provisions as at 31st March 2015 was settled on 7th May 2015 for £3.5 million plus interest and costs. Payments to settle this liability will be made during the 2015-16 financial year.

Since 31 March 2015, applications for the Voluntary Exit Scheme have been processed, with some staff receiving conditional offers with an anticipated leaving date of 30 September 2015. Exits through the Scheme will be dependent on confirmation of funding. This is a non-adjusting event and consequently, the 2014-15 accounts have not been adjusted.

A Ministerial Direction was issued in May 2015 to enable Translink to proceed with the Coleraine to Derry/Londonderry railway line upgrade. The Direction was approved by the Finance Minister.

Accounting Officer 25 June 2015

STRATEGIC REPORT

The Strategic Report has been prepared in accordance with FReM.

Operating Review

Key Objectives

The Department's Budget 2011-15 settlement together with our Savings Delivery Plan provides the funding framework for the delivery of our services. Further adjustments are made to the Department's budget through the Executive's in-year monitoring rounds and other financial exercises. Details of the Department's 2011-15 Budget can be found on our website (www.drdni.gov.uk).

The Department's Business Plan for 2014-15 set out our vision and key objectives and targets for the year. It can be found on our website.

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

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

A) Supporting the economy by planning, developing and managing safe and sustainable transportation networks; setting the legislative and policy framework for harbour services; enhancing transport infrastructure links to airport and harbour gateways; and shaping the long-term future of the region; and

B) Contributing to the health and well-being of the community and the protection of the environment by maintaining and developing the policy and regulatory environment which provides sustainable, high quality water and sewerage services.

Performance

<u>Programme for Government 2011-15</u>

The Department is responsible for the delivery of six Programme for Government (PfG) commitments. Although performance against the PfG is monitored directly by the Office of the First and Deputy First Minister, the Department's assessment of its achievement of these commitments is as follows:

- **Progress the upgrade of key road projects and improve the overall road network to ensure that by March 2015 journey times on key transport corridors reduce by 2.5% - against the 2003 baseline.**

  This PfG period will see the results of a commitment to reduce journey times on the Strategic Road Network, which reflects the implementation of the Strategic Road Improvement Programme (SRIP) over a 12 year period. The 2013 survey results indicated an increase in journey times over the 2003 baseline. A final survey, in advance of the March 2015 PfG target date, was completed in November 2014. It confirmed an overall increase in journey times of 3.14% when measured against the 2003 baseline.

  Journey time reductions are, however, anticipated as more schemes from the SRIP are implemented in future years. For example the A8 Belfast – Larne dual carriageway is expected to open to traffic in summer 2015 and construction of the A26 Glarryford to A44 dualling has commenced.

- **For households, ensure no additional water charges during this Programme for Government.**

  This commitment was fully achieved.

- **Upgrade the Coleraine to Londonderry railway line.**

  "Phase 1" work to re-lay sections of the line and complete essential bridge works was completed ahead of schedule in March 2013. Contractors have been appointed to undertake "Phase 2" of the upgrade which involves full re-signalling and the addition of a passing loop. It is anticipated that "Phase 2" will be substantially completed by the end of 2016.

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

  The Department invested £116 million during 2014-15 and a cumulative total of £506.75 million was invested over the four year period up to 31 March 2015. This included expenditure on subsidised travel for vulnerable groups, such as senior citizens, and projects such as Belfast on the Move, Belfast Rapid Transit, Park and Ride Facilities, cycling projects, ecar and Active Travel Demonstrations.

- **By 2015 create the conditions to facilitate at least 36% of primary school pupils and 22% of secondary school pupils to walk or cycle to school as their main mode of transport.**
  The Department launched an Active Schools Travel Programme in September 2013, jointly funded by the Public Health Agency. The three year programme aims to encourage and support more children to regularly walk and cycle to school by providing a co-ordinated programme of education, awareness and skills delivery. The year two delivery is coming to an end with skills training being delivered to 114 primary and 12 post primary involving a total school population of 45,000 pupils. It is anticipated that an increase of at least 16% of children travelling actively will be realised by end of this year of the programme. Recruitment for year three has commenced with the third and final year beginning in September 2015.

- **Maintain a high quality of drinking water and improve compliance with waste water standards by investing £668m in water and sewerage infrastructure (by 31 March 2015).**
  The Department has invested a cumulative total of £670.2 million in water and sewerage services by 31 March 2015. NI Water has surpassed its targets for drinking water quality and waste water treatment throughout the period.

<u>Departmental Business Plan 2014-15</u>

In addition to its six PfG commitments the Department had a further 31 business plan targets for delivery during 2014-15 as set out in its annual Business Plan.

The Department applies the following ratings in assessing its Business Plan targets:

- **Green** - Achieved or on track for delivery;
- **Green/Amber** - Level of progress is broadly on track with easily redeemable deviations from plans and there is *justifiable* confidence of getting close to targeted outcomes;
- **Amber -** Rate of progress is less than planned and there is significant doubt around the achievement of targeted outcomes; and
- **Red** - Commitments not achieved or not expected to be achieved or delivery of the targeted outcome(s) will not be achieved.

In assessing year end performance 25 targets were assessed as ‘Green’, three targets as ‘Green/Amber’ and three targets had a ‘Red’ rating.

Targets with a 'Red' Rating

Create a working Strategic Transport Model of Northern Ireland and commence development of local transport plans by 31 March 2015: This target experienced slippage and is now programmed for completion by August 2015. Work is progressing with an extensive Public Transport data collection programme being undertaken in Belfast in April and May 2015.

Avoid overspend and ensuring there is less than 1.5% underspend against the budget: The Department made £15 million of savings in-year in response to the Executive decision to introduce a 4.4% in-year cut. However it was not possible for the Department to make further cuts of £20 million to address Release of Value bid in respect of Belfast Port not being met. Additional measures which have been put in place to mitigate the overspend has resulted in a final budget overspend of £11.8 million.

Produce and lay in the Assembly the 2013-14 Departmental Resource Accounts by 4 July 2014: Although faster closing was not met, due to delays within the Northern Ireland Audit Office, the accounts were laid in the Assembly in advance of the statutory deadline.

Targets 'broadly achieved'

Ensure TransportNI, Northern Ireland Water and Translink have appropriate arrangements in place to assess customer satisfaction and respond appropriately to emerging issues (throughout 2014-15): This target was partially achieved as Translink and NI Water have reported that appropriate arrangements are in place. TransportNI had made preparations in 2014-15 for a customer survey using Northern Ireland Omnibus survey in May 2015. However, in view of budgetary restrictions, it was decided not to proceed with the survey.

Contribute to the long-term development of staff by agreeing a new DRD People Strategy 2015-18 by 31 March 2015: This target was partially achieved. The Strategy document was drafted by 31 March 2015. However, given the creation of the Department for Infrastructure in May 2016, a one year interim People Plan is being developed and will be considered by the Senior Management Team in due course.

Ensure that effective corporate governance arrangements are in place for NI Water, including monitoring of performance; payment of subsidies; securing dividend; and agreeing operational plan and budget for 2015-16: This target was largely achieved as NI Water paid its dividend in respect of the 2013/14 financial year and the Department paid subsidies on a monthly basis in accordance with Subsidy Memorandum of Understanding. However, the overall achievement of this target has been assessed as “Green/Amber” as there are a number of issues in agreeing the NI Water Operational Plan and Budget 2015-16. The Department may not be able to fully fund the Utility Regulator’s Price Control 15 Determination because of budget pressures.

NI Water has made a submission to the Regulator to outline the revised outputs which can be delivered during 2015-16 based on the available funding. The Regulator is considering this submission with the intention of reaching an agreed set of outputs against which NI Water will be monitored.

The Department will continue to make robust bids through the 2015-16 monitoring rounds to seek to address the shortfall in funding.

Key Outcomes

Some of the Department’s key achievements in 2014-15 included:

- investing £116 million in more sustainable modes of travel which included:
    - the provision of over 950 additional Park & Ride and Park & Share spaces, making a total of approximately 2000 additional spaces since 2010;
    - commencement of the implementation of Belfast Rapid Transit, including the opening of the new Dundonald Park & Ride facility, work on the routes in East and West Belfast and the procurement process for the rapid transit vehicles;
    - support of £6.5 million to provide rural transport services and transport services for people with disabilities;
    - grant support of around £410,000 was secured to install ecar charge points in the Public Sector Estate in 2015-16; and
    - Support of £3.8million to deliver the four Active Travel Demonstration Projects.

- Support to Translink to grow the usage of bus and rail services. Translink carried over 80.7 million passengers in 2014-15, compared to 77 million in 2010-11;
- Promotion of cycling as a sustainable and healthy means of transport, including, for example, facilitating more use of cycling to school and introducing almost 10km of dedicated cycling lanes, making a total of 45km since 2010;

- Improvements to connectivity across Northern Ireland through progressing the construction of major road schemes including, continued work on the A8 Belfast to Larne and the A2 at Greenisland. We also commenced construction of the A26 dual carriageway between Glarryford and the A44 Drones Road, the construction of the A31 Magherafelt By Pass and awarded a contract for a new ferry for Strangford Lough Ferry Service;
- Work to manage and maintain Northern Ireland's road network to keep it efficient and safe, investing over £95 million on the structural maintenance of our road and footway networks. As part of our on-going commitment to improve road safety we have delivered 99 Local Transport and Safety Projects;
- Securing £20 million of EU funding to support the delivery of a number of regional and cross-border road and rail projects;
- Enabling NI Water to maintain high quality drinking water and have improved compliance with waste water treatment standards through the investment of over £155 million in the water and sewerage infrastructure; and
- Playing a key role in planning, organisation and the traffic and transport arrangements for the Grand Partenza of the Giro D'Italia in May 2014.

The full end-year performance report is available on the Department's website (www.drdni.gov.uk).

Complaints Handling

The Department is committed to providing a high quality service to the public and, as such, welcomes all feedback, both positive and negative, which is used to assist with the improvement of our services. Complaints to the Department are processed through four main channels depending on the nature of the complaint. The Department's website[1] outlines to the public how to make a complaint and our Complaints Procedure.

The Department's Complaints Procedure[2] confirms that it is not a substitute for a citizen's right to complain to the Ombudsman's Office. In addition, the Department's Complaints Procedure provides advice on how citizens can take such action.

In 2014-15, a total of 402 formal complaints were received. 388 of these complaints concerned roads related issues, 13 complaints related to information provided under the Freedom of Information Act / Environmental Information Regulations and 1 concerned equality issues.

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

In respect of roads related complaints, the Department has a target to respond to all formal complaints within 15 working days. In 2014-15 the Department issued responses to 92% of formal complaints within 15 working days. In addition, senior managers are provided with monitoring reports[3] on a quarterly basis, which detail the numbers and types of complaints received.

The outcomes of complaints about the handling of information access requests are reported to the Departmental Board on a quarterly basis, and annually to OFMDFM. The information provided to OFMDFM is published on its website[4].

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

The Department learns, on an ongoing basis, from the complaints it receives and considers lessons learnt to improve its procedures and the services that it delivers. An internal review of the Department's complaints handling processes is being undertaken.

Trends and Strategic Direction

Short Term

The Assembly has agreed a **one year budget** to cover the additional year of its mandate. The Department's allocation is extremely challenging with considerable resource pressure of some £60 million. This pressure will impact across all delivery areas, including the day to day maintenance activities which are essential public services.

Last year the Department delivered £20 million in efficiencies and this year's Budget settlement leaves the Department having to meet an additional £60 million of resource pressures across all business areas. This level of budget reductions mean that this will be very challenging to achieve and it is inevitable that service provision will be impacted on, though the Department is making every effort to mitigate those impacts where possible.

In recent years the Department has been increasingly reliant on securing additional funding during in-year monitoring rounds to support key services; this reflects the strategic approach adopted by the

[3] Reports available via information access requests to Department as indicated on the Department's Publication Scheme.
[4] http://www.ofmdfmni.gov.uk/index/making-government-work/information_management_and_central_advisory_branch.htm

Executive. While not ideal in terms of planning and delivery of services, the Executive's in-year monitoring process has provided a valuable opportunity for the Department to secure necessary additional funding. However, the Executive is facing significant resource pressures as was evident in 2014-15 and in the 2015-16 Budget settlement. This may limit the additional in-year funding available, so increasing the pressures placed on the Department's resources. Where the Voluntary Exit Scheme will reduce the Department's pay bill, the effect in 2015-16 will be limited depending on the timing of exit.

The Executive is also developing a "Refocused" **Programme for Government** which will set the strategic context within which the Department will conduct its business in 2015-16**.** This is an extension of the 2011-15 Programme in light of the extended Assembly mandate.

Medium / Long Term

Looking further ahead, the Department will play its part in the development of a Programme for Government and Budget for the next Assembly mandate which will set out the Executive's plans and priorities for the period. The outlook for this period is one of continued constraints on funding in respect of the resource budget with capital funding remaining fairly constant. This will present the Department and its Arms Length Bodies with significant service delivery challenges.

In addition, the **Economic Strategy 2030** aims to improve the economic competitiveness of the Northern Ireland economy and sets out how the Executive plans to grow a prosperous local economy over the short, medium and longer term.

Also, the **Investment Strategy for Northern Ireland 2011-21** sets out the forward programme for investment in public infrastructure by providing the framework to create a sustainable 21st century infrastructure. It identifies priority areas for investment in the years ahead, including our transportation and water and sewerage infrastructure.

There will be considerable change across the Department, and indeed the wider NI Civil Service, following the Executive's decision to reduce the number departments from 12 to nine after the 2016 Assembly elections. As a result of the change, a new Department, the Department for Infrastructure, will be established. The Department for Infrastructure will incorporate the functions currently provided by DRD, along with some major functions currently provided by the Departments of the Environment; Agriculture and Rural Development; Culture Arts and Leisure; and the Office of the First Minister and deputy First Minister. A Project Board has been established to manage the transition to the new Department for Infrastructure. The Project Board includes representatives from each of the existing departments that will become a part of the Department for Infrastructure. In line with the overarching NI Civil Service management arrangements for the departmental restructuring, the Project Board will be directed by and report to the NI Civil Service Programme Board.

An additional challenge will be the implementation of the NI Civil Service-wide Voluntary Exit Scheme which will see a loss of knowledge and expertise across the Department. Actions are being taken to develop the new organisational structure and to mitigate risks to business continuity.

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

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

i. The Regional Development Strategy which was published in March 2012, complements the Programme for Government and is closely aligned with the Economic Strategy. It will steer regional development in Northern Ireland up to the year 2035 by providing an overarching strategic planning framework to facilitate and guide the public and private sectors. It addresses key issues including government's approach to balanced regional growth, sustainable communities and the challenge of tackling climate change. It also sets out guidance for the preparation of development plans and policy, helping to drive urban regeneration. The Reform of Local Government and the formation of the new councils significantly changes the delivery environment of the Regional Development Strategy. Delivery of the Strategy's objectives requires closer co-operation between central and local government. Opportunities to engage with councils and provide support on delivery of these objectives has commenced and will continue during 2015-16.

ii. "Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation" also published in March 2012 builds on what has been achieved through the Regional Transportation Strategy 2002-12. It takes account of the significant pressures on our transportation networks (caused by increases in population and vehicles) coupled with fiscal constraints and the need to reduce our environmental impacts. It sets the High Level Aims and Strategic Objectives for transportation in Northern Ireland which align closely with the Executive's priorities. A new prioritisation mechanism has been developed to assess the "policy fit" of what we do and help us reach better decisions on transportation investment by identifying those schemes which will best achieve our strategic objectives. The Department is currently identifying options for investment in Northern Ireland's transport infrastructure for the budget period 2016-17 to 2018-19.

iii. DRD’s work will also be developed by the Department’s “Long Term Water Strategy”, The Strategy sets out strategic priorities for the period 2015-2040, and by the NI Utility Regulator’s price determination covering the years 2015-2021. Consultation on the Long Term Water Strategy closed on 10 October 2014 and taking into consideration the responses to the consultation, the final strategy will be published during 2015-16. An Implementation Action Plan will also be developed and agreed by all stakeholders.

One of the key issues for future planning will be the adequacy of capital funding for strategic drainage infrastructure, where one of the issues will be that the level of investment may be inadequate to support future economic growth, and fully protect and address significant flood risks already identified. An interdepartmental approach is required to address the key strategic challenges in respect of investment in drainage infrastructure. In July 2014, the Executive agreed to set up an interdepartmental working group, led by DRD, to develop a Strategic Drainage Infrastructure Plan. The Strategic Drainage Infrastructure Programme Board has been established and work is underway to develop the plan. The Programme Board includes senior officials from DRD, the Department of the Environment, the Department of Agriculture and Rural Development and the Department of Finance and Personnel, along with representatives from NI Water, Belfast City Council and the Strategic Investment Board.

Financial Review

Resources

As set out in the Statement of Assembly Supply, the Department was voted Resource Estimate Provision of £694,337,000 for 2014-15. Details of resource Estimate and Outturn for each Request for Resources are given in Table 1 below (full details are provided in the Statement of Assembly Supply (SOAS)):

Table 1

	Estimate (£000)	Outturn (£000)	Variance (£000)
Request for Resources A*	481,206	459,893	21,313
Request for Resources B*	213,131	212,168	963

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

Line	Variance Under/(Over) £000	Explanation
RfR A Line 2 Ferry services, air and sea ports	(12,941)	Insufficient Estimate cover received for the £20 million Release of Value receipt from Belfast Harbour Commissioners. Virement was granted to offset the £20 million with underspends mainly in relation to funding to NITHC.
RfR A Line 7 Depreciation and impairment costs	29,299	The variance relates to an under-spend on depreciation and impairment on the non trunk road network. The AME depreciation on the non-trunk road network is derived from the output of the Coarse Visual Inspection (CVI). To estimate the depreciation the Department uses the CVI data before it has been quality assured and applies predictions of the rates and the index that are likely to be used. However even small changes in these variables can have a significant financial impact due to the size of the network.

*The total variances on the SOAS of £22.3m consists of a Departmental Expenditure Limit (DEL) overspend of £8.4m and an Annually Managed Expenditure (AME)/Non budget underspend of £30.7m.

Due to a number of reconciling differences between the Budget and Estimates (see page 19) the DEL overspend on the SOAS 2 does not exactly equal the DEL 'budget' overspend of £11.8m highlighted on page 10 and in the Governance Statement on page 50.

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

The variance between the Estimate Net Cash Requirement and Outturn Net Cash requirement is £50,336,000. The main reasons for the variance are as follows:

Line	Variance Under/(Over) £000	Explanation
Investments	11,000	NI Water required fewer loan draw downs due to lower than forecast capital and operating cost cash payments at year-end and higher than anticipated income receipts.
Changes in working capital	43,743	The working capital figure comprises debtors, creditors and stock. Any change in these figures from year to year will impact on the Net Cash Requirement. Interest payments are due from NI Water on or before 31 March each year. In order to manage the risk of an unavoidable delay in payment over the financial year end the Department provides for non payment risk in assessing its changes in working capital. In 2013-14 the interest was received prior to 31st March. Therefore the Department's Net Cash Requirement was reduced. The Department had been anticipating an overspend and as a consequence included cover in the working capital figure of the Net Cash Requirement. Also creditors were more than anticipated due to timing of payments. Due to the large scale projects within the Department this figure can fluctuate year on year. Therefore the Department did not need to draw down as much cash as was anticipated.
Changes in payables due after 1 year	1,279	Payments to creditors were less than anticipated.
Use of provisions	1,987	There were delays in land settlements which means the payment happened later than planned.

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

During the year the Department recognised income of £2.3m for transport projects from the INTERREG IVA Programme and £5.9m from the European Sustainable Competitiveness Programme. Both of these programmes are co-financed by the European Regional Development Fund. TEN-T funding of £9.2m was also recognised.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

	£000
Net Resource Outturn (Estimates)	**672,061**
Adjustments:	
Less Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	(1,313)
Add 'outside the vote' exchange loss	34
Net Operating Costs (Accounts)	**670,782**
Less capital grants paid to finance capital expenditure	(44,887)
Capital grant income	17,631
Developers contributions (capital)	1,290
Remove non budget exchange losses	(34)
Resource consumption of NI Water	180,893
Voted expenditure outside budget	(211,108)
Remove inter-departmental notional charges	(11,591)
Resource Budget Outturn (Budget)	**602,976**
Of which:	
Departmental Expenditure Limits (DEL)	435,879
Annually Managed Expenditure (AME)	167,097

Financial Performance

The main features arising from the Department's financial performance in 2014-15 are as follows:

Public Transport

The Department paid NITHC/Translink £64.2 million in revenue support (including concessionary fare reimbursement of £41.3 million) and £38.2 million in capital support (£26.8 million on railways, £11.4 million on buses, bus workshops and garages), of which, approximately £2.2 million of bus purchases were funded as a result of a successful application for EU funding. The Department remains NITHC/Translink's primary source of income.

Water and Sewerage

During 2014-15, the Department paid NI Water some £280 million of revenue subsidy as third party consideration on behalf of customers. This was NI Water's main source of income because of the Executive's decision not to implement domestic charging during the year for water and sewerage services.

The amount of subsidy was based upon the NI Authority for Utility Regulation's Price Control 2013 Final Determination of December 2012 which was accepted by NI Water in February 2013.

In August 2014 NI Water paid a dividend of £23.5 million to the Department relating to the 2013-14 financial year. The Department also received £45.3 million in interest from NI Water during 2014-15.

In addition, NI Water issued some £36 million capital loan notes to the Department during the year. The cumulative total of the capital loan notes issued since 1 April 2007 amounts to £947.6 million, which includes £150 million issued on the vesting of the company. Asset disposals of £0.52 million were realised by NI Water.

Roads

In 2014-15, the TransportNI budget was some £375 million (capital and resource) with some £64 million expended on staffing and administration costs and some £102 million expended on the provision of service and maintenance activities. In the main, this related to Roads Maintenance of £25 million, Street Lighting Energy and Maintenance of £17 million, Roads Drainage £19 million and PPP Design Build Finance and Operate (DBFO) contracts of £40 million. While maintenance spend was some £15 million down on the previous year, this reflects the constrained 2014-15 funding position across Northern Ireland.

The total capital spend was some £209 million, including £80 million for Structural Maintenance Capital (Total Structural Maintenance expenditure was £97 million), some £80 million for Strategic Road Improvement schemes and £35 million for Local Transport & Safety Measures and Network Development schemes.

£11.2 million of EU funding was recognised during the year with £3.7 million of this contributing towards the A2 Shore Road to Greenisland scheme and £7.5 million contributing towards the A8 Belfast to Larne.

£1.1 million was also realised from the disposal of assets which exceeded the target agreed with Asset Manage Unit to support the NI Executives 2014/15 Capital Realisation Target.

Corporate Governance

Corporate Governance is the way in which an organisation is directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs – including the process through which the organisation's objectives are set – and provides the means of attaining those objectives, auditing and monitoring performance and assessing risk.

The Governance Statement on page 41 sets out the Department's approach to Corporate Governance.

Key Relationships

The Department works in partnership with many third parties to help deliver some of our key objectives. For example, the Department has entered into two Public Private Partnership projects on the road network. These are DBFO contracts which each consist of two elements – the construction of new capital schemes and the routine operation and maintenance of the trunk road network. The total contract term for both contracts is 30 years.

Under the DBFO 1 Contract, which covers approximately 60km of the trunk road network (M1 Sprucefield to Broadway, A12 Westlink, M2/M22 York Street to Randalstown, M3, M5, and A8 (M)), four capital schemes were delivered. These schemes were completed in November 2009. Since 1 April 2006, the private sector DBFO company has also been responsible for the operation and maintenance of the trunk road network.

Under the DBFO 2 Contract, which covers approximately 120km of the trunk road network (M1 / A4 Sprucefield to Ballygawley, A1 Sprucefield to the border and the A101 link road), three capital schemes were delivered. These schemes were completed in May 2011. Since 13 February 2008, the private sector DBFO company has also been responsible for the operation and maintenance of the trunk road network.

Payment is performance based and the contracts include a payment mechanism to incentivise good performance. PPP Unit monitors and audits the DBFO Companies performance on an ongoing basis to ensure compliance with contractual provisions. In the main the DBFO companies have performed satisfactorily with any lapses being addressed through award of Penalty Points and Availability Payment deductions.

In all of our cities and towns, parking restrictions are in place to manage traffic, to reduce congestion and to improve road safety. The Department works in partnership with its service provider, NSL, to enforce parking restrictions and ensure compliance with on and off street parking regulations. From 1 April 2015, the off-street parking function, including all off- street car parks (except Park & Ride and Park & Share car parks) transferred to the 11 new Local Councils. However, DRD will operate the off-street parking function on behalf of councils under an Agency Agreement until October 2016.

The Department has implemented structural arrangements to facilitate alignment with the new council boundaries, and will participate in the new arrangements for local government, including the Partnership Panel.

The Department benefits from advice on issues that affect the mobility of older people and disabled people from the Inclusive Mobility and Transport Advisory Committee, a committee of disabled people and older people as well as others including key transport professionals.

In addition, the Integrated Transport Stakeholders Group advises the Minister on issues arising from the implementation of the strategy “Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation”. This Group also generates ideas and guidance on best practice in transport and helps promote a partnership approach to the implementation of the strategy. The Group includes representatives from councils, businesses, the voluntary and community sectors, and departments and agencies.

The ecar Phase 1 project was progressed by a consortium of public and private sector interests jointly led by DRD and the Department of the Environment (DOE). Consortium members include Power NI, the Republic of Ireland’s Electric Supply Board, Donnelly’s Cars, the Strategic Investment Board and 20 local councils. The consortium was responsible to the Office for Low Emission Vehicles in London as they oversee the work of the various Plugged in Places projects. All of these organisations are vital partners in this project and the management of these relationships was key to the project's success. The ecar project has now moved from Phase 1 to Phase 2 – ecar Commercialisation, Operation and Innovation. The large ecar Consortium no longer exists in Phase 2, however, they remain as interested stakeholders in the project.

The Department has worked with Belfast City Council, Craigavon Borough Council, Strabane District Council and Derry City Council to deliver four Active Travel Demonstration Projects, including the Belfast Bikes Project.

The Department works in partnership with councils and sustainable charities to deliver local programmes of events and campaigns to promote walking and cycling. In addition, the Department was part of the Belfast Active Travel Task and Finish Group which was led by the Public Health Agency and included Belfast City Council, Translink, Department for Social Development and Sustrans. This group published the Belfast Active Travel Action Plan for the city, setting out objectives for promoting cycling and walking and improving the infrastructure to impact positively on lifestyles, connect communities, create a vibrant city and enhance the opportunities for those wishing to cycle and walk as part of their everyday routine. The Department also published the Minister's draft Bicycle Strategy for public consultation and is working on finalising the Strategy.

Sustainability

The Department has continued to work to promote sustainability across its areas of responsibility. This includes contributing to the Executive's Sustainable Development Strategy Implementation Plan. In addition, the Department has set out its commitment in this area in its Sustainability.

Sustainable travel and transport measures have been promoted, including the continued operation of the Travelwise NI initiative, the publication of a draft Bicycle Strategy for public consultation, holding the 'Northern Ireland – Changing Gear' cycling seminar, the establishment of a Cross-sectoral Cycling Group and the leadership of the Plugged in Places ecar scheme. The ecar Phase 2 Project includes the preparation and submission of a Go Ultra Low bid to the Offices for the Low Emission Vehicles to secure up to £10 million funding to allow Northern Ireland to become an international exemplar for electric vehicle uptake. In addition, the Department complies with Northern Ireland Public Procurement Policy and its related sustainability requirements and initiatives.

In relation to biodiversity, the Department and its arms length bodies have prepared implementation plans to ensure that operations have regard to the need to further the conservation of biodiversity. We are also mindful of the need to reduce energy use and promote biodiversity within our office estate.

Our investment to improve the performance of water and sewerage infrastructure will improve the quality of our inland and coastal waters. This will contribute to the Water Framework Directive's goal of achieving good ecological status in our waters and provide long term benefits for aquaculture, fish, wildlife and recreational use. NI Water has been set targets to reduce leakage, achieve higher standards of wastewater treatment and reduce the number of pollution incidents.

NI Water continues to achieve the highest levels of drinking water quality and wastewater compliance continues to improve. But this means higher energy costs and NI Water is already Northern Ireland's largest single consumer of electricity. We will continue to support the company's efforts to promote energy efficiency through sustainable drainage systems, catchment management plans, renewable energy deployment and pilot projects for demand management.

Society and Community

Equality of Opportunity and Good Relations

In carrying out their functions, powers and duties relating to Northern Ireland, all Departments must have due regard to the need to promote equality of opportunity between certain specified groups, and also have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

In addition, the Disability Discrimination Act 1995 requires public authorities, when carrying out their functions, to have due regard to the need to promote positive attitudes towards disabled people and encourage the participation of disabled people in public life.

The Department is committed to fulfilling its obligations under Section 75 and Schedule 9 of the Northern Ireland Act 1998 and has mainstreamed Section 75 across all business areas. Plans for fulfilment of these obligations are set out in the Department's Equality Scheme, Audit of Inequalities Action Plan and Disability Action Plan (DAP).

In accordance with the Equality Scheme:

- all new policies have been screened to assess impacts on equality of opportunity and good relations and were subject to a full equality impact assessment as necessary;
- quarterly Section 75 screening reports were published; and

- bi-annual progress reports on the implementation of the Department's Equality Scheme, Audit of Inequalities Action Plan and DAP commitments were submitted to the Departmental Board.

An annual progress report for 2013-14 was submitted to the Equality Commission in August 2014. The current DAP took effect from April 2013. The DAP was informed by a five year review of the Department's progress in meeting the Disability Duties.

Corporate Social Responsibility Policy

The Department's Corporate Social Responsibility Policy has been in place since 2009. The policy sets out the Department's commitment to be a socially and environmentally responsible organisation and a good employer. It focuses on the four key themes of Community; Environment; Workplace; and Responsible Procurement. An annual Action Plan is produced to capture the key programmes and initiatives in which the Department will be engaged. These include volunteering opportunities, fundraising for charity and active travel initiatives.

In September 2012, following a review, the Minister agreed to extend the policy for a further three years up to March 2016.

Charitable Donations

The Department made no charitable donations during the year.

Prompt Payment of Suppliers

In accordance with the Late Payment of Commercial Debts (Interest) Act 1998, Late Payment of Commercial Debts Regulations 2002 and British Standard BS 7890 - Achieving Good Payment Performance in Commercial Transactions, the Department is committed to the prompt payment of bills for goods and services received. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on the presentation of a valid invoice, whichever is later.

In November 2008, the Executive sought payments to be made within 10 days to help local businesses in the current economic climate. In 2014-15, 98% of invoices for goods or services were paid within 30 days or contract terms, with 94% paid within 10 days.

Employees

People Strategy

The Department's People Strategy 2012-15 built on the foundations laid by the DRD People and Change Strategy 2009-12. The Strategy's key aim was *"To be a responsible employer and to ensure our people have the support, skills and motivation to effectively support the work of the Department"*.

The Strategy identified five priority areas for development during the period 2012-15: Resourcing / Manpower Planning; Employee Engagement; Learning and Development; Attendance and Wellbeing; and Human Resources Support.

During 2014-15, the final year of the Strategy, progress continued to be made in a number of key areas. These included the ongoing development of effective systems for managing potential staff surpluses; continued engagement with staff to deliver the Department's Corporate Communications Improvement Plan; the delivery of a focused health and wellbeing programme; and improved support for career development and Human Resources planning processes.

As we work towards the formation of the new Department for Infrastructure in May 2016, it has been decided to develop an Interim People Plan 2015-16 rather than a full People Strategy. A Strategy for the new Department will be developed in due course.

Equal Opportunities

The policy of the NI Civil Service is that all eligible persons should have equality of opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. The Department is committed to:

- equality of opportunity and to the elimination of all forms of discrimination, harassment and victimisation; andcreating a working environment where individual differences are valued and respected enabling all staff to give their best.

This means that all staff are entitled to:

- fair and equal treatment irrespective of their gender, marital status, sexual orientation, religious belief, political opinion, race, age, disability or trade union activity;
- a harmonious working environment where no-one feels intimidated or threatened;
- make a complaint under the Department's NI Civil Service Dignity at Work Procedures if they believe that they have been subjected to harassment, discrimination or victimisation; and
- have such a complaint dealt with fairly, thoroughly, sensitively and expeditiously.

The Dignity at Work procedures have been in place since November 2007 and have been applied to the investigation and decision making in all cases.

Disabled Persons

The Department aims to ensure that people with a disability suffer no detriment in recruitment and advancement and that its policies and practices comply with the requirements of the Disability Discrimination Act 1995 and Disability Discrimination (Amendment) Regulations 2003. The consideration and implementation of reasonable adjustments help to ensure that staff with disabilities can fully utilise their skills and abilities.

The Department has appointed a Disability Liaison Officer who is available to provide advice and guidance for all staff. In addition, the Department continues to provide placement opportunities for people with disabilities through the Employment Support Programme.

Staff Training and Development

The Department successfully retained its Investors in People accreditation in September 2014. The Department continues to invest in the development of staff capabilities, with both internal and external opportunities provided throughout the year.

Employee Involvement

The Department places considerable reliance on the involvement of its employees. It keeps staff informed of plans and developments through the weekly e-bulletin, circulars and publication of business and training plans. The departmental intranet site helps to ensure that staff are kept up to date with ongoing issues, and an in-house magazine provides an opportunity for staff to learn of the experiences of their peers both inside and outside the working environment.

A Staff Engagement Forum has been established to discuss and communicate key issues affecting staff and the Department. This may include issues such as the Voluntary Exit Scheme, the 2020 Change Programme and the establishment of the new Department for Infrastructure as part of the NICS Departmental Restructuring Programme. It also provides staff with an opportunity to have their opinions heard in relation to the operation and management of the Department and the issues that concern them. In addition, the forum helps gain co-operation from staff.

Staff have access to the NI Civil Service-wide welfare service and employee assistance programme as well as to trade union membership. The Department continues to use the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and are attended by both employer and trade union representatives. In this way staff views are represented and information for employees is promulgated. Working relationships at Whitley Council and Committees have continued to be positive and constructive throughout the year.

Health and Safety

The Department is committed to adhering to all existing legislation on Health and Safety at Work to ensure that staff enjoy the benefits of a safe working environment. Our policy is regularly updated to take account of any changes to Health and Safety legislation.

Sickness Absence Data

In 2014-15, the Department's combined sickness absence target for industrial staff and non-industrial staff was 7.5 working days lost. This Ministerial target was designed to set the Department on a trajectory to help achieve an overall NI Civil Service objective of 8.5 working days lost by March 2015. While the target was not achieved, the latest available statistics suggest an outturn for the Department of 9.4 days lost (provisional). The Department will continue to take proactive measures to deliver reductions in this area. Official absence statistics will be published by the NI Statistics and Research Agency later this year.

Information Management

Good information management practices remain a priority within the Department and adherence to all relevant statutory requirements and codes of practice is overseen by Information Management Unit. The Department complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Personal Data Related Incidents

The Department has had one reportable breach of the Data Protection Act. The incident was reported to the Information Commissioner who decided not to take formal regulatory action.

Accounting Officer 25 June 2015

REMUNERATION REPORT

Remuneration policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org

The following sections provide details of the remuneration and pension interests of the Minister and most senior management of the Department.

Remuneration (this information is subject to audit)

Minister	2014-15				2013-14			
	Salary £	Benefits in kind (nearest £100)	Pension Benefits * (nearest £1000)	Total (nearest £1000)	Salary £	Benefits in kind (nearest £100)	Pension Benefits * (nearest £1000)	Total (nearest £1000)
Danny Kennedy Minister	38,000	*Nil*	13,000	51,000	38,000	*Nil*	21,000	59,000

Officials	2014-15				2013-14			
	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits * £000	Total £000	Salary £000	Bonus Payment/ Benefits in kind £000	Pension Benefits £000	Total £000
Peter May Permanent Secretary *(From 17/11/14)*	35-40 *(105-110 full year equivalent)*	*Nil*	14	50-55	*N/A*	*N/A*	N/A	N/A
Barney McGahan Interim Permanent Secretary (*From 01/07/14 to 14/11/14*) Deputy Secretary – Special Projects (*From 1/05/14 to 30/06/14*) Deputy Secretary – Regional Planning & Transportation (From *1/04/14 to 30/04/14)*	65-70 *(100-105 full year equivalent)*	*Nil*	24	90-95	*95-100*	*Nil*	(3)	95-100

Officials	**2014-15**				**2013-14**			
	Salary £000	**Bonus Payment/ Benefits in kind £000**	**Pension Benefits * £000**	**Total £000**	**Salary £000**	**Bonus Payment/ Benefits in kind £000**	**Pension Benefits £000**	**Total £000**
Richard Pengelly Permanent Secretary *(From 1/04/14 to 30/06/14)*	25-30 *(105-110 full year equivalent)*	*Nil*	3	25-30	*105-110*	*Nil*	114	220-225
John McGrath Deputy Secretary – Finance, Resources & Water Policy	*95-100*	*Nil*	31	125-130	*20-25* *(90-95 full year equivalent)*	*Nil*	6	25-30
Dr Andrew Murray Deputy Secretary of TransportNI	85-90	*Nil*	32	115-120	*80-85*	*Nil*	118	200-205
John McNeill Departmental Director of Finance *(From 02/01/15)*	15-20 *(65-70 full year equivalent)*	Nil	3	20-25	*20-25* *(65-70 full year equivalent)*	*Nil*	(1)	20-25
Deborah McNeilly Departmental Director of Finance *(From 01/04/14 to 31/12/14)*	45-50 *(65-70 full year equivalent)*	*Nil*	10	55-60	*70-75* *(65-70 full year equivalent)*	*Nil*	55	125-130

Officials	**2014-15**							2013-14
	Salary £000	**Bonus Payment/ Benefits in kind £000**	**Pension Benefits * £000**	**Total £000**	**Salary £000**	**Bonus Payment/ Benefits in kind £000**	**Pension Benefits £000**	**Total £000**
Michaela Glass Director of Human Resources and Corporate Services	*55-60* *(65-70 full year, full time equivalent)*	*Nil*	18	70-75	*55-60* *(65-70 full year, full time equivalent)*	*Nil*	17	70-75
Brian Carlin Non- Executive Director *(From 01/04/14 to 31/12/14)*	5-10	*Nil*	N/A	5-10	*10-15*	*Nil*	N/A	10-15
David Gray Non-Executive Director	*5-10*	*Nil*	N/A	5-10	*0-5*	*Nil*	N/A	0-5
Robert Gilmore Non-Executive Director *(From 01/01/15)*	0-5	Nil	N/A	0-5	*N/A*	*N/A*	N/A	N/A

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

2014-15		2013-14	
Band of Highest Paid Director's Total Remuneration **£000**	Median Total Remuneration and Ratio	Band of Highest Paid Director's Total Remuneration **£000**	Median Total Remuneration and Ratio
105-110*	****£27,271** **3.9**	**105-110**	**£27,271** **3.9**

*Full year equivalent

** The Department is required to disclose the relationship between the remuneration of the highest-paid director in the Department and the median remuneration of the Department's workforce.

The banded remuneration of the highest-paid director in the Department in the financial year 2014-15 was £105k-£110k (2013-14: £105k-£110k). This was 3.9 times (2013-14: 3.9) the median remuneration of the workforce, which was £27,271 (2013-14: £27,271).

The median total remuneration has not changed since the 2013-14 year. This is largely due to the fact that there are a number of staff who are paid this amount and the salary scales have remained the same.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Off payroll payments

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

Salary

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

The Department for Regional Development was under the direction and control of Danny Kennedy, MLA during the financial year. His salary and allowances are paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. The amount does not include costs relating to the Minister's role as an MLA which are disclosed elsewhere.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

Bonuses

No bonuses were paid in 2014-15 or 2013-14. The SCS pay settlement does not allow for bonuses.

Pension Benefits (this information is subject to audit)

Ministers	Accrued pension as at 31 March 15 £000	Real increase in pension at pension age £000	CETV at 31 March 15 £000	CETV at 31 March 14 £000	Real increase in CETV £000
Danny Kennedy Minister	5-10	0-2.5	90	74	8

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 7% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 21.6% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Pension Entitlements (this information is subject to audit)

Officials	**Accrued pension at pension age as at 31 March 2015 or leaving date if earlier and related lump sum** **£000**	**Real increase in pension and related lump sum at pension age** **£000**	**CETV at 31 March 2015 or at date of leaving** **£000**	**CETV at 31 March 2014 or at date of commencement** **£000**	**Real increase in CETV** **£000**	**Employer contribution to partnership pension account** **(nearest £100)**
Peter May Permanent Secretary *(From 17/11/14)*	40-45 pension plus 60-65 lump sum	0-2.5pension plus 0-2.5 lump sum	655	639	9	Nil
Barney McGahan Interim Permanent Secretary *(From 01/07/14 to 14/11/14)* Deputy Secretary – Special Projects *(From 1/05/14 to 30/06/14)* Deputy Secretary – Regional Planning & Transportation *(From 1/04/14 to 30/04/14*	45-50 pension plus145-150 lump sum	0-2.5pension plus 2.5-5 lump sum	1,144	1,102	29	Nil

Officials	Accrued pension at pension age as at 31 March 2015 or leaving date if earlier and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2015 or at date of leaving £000	CETV at 31 March 2014 or at date of commencement £000	Real increase in CETV £000	Employer contribution to partnership pension account £000
Richard Pengelly Permanent Secretary *(To 30/06/14)*	35-40 pension plus115-120 lump sum	0-2.5pension plus 0-2.5 lump sum	616	588	7	Nil
John McGrath Deputy Secretary – Finance, Resources & Water Policy	45-50 pension plus 135-140 lump sum	0-2.5pension plus 2.5-5lump sum	1,000	968	29	Nil
Dr Andrew Murray Chief Executive of TransportNI	40-45 pension plus 70-75 lump sum	0-2.5pension plus 0-2.5 lump sum	836	767	28	Nil
John McNeill Departmental Director of Finance *(From 02/01/15)*	25-30 pension plus 25-30 lump sum	0-2.5 pension plus 0-2.5 lump sum	430	425	2	Nil
Michaela Glass Director of Human Resources and Organisational Change	20-25 pension plus 60-65 lump sum	0-2.5 pension plus 2.5-5lump sum	318	291	11	Nil
Deborah McNeilly Departmental Director of Finance *(To 31/12/14)*	20-25 pension plus 70-75 lump sum	0-2.5pension plus 0-2.5 lump sum	408	382	7	Nil

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

For 2015, public service pensions will be increased by 1.2% for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 will be increased proportionately.

Employee contribution rates for all members for the period covering 1st April 2015 – 31st March 2016 are as follows:

Pay band – assessed each pay period		**Contribution rates –** Classic members	**Contribution rates** –, classic plus, premium, nuvos and alpha
From	**To**		
£0	£15,000.99	3%	4.6%
£15,001.00	£21,000.99	4.6%	4.6%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic, premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website www.dfpni.gov.uk/civilservicepensions-ni

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No compensation payments were made or are due to any of the senior management or Ministers of the Department for Regional Development under the Civil Service Compensation Scheme (Northern Ireland) in the year ending 31 March 2015.

Accounting Officer 25 June 2015

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the Net Resource Outturn, resources applied to objectives, changes in taxpayer's equity, and cash flows for the financial year.

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

a. observe the Accounts Direction issued by DFP, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
b. make judgements and estimates on a reasonable basis;
c. state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the accounts; and
d. prepare the accounts on a going-concern basis.

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

GOVERNANCE STATEMENT

Accounting Officer's Introduction

1. I am pleased to present the Department for Regional Development's Governance Statement for 2014-15. This sets out the Department's approach to Corporate Governance – the way in which the organisation is directed and controlled so as to ensure proper and effective financial and risk management.

2. As Permanent Secretary I act as principal adviser to the Minister who approves objectives and targets in the Department's Business Plan in line with our Programme for Government commitments. He is kept informed about Departmental performance and of any significant deviation from the achievement of targets. The Minister is accountable to the Assembly, which has established the Committee for Regional Development to undertake a scrutiny role; to advise and assist in the formulation of policy and legislation; and to advise on Departmental budgets.

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

4. The Department delivers water and public transport services through two associated arms length bodies: NI Water; and the Northern Ireland Transport Holding Company (NITHC). NI Water's legal status is that of a company, with the Department being its sole shareholder. Since 1 April 2008 it has been reclassified for Public Expenditure purposes as a non-departmental public body. NITHC's status is that of a Public Corporation. As the Departmental Accounting Officer I have responsibility for safeguarding the public funds which are given to fund both bodies. I am supported in this responsibility by the Chief Executive and Accounting Officer of each body. They are responsible for running their respective bodies and for ensuring regularity and propriety is adhered to within both NI Water and NITHC's operations. As such, individual Governance Statements have been prepared by the Accounting Officer of each body and published through their annual report and accounts.

Governance Structures

5. The Department's system of internal control is designed to provide a governance structure for decision-making and provide proper controls to ensure the safeguarding of resources and the achievement of value for money. The system of internal control can manage risk to a reasonable level. It is not possible to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Departmental policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

6. This system of internal control was in place for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts. It accords with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013.

7. Key elements of the Department's system of internal control in 2014-15 included:

- the Departmental Board, which I and my predecessors chaired, comprising executive and non-executive independent members;
- weekly Business Review and monthly Senior Management Team meetings;
- a Departmental Audit and Risk Assurance Committee chaired by a non-executive independent board member;
- a Sub-Committee of the Board reviewing the Department's Relationships with its Arms Length Bodies, chaired by a non-executive independent board member;
- an Internal Audit service operating in accordance with Public Sector Internal Audit Standards. It is independent from executive responsibilities and has direct access to the Accounting Officer and the independent chair of the Departmental Audit and Risk Assurance Committee;
- embedded Business Planning and Risk Management frameworks and procedures, supported by a quarterly monitoring programme, the results of which were presented to the Departmental Board;

- financial planning and management systems designed to ensure propriety and regularity of expenditure, fraud awareness and prevention, and good value for public money;
- systems and processes to ensure that whistle-blowing and suspected wrongdoing cases, including cases of suspected fraud, are appropriately acknowledged, investigated and monitored;
- a Governance and Control Framework gathering key governance and control advice in one place on the Department's intranet site with links clearly signposted to more detailed guidance and key contacts; and
- information management systems, designed to support the proper handling of information, including the appointment of a Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO).

8. The Department's Corporate Governance Framework is available on its website (www.drdni.gov.uk).

Departmental Board Structure and Remit

9. The Departmental Board plays a key role in terms of our corporate governance arrangements, providing corporate leadership to the Department and supporting me, as Accounting Officer, on all aspects of corporate governance. It is responsible for the Department's performance within the strategic policy and resources framework set by the Minister and the Executive.

10. The Departmental Board followed corporate governance best practice. For the majority of 2014-15, the Board had five executive members (six up to 30 June 2014) and two non-executive independent board members. The appointment terms of the non-executive independent board members currently run to 31 December 2016 and 2017, respectively. The current composition of the Board is regarded as a reasonable balance of executive and independent board members.

11. The composition of the Departmental Board during 2014-15 is provided within the Directors' Report at page 3.

12. During 2014-15 the Board's work included scrutinising and advising on corporate performance, strategic direction, financial management, efficiency, organisational capability and development, risk, and audit. This included:

- monitoring Departmental performance against Programme for Government and Departmental Business Plan targets, including the progress and status of significant projects;
- development of the Department's Business Plan for 2015-16 guiding Departmental activity so as to achieve Ministerial objectives;
- in line with the Department's Risk Management Framework, development and monitoring of the Department's Corporate Risk Register, setting out risks to the delivery of Departmental objectives;
- financial planning and management, including allocation of resources to match delivery requirements; in-year monitoring and management of expenditure compared to budgets; cash management; procurement plans; and register of direct award contracts;
- finance, human resources and IT strategies affecting long term capability of the Department; and
- corporate governance arrangements within the Department and with our Arms Length Bodies.

13. The Board maintains a Register of Interests, and also considers how conflicts of interest will be dealt with if they arise. The Board Chair checks at each meeting for any members' potential conflicts of interest on agenda items. There were no major conflicts of interest were recorded for the Board or any of its Sub Committees during 2014-15.

14. The Board was supported by a properly constituted **Departmental Audit and Risk Assurance Committee**, which is a sub-committee of the Board with no executive powers. It supports the Board in its responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. The Committee's membership includes the Department's two non-executive independent board members, one of whom is chair, and a further independent member. Meetings are attended by the Head of Internal Audit and representatives from the NI Audit Office.

15. During the year, the Audit and Risk Assurance Committee considered a range of issues from an Internal Audit perspective. For example, the Committee considered the Internal Audit Annual Plan 2015-16 and monitored progress against the 2014-15 Annual Plan throughout the year; the findings of an external quality assessment report of Internal Audit services; and the Head of

Internal Audit's Annual Report and Opinion. In addition, the Committee routinely received updates on a number of issues, including fraud and whistle-blowing; DRD attendance at NI Water and NITHC Audit Committee meetings; NI Audit Office audits (both financial and value for money); progress reports on achievement of Internal Audit recommendations; and the Department's Corporate Risk Register. Advice was provided to the Departmental Board following each Committee meeting.

16. The Board is also supported by its **Relationships with Arms Length Bodies Sub Committee**. The Sub Committee reviewed and encouraged improvements in the Department's operation of its framework for governance and oversight of arms length bodies. It also scrutinised and provided assurance about the practice of Sponsor Divisions in overseeing and managing relationships with these bodies. Advice was provided to the Departmental Board following each Sub Committee meeting. In the coming months, the ongoing need for the sub committee will be reviewed.

17. The Terms of Reference for the Departmental Board and each of its two sub-committees are set out in the Department's Corporate Governance Framework which is available on the Department's website (www.drdni.gov.uk).

18. Board Members' attendance at meetings, including sub-committees, is set out below. Appropriate deputies attended each meeting that an Executive Board member was not available.

Name of Board Member	**Meetings Attended during 2014-15** (attendance / eligible to attend)		
	Departmental Board	**Audit and Risk Assurance Committee**	**ALB Sub-Committee**
Peter May	5/5	1/1**	N/A
Barney McGahan	6/6	3/3**	N/A
Richard Pengelly	2/3	0/1**	N/A
Andrew Murray	10/11	3/4**	N/A
John McGrath	8/11	3/4**	2/2
Michaela Glass	10/11	N/A	N/A
Deborah McNeilly	7/8	3/3**	N/A
John McNeill	3/3	1/1	N/A
David Gray*	11/11	4/4	2/2
Brian Carlin*	8/8	3/3	1/1

Robert Gilmore*	3/3	1/1	1/1
Brigitte Worth*	N/A	4/4	N/A

* Audit Committee Member (Non-Executive / Independent).
** Not full members of the Audit Committee (attendees only).

Departmental Board Performance and Effectiveness

19. The Board carried out an annual review of its effectiveness during 2014-15 in accordance with the Corporate Governance in Central Government Departments: Code of Good Practice NI 2013. The review sought views on how the Board approached its roles and responsibilities, its contribution to strategy, performance management, risk and control and the overall effectiveness of the Board sub committees. The review found that, overall, the Board is effective and well-focused with members working well together as a team. The review also confirmed that the Board considered the quality of data provided to it to be relevant and well presented. Board Members agreed to consider additional ways in which it could proactively engage with staff.

20. The Annual Reports of both Departmental Board Sub Committees are available on the Department's website (www.drdni.gov.uk).

Oversight of Arms Length Bodies

NI Transport Holding Company (NITHC)

21. In addition, the Department continues to review its oversight of NITHC. A performance review meeting between the Minister and NITHC took place in November 2014. The Department undertook detailed monitoring throughout the year in accordance with the governance framework set out in the Management Statement and Financial Memorandum (MSFM) and the requirements set out in "Managing Public Money Northern Ireland", which details the main principles for managing public resources.

22. Tri-annual Accountability meetings (which my predecessors and I chaired) took place during the course of the year between senior DRD officials and the NITHC Board. The Sponsor Division also held regular monitoring meetings with the NITHC officials.

NI Water

23. DRD has adopted a systematic approach to the application of corporate governance best practice in NI Water. The basis of governance between the Department (as owner) and the company (represented by the Board of Directors) since the establishment of the company was set out in a Governance Letter. The Governance Letter was replaced by a MSFM which was signed by the company and the Department on 30 March 2012. This has enabled both the Department and the company to have more clarity in relation to the complex governance arrangements which have evolved since the company came into existence. Like any MSFM, it is viewed as a "living document", subject to review if circumstances change. A revised MSFM was introduced on 30 September 2013 to reflect changes in various guidance documents.

24. Quarterly Shareholder Meetings (which my predecessors and I chaired) took place during the course of the year between senior DRD officials and the NI Water Board. A detailed report on NI Water's performance was provided to the Minister in the month following each QSM in accordance with the governance arrangements. The Sponsor Division also held monthly monitoring meetings with NI Water.

25. Work commenced in 2014-15 to consider whether the scale of governance activity in respect of ALBs was proportionate to the risk and assurance level. This work will be completed in 2015-16.

Long-term funding of Arms Length Bodies

26. The NITHC Board has raised concerns about the reduction in grant funding during 2014-15. This included a reduction in bus revenue subsidy of 75% next year and uncertainty about long term levels of Revenue and Capital grant funding.

27. The NITHC Board has signalled the need for assurance on indicative funding levels for 2016-17 as part of the Directors' Going Concern statement for the Company's 2014-15 accounts. The finalisation of a long term contract between the Department and NITHC in line with EU regulations is also of relevance to this matter.

28. The Department was unable to provide NI Water with the full Public Expenditure funding for 2015-16 as recommended by the Utility Regulator through the Price Control (PC) 2015 Final Determination. The Company will make in year bids to bring funding levels to Final Determination levels in order to mitigate against potential negative impacts on customer service. It is also involved in discussions with the Utility Regulator to revise the outputs anticipated for

2015-16 under PC15, to reflect the reduced funding levels given current and potential future funding constraints in the public sector.

29. The NI Water Board has signalled the need for assurance on indicative funding levels for 2016-17 as part of the Directors' Going Concern statement for the Company's 2014-15 accounts.

Risk Management

30. The Department aims to assess and manage effectively risk to the achievement of its business objectives. Its capacity to manage risk derives from the experience and ability of managers to operate its fully documented risk management process. The Department's Risk Management Framework is in line with best practice set out in the Northern Ireland Audit Office report on "Good Practice in Risk Management".

31. The Framework details the Department's approach to risk management, including, risk appetite; the hierarchy for managing risks; the risk identification and escalation process; and the roles and responsibilities of the various levels of management.

32. This approach allowed risks to be identified and managed at all levels and to be escalated as appropriate.

33. The Departmental Board provides leadership and direction in managing the risk environment in which the Department operates. Each Deputy Secretary provides leadership to the risk management process in their particular areas of responsibility as well as corporately through their involvement in the Departmental Board, the Departmental Audit and Risk Assurance Committee and local management meetings.

34. Each business area prioritises risk against standardised risk impact / likelihood descriptors to reduce subjectivity in assessing risk. Key risks identified at corporate, group and divisional level were documented in risk registers and reviewed during the year. The Corporate Risk Register was updated and reviewed quarterly by the Departmental Board and was a standing agenda item at its monthly meetings between the quarterly reviews. It was also routinely provided to Departmental Audit and Risk Assurance Committee meetings.

35. Corporate Risks actively monitored and managed by the Departmental Board throughout 2014-15 included:

- **Breach of Approved Departmental Spending Limits**

  Included in the Department's Savings Delivery Plan for 2013-14 and 2014-15 was the receipt of £20 million income from Belfast Harbour in each of those years. Legal constraints resulted in the Department being unable to deliver this savings measure resulting in a £20 million pressure in the Department's resource budget. In 2013-14 the Executive had recognised the position and allocated £20 million additional funding to the Department through in-year monitoring, however, the Executive did not provide a similar allocation in 2014-15. The Department had to absorb £15 million on in-year cuts following an Executive-wide decision. While considerable efforts were made to achieve a further £20 million budget reduction the Department failed to live within its budget control total, albeit that the potential £20 million breach was reduced to £11.8 million. Although the Department breached its budget control total, it did not breach the total set out in legislation (Statement of Assembly Supply on page 60). See also paragraphs 55-57 on page 56.

- **Financial Pressures and its Impact on Services**

  Throughout the year the Corporate Risk Register included a number of risks directly relating to a lack of funding. This included short and medium term risks for both resource and capital funding for the Department and its ALBs. In response to those pressures, the Minister had to take some decisions to reduce service levels in areas such as streetlight failure replacement, road maintenance activities and reduced funding for Translink. Translink ran a much higher loss in 2014-15 than planned but did not implement service cuts during the year. The Department successfully maintained service levels where a legal standard is in place.

- **Readiness and Resilience for Major Incidents / Winter**

  The Department seeks to minimise the disruption caused to the people of Northern Ireland following major incidents (including severe freeze and flooding). Work continued on preparations and response to major incidents, including advance publicity; testing of existing emergency and contingency plans; road salt management plans; and staff training. A report issued to the Minister in October 2014 to update him on how the Department and its Arms Length Bodies had prepared for the winter season 2014-15. In November 2014 the Corporate Business Continuity Plan was tested successfully when it was activated to deal with the temporary inaccessibility of Clarence Court due to a generator fault. The Major Emergency Response Plan was also tested successfully when it was invoked in support of NI Water during industrial action over the December 2014 - January 2015 period.

- **ALB Sponsorship and Compliance**
  The Departmental Board monitors the performance of its ALBs in accordance with the "Corporate Governance in Central Government Departments: Code of Good Practice NI 2013" and received bi-annual reports on the performance monitoring of NI Water and NITHC in June and November. During the year, the Departmental Board's Relationships with Arms Length Bodies Sub-Committee continued to oversee sponsorship arrangements. In addition, a working group was established to review the arrangements in place for managing its relationship with ALBs. It will shortly report its findings which will recommend changes to reflect assessed risks during the course of 2015-16.

36. As Northern Ireland's major infrastructure Department, it is also worth highlighting that we are responsible for the delivery of major capital projects. During 2014-15 we progressed a number of major projects which, given their nature, required close management of risks, which is a key component of our project management processes. For example:

    - **Coleraine to Derry/Londonderry Railway Line Upgrade**
      The second phase of this project is being progressed. Contractors for the Permanent way works and Signalling elements are now in place to substantially complete the project by the end of 2016. During 2014-15, it became clear that the original estimate for Signalling works produced in 2012 did not reflect market realities in the UK rail sector. The Department commissioned a Project Assessment Review and Translink took forward the recommendations contained in that review before initiating a second procurement for the Signalling works. The cost of this project has escalated and both the NITHC and Departmental Accounting Officer expressed concerns about the value for money of the project, whilst recognising the policy imperative to move ahead. However, as the upgrade is a key Programme for Government commitment, I sought and received a Ministerial Direction in May 2015 to enable Translink to proceed with the project. The Direction was subsequently approved by the Finance Minister.

- **Belfast Rapid Transit**

  This is a complex project with a number of interdependencies. A detailed Risk Register has been developed for the project and this is regularly reviewed and reported on to the Belfast Rapid Transit Project Board. Key risks are escalated to the Departmental risk register as appropriate. The current primary project risks relate to funding pressures, the scale of operating costs, the delivery of interdependent projects and integration with community based transport providers.

- **Belfast Transport Hub**

  Work has progressed to produce a design for this major innovative project aimed at ultimately producing an Outline Business Case by the end of 2015. The project links to a series of other initiatives to relocate Translink buses and staff which are required to happen before Belfast Rapid Transit and to ensure rail and bus services can continue whilst construction works at Great Victoria Street rail station and Europa bus station take place. Combined with the uncertain budget outlook this means project timings will need to be reviewed at Outline Business Case stage.

- **Strategic Road Improvement Programme**

  Our policy and procedures for developing and delivering major road projects have been developed over many years to identify and ameliorate risks. The processes for bringing a scheme through the critical stages are applied on an ongoing basis throughout the development, construction and operation. This includes the making of statutory orders and award of contract, where risks could materialise with greatest impact, such as delay in delivery of projects, are clearly defined and benefit from consultation with the public, the construction industry and other key stakeholders. Project risk registers and management structures are adapted accordingly when a scheme moves to the construction phase, reflecting the many variable parameters that impact on a major civil engineering project at this stage. Procedures and controls are in place to ensure that inherent risks in roads projects are identified and assessed and suitable mitigation measures applied. Examples of risk include archaeology, ground conditions, environmental and cost.

37. Management assurance is a vital element in the internal control framework. It helps me, as Accounting Officer, supported by the Board, to identify potential areas of concern and focus resources to remedy these. The Department’s Deputy Secretaries completed assurance

statements at both mid-year and the end of 2014-15. The Department also received end-year Assurance Statements from the Chief Executives of NI Water and NITHC / Translink.

Fraud, Bribery, Wrongdoing and Whistle-blowing

Policy and Management

38. The Department takes a zero tolerance approach to fraud. Fraud and whistle-blowing updates in respect of the Department and its arms length bodies are routinely provided to the Departmental Audit and Risk Assurance Committee.

39. The Department's Anti Fraud Policy and Fraud Response Plan outlines the Department's approach to tackling fraud and defines the responsibilities for action and reporting lines in the event of a suspected fraud.

40. The Department's Governance and Control Framework links to the Department's Whistle-blowing Policy and guidance on Gifts & Hospitality and Conflicts of Interest. In addition, the Governance and Control Framework includes a 'Complaints Pathway' which provides procedural guides and checklists which set out requirements for dealing with whistle-blowing and suspected wrongdoing cases, including cases of suspected fraud.

Summary of work in 2014-15

41. There were 38 whistle-blowing/wrongdoing cases reported to / detected by the Department in 2014-15. The Department notified the NI Audit Office of 30 cases of alleged, suspected or actual fraud. In the other eight cases no suspicion of wrongdoing was confirmed following investigation.

42. During 2014-15, 97 new cases of alleged, suspected or actual fraud relating to the Department and its Arms Length Bodies were notified to the NI Audit Office. All cases of fraud are treated seriously. Nonetheless, the scale and value of loss is also important. The cumulative known value of these cases was £62.6k. 28 of the new cases related to the Department, 61 related to NI Water and 8 related to Translink.

43. 44 of the 61 NI Water cases related to instances of suspected water fraud. Water fraud includes illegal network connections for commercial premises, bypassing or tampering with water meters and the use of illegal standpipes to connect with the water supply network.

44. In the majority of water fraud cases it is very difficult to assess the value of lost revenue. It is not, therefore, possible to provide a meaningful indication of the cumulative financial loss incurred by NI Water as result of this type of fraud. However, it is likely to be significantly less than 1% of the £37 million in non-domestic water charges recovered by NI Water in 2014-15.

45. Emerging trends in respect to suspected whistle-blowing / wrongdoing and fraud cases were monitored via reports to the Departmental Audit and Risk Assessment Committee and issues pertaining to fraud were also discussed at the Departmental Anti Fraud Group. This Group was established, inter alia, to discuss fraud prevention initiatives in the Department and the best methods to raise the profile of fraud awareness throughout the Department and its ALBs. These arrangements also provide for communication of cross cutting lessons learned. The Group met on three occasions during 2014-15.

46. During 2014-15, incidences of metal theft reduced significantly as a result of the measures put in place by the Department and its Arms Length Bodies and falling scrap metal prices. However, there was a significant increase in the number of cases of water-related fraud reported by NI Water (e.g. meter tampering, illegal connections and misuse of domestic supplies). Dealing with this type of fraud is a "standard business practice" for any water company and the increase in cases is due to greater public awareness around this type of fraud. NI Water has established effective measures to tackle this area of fraud.

47. The Department and its Arms Length Bodies continue their participation in the National Fraud Initiative counter fraud data matching exercise.

Effectiveness of Internal Control

48. For 2014-15, Internal Audit has provided a satisfactory audit opinion, in overall terms, in respect of the adequacy and effectiveness of the risk management, control and governance processes for the Department.

49. Of the 26 final Internal Audit reports completed in 2014-15, 23 received overall satisfactory opinions with the remaining three assignments receiving substantial opinions. Within these, there were a number of recommendations for improvement and there is regular review of implementation of these. The opinion for one audit, Regional Development Strategy Transport Investment which had previously received an overall 'limited' opinion was upgraded to 'satisfactory' as a result of a follow-up audit carried out during 2014-15.

50. The Department also relies on the Department of Finance and Personnel (DFP) Internal Audit to provide an inter-Departmental opinion for the services provided by DFP, including Account NI, IT Assist and HR Connect shared services. In 2014-15 an overall inter-Departmental assurance of satisfactory has been provided.

51. In addition, the Department relies on the external auditors of NI Water and NITHC to provide an opinion on each organisation's Regularity and Financial Statements. Both have delivered an unqualified opinion in relation to the 2014-15 accounts and included a clear regularity opinion. The Internal Audit units within NI Water and NITHC have also provided satisfactory audit opinions, in overall terms, in respect of the adequacy and effectiveness of the risk management, control and governance processes within NI Water and NITHC.

52. The NI Audit Office acts as the Department's external auditor, providing financial and Public Reporting audits. In addition to annual accounts audits, the Department was the subject of one NI Audit Office investigation during 2014-15 – "DRD: the effectiveness of public transport in Northern Ireland". The report was subject to further scrutiny by the Public Accounts Committee (PAC) who has yet to publish its findings. The Department will, of course, consider the findings of the report carefully and will respond to it through a Memorandum of Reply which will be laid in the Assembly in due course.

Significant Internal Control Issues

53. None have been identified for 2014-15.

Progress on issues identified in the 2013-14 Governance Statement

54. The 2013-14 Governance Statement highlighted that DFP approval was not sought in advance of expenditure in relation to two road schemes – strategic outline cases on the A6 and reinstatement costs undertaken by the scheme contractor for the A5. A similar instance occurred in relation to the Department's Active Travel Project business cases. However, DFP approval was provided retrospectively in each instance. The Department has not identified any such instances during 2014-15.

Other Issues

Ministerial Directions

55. While not a control issue, the Minister for Regional Development issued me with two Ministerial Directions during 2014-15.

56. The first Direction was provided in December 2014 as a result of insufficient funding cover for the £20 million Release of Value receipt from Belfast Harbour Commissioners. At that stage, despite making significant in-year savings of £7 million, it was clear that the Department would breach its budget control total by around £13 million unless further service reductions were implemented. Given the need to avoid a breach in the budget control total, the Minister was provided with actions that could be taken to avoid or reduce significantly the Department's breach of control total. Following careful consideration, particularly in respect of the impact on public safety and public service detriments, the Minister issued a Direction that the Department continue to provide £8.8 million of services relating to winter service, road maintenance and continuation of essential TransportNI functions and to maintain NI Water's budget at its current level (rather than introducing a further cut of £4.2 million) recognising that the alternative could have had serious environmental consequences. DFP did not approve this Direction but having taken legal advice, I am clear that the Ministerial direction remained valid until such time as the Budget Act control total is breached based on the presumption of legality and recognising the right of a Minister to direct and control his Department.

57. The second Direction issued in January 2015 following the Executive's decision to redirect expenditure of £5.2 million from other Departments to DRD to repair street lights and for roads maintenance. The decision explicitly required the money not be set against the breach of control total. Given that normally any available funding which comes to the Department should be set against the breach being faced, the Minister directed the money be spent as outlined by the Executive. As this was an Executive decision, DFP approval was not required.

Consequence of Ministerial Directions

58. Paragraph 35 outlines the extremely difficult financial pressures faced by the Department during 2014-15. While considerable efforts were made to live within our budget, these Ministerial Directions led the Department to breach its budget control total by £11.8 million during 2014-15.

59. It is worth highlighting that, although the Department breached its budget control total as a consequence of the Ministerial Direction, it did not breach the total set out in the Supply Estimates (see SOAS 2 page 62). However, as the Department overspent by £12,941k on RFR A

Line 2 (ferry services, air and sea ports) within SOAS 2 this is considered to be irregular spend and hence the NIAO has provided a qualified audit opinion on regularity. DRD continues to face severe financial constraints in 2015-16.

Personal Data Related Incidents

60. The Department has had one reportable breach of the Data Protection Act. The incident was reported to the Information Commissioner who decided not to take formal regulatory action.

Accounting Officer 25 June 2015

DEPARTMENT FOR REGIONAL DEVELOPMENT

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

I certify that I have audited the financial statements of the Department for Regional Development for the year ended 31st March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified Opinion on Regularity

The Department's Supply Estimates provided for £18,840,000 of net income classified as Departmental Expenditure in DEL for Ferry services, air and sea ports. However, net expenditure of £629,000 was actually incurred and as such the Department has exceeded the approved expenditure per the Estimates by £19,469,000. The Department of Finance and Personnel has granted virement approval which reduced the overspend to £12,941,000. As there was no approval for the remaining overspend of £12,941,000 DEL classified expenditure, there was no authority for this expenditure.

Qualified Opinion on Regularity

In my opinion, except for the overspend of £12,941,000 DEL classified expenditure, for which the Department had no authority to incur, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31st March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31st March 2015 and of its net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Directors' Report and Strategic Report included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

My report on the matters subject to qualification is included on pages 121 to 122.

Kieran J Donnelly

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

1 July 2015

Statement of Assembly Supply

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

Summary of Resource Outturn 2014-15

								2014-15 £000	2013-14 £000
				Estimate			Outturn		Outturn
Request for Resources	**Note**	**Gross Expenditure**	**Accruing Resources**	**Net Total**	**Gross Expenditure**	**Accruing Resources**	**Net Total**	**Net Total Outturn compared with Estimate: saving/ (excess)**	Net Total
A	SOAS2	542,512	61,306	481,206	500,862	40,969	459,893	21,313	51,572
B	SOAS2	281,990	68,859	213,131	281,024	68,856	212,168	963	1,093
Total resources	SOAS3	824,502	130,165	**694,337**	781,886	109,825	**672,061**	**22,276**	**52,665**
Non-operating Accruing Resources	SOAS4			(1,500)			(1,081)	(419)	568

Net cash requirement 2014-15

				2014-15 £000	2013-14 £000
	Note	**Estimate**	**Outturn**	**Net Total Outturn compared with Estimate: saving/ (excess)**	Outturn
Net cash requirement	SOAS 4	**799,759**	**749,423**	**50,336**	**758,832**

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 2014-15 £000		Outturn 2014-15 £000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	SOAS 5	**1,307**	*1,307*	**1,313**	*567*

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

The notes on pages 61 to 67 and on pages 74 to 118 form part of the financial statements.

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

1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in the Northern Ireland Guidance Manual.

1.1 Accounting convention

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

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

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

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

SOAS2 Analysis of Net Resource Outturn by function

									2014-15 £000	2013-14 £000
						Outturn			Estimate	Outturn
	Admin	Other current	Grants	Gross resource expenditure	Accruing Resources	Net Total	NET TOTAL	Net total Outturn compared with Estimate	Net total Outturn compared with Estimate, adjusted for virements	Prior Year Outturn
Request for Resources A:										
Departmental Expenditure in DEL										
1: Roads	68,267	136,079	-	204,346	(33,252)	171,094	176,062	4,968	4,175	178,714
2: Ferry services, air and sea ports	23	687	913	1,623	(994)	629	(18,840)	(19,469)	(12,941)	669
3: Railway services	-	28,930	26,700	55,630	(1,800)	53,830	59,409	5,579	-	50,725
4: Road passenger services	4,873	45,258	15,102	65,233	(2,581)	62,652	62,808	156	-	64,098
5:Services to other Departments	5,286	212	-	5,498	(34)	5,464	5,733	269	239	3,883
6: EU Interreg IV	-	-	3,086	3,086	(2,308)	778	748	(30)	-	44
Annually Managed Expenditure (AME)										
7: Depreciation and Impairment costs	1,051	145,850	-	146,901	-	146,901	176,200	29,299	29,299	140,416
8: Provisions	338	6,616	-	6,954	-	6,954	6,950	(4)	(4)	7,993
Non-Budget										
9: Notional charges	11,591	-	-	11,591	-	11,591	12,136	545	545	12,117
Total	**91,429**	**363,632**	**45,801**	**500,862**	**(40,969)**	**459,893**	**481,206**	**21,313**	**21,313**	**458,659**
Request for Resources B:										
Departmental Expenditure in DEL										
1: Water Policy and Administration	1,030	30	-	1,060	-	1,060	1,140	80	80	1,082
Non-Budget										
2. Northern Ireland Water Limited	-	279,946	18	279,964	(68,856)	211,108	211,991	883	883	204,902
Total	**1,030**	**279,976**	**18**	**281,024**	**(68,856)**	**212,168**	**213,131**	**963**	**963**	**205,984**
Resource Outturn	**92,459**	**643,608**	**45,819**	**781,886**	**(109,825)**	**672,061**	**694,337**	**22,276**	**22,276**	**664,643**

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

	Variance Under/(Over) £000	Explanation
RfR A	21,313	The variance primarily relates to an underspend on depreciation on the non trunk road network. This was offset by insufficient funding cover for the £20 million Release of Value receipt from Belfast Harbour Commissioners. There were also underspends on various roads activities and on funding to Translink.
RfR B	963	The NI Water subsidy includes a number of elements which are subject to fluctuations in eligible customer numbers and volume usage. As such it can be difficult to estimate those elements to a high level of accuracy.

Detailed explanations of significant variances are given in the Strategic Report.

Key to Request for Resources

RfR A

Supporting the economy by planning, developing and managing safe and sustainable transportation networks, setting the legislative and policy framework for harbour services; enhancing transport infrastructure links to airport and harbour gateways; and shaping the long-term future of the region; and

RfR B

Contributing to the health and well being of the community and the protection of the environment by maintaining and developing the policy and regulatory environment which provides sustainable, high quality water and sewerage services.

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

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

		2014-15 £000			2013-14 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS2	**672,061**	**694,337**	**22,276**	**664,643**
Prior Year Adjustment		-	-	-	-
Non-supply income (CFERs)	SOAS5	(1,313)	-	1,313	(2,877)
Unrealised exchange losses on Non Estimate related EU Receivables		34	-	(34)	82
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure		**670,782**	**694,337**	**23,555**	**661,848**

SOAS3.2 Outturn against final Administration Budget

	2014-15 £000		2013-14 £000
	Budget	Outturn	Outturn
Gross Administration Budget	81,589	79,698	80,012
Less income allowable against the Administration Budget	-		-
Net outturn against final Administration Budget	**81,589**	**79,698**	**80,012**

SOAS4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	SOAS2	**694,337**	**672,061**	**22,276**
Capital				
Acquisition of property, plant and equipment	19	226,326	224,124	2,202
Investments	19	47,000	36,000	11,000
Non-operating Accruing Resources				
Proceeds of asset disposals	19	(1,500)	(1,081)	(419)
Accruals to cash adjustments				
Depreciation and revaluation	4,5	(195,062)	(164,302)	(30,760)
New provisions and adjustments to previous provisions	4,5	(17,350)	(16,918)	(432)
Other non-cash items	4,5	(12,136)	(11,596)	(540)
Changes in working capital other than cash	18	36,349	(7,394)	43,743
Changes in payables falling due after more than one year	21	7,424	6,145	1,279
Use of provision	22	14,371	12,384	1,987
Excess cash receipts surrenderable to the Consolidated Fund	SOAS5	-	-	-
Net Cash Requirement		**799,759**	**749,423**	**50,336**

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

SOAS5 Analysis of income payable to the Consolidated Fund

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

		Forecast 2014-15 £000		Outturn 2014-15 £000	
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income and receipts not classified as Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		335	*335*	341	*341*
Operating income and receipts – excess Accruing Resources		-	-	-	-
Subtotal		335	*335*	341	*341*
Exchange gain		-	-	-	-
Exchange loss – Capital		-	-	-	-
Non-operating income and receipts – excess Accruing Resources		-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
EU capital grant income and receipts		-	-	-	-
Trans European Networks (TENS) funding		972	*972*	972	*226*
Total income payable to the Consolidated Fund		**1,307**	***1,307***	**1,313**	***567***

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

	Note	**2014-15 £000**	2013-14 £000
Operating income	6	111,138	118,475
Operating income netted off resource expenditure		-	-
Adjustments for transactions between RfRs		-	-
Gross income		**111,138**	**118,475**
Income authorised to be used as Accruing Resources	SOAS2	109,825	115,598
Operating income payable to the Consolidated Fund	SOAS5	**1,313**	**2,877**

SOAS7 Non-operating income – Excess Accruing Resources

	2014-15 £000	2013-14 £000
Non-operating income – Excess Accruing Resources	**-**	-

Statement of Comprehensive Net Expenditure

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

For the year ended 31 March 2015

				2014-15 £000	2013-14 £000
	Note	Staff costs	Other Costs	Income	Total
Administration Costs:					
Staff costs	3	70,126			69,660
Other administration costs	4		22,333		24,047
Operating income	6			(125)	(40)
Programme Costs:					
Request for Resources A					
Staff costs	3	219			205
Programme costs	5		409,249		408,747
Income	6			(42,158)	(45,691)
Request for Resources B					
Staff costs	3	-			-
Programme costs	5		279,993		277,664
Income	6			(68,855)	(72,744)
Totals		70,345	711,575	(111,138)	**661,848**
Net Operating Cost for the year end 31 March 2015	SOAS3.1			**670,782**	

Other Comprehensive Net Expenditure

	Note	2014-15 £000	2013-14 £000
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of Property, Plant and Equipment (PPE)	7	1,071,764	1,224,528
Net (gain)/loss on revaluation of intangibles	8	(7)	(13)
Items that may subsequently be reclassified to net operating costs:			
Adjustment to Property, Plant and Equipment (PPE) opening balance	7,8	(52,131)	1,339
Developer's Contributions	7	(21,500)	(57,814)
Total Comprehensive Net Expenditure for the year ended 31 March 2015		**1,668,908**	**1,829,888**

The notes on pages 74 to 118 form part of the financial statements.

Statement of Financial Position

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

As at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Non-current assets:			
Property, plant and equipment	7	27,211,398	28,150,951
Intangible assets	8	607	465
Financial assets	13	1,619,250	1,583,250
Total non-current assets		28,831,255	29,734,666
Current assets:			
Assets classified as held for sale	14	14	27
Inventories	15	2,735	2,749
Trade and other receivables	20	39,326	42,091
Cash and cash equivalents	16	2,851	7,538
Total current assets		44,926	52,405
Total assets		28,876,181	29,787,071
Current liabilities:			
Trade and other payables	21	(144,470)	(144,346)
Provisions	22	(5)	(20)
Total current liabilities		(144,475)	(144,366)
Non-current assets plus/less net current assets/liabilities		28,731,706	29,642,705
Non-current liabilities:			
Provisions	22	(42,874)	(38,521)
Other payables	21	(322,723)	(328,868)
Total non-current liabilities		(365,597)	(367,389)
Assets less liabilities		28,366,109	29,275,316
Taxpayers' equity:			
General fund		15,546,278	15,357,325
Revaluation reserve		12,819,831	13,917,991
Total taxpayers' equity		28,366,109	29,275,316

Accounting Officer 25 June 2015

The notes on pages 74 to 118 form part of the financial statements.

Statement of Cash Flows

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

For year ended 31 March 2015

	Note	**2014-15 £000**	2013-14 £000
Cash flows from operating activities			
Net operating cost		(670,782)	(661,848)
Adjustments for non-cash transactions	4.1	182,887	171,111
(Increase)/decrease in trade and other receivables	20	2,765	(10,892)
less movements in receivables relating to items not passing through the Net Operating Cost			
Increase/(decrease) in amounts due from Consolidated Fund		-	-
Movement in provision for bad debt		(196)	(1,364)
Increase in other capital receivables			
(Increase)/decrease in inventories		14	360
Increase/(decrease) in trade and other payables	21	(6,021)	9,394
less movements in payables relating to items not passing through the Net Operating Cost			
(Increase)/decrease in amounts due to Consolidated Fund		3,941	(6,930)
Decrease/(increase) in amounts due to capital retentions/accruals		147	81
Movement in Creditor passing through General Fund		-	61
Use of bad debt provision	22	(1,172)	(415)
Use of other revenue provisions	22	(5,324)	(5,458)
Net cash outflow from operating activities		(493,741)	(505,900)
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(219,978)	(225,452)
Purchase of intangible assets	19	(218)	396
Proceeds of disposal of property, plant and equipment	19	1,081	2,267
Proceeds of disposal of intangibles	19	-	-
Investment additions	19	(36,000)	(29,000)
Net cash outflow from investing activities		(255,115)	(251,789)

Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		744,570	764,841
From the Consolidated Fund (Supply) – prior year		-	-
From the Consolidated Fund (non-Supply)		-	-
From EU/TENS – capital grant receipts		-	-
Developer contributions		-	-
Net financing		744,570	764,841
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(4,286)	7,152
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(401)	(1,955)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(4,687)	5,197
Cash and cash equivalents at the beginning of the period	16	7,538	2,341
Cash and cash equivalents at the end of the period	16	2,851	7,538

The notes on pages 74 to 118 form part of the financial statements.

Statement of Changes in Taxpayers' Equity

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

For year ended 31 March 2015

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

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	**£000**	**£000**
Balance at 31 March 2014		**15,357,325**	**13,917,991**	**29,275,316**
Adjustment to Opening Balance		-	52,131	52,131
Restated balance at 1 April 2014		15,357,325	13,970,122	29,327,447
Changes in taxpayers' equity for 2014-15				
Net gain/(loss) on revaluation of property, plant and equipment		-	(1,071,764)	(1,071,764)
Net gain/(loss) on revaluation of intangible assets		-	7	7
Net gain/(loss) on revaluation of investments		-	-	-
Non-cash charges - notional cost	3,4	11,486	-	11,486
Non-cash charges - auditor's remuneration	4	106	-	106
Transfers between reserves		78,534	(78,534)	-
Property, plant and equipment additions funded by non-cash contributions from developers		21,499	-	21,499
Comprehensive net expenditure for the year		(670,782)	-	(670,782)
Total recognised income and expense for 2014-15		**(559,157)**	**(1,150,291)**	**(1,709,448)**
Net Parliamentary Funding - drawn down		744,570	-	744,570
Net Parliamentary Funding - deemed		7,442	-	7,442
Supply (payable)/receivable		(2,589)	-	(2,589)
CFERs repayable to the Consolidated Fund - EU grants claimed		-	-	-
CFERs - other		(341)	-	(341)
CFERs - Excess Operating Accruing Resources		-	-	-
CFERs - Excess Non Operating Accruing Resources		-	-	-
CFERs - Trans European Networks capital funding		(972)	-	(972)
CFERs - revenue exchange losses/gains		-	-	-
Balance at 31 March 2015		**15,546,278**	**12,819,831**	**28,366,109**

The notes on pages 74 to 118 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Assembly Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

1.2 Basis of consolidation

There are no other entities within the Departmental boundary.

1.3 Property, plant and equipment

The minimum level for capitalisation of property, plant and equipment is £500 for IT equipment and £1,000 for all other assets, except for land for which there is no threshold, and car park additional works where the threshold is £5,000.

Maintenance which replaces or enhances the service potential of the road network is capitalised. This includes reconstruction and resurfacing costs, together with any other spend directly leading to the enhancement of the service potential of the road surface. Staff costs directly attributable to these maintenance activities are capitalised.

On initial recognition property, plant and equipment is measured at historic cost including any costs, such as installation, directly attributable to bringing it into working condition. With the exception of items under construction, all property, plant and equipment is carried at fair value.

Property, plant and equipment, together with its valuation basis, comprises the following:

- Land and buildings are valued by Land and Property Services and are updated annually to reflect both subsequent expenditure and the movement in appropriate published indices;
- The road surface is recognised as a single asset and is held at Depreciated Replacement Cost (DRC). The structures and communications are also held at DRC. The infrastructure asset's valuation has been prepared by in-house professionally qualified engineers, supported by external valuers;
- Due to the unavailability of suitable roads schemes ATKINS (Asset Management Consultants) did not complete the 5 year Revaluation of Network assets (Roads & Bridges) as at 31 March 2015 as required by the contract between the Department and Atkins.

Every five years DRD aims to carry out a review of the unit rates used to value roads and structures. These rates are built up from the actual outturn costs of new construction schemes. However, due to the limited range of new scheme information available in the 2014-15 year, it has not been possible to update these unit rates. As such the Baxter indices have been applied this year. In 2014-15 the Department has applied a provisional index to 31 December 2014 as this was the most up to date at the statement of financial position date. The Revaluation of Network Assets (Roads & Bridges) will be carried out in 2015-16;

- Car parks and buildings which have been valued by Land and Property Services at 31 March 2013. These will then be updated annually to reflect both subsequent expenditure and, as above, the movement in appropriate published indices;
- Other operating assets are valued at depreciated replacement cost or at open market value where obtainable and restated for inflation by appropriate inflation indices;
- Office equipment, excluding computers and IT equipment, which is valued at depreciated replacement cost and restated for inflation by appropriate inflation indices;
- Computers and IT equipment. Due to technological advances an accelerated depreciation method is applied to write off their cost to a nil residual book value over their assumed useful economic life; and
- Donaghadee Harbour is classified as a non-operational heritage asset which (as is permissible under the FReM) has not been capitalised as the cost of obtaining a valuation would be greater than the benefit arising. Further details in respect of the harbour can be found at **note 7**.

Surpluses arising on revaluation are taken to the relevant reserve. Losses on revaluation are debited to the relevant reserve to the extent that revaluation gains have been recorded previously, otherwise they are debited to the Statement of Comprehensive Net Expenditure. In accordance with International Accounting Standard (IAS) 16, staff costs directly attributable to capital schemes are included in additions to property, plant and equipment.

1.4 Depreciation

Property, plant and equipment is depreciated at rates calculated to write it down to estimated residual value on a straight-line basis over its estimated useful lives. Depreciation is charged in the month of acquisition. Payments on account and assets in the course of construction are depreciated from the point at which the asset is brought into use. No depreciation is provided on freehold land as it has an unlimited or very long estimated useful life.

Depreciation is calculated as follows:

- Freehold Land – not depreciated.
- Buildings, Operating Assets and Office Equipment are depreciated on a straight-line basis over their expected useful lives. Estimated useful economic lives by asset category are as follows:

Buildings Excluding Dwellings	15-50 years
Transport Equipment	3-50 years
Plant and Machinery	3-15 years

- Vacant property and land which are surplus to requirements and are awaiting disposal, do not attract depreciation.

- IT equipment and computers are depreciated using the accelerated depreciation method to write off assets over three to ten years.
- Assets in the course of construction are not depreciated until they have been brought into use.
- Road networked assets – depreciation is the value of the service potential replaced through the maintenance program. As the value of the network is enhanced by carrying out maintenance, the element being replaced is removed from the infrastructure value. The value of the replaced part is approximated to the value of the enhanced part and is written off as depreciation. The depreciation charge is adjusted by the output of an annual condition survey.

1.5 Assets adopted from developers

Assets adopted from developers do not meet the definition of a donated asset and do not qualify for the treatment set out in the FReM for donated assets. These assets are treated as normal property, plant and equipment in accordance with IAS 16. They are capitalised at their current value on receipt, and this value is credited to the General Fund.

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

1.6 Intangible assets

Intangible assets are capitalised where expenditure of £1,000 or more is incurred.

(a) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over their estimated useful lives.

Provided reliable evidence of current value can be readily ascertained, these are restated to current value each year in accordance with the movement in the Retail Price Index. Software licences are amortised over the term of the licence. Other intangible assets are amortised over three or five years.

(b) Internally-generated intangible assets

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Following recognition, internally-generated intangible assets valuation is the sum of subsequent directly attributable expenditure incurred to create, produce and prepare the asset so that it is capable of operating in the manner intended by management.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

1.7 Impairment of tangible, intangible and financial assets

At each Statement of Financial Position date, a review is undertaken to determine whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the impairment of an asset on an individual basis, the Department will estimate the impairment to the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Net Expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease through the Revaluation Reserve to the extent of previous gains recognised in the reserve.

However, any impairments resulting from the consumption of economic benefit will be charged to the Statement of Comprehensive Net Expenditure.

An impairment of a networked asset is defined as the loss of service potential for more than one year.

In the case of the Department's shareholding and loan interests in NI Water, a review of indications that assets may have suffered an impairment loss is carried out under IAS 36, particularly paragraph 12. As part of this review the Department considers the views of NI Water on whether there is an indication that its assets may have suffered an impairment loss. The company's review includes consideration of its projected discounted cashflows.

1.8 Non-current assets held for resale

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.9 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost includes labour, material, transport and an element of overheads, with the majority being valued on a first-in, first-out basis.

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

1.10 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition, i.e., it has transferred substantially all the risks and reward of the asset. A financial liability is derecognised when, and only when, it is extinguished.

The Department has the following financial instruments:

Trade Receivables

Trade receivables are recognised and carried at fair value less any provision for impairment. A provision for impairment is established when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances at commercial banks.

Trade payables

Trade payables are not interest bearing and are recognised initially at fair value.

Shareholding in NI Water and loans issued to NI Water

The FReM states that loans and investments in public bodies outside the departmental boundary should be reported in line with IAS 39. However, in accordance with DFP guidance the Department's shareholding in NI Water and the loans issued to NI Water continue to be carried at historical cost, less any impairment.

Deeds of Guarantee

In accordance with IAS 39 the Department's deeds of guarantee in respect of PPP contracts held by NI Water are held at fair value.

1.11 Grant funding (including EU funding)

Unconditional Grants received are treated as income and credited to the Statement of Comprehensive Net Expenditure in year received.

Conditional Grants will be treated as Deferred Income and credited to Statement of Comprehensive Net Expenditure when all conditions have been met.

1.12 Operating income

Operating income relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, but it also includes other income such as that from investments. It includes both income appropriated-in-aid of the Estimate and income payable to the Consolidated Fund. Operating income is stated net of VAT.

1.13 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the most recent guidance on Estimates issued by DFP.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. At the end of the reporting period monetary items are translated at the closing rate applicable at the statement of financial position date.

1.15 Employee benefits including pensions

Staff costs

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using staff salaries at March 2015 applied to the untaken leave balance at 31 March 2015 as recorded in the payroll system.

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI) which is a defined benefit scheme and is unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). Staff in post prior to 30 July 2007 may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). From April 2011 pensions payable under classis, premium and classic plus are increased annually in line with changes in the Consumer Price Index (CPI). Prior to 2001, pensions were increased in line with Retail Price Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). New entrants after 30 July 2007 are eligible for membership of nuvos arrangement or they can opt for a partnership pension account.

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

Early departure costs

The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 1.3% in real terms. In past years, the Department settled some or all of its liability in advance by making a payment to the DFP Superannuation Vote. The amount provided is shown net of any such payments.

1.16 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of

Comprehensive Net Expenditure over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.17 Public Private Partnership (PPP) Transactions

The Department's PPP transactions are accounted for in accordance with International Financial Reporting Interpretations Committee (IFRIC) 12 'Service Concession Arrangements'.

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

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

1.18 Grants and subsidies payable

The Department recognises such expenditure in the period in which the recipient carries out the activity which creates an entitlement to the grant support or subsidy, in so far as is practicable to do so.

1.19 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by Treasury.

There are 3 new discount rates to be applied for general provisions:

- short term (-1.5% applied to cash flows of general provisions between 0 and 5 years)
- medium term (-1.05% after 5 and up to 10 years)
- long term (2.2% exceeding 10 years).

1.20 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the NI Assembly in accordance with Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.21 Value Added Tax

VAT is recovered centrally by the Department (from DFP) on an accruals basis. The Statement of Comprehensive Net Expenditure is stated net of VAT. Both trade receivables and trade payables are stated gross of VAT and the VAT account balance is adjusted accordingly.

1.22 Funding from Assembly Supply

Supply funding is not treated as income on the face of the Statement of Comprehensive Net Expenditure, but is credited to the General Fund.

1.23 Notional costs

Since Resource Accounts are required to show the full economic cost of delivery of public services, the Statement of Comprehensive Net Expenditure includes certain notional items of expenditure.

1.24 Vesting of property

In certain instances the Department will vest property. In such circumstances the Department assumes ownership at the date of which the vesting order becomes operative and hence the property is capitalised.

1.25 Estimation techniques

In the application of the accounting policies above, the Department is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The significant estimation techniques for the Department include the valuation of the road network and land acquisition for schemes values.

For the road network valuation a condition survey is undertaken. For the motorway and trunk road network and the rest of the 'A' class roads a machine based survey (deflectograph) is carried out as a rolling 3 year programme. On the trunk roads a Coarse Visual Inspection survey (CVI) is carried out as a rolling programme over 2 years on the 'B' and 'C' class roads and every 4 years on the 'unclassified roads'. An independent consulting engineer's opinion is sought on the output from the survey and on the methodology used to calculate the condition assessment.

Land acquisition values are provided for when it is probable that a future payment will be made. This will be when the vesting order becomes operative. Advice on the value of the claim is obtained from professional valuers within Land and Property Services.

1.26 Impending application of newly issued accounting standards not yet effective

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. With the exception of the following, management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

The International Accounting Standards Board have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on Office for National Statistics control criteria, as designated by Treasury. A review of the NI financial process, which will bring NI departments under the same adaptation, has been presented to the Executive, but a decision has yet to be made. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. Arms Length Bodies apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

The designation on NI Water within the departmental accounting boundary will be subject to future consideration.

2. Statement of Operating Costs by Operating Segment

The Department's operating segments reflect the basis of monthly financial reporting to the Departmental Board.

The financial information presented to the Board is based on the Outturn at budget category level. There are some differences between this budget Outturn and the Statement of Comprehensive Net Expenditure. This is reconciled in the Financial Review section of the Annual Report.

The Department comprises two Core Groups – TransportNI and Governance, Policy and Resources. However, when reporting to the Departmental Board the financial information is broken down into the following groups:

<u>TransportNI (TNI)</u>
During 2014-15 TransportNI had two reportable segments:

TransportNI – Transport Projects Division
The Group is responsible for regional development, transport planning and sustainable transport. In 2013-14 this was shown under the Regional Planning and Transportation heading.

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

<u>Governance, Policy and Resources</u>
This was further broken down as follows:

Public Transport Services
The Group is responsible for transport policy, strategy and legislation and certain responsibilities for air and sea ports. In 2013-14 this was shown under the Regional Planning and Transportation heading.

It is also responsible for Public Transport budgets, performance monitoring, Accessible Transport and the Department's governance and sponsorship role of the NI Transport Holding Company (NITHC) / Translink. In 2013-14 this part was shown under the TNI Transport heading.

Water
The Group is responsible for promoting the delivery of sustainable water and sewerage services.

Corporate Services
Responsible for a range of corporate services, which includes support for the Minister, human resources, strategic planning, information systems, organisational development, finance, internal audit and equality issues. In 2013-14 this was shown under core overheads.

						2014-15 £000
	TNI Transport Projects	TNI Roads	Public Transport Services, Transport Policy, Strategy and Legislation	Water	Corporate Services	Total
Gross Expenditure	4,782	353,218	119,370	281,024	23,526	781,920
Income	(134)	(35,548)	(6,565)	(68,856)	(35)	(111,138)
Net Expenditure	**4,648**	**317,670**	**112,805**	**212,168**	**23,491**	**670,782**

					2013-14 £000
	TNI Transport	TNI Roads	Regional Planning & Transportation	Water	Total
Gross Expenditure	117,122	356,790	4,168	278,726	756,806
Income	(6,222)	(38,555)	(911)	(72,744)	(118,432)
Net Expenditure	**110,900**	**318,235**	**3,257**	**205,982**	**638,374**

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

					2014-15 £000					2013-14 £000
	TNI Transport Projects	TNI Roads	Public Transport Services, Transport Policy, Strategy and Legislation	Water	Total	TNI Transport	TNI Roads	Regional Planning &Transportation	Water	Total
Total net expenditure reported for operating segments	4,648	317,670	112,805	212,168	647,291	110,900	318,235	3,257	205,982	638,374
Corporate Services					23,491					23,474
Total net expenditure per Statement of Comprehensive Net Expenditure					**670,782**					**661,848**

3. Staff numbers and related costs

Staff costs comprise:

				2014-15	2013-14
				£000	£000
	Permanent staff	Others	Minister	Total	Total
Wages and salaries	63,079	586	38	63,703	63,328
Social security costs	4,523	-	4	4,527	4,599
Other pension costs	11,113	-	8	11,121	11,183
Total net costs	**78,715**	**586**	**50**	**79,351**	**79,110**
Analysed as:					
RfR A				78,354	78,070
RfR B				997	1,040
				79,351	**79,110**
Analysed as:					
Administration costs – continuing operations				70,076	69,609
Minister's costs (notional)				50	51
Per Consolidated Statement of Comprehensive Net Expenditure				70,126	69,660
Programme costs – continuing operations				219	205
Capitalised				9,006	9,245
				79,351	**79,110**

Permanently employed staff includes the salary cost of the Department's Special Advisor, which falls within the pay band range £59,037 to £91,809 (2013-14: £58,452 - £91,809).

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but Department for Regional Development is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Resources Accounts as at 31 March 2015.

For 2014-15, employers' contributions of £11,060,268 were payable to the NICS pension arrangements (2013-14:£11,123,891) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation scheme based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2015-16 the new rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £29,774 (2013-14: £30,780) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% (2013-14: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition employer contributions of £1,921, 0.8% (2013-14: £1,997, 0.8%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

11 people (2013-14: 11 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £10,474.43 (2013-14: £11,190.13).

Average number of persons employed

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

	2014-15					Restated 2013-14
Objective	**Total**	**Permanent staff**	**Others**	**Minister**	**Special Advisor**	Total
A	**1,881**	1,860	19	1	1	**1,951**
B	**22**	22	-	-	-	**20**
Staff engaged on capital projects	**261**	261	-	-	-	**266**
Total	**2,164**	**2,143**	**19**	**1**	**1**	**2,237**

3.1 Reporting of compensation and exit packages for all staff

	2014-15			2013-14		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	-	2	2	-	1	1
£10,000 - £25,000	-	3	3	-	1	1
£25,000 - £50,000	-	3	3	-	-	-
£50,000 - £100,000	-	1	1	-	-	-
Total number of exit packages	**-**	**9**	**9**	**-**	**2**	**2**
Total resource cost £	**-**	**235,264**	**235,264**	**-**	**15,517**	**15,517**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4. Other administration costs

	Note	**2014-15 £000**	2013-14 £000
Rentals under operating leases:			
Other operating leases		50	100
Rent of land and buildings		50	50
Interest charges:			
Interest on government loans		-	-
Non-cash items			
Notional charges:			
Accommodation		5,253	5,450
Land and Property Services		443	620
NIAO auditors' remuneration		106	106
Other		5,739	5,890
Depreciation and amortisation of property, plant and equipment:			
Property, plant and equipment		1,024	882
Intangible assets		145	111
Impairment of fixed assets		-	-
Revaluation charge to Statement of Comprehensive Net Expenditure		(37)	(55)
Loss on disposal of property, plant and equipment		-	1
Provisions:			
Provided in year	22	338	1,127
Borrowing costs (unwinding of discount on provisions)	22	-	-
Bad debts expense		-	-
Profit/loss on exchange rates		9	2
Other expenditure		11,321	11,560
Less: Own work capitalised		(2,108)	(1,797)
Total		**22,333**	**24,047**

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

	2014-15 £000	2013-14 £000
Staff costs (see Note 3)	50	51
Non-staff administration costs (see Note 4)	13,011	14,132
Programme costs – RfR A (see Note 5)	169,826	156,928
Programme costs – RfR B (see Note 5)	-	-
Non-cash transactions (Statement of Cash Flows)	**182,887**	**171,111**
Adjust for capital provisions (see note 19)	9,963	(12)
Exchange loss (non estimate)	(34)	(82)
Non-cash transactions (Statement of Assembly Supply)	**192,816**	**171,017**

5. Programme costs

	Note	2014-15 £000	2013-14 £000
RfR A			
Current grants and other current expenditure		199,802	212,503
Rentals under operating leases		299	305
Exchange loss/(gain)		48	191
PPP service charge		17,067	16,209
PPP interest on loan		22,207	22,611
Own work capitalised		-	-
Non-cash expenditure:			
Depreciation and amortisation of property, plant and equipment		163,398	141,336
Impairment of property, plant and equipment		5	-
Revaluation charges to Statement of Comprehensive Net Expenditure		(233)	8,727
Loss on disposal of property, plant and equipment		39	-
Profit on disposal of property, plant and equipment		-	-
Provision for bad debts		1,368	1,780
Provisions – provided in year	22	5,249	5,085
Total programme costs – RfR A		**409,249**	**408,747**
RfR B			
Current grants and other current expenditure		279,993	277,664
Rentals under operating leases		-	-
PFI charges: off-statement of financial position contracts		-	-
Non-cash expenditure		**-**	**-**
Total programme costs – RfR B		**279,993**	**277,664**
Total programme costs		**689,242**	**686,411**

6. Income

		2014-15 £000			Restated 2013-14 £000	
	RfR A	RfR B	Total	RfR A	RfR B	Total
Administration income						
Other	125	-	125	40	-	40
	125	-	**125**	40	-	**40**
Programme income						
Car park receipts and penalty charge notices income	17,305	-	17,305	17,933	-	17,933
Recoverable works	2,671	-	2,671	2,909	-	2,909
Dividend Income from NI Water	-	23,543	23,543	-	29,046	29,046
Loan Interest from NI Water	-	45,312	45,312	-	43,698	43,698
Developers Contributions	1,290	-	1,290	1,442	-	1,442
EU grant income – CFER income	972	-	972	2,457	-	2,457
EU grant income – Accruing Resources income	16,561	-	16,561	16,817	-	16,817
Other Grant Income	335	-	335	1,066	-	1,066
Other	3,024	-	3,024	3,067	-	3,067
	42,158	**68,855**	**111,013**	**45,691**	**72,744**	**118,435**
Total income	**42,283**	**68,855**	**111,138**	**45,731**	**72,744**	**118,475**

7. Property, plant and equipment

	Land & Buildings excluding Dwellings	Network Assets*	Transport Equipment and Plant and Machinery	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2014	**163,136**	**31,310,135**	**62,285**	**1,149**	**643**	**31,537,348**
Opening revaluation adjustment	-	56,927	29	-	-	56,956
Additions	11,881	205,206	4,968	437	1,414	223,906
Developer Contributions	224	21,276	-	-	-	21,500
Disposals	(189)	-	(1,430)	(9)	-	(1,628)
Transfers	(4,721)	3,874	-	-	-	(847)
Revaluations	3,073	(1,208,957)	606	1	-	(1,205,277)
Reclassification	15	-	(15)	-	(62)	(62)
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	290	-	(1)	(1)	-	288
Impairment	(5)	-	-	-	-	(5)
At 31 March 2015	**173,704**	**30,388,461**	**66,442**	**1,577**	**1,995**	**30,632,179**
Depreciation						
At 1 April 2014	**5,827**	**3,331,987**	**48,056**	**527**	**-**	**3,386,397**
Opening revaluation adjustment	-	4,796	29	-	-	4,825
Charged in year	1,703	159,709	2,880	130	-	164,422
Disposals	-	-	(1,359)	(9)	-	(1,368)
Transfers	-	-	-	-	-	-
Backlog depreciation	-	-	-	-	-	-
Reclassification	38	-	(38)	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	18	-	-	-	-	18
Revaluation	614	(134,558)	430	1	-	(133,513)
At 31 March 2015	**8,200**	**3,361,934**	**49,998**	**649**	**-**	**3,420,781**
Carrying Amount at 31 March 2015	**165,504**	**27,026,527**	**16,444**	**928**	**1,995**	**27,211,398**
Carrying Amount at 1 April 2014	**157,309**	**27,978,148**	**14,229**	**622**	**643**	**28,150,951**
Asset financing:						
Owned	**165,504**	**26,684,186**	**16,444**	**928**	**1,995**	**26,869,057**
On-statement of financial position of PFI contracts	**-**	**342,341**	**-**	**-**	**-**	**342,341**
Carrying Amount at 31 March 2015	**165,504**	**27,026,527**	**16,444**	**928**	**1,995**	**27,211,398**

Property, plant and equipment

	Land & Buildings excluding Dwellings	Network Assets	Transport Equipment and Plant and Machinery	Information Technology	Payments on Account and Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2013	**200,197**	**32,320,347**	**67,137**	**4,679**	**465**	**32,592,825**
Opening revaluation adjustment	(85)	(2,425)	(64)	66	-	(2,508)
Additions	1,994	212,641	1,351	580	178	216, 744
Developer Contributions	1,875	55,939	-	-	-	57,814
Disposals	(7)	-	(550)	(4,184)	-	(4,741)
Transfers	(1,969)	-	-	-	-	(1,969)
Revaluations	(10,921)	(1,295,975)	(5,224)	11	-	(1,312,109)
Reclassification	(19,612)	19,608	4	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	(8,336)	-	(369)	(3)	-	(8,708)
At 31 March 2014	**163,136**	**31,310,135**	**62,285**	**1,149**	**643**	**31,537,348**
Depreciation						
At 1 April 2013	**3,833**	**3,278,922**	**50,358**	**4,585**	**-**	**3,337,698**
Opening revaluation adjustment	(3)	(1,173)	(27)	34	-	(1,169)
Charged in year	1,547	137,831	2,749	90	-	142,217
Disposals	(7)	-	(541)	(4,184)	-	(4,732)
Transfers	-	-	-	-	-	-
Backlog depreciation						
Reclassification	-	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	18	-	(54)	-	-	(36)
Revaluation	439	(83,593)	(4,429)	2	-	(87,581)
At 31 March 2014	**5,827**	**3,331,987**	**48,056**	**527**	**-**	**3,386,397**
Carrying Amount at 31 March 2014	**157,309**	**27,978,148**	**14,229**	**622**	**643**	**28,150,951**
Carrying Amount at 1 April 2013	**196,364**	**29,041,425**	**16,779**	**94**	**465**	**29,255,127**
Asset financing:						
Owned	157,309	27,635,807	14,229	622	643	**27,808,610**
On-statement of financial position of PFI contracts	-	342,341	-	-	-	**342,341**
Carrying Amount at 31 March 2014	**157,309**	**27,978,148**	**14,229**	**622**	**643**	**28,150,951**

The following valuers have been involved in valuing the property, plant and equipment at the dates specified:

Asset category	**Valuer name and qualifications**	**Date of last valuation**	**Valuation method in intervening years**
Network Assets - Land	Land & Property Services (LPS)	N/A	Indicative Land Indices (LPS)
Land for schemes	Land & Property Services (LPS)	31 March 2011	Indicative Land Indices (LPS)
Car Parks: Land and Buildings	Land & Property Services (LPS)	31 March 2013	Indicative Land Indices (LPS) & BCIS Index (LPS)
Buildings	Land & Property Services (LPS)	31 March 2013	BCIS Index (LPS)
Networked Assets	Atkins (Asset management Consultants) and Professor MS Snaith FREng	31 March 2010 (EC Harris)*	Baxter Index (Provisional)
Plant and Machinery - Ferry	Blyth Bridges (Marine Consultants)	31 March 2014	Index provided by Marine Consultants
Plant and Machinery - Vehicles	N/A	N/A	Adjusted National Statistics Office SIC 2007
Plant and Machinery - General	N/A	N/A	Adjusted National Statistics Office SIC 2007
Furniture and Fittings	N/A	N/A	Retail Price Index

All property, plant and equipment are restated to fair value each year except for assets in the course of construction.

The roads and bridges infrastructure valuation was performed on a depreciated replacement cost basis on 31 March 2015, using the 'Baxter Index' for construction in England, Wales and Northern Ireland. For 2014-15 a provisional index to 31 December 2014 was applied, as this was the most up to date available at the time of the production of the valuation.

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

The valuation of land and buildings, plant and machinery and furniture and fittings has been indexed to 31 December 2014 using the appropriate indices as outlined in the above table.

*Due to the unavailability of suitable roads schemes ATKINS (Asset Management Consultants) did not complete the 5 year Revaluation of Network assets (Roads & Bridges) as at 31 March 2015 as required by the contract between the Department and Atkins. Every five years DRD aims to carry out a review of the unit rates used to value roads and structures. These rates are built up from the actual outturn costs of new construction schemes. However, due to the limited range of new scheme information available in the 2014-15 year, it has not been possible to update these unit rates. As such the Baxter indices have been applied this year. In 2014-15 the Department has applied a provisional index to 31 December 2014 as this was the most up to date at the statement of financial position date. The Revaluation of Network Assets (Roads & Bridges) will be carried out in 2015-16.

Condition Surveys for the Road Network

Depreciated replacement cost accounting as outlined in the Statement of Accounting Policies requires that an annual condition survey be undertaken to inform the decision on whether depreciation should be charged and whether any adjustment is necessary in respect of the condition of the network.

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

CVI is the only physical survey currently suitable for the majority of non-trunk roads. However CVI is a visual as opposed to a machine based survey and is therefore subjective and has limited repeatability. To overcome this problem the results of each years survey are aggregated; 2 years for "B" and "C" class roads and 4 years for unclassified roads.

Until a machine based survey is fully developed, tested and implemented the CVI survey remains the only physical assessment of condition on this class of road.

Donaghadee Harbour

The Department is responsible under the Donaghadee Harbour Act 1820 for the appointment of the Harbour Commissioners. This arrangement is designed to ensure the preservation of the fabric of the harbour and the setting within which it is framed for the current and future generations. Commercial activity ceased some years ago and the harbour is now used almost exclusively for leisure purposes. As such, it is classified as a non-operational heritage asset. As is permitted by the FReM, the harbour has not been capitalised in the Statement of Financial Position of the Department as the costs of obtaining a valuation would outweigh the benefits arising. From 1st April 2015, Donaghadee Harbour will transfer to the new district councils under the Local Government Act (Northern Ireland) 2014.

8. Intangible assets

	Software Licences	Externally Developed Software	Internally Developed Software	Payments on Account and Assets under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation					
At 1 April 2014	**510**	**93**	**130**	**-**	**733**
Adjustment to opening balance	-	-	-	-	-
Additions	2	98	(13) *	131	218
Disposals	(76)	-	(10)	-	(86)
Revaluations	7	3	1		11
Reclassification	-	(1)	-	63	62
Transfers	-	-	-	-	-
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-	-	-
At 31 March 2015	**443**	**193**	**108**	**194**	**938**
Depreciation					
At 1 April 2014	**222**	**11**	**35**	**-**	**268**
Adjustment to opening balance	-	-	-	-	-
Charged in year	99	33	13	-	145
Disposals	(76)	-	(10)	-	(86)
Transfers	-	-	-	-	-
Backlog depreciation	-	-	-	-	-
Reclassification	-	-	-	-	-
Revaluation	3	1	-	-	4
Revaluation/indexation charge to the Statement of Comprehensive Net Expenditure	-	-	-	-	-
At 31 March 2015	**248**	**45**	**38**	**-**	**331**
Carrying Amount at 31 March 2015	**195**	**148**	**70**	**194**	**607**
Carrying Amount at 1 April 2014	**288**	**82**	**95**	**-**	**465**
Asset financing:					
Owned	**195**	**148**	**70**	**194**	**607**
On-statement of financial position PFI contracts	-	-	-	-	-
Carrying Amount at 31 March 2015	**195**	**148**	**70**	**194**	**607**

*Reversal of 2013-14 accruals

Intangible Assets

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

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

9. Impairments

An impairment expense of £5,000 (2013-14: nil) in relation to land has been accounted for through the Statement of Comprehensive Net Expenditure.

10. Capital and other commitments

10.1. Capital commitments

	31 March 2015 £000	31 March 2014 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements	**110,681**	**93,358**

10.2 Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31 March 2015 £000	31 March 2014 £000
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	8	108
Later than one year and not later than five years	25	299
Later than five years	-	142
Total	**33**	**549**
Office Equipment:		
Not later than one year	-	20
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**-**	**20**

10.3. Commitments under PPP contracts

10.3.1 The Department has entered into the following on-Statement of Financial Position PPP contract for the Design, Build, Finance and Operations of sections of the road network:

PPP Package 1:

- M1/Westlink upgrade
- Grosvenor Road
- M2 Crosskennan slip roads at Antrim Hospital
- M2 widening between Sandyknowes and Greencastle
- Operation and maintenance of 65km of the motorway/trunk roads network.

PPP Package 1 commenced on 3 February 2006 and was completed on 28 November 2009. The contract was for 30 years and ends on 31 March 2036.

The capital value of this PPP Package 1 is £118,219,000.

PPP Package 2:

- A1 dualling between Beech Hill and Cloghogue
- Improving the safety junctions on the A1
- A4 dualling between Dungannon and Ballygawley
- Improving A4 Annaghilla and A5 at Tullyvar
- Operation and maintenance of 125km of the motorway/trunk roads network.

PPP Package 2 commenced on 16 November 2007 and was completed on 5 May 2011. The contract was for 30 years and ends on 31 March 2038.

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

10.3.2 On Statement of Financial Position (SoFP)

PPP Package 1 and Package 2

The Department has entered into two on balance sheet (SoFP) PPP Contracts in relation to PPP Package 1 and Package 2. Under IFRIC 12, these assets are treated as assets of the Department. The substance of the contract is that the Department has two finance leases. Payments to the PPP providers comprise two elements – imputed finance lease charges and service charges.

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

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	28,572	28,572
Later than one year and not later than five years	114,287	114,287
Later than five years	481,341	509,913
	624,200	**652,772**
Less interest element	(307,003)	(329,210)
Total	**317,197**	**323,562**

10.3.3 Charges to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of off balance sheet (SoFP) PPP transactions and the service element of on balance sheet (SoFP) PPP transactions was £17,067,986 (2013-14: £16,209,793) and the payments to which the Department is committed, analysed by the period during which commitment expires is as follows:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	19,627	19,195
Later than one year and not later than five years	84,916	79,931
Later than five years	656,673	678,954
	761,216	**778,080**

10.3.4 Off Statement of Financial Position PPP contracts

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

10.4. Other financial commitments

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

Capital loan notes are issued under the instrument constituting £1,280,200,000 Fixed Coupon Unsecured Loan Notes 2027. As this instrument was originally put in place for a period of 7 years until 31 March 2014 the Department has extended the arrangement until 31 March 2016 in line with Executive policy. The actual amounts issued are determined by the progress of NI Water's capital programme and its cash requirement. The loans are due to be redeemed in 2027 (or earlier if refinanced). To date NI Water has issued loan notes with a value of £947.56 million (31 March 2014: £911.56 million) including the £150 million issued at vesting (**note 13**).

The Department had also entered into a commitment to provide two further credit facilities but these were not renewed when they expired on 31 March 2014 as they had never been utilised. The Revolving Credit Facility A for £55 million was for funding for additional unforeseen expenditure by NI Water which was envisaged to be recovered through the regulatory mechanism. The Revolving Credit Facility B (up to the limit of the unused element of the £55 million) was for additional unforeseen expenditure which was not envisaged to be recovered through the regulatory mechanism. Any amounts drawn down on these two facilities would have required DRD approval to ensure that the expenditure fell within the agreed parameters set out in the agreements.

11. Financial guarantees

11.1 The Department has entered into two separate deeds of guarantee in respect of the 'Alpha' water PPP contract and the 'Omega' wastewater PPP contract held by NI Water.

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

In the absence of a mature market for the underlying risk, the fair value attributed by the Department has to reflect the likely impact on the public sector. In this case the Department considers the risk of the guarantee being called upon as so small that the value attributable to the guarantee should be nil.

The Department considers the risk of the guarantee being called upon as so small that the value attributable to the guarantee should be nil.

11.2 Subsidy payments to Northern Ireland Water

Under Article 213 (3) of the Water and Sewerage Services (Northern Ireland) Order 2006, the Department is required to make grants to NI Water appearing to it to be equal to the amount of discounts provided by NI Water for charges payable to them in, or in respect of the initial period of three years from 1 April 2007 – 31 March 2010. The initial period was amended from three years to six years by the Water and Sewerage Services (Amendment) Act (Northern Ireland) 2010. Further legislation has now extended the provision of subsidy to 2016. The Executive's PfG (March 2012) commits to no additional household charges during the current PfG period. Consequently DRD will continue to pay subsidy under this legislation. During 2015-16 this is estimated to be £282m.

12. Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk as the majority of receivable balances are with other government bodies. The Department manages its credit risk by ensuring regular review of receivables and prompt follow up of unpaid invoices. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the Statement of Financial Position.

Liquidity risk

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

Currency Risk

The Department receives reimbursement of certain grant payments from the European Union. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The Department translates its EU Receivable balances at the relevant exchange rate at each year end.

The Department does not have the authority to manage currency risk through hedging.

Interest Rate Risk

The interest rate on loan notes issued after 31 March 2010 to NI Water is 0.85% per annum above the Reference Gilt rate on the relevant issue date, such rate priced from the yield to maturity published on such date by the UK Government Debt Management Office. All of the Department's other financial assets and liabilities carry nil or fixed rates of interest.

Gains/losses

The following table shows the net gains/losses recognised through the Statement of Comprehensive Net Expenditure by measurement category:

					2014-15	2013-14
	From Subsequent Measurement					
	From Interest	At Fair Value	Currency Translation	Impairment/ Reversal of Impairment	Net gain/(loss)	Net gain/(loss)
	£000	£000	£000	£000	£000	£000
Loans and receivables	-	-	(48)	(1,368)	(1,416)	(1,971)
Total	**-**	**-**	**(48)**	**(1,368)**	**(1,416)**	**(1,971)**

The Department recognises the components of net gain/loss through the Statement of Comprehensive Net Expenditure. The net currency translation gains on financial assets classified as loans and receivables are attributable to monies due from the EU in respect of grant payments.

The impairment/reversal of impairment relates to bad debts written off or provided through the Statement of Comprehensive Net Expenditure.

13. Investment in Northern Ireland Water

	Loan Stock & Ordinary Shares	Loan on vesting	Long-term loan	Total
	£000	£000	£000	£000
Balance at 1 April 2013	671,690	150,000	732,560	1,554,250
Additions			29,000	29,000
Balance at 1 April 2014	671,690	150,000	761,560	1,583,250
Additions			36,000	36,000
Balance at 31 March 2015	**671,690**	**150,000**	**797,560**	**1,619,250**

All investments are held within the Department.

On 1 April 2007 the responsibility for the provision of water and sewerage services transferred from Water Service, an executive agency of the Department, to Northern Ireland Water Limited, a private limited company wholly owned by the Department. As a consequence of the vesting in the company of the assets and liabilities of Water Service (value at 1 April 2007 £822 million), the Department was issued with £150 million of loan notes under the Subscription Agreement and maintained an equity interest of £672 million. In addition, the Subscription Agreement provides for the company to issue and the Department to subscribe in cash for additional loan notes. At the 31 March 2015 the company had issued further loan notes of £798 million. The interest rate on loan notes issued up to 31 March 2010 and the initial loan notes is 5.25%, fixed for the term of the loan. The interest rate on loan notes issued after 31 March 2010 is 0.85% per annum above the Reference Gilt rate on the relevant issue date, such rate priced from the yield to maturity published on such date by the UK Government Debt Management Office.

The investment is shown at historical cost less any provision for impairment.

The Department's share of the net assets and results of NI Water is summarised below.

	Northern Ireland Water
	£000
Net assets at 1 April 2014	1,120,643
Turnover for year ended 31 March 2014	432,702
Surplus/profit for the year (before financing)	196,781
Net assets at 31 March 2015	1,193,387
Turnover for the year ended 31 March 2015	425,598
Surplus/profit for the year (before financing)	193,094

14. Assets held for sale

	31 March 2015 £000	31 March 2014 £000
At 1 April 2014	27	317
Transfers in	862	2,317
Transfers out	(15)	(348)
Disposals	(860)	(2,259)
Total	**14**	**27**

The Department intends to dispose of within the next year land it no longer requires. These are being actively marketed. No impairment loss was recognised on reclassification of the land as held for sale at 31 March 2015.

15. Inventories

	31 March 2015 £000	31 March 2014 £000
Inventories	2,735	2,749
Work in progress		-
	2,735	**2,749**

16. Cash and cash equivalents

	Cash and bank balances	Bank Overdraft	Net
	£000	**£000**	**£000**
Balance at 1 April 2014	**7,538**	**-**	**7,538**
Net change in cash and cash equivalents	(4,687)	-	(4,687)
Balance at 31 March 2015	**2,851**	**-**	**2,851**

	31 March 2015	31 March 2014
	£000	£000
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**2,851**	7,538
Total	**2,851**	**7,538**

The net balance comprises:	**31 March 2015**	31 March 2014
	£000	£000
Cash due to be paid to the Consolidated Fund:		
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund (see Note 21.1)	262	96
Amounts issued from the Consolidated Fund for Supply but not spent at year end (see Note 21.1)	-	7,442
Cash due to be received from the Consolidated Fund:		
Consolidated Fund Extra Receipts prepaid to the Consolidated Fund (see Note 20.1)	2,589	-
Amounts not issued by the Consolidated Fund for Supply but spent at the year end (see Note 20.1)	-	-
	2,851	**7,538**

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

		31 March 2015 £000	31 March 2014 £000
Net cash requirement	SOAS 4	(749,423)	(758,832)
From the Consolidated Fund (Supply) - current year		744,570	764,841
From the Consolidated Fund (Supply) - prior year		-	-
Amounts due to the Consolidated Fund received and not paid over		262	96
Amounts due to the Consolidated Fund received in a prior year and paid over		(96)	(908)
Increase/(decrease) in cash		**(4,687)**	**5,197**

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

	Note	2014-15 £000
(Increase)/decrease in inventories	15	14
(Increase)/decrease in receivables	20.1	2,765
Adjustments to movements in receivables		
Movement in CFER related Receivables	20.1	746
Consolidated Fund Receivable written off	20.1	-
Movement in provision for bad debts		(196)
Increase/(decrease) in payables less than 1 year	21.1	124
Adjustments to movements in payables less than 1 year		
Movement in bank	16	-
(Increase)/decrease in amounts due to the Consolidated Fund	21.1	3,941
Movement in creditors through General Fund		-
Movement in creditor due to opening PPA adjustment		-
Net (increase)/decrease in working capital other than cash recognised in Statement of Assembly Supply		**7,394**

19. Analysis of cashflows from investing activities

	Note	Capital expenditure -Tangible £000	Capital expenditure - Intangible £000	Capital expenditure - Total £000	Loans, etc. £000	Accruing Resources £000	2014-15 Net total £000
Request for Resources A		219,978	218	220,196	-	(1,081)	219,115
Request for Resources B		-	-	-	36,000	-	36,000
Cash out/in flow from fixed assets		219,978	218	220,196	36,000	(1,081)	255,115
Movement in receivables/payables							
Capital provisions made	22	9,963	-	9,963	-	-	9,963
Capital provisions utilised	22	(5,888)	-	(5,888)	-	-	(5,888)
Movement in capital creditors		(147)	-	(147)	-	-	(147)
Remove prior period adjustments		-	-	-	-	-	-
Loss on disposal of fixed asset		-	-	-	-	(39)	(39)
Total 2014-15		**223,906**	**218**	**224,124**	**36,000**	**(1,120)**	**259,004**
Non-operating Accruing Resources (Statement of Assembly Supply)							
Net book value of assets disposed	7,8,14						(1,120)
Loss on disposal	4,5						39
Excess non- operating Accruing Resources	SOAS7						-
Non-operating Accruing Resources (Statement of Assembly Supply)							**(1,081)**

20. Trade receivables and other current assets

20.1

	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:		
Trade receivables	3,448	3,847
Other receivables	788	2,338
Prepayments and accrued income	4,280	5,837
VAT	10,811	10,645
EU/TEN-T grants receivable - Accruing Resource	17,519	17,690
EU/TEN-T grants receivable - CFER*	2,480	1,734
	39,326	42,091
Amounts due from the Consolidated Fund in respect of Supply	-	-
	39,326	**42,091**

*EU/TEN-T grants receivable £2,480k (2013-14: £1,734k) are to be surrendered to the Consolidated Fund when received.

The following table shows the provision for bad debt included in trade receivables in the table above at the period end:

	2015 £000	2014 £000
Balance at 1 April	8,002	6,638
Increase in provision	1,368	1,779
Use of provision	(1,172)	(415)
Balance at 31 March	8,198	8,002

In determining the recoverability of a trade receivable, the Department considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

No interest is charged on the trade receivables. The Department has provided fully for all receivables where there is evidence to suggest the debt is not recoverable.

20.2 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015 £000	Restated 31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Balances with other central government bodies	11,158	11,556	-	-
Balances with local authorities	213	1,078	-	-
Balances with NHS Trusts	45	213	-	-
Balances with public corporations and trading funds	485	799	-	-
Intra-government balances	11,901	13,646	-	-
Balances with bodies external to government	27,425	28,445	-	-
Total receivables at 31 March	**39,326**	**42,091**	**-**	**-**

21. Trade payables and other current liabilities

21.1

	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:		
Bank overdraft (Note 16)	-	-
Trade payables	7,011	7,590
Accruals and deferred income	127,843	123,897
Other taxation and social security	-	-
Other payables	4,285	3,587
Amounts issued from the Consolidated Fund for Supply but not spent at year end	2,589	7,442
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – EU grants		
– Received	226	-
– Receivable	2,480	1,734
Consolidated Fund Extra Receipts received and receivable due to be paid to the Consolidated Fund – other		
– Received	36	96
– Receivable	-	-
	144,470	**144,346**
Amounts falling due after more than one year:		
Other payables	5,526	5,306
Imputed loan on PPP contracts	317,197	323,562
	322,723	**328,868**

21.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Balances with other central government bodies	6,556	10,835	330	-
Balances with local authorities	2,268	1,435	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	44,936	41,114	-	-
Intra-government balances	53,760	53,384	330	-
Balances with bodies external to government	90,710	90,962	322,393	328,868
Total	**144,470**	**144,346**	**322,723**	**328,868**

22. Provisions for liabilities and charges

	Land Acquisition for Schemes	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000
Balance 1 April 2014	34,226	20	4,295	38,541
Provided in year	11,721	(2)	5,589	17,308
Provisions not required written back	(1,758)	-	-	(1,758)
Provisions utilised in year *	(5,888)	(13)	(5,311)	(11,212)
Balance 31 March 2015	38,301	5	4,573	42,879

Analysis of expected timing of discounted flows

	Land Acquisition for Schemes	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000
Not later than one year	-	5	-	5
Later than one year and not later than five years	38,301	-	4,573	42,874
Later than five years	-	-	-	-
Balance 31 March 2015	38,301	5	4,573	42,879

*In addition to the above provisions there was £1,172k of bad debt provisions utilised.

	Land Acquisition for Schemes	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000
Balance 1 April 2013	42,934	47	3,514	46,495
Provided in year	9,329	1	6,211	15,541
Provisions not required written back	(9,341)	-	-	(9,341)
Provisions utilised in year *	(8,696)	(28)	(5,430)	(14,154)
Balance 31 March 2014	34,226	20	4,295	38,541

*In addition to the above provisions there was £415k of bad debt provisions utilised.

Analysis of expected timing of discounted flows

	Land Acquisition for Schemes	Early Retirement Provisions	Legal Claims	Total
	£000	£000	£000	£000
Not later than one year	-	20	-	20
Later than one year and not later than five years	34,226	-	4,295	38,521
Later than five years	-	-	-	-
Balance 31 March 2014	34,226	20	4,295	38,541

22.1 Land Acquisition for Schemes

Land acquisition values are provided for when it is probable that a future payment will be made. This will be when the vesting order becomes operative. Advice on the value of the claim is obtained from professional valuers within Land and Property Services.

22.2 Early Retirement Provisions

The Department meets the additional costs of benefits beyond the normal benefits in respect of employees who retire early by paying the required amounts annually over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.3% in real terms.

22.3 Legal Claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of five years. The provision is based on the estimated cash flows discounted by the Treasury discount rates. No reimbursement will be received in respect of any of these claims. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in **note 23**.

The legal claims provision includes unsettled public/employer claims (£4,563,578) and unfair dismissal claims (£11,564) at the year end.

22.4 Contractors Claims

Claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in **note 23**.

23. Contingent liabilities disclosed under IAS 37

The Northern Ireland Civil Service launched a Voluntary Exit Scheme (VES) across all departments on 2 March 2015. The closing date for applications was 27 March 2015. At the balance sheet date, there is a possible obligation on the department which may give rise to a liability should any of the department's employees apply and be successful. It is not possible, at the balance sheet date, to quantify what this potential liability may be.

At March 2015 there were unsettled public and employer liability cases in which the Department are disputing liability but which could lead to a loss. A review of outstanding cases by the Central Claims Unit, which are considered unlikely to succeed, has indicated possible liabilities estimated at £5,061,634. A contingent liability exists for possible dismissal cases and compensation payments in relation to these cases are estimated at £142,468.

There is also a possible liability of £374,000 in relation to solicitor's fees which the Department are disputing liability but could lead to a loss.

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

There are is a possible contingent liability of £2,480,000 in relation to land for schemes.

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

24 Contingent liabilities not required to be disclosed under International Accounting Standard (IAS 37) but included for Assembly reporting and accountability purposes

Such contingent liabilities, whether quantifiable or unquantifiable, arise through specific guarantees, indemnities or by the giving of letters of comfort. None of these are contingent liabilities within the meaning of IAS 37 since the likelihood of transfer of economic benefits in settlement is too remote.

There are no contingent liabilities that are not required to be disclosed under IAS 37 but are required to be disclosed for Assembly reporting and accounting purposes.

25. Losses and special payments

25.1 Losses Statement

	2014-15		2013-14	
	Number of cases	**£000**	Number of cases	£000
Stores and plant losses	7	4	19	152
Abandoned claims	16	1,172	13	417
Fruitless payments	1	1	2	6
Foreign exchange losses	7	228	3	191
Bookkeeping losses	2	1	-	-
Losses of pay, allowances & superann benefits	1	1	-	-
Constructive loss	-	-	-	-
Other cash losses	4	1	9	1
	38	**1,408**	**46**	**767**

25.2 Special Payments

	2014-15		Restated 2013-14
Number of cases	**£000**	Number of cases	£000
940	**6,093**	**1379**	**7,275**

Special Payments includes compensation payments including those arising from Public and Employer Liability Claims and Ex Gratia payments.

Details of cases over £250,000

The Department incurred losses relating to penalty charge notice debt of £785,766 (2013-14: £281,287) during the financial year. The penalty charge notices were all more than 6 months old and all steps possible to recover the debt were taken. The loss was categorised as ‘claims waived or abandoned’ in accordance with Managing Public Money (NI).

Following a High Court judgement, some advance works undertaken on the A5 Western Transport Corridor were reinstated by the Department together with compensation for loss of use of land. The total paid during the financial year was £558,434 (2013-14: £1,655,517) and these are categorised as Ex Gratia Special Payments in accordance with Managing Public money (NI).

26. Related-party transactions

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

NI Water is a government owned company, the Department being the sole shareholder. The Department provides NI Water with subsidy and loan finance. For public expenditure purposes NI Water is defined as a non departmental public body and its expenditure directly impacts on the Department’s budget.

DRD is also responsible for ports policy and the legislative framework within which ports operate.

During the year the Department provided certain core administration services (mainly on a notional charging basis) for the Department of the Environment and its agencies and the Department of Culture, Arts and Leisure.

DFP provides services such as Account NI, accommodation, recruitment, land and property services and legal services to the Department at a notional cost.

All of the above are regarded as related parties with which the DRD had various material transactions during the year.

In addition, DRD has had a small number of transactions with other government departments and other government bodies, the majority of which are Northern Ireland Departments.

Neither the Minister nor any of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

27. Entities within the departmental boundary

There are no other entities within the Departmental boundary in 2014-15.

28. Business activities attracting fees and charges

			2014-15	2013-14
			£000	£000
	Income	**Cost**	**Surplus/(deficit)**	Surplus/(deficit)
Car Parks	(17,305)	15,442	1,863	2,564
Strangford Ferry	(1,092)	2,174	(1,082)	(1,393)
Total	**(18,397)**	**17,616**	**781**	**1,171**

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

The financial target for car parking services in 2014-15 is 100% (2013-14: 70%) recovery of the full cost of providing, updating and maintaining the services. The actual percentage recovery achieved was 112% (2013-14: 117%). The cost recovery has decreased slightly primarily as a result of lower car parking receipts.

The financial target for the ferry service in 2014-15 is 40% recovery of the full cost of providing and maintaining the service. The actual percentage recovery achieved was 50% (2013-14: 43%). The cost of recovery for the ferry service has increased from a combination of increased income and lower fuel and maintenance costs.

29. Local Government Reform

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

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

30. NICS reform

The Stormont House Agreement contains a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The number, names and high level functions of the new departments are currently being considered by Ministers. It is anticipated that staff working in the affected areas will move with the function. The proposed 9-departmental model outlines a machinery of government change where the functions of DRD will transfer to a new Department, The Department for Infrastructure, in May 2016.

31. Events after the Reporting Period

Since 31 March 2015, applications for the Voluntary Exit Scheme have been processed, with some staff receiving conditional offers with an anticipated leaving date of 30th September. Exits through the Scheme will be dependent on confirmation of funding. This is a non-adjusting event and consequently, the 2014-15 accounts have not been adjusted.

A Lands Tribunal case included in Provisions as at 31st March 2015 was settled on 7th May 2015 in the amount of £3.5 million plus interest and costs. Payments to settle this liability will be made during the 2015-16 financial year.

A Ministerial Direction was issued in May 2015 to enable Translink to proceed with the Coleraine to Derry/Londonderry railway line upgrade. The Direction was approved by the Finance Minister.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 1 July 2015.

Appendix A

Entities outside the Departmental Boundary

The Department's Arms Length Bodies

Northern Ireland Water

NI Water is a company, with the Department being its sole shareholder. It is appointed as the statutory water and sewerage undertaker, operating under licence and at arms length from central government structures. It is also a non-departmental public body for public expenditure purposes. The Minister is responsible for the policy and legislative framework and sets strategic objectives. The delivery of water and sewerage services is the responsibility of the company, subject to regulatory oversight by the NI Authority for Utility Regulation and environmental regulators. As Accounting Officer, the Chief Executive, along with the NI Water Board, is responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored. A Management Statement and Financial Memorandum (MSFM) operates.

The Department monitors NI Water's business performance and outlook and engages with the company Board, Chair and Executive Team on strategic and shareholder matters. In keeping with the company's Articles of Association, the Department is responsible for making appointments to the Board of NI Water. A new Chair of NI Water was appointed on 1 April 2015 for a period of four years. We are also responsible for making loans and paying subsidy to the company and this expenditure is reflected within the Department's Resource Accounts.

Northern Ireland Transport Holding Company (NITHC)

NITHC is a public corporation and the parent company of the publicly owned bus and rail companies in the region. These companies, Northern Ireland Railways, Ulsterbus and Citybus (trading as Metro) operate under the brand name of Translink. NITHC's statutory duties are to manage public transport properties and to oversee the activities of Translink.

The Department is also responsible for setting specific targets for NITHC and monitoring the extent to which these targets are achieved. Furthermore, we are also responsible for ensuring that appropriate financial and management controls are in place and that compliance with those controls is effectively monitored. The Minister is responsible for appointing the Chair and members of the NITHC Board. The arrangements are governed and carried out within an agreed financial framework, which is subject to regular review. A Management Statement and Financial Memorandum (MSFM) operates.

The Department provides financial assistance to Translink as part of the Executive's investment in public transport here and this expenditure is reflected within the Department's Resource Accounts.

Northern Ireland Trust Ports

The Department also has responsibility for ports policy and the legislative framework within which ports operate in Northern Ireland. There are five commercial ports in Northern Ireland – four Public Trust Ports (Belfast, Londonderry, Warrenpoint and Coleraine) and one in private ownership (Larne). Public Trust Ports are autonomous, self-financing statutory bodies whose constitutions are set out in legislation. They operate on a commercial basis with the profit generated by their activities re-invested to improve their facilities.

The Department has responsibility for the appointment of the Chair and members of the Trust Ports at Belfast, Londonderry and Warrenpoint. Coleraine Borough Council (prior to its assimilation into the new Causeway Coast and Glens Council) has responsibility for the appointment of Commissioners for Coleraine Port. During 2014-15, the Department also had responsibility for the appointment of the Donaghadee Harbour Commissioners. Responsibility for the Harbour transferred to the new Ards and North Down Council on 1 April 2015.

The Trust Ports are currently classified by the Office for National Statistics as public corporations. Accordingly, all borrowings by the ports must come from the Department (albeit at commercial rates to avoid State Aid issues). In addition, the capital investment plans of the ports score against Departmental Annually Managed Expenditure.

Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Department for Regional Development Resource Accounts 2014-15

I have qualified my audit opinion on regularity on the Department for Regional Development (the Department) accounts for 2014-15 as detailed below.

1. Irregular Expenditure

1.1 As part of my audit of the Department's financial statements, I am required to satisfy myself that, in all material aspects, the expenditure and income shown in the financial statements have been applied to the purposes intended by the Assembly and conform to the authorities which govern them.

1.2 The Assembly authorises and sets limits on public expenditure on two bases, resources and cash. Such amounts are set out in the Supply Estimates for which the Assembly's approval and authority is given in the annual Budget Acts. Resource expenditure includes expenditure classified as Departmental Expenditure (DEL), Annually Managed Expenditure (AME) and Non Budget. In certain circumstances, the Department of Finance and Personnel (DFP) may approve the use of underspends on one part of the estimate to cover overspends on another part of the estimate – this is referred to as virement[5] approval.

1.3 The Department's Supply Estimate was set, as part of budget 2011-15 in the expectation that £20 million of income would be secured from Belfast Harbour Commissioners in both 2013-14 and 2014-15. As such the Department's Supply Estimates for 2014-15 included a provision for £18,840,000 of net income within DEL.

1.4 The anticipated income from Belfast Harbour Commissioners did not materialise and legal advice has confirmed that there exists no mechanism for extracting the income from Belfast Harbour Commissioners. As a result the Department faced a shortfall in its Request for Resources A DEL funding of £20 million in both 2013-14 and in 2014-15. In 2013-14 the Executive had recognised the position and allocated £20 million additional funding to the Department through in-year monitoring, however, the Executive did not provide a similar allocation in 2014-15. In addition, the Department had to absorb £15 million of in-year cuts following an Executive-wide decision. The Department told us that it made considerable efforts to achieve a further £20 million budget reduction including reducing expenditure on roads and railways by some £8 million.

1.5 In December 2014, with due regard for public health and safety, the Minister issued a Ministerial Direction to the Department's Permanent Secretary directing him to continue to provide services relating to winter service, road maintenance and essential travel and to maintain the NI Water budget as its current level rather than introducing further cuts. DFP did not approve this Direction to spend resources beyond the control totals agreed by the Executive. As a result, the Department exceeded the DEL position in the Supply Estimates by approximately £8.5m. This mainly relates to an overspend on ferry services, air and sea ports (line 2 of the Supply Estimates) of £19,469,000, offset by underspends on roads (line 1 of the Supply Estimates) and railway services (line 3 of the Supply Estimates).

[5] Virement is the process through which funds are moved between subheads such that additional expenditure on one is met by savings on one or more others.

1.6 The Department sought virement approval in June 2015 which would reduce the overspend on ferry services, air and sea ports to £8,527,000. In response DFP advised the Department that it was unable to approve the full amount of requested virement as to do so would be to effectively change a decision previously taken by the Executive. The virement approval which was received in June 2015 allocated savings totalling £6,528,000 from other areas of expenditure (mainly railway services) to reduce the overspend on ferry services, air and sea ports to £12,941,000.

1.7 The Department has not exceeded the overall net Request for Resource A or Request for Resource B position. There was also no breach of the cash based limit authorised by the Assembly.

1.8 I welcome the full disclosure of this regularity issue in the Accounting Officer Governance Statement.

Conclusion

1.9 There was no authority for this £12,941,000 overspend of DEL classified expenditure. I have therefore concluded that the expenditure has not been applied for the purposes intended by the Assembly and is not in conformity with the authorities which govern it and qualified my opinion on regularity in this respect.

Kieran J Donnelly

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1 July 2015